

Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2022
[Japanese GAAP] (Consolidated)
 English translation from the original Japanese-language document



MEMBERSHIP

October 28, 2021

Stock Listing: Tokyo and Nagoya

Name of Listed Company: Hino Motors, Ltd.

Code Number: 7205 URL: <https://www.hino.co.jp/>

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Scheduled Date of Dividend Payment Start: November 29, 2021

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, 2022 (April 1, 2021–September 30, 2021)

(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 2022	689,385	—	31,812	—	32,235	—	11,756	—
2Q of FY 2021	666,279	-29.6	-11,671	—	-12,819	—	-9,624	—

(Note) Comprehensive income: 2Q of FY 2022: ¥ 11,506million (—%) 2Q of FY 2021: ¥ 431 million (-97.8%)

	Profit per share	Diluted profit per share
	Yen	Yen
2Q of FY 2022	20.48	—
2Q of FY 2021	-16.77	—

(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 current consolidated accounting period. Accordingly, the figures for the second 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	%
2Q of FY 2022	1,221,888	608,099	45.5
FY 2021	1,231,495	604,872	45.0

(Reference) Equity capital: 2Q of FY 2022: ¥ 556,428million FY 2021: ¥ 554,245 million

(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 current consolidated accounting period. Accordingly, the figures for the second quarter of the term ending March 2022 reflect said accounting standard, etc.

2. Dividends

	Dividends per share				
	1Q	2Q	3Q	Year-end	Annual
FY 2021	—	Yen	5.00	Yen	Yen
FY 2022	—	10.00	—	7.00	12.00
FY 2022 (forecast)			—	7.00	17.00

(Note) Changes from the latest dividend forecast: Yes

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(% of change from FY2021)

	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 2022	1,460,000	—	54,000	—	51,000	—	15,000	—	26.13

(Note) Changes from the latest financial forecast: Yes

(Note 2) The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29; March 31, 2020), etc. were applied from the beginning of the current consolidated accounting period. Accordingly, the above consolidated earnings forecasts reflect said accounting standard, etc., and year-on-year increase/decrease rates are not indicated.

*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: Yes

2) Changes in accounting policies due to reasons other than above 1): None

3) Changes in accounting estimates: None

4) Restatements: None

(Note) For details, please refer to “2. Quarterly Consolidated Financial Statements and Major Notes, (3) Notes to Consolidated Financial Statements (Revision to the Accounting Policy)” on page 8 of the attached documents.

(4) Number of shares outstanding (common stock)

1) Number of shares outstanding (including treasury stock) at end of term	2Q of FY 2022	574,580,850 shares	FY 2021	574,580,850 shares
2) Number of treasury stock at end of term	2Q of FY 2022	553,353 shares	FY 2021	552,655 shares
3) Average number of shares (quarterly consolidated cumulative period)	2Q of FY 2022	574,027,797 shares	2Q of FY 2021	574,029,141 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 consolidated second quarter (six months), it remained healthy although the economy was stagnant as the state of emergency was prolonged. As a result, the total demand for heavy- and medium-duty trucks was 40.6 thousand units, a decrease of 0.7 thousand units (-1.7%) compared to the same quarter in the previous year, and total demand for light-duty truck was 41.2 thousand units, an increase of 1.5 thousand units (3.8%) compared to the same quarter in the previous year. As a whole, it increased slightly from the previous year. Our share in the entire truck market reached 34.4%, hitting a record high for the first half, as we took thoroughgoing measures for preventing the infection of COVID-19 and made group-wide efforts to sell our products. In addition, our share in the light-duty truck market reached 30.1%, hitting a record high. The total domestic sales volume of light-, medium-, and heavy-duty trucks and buses increased 400 vehicles (1.4%) from the same quarter in the previous year to 29.2 thousand vehicles.

As for overseas sales, sales volume continued to be healthy in Asia, Latin America, etc. As a result, total sales volume of trucks and buses was 44.7 thousand units, an increase of 16.2 thousand units (56.7%) 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 74.0 thousand units, an increase of 16.6 thousand units (28.9%) compared to the same quarter in the previous year.

As for the volume of sales to Toyota Motor Corporation, the sales volume of mainly SUVs increased, so total sales volume was 67.9 thousand units, an increase of 25.6 thousand units (60.5%) compared to the same quarter in the previous year.

As a result of the above, net sales in the current consolidated second quarter were ¥689,385 million. As for profit and loss, due mainly to an increase in net sales, operating income was ¥31,812 million which is an increase of ¥43,484 million compared to the same quarter in the previous year (operating loss of ¥11,671 million in the first quarter of the previous year), ordinary income was ¥32,235 million which is an increase of ¥45,054 million compared to the same quarter in the previous year (ordinary loss of ¥12,819 million in the first quarter of the previous year), and profit attributable to owners of parent was ¥11,756 million which is an increase of ¥21,381 million compared to the same quarter in the previous year (loss attributable to owners of parent of ¥9,624 million in the same quarter of the previous year).

The Accounting Standard for Revenue Recognition (Corporate Accounting Standards No. 29; March 31, 2020), etc. were applied from the beginning of the first quarter of the current consolidated accounting period. Accordingly, the sales for the second quarter of the current consolidated accounting period decreased ¥130,177 million. For details, please refer to “2. Quarterly Consolidated Financial Statements and Major Notes, (3) Notes to Quarterly Consolidated Financial Statements (Revision to the Accounting Policy).”

(2) Information on Consolidated Financial Position

Total assets at the end of the second quarter decreased to ¥1,221,888 million by ¥9,606 million compared to the end of the previous fiscal year. This is mainly because notes and accounts receivable - trade decreased by ¥30,240 million, while inventories increased by ¥23,680 million.

Liabilities decreased to ¥613,789 million by ¥12,833 million compared to the end of the previous fiscal year. This is because interest-bearing liabilities decreased by ¥21,179 million.

Net assets increased to ¥608,099 million by ¥3,226 million compared to the end of the previous fiscal year. This is mainly because dividends from retained earnings of ¥4,019 million were paid as profit attributable to owners of parent of ¥11,756 million was recorded and valuation difference on available-for-sale securities decreased by ¥2,278 million.

(3) Information on Forecasts of Consolidated Financial Results

The full-year consolidated earnings forecasts have been revised as follows, while considering the change in the number of vehicles whose production was outsourced by Toyota Motor Corporation and the sales situation of our trucks and buses inside and outside Japan.

(Consolidated Earnings Forecasts for the Full Fiscal Year)

Net sales	¥1,460,000 million
Operating income	¥54,000 million
Ordinary income	¥51,000 million
Profit attributable to owners of parent	¥15,000 million
Japan unit sales of trucks and buses	61.0 thousand units
Overseas unit sales of trucks and buses	97.0 thousand units
Unit sales of Toyota brand vehicles	149.0 thousand units

*The above forecasts are created based on the information available to the company at the time 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)

	FY 2021 (As of March 31, 2021)	Second Quarter of FY 2022 (As of September 30, 2021)
Assets		
Current assets		
Cash and deposits	56,188	49,958
Notes and accounts receivable - trade	300,569	270,329
Merchandise and finished goods	132,816	137,538
Work in process	33,810	43,194
Raw materials and supplies	34,036	43,611
Other	54,794	54,332
Allowance for doubtful accounts	-3,584	-3,576
Total current assets	608,632	595,388
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	172,976	173,967
Machinery, equipment and vehicles, net	84,907	77,738
Land	128,068	127,254
Other, net	49,135	59,311
Total property, plant and equipment	435,087	438,271
Intangible assets	26,918	28,527
Investments and other assets		
Investment securities	127,307	125,865
Deferred tax assets	19,657	19,931
Other	16,898	17,070
Allowance for doubtful accounts	-3,005	-3,167
Total investments and other assets	160,857	159,700
Total non-current assets	622,862	626,500
Total assets	1,231,495	1,221,888
Liabilities		
Current liabilities		
Notes and accounts payable - trade	229,329	225,787
Short-term borrowings	159,099	139,067
Current portion of long-term borrowings	6,243	7,296
Income taxes payable	2,450	5,416
Provision for product warranties	30,341	29,002
Other provisions	7,590	7,128
Other	91,157	94,767
Total current liabilities	526,210	508,465
Non-current liabilities		
Long-term borrowings	14,201	12,000
Deferred tax liabilities	1,602	2,461
Deferred tax liabilities for land revaluation	2,765	2,765
Retirement benefit liability	54,627	54,144
Other provisions	2,038	1,530
Other	25,176	32,421
Total non-current liabilities	100,412	105,323
Total liabilities	626,622	613,789

	(Millions of yen)	
	FY 2021 (As of March 31, 2021)	Second Quarter of FY 2022 (As of September 30, 2021)
Net assets		
Shareholders' equity		
Share capital	72,717	72,717
Capital surplus	65,775	65,775
Retained earnings	376,402	381,267
Treasury shares	-197	-198
Total shareholders' equity	<u>514,696</u>	<u>519,560</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	51,911	49,633
Deferred gains or losses on hedges	-175	-162
Revaluation reserve for land	2,325	2,325
Foreign currency translation adjustment	-8,871	-9,896
Remeasurements of defined benefit plans	-5,640	-5,032
Total accumulated other comprehensive income	<u>39,548</u>	<u>36,867</u>
Non-controlling interests	<u>50,627</u>	<u>51,671</u>
Total net assets	<u>604,872</u>	<u>608,099</u>
Total liabilities and net assets	<u>1,231,495</u>	<u>1,221,888</u>

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

[Quarterly Consolidated Statements of Income]

[Consolidated Second Quarter of FY 2022 and FY 2021 (Cumulative)]

(Millions of yen)

	Second Quarter of FY 2021 (From April 1, 2020 to September 30, 2020)	Second Quarter of FY 2022 (From April 1, 2021 to September 30, 2021)
Net sales	666,279	689,385
Cost of sales	583,995	560,202
Gross profit	82,283	129,183
Selling, general and administrative expenses		
Salaries and allowances	24,311	25,136
Provision for bonuses	3,380	3,741
Retirement benefit expenses	1,732	1,708
Other	64,531	66,783
Total selling, general and administrative expenses	93,955	97,370
Operating profit (loss)	-11,671	31,812
Non-operating income		
Interest income	552	539
Dividend income	1,292	1,357
Foreign exchange gains	412	—
Share of profit of entities accounted for using equity method	—	650
Miscellaneous income	2,277	1,614
Total non-operating income	4,535	4,162
Non-operating expenses		
Interest expenses	2,487	1,359
Foreign exchange losses	—	1,234
Share of loss of entities accounted for using equity method	1,884	—
Miscellaneous expenses	1,310	1,146
Total non-operating expenses	5,683	3,740
Ordinary profit (loss)	-12,819	32,235
Extraordinary income		
Gain on sale of investment securities	578	638
Gain on sale of non-current assets	152	16
Other	36	29
Total extraordinary income	767	684
Extraordinary losses		
Loss on sale and retirement of non-current assets	803	107
Expenditure related to transactions in North America	—	9,495
Other	80	316
Total extraordinary losses	883	9,919
Profit (loss) before income taxes	-12,934	23,000
Income taxes - current	-1,091	7,291
Income taxes - deferred	-1,648	1,045
Total income taxes	-2,739	8,337
Profit (loss)	-10,195	14,663
Profit (loss) attributable to non-controlling interests	-570	2,906
Profit (loss) attributable to owners of parent	-9,624	11,756

[Quarterly Consolidated Statements of Comprehensive Income]
 [Consolidated Second Quarter of FY 2022 and FY 2021 (Cumulative)]

(Millions of yen)

	Second Quarter of FY 2021 (From April 1, 2020 to September 30, 2020)	Second Quarter of FY 2022 (From April 1, 2021 to September 30, 2021)
Profit (loss)	-10,195	14,663
Other comprehensive income		
Valuation difference on available-for-sale securities	10,410	-1,999
Deferred gains or losses on hedges	41	56
Foreign currency translation adjustment	149	-1,894
Remeasurements of defined benefit plans, net of tax	451	583
Share of other comprehensive income of entities accounted for using equity method	-426	97
Total other comprehensive income	10,627	-3,156
Comprehensive income	431	11,506
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,096	9,075
Comprehensive income attributable to non-controlling interests	-665	2,430

(3) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

There is no related information.

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

We started applying the Accounting Standard for Revenue Recognition (Corporate Accounting Standards No. 29; March 31, 2020), etc. from the beginning of the first quarter of the current consolidated accounting period. For details, please refer to “2. Quarterly Consolidated Financial Statements and Major Notes, (3) Notes to Consolidated Financial Statements (Revision to the Accounting Policy).”

(Revision to the Accounting Policy)

(Application of the Accounting Standard for Revenue Recognition)

We started applying the Accounting Standard for Revenue Recognition (Corporate Accounting Standards No. 29; March 31, 2020; hereinafter called “the Revenue Recognition Standard”), etc. from the beginning of the first quarter of the current consolidated accounting period. When promised assets or services have been transferred to customers, the compensations to be received for said assets or services will be recognized as revenues.

As for transactions in which Enterprise A provides Enterprise B with materials, etc. while charging a price for said materials, etc., Enterprise B produces products by processing said materials, etc., and Enterprise A buys said products, the selling price of said products including the price of the materials has been recognized as revenues, but the price of said materials, etc. is now deducted from said selling price. As for kickback transactions, the kickback amounts to be paid to customers have been posted in SGA, but the amount calculated by deducting the kickback amounts from the selling prices to customers is now recognized as revenues.

The Revenue Recognition Standard is applied in accordance with the proviso for transitional handling in Paragraph 84 of the Revenue Recognition Standard. The cumulative effect of the retroactive application of the new accounting policy to the period before the first quarter of the current consolidated accounting period is included in the retained earnings at the beginning of said first quarter, and the new accounting policy has been applied from the balance at the beginning of said first quarter. However, the new accounting policy was not retroactively applied to the contracts in which almost all revenues in the period before said first quarter were recognized in accordance with the previous method and the method specified in Paragraph 86 of the Revenue Recognition Standard was applied. In addition, regarding the contracts that were revised before said first quarter and were applied the method specified in the proviso (1) of Paragraph 86 of the Revenue Recognition Standard, accounting was conducted based on the conditions of revised contracts and those cumulative effect amounts were included in the retained earnings at the beginning of said first quarter.

As a result, for the second quarter of the current consolidated accounting period, sales decreased ¥130,177 million, cost of sales declined ¥120,955 million, and SGA dropped ¥9,221 million. In addition, the initial balance of retained earnings decreased ¥2,873 million.

(Application of the Accounting Standards, etc. for Calculation of Market Values)

At the beginning of the first quarter of the consolidated accounting period, we started applying “the accounting standards for calculation of market values” (Corporate Accounting Standards No. 30; July 4, 2019; hereinafter referred to as “the Accounting Standards for Market Value Calculation”), and we plan to apply the new accounting policy specified by the Accounting Standards for Market Value Calculation, etc. in accordance with the transitional processes set forth in Paragraph 19 of the Accounting Standards for Market Value Calculation and Paragraph 44-2 of “the accounting standards for financial instruments” (Corporate Accounting Standards No. 10; July 4, 2019). This application will produce no effects on the consolidated financial statements for the second quarter of the current consolidated accounting period.

(Additional Information)

1. Estimation of the impact of COVID-19 in accounting

Our corporate group assumes that the impact of COVID-19 will linger in the current consolidated accounting year, and estimates that economic recovery will be gentle in both domestic and overseas markets. Under this assumption, we estimated the impairment of fixed assets, realizability of collecting deferred tax assets, etc.

2. Extraordinary loss (expenses related to transactions in North America)

Since there emerged a problem with the process of U.S. statutory tests for certifying engines (hereinafter called "the Certification Problem"), we suspended the production of vehicles at our consolidated subsidiaries, West Virginia Factory of Hino Motors Manufacturing, U.S.A., Inc. and Woodstock Factory of Hino Motors Canada, Ltd., until the end of September 2021, based on the resolution at the meeting of the board of directors held on December 23, 2020.

We postponed the release of vehicles equipped with a new model year engine in the U.S. and Canada and suspended the production and supply of vehicles. However, we resumed the operation of factories in both countries in October 2021, and started selling vehicles equipped with a new model year engine.

However, due to the Certification Problem, we posted a loss from compensation of ¥9,495 million based on the agreements with dealers, suppliers, and customers as expenses related to transactions in North America in extraordinary loss.

(Contingent Liabilities)

As for engines for North America, there emerged a problem with the process of U.S. statutory tests for certifying engines, so we suspended the production of vehicles at our consolidated subsidiaries, West Virginia Factory of Hino Motors Manufacturing, U.S.A., Inc. and Woodstock Factory of Hino Motors Canada, Ltd., until the end of September 2021, based on the resolution at the meeting of the board of directors held on December 23, 2020.

We resumed the operation of factories in both countries in October 2021, and started selling vehicles equipped with a new model year engine.

We are continuously investigating the effects of said problem and communicating with relevant institutions. As of now, it is difficult to estimate the effects reasonably, so it has not been reflected in the quarterly consolidated financial statements.

3. Supplementary Information

(1) Actual Production (Consolidated)

Category	2Q of FY2021 (From April 1, 2020 to September 30, 2020)	2Q of FY2022 (From April 1, 2021 to September 30, 2021)	Change
Trucks and buses	48,529 units	76,289 units	27,760 units
Toyota brand vehicles	42,258 units	69,405 units	27,147 units

(2) Actual Sales (Consolidated)

Category	2Q of FY2021 (From April 1, 2020 to September 30, 2020)		2Q of FY2022 (From April 1, 2021 to September 30, 2021)		Change	
	Volume (Units)	Amount (Millions of yen)	Volume (Units)	Amount (Millions of yen)	Volume (Units)	Amount (Millions of yen)
Japan	28,842	232,143	29,240	218,545	398	—
	Overseas	28,551	121,480	44,727	177,171	16,176
	Supplies of parts for overseas production	—	535	—	411	—
Total trucks and buses	57,393	354,160	73,967	396,129	16,574	—
Total Toyota brand vehicles	42,315	104,416	67,932	44,696	25,617	—
Overseas	Japan	—	29,585	—	30,550	—
	Overseas	—	25,585	—	29,357	—
Total service parts	—	55,170	—	59,907	—	—
Total others	Japan	—	83,056	—	91,717	—
	Overseas	—	13,708	—	19,804	—
	Toyota	—	55,765	—	77,131	—
Total others	—	152,530	—	188,652	—	—
Total net sales	—	666,279	—	689,385	—	—

(Note 1) Amounts are rounded down to the nearest one million yen.

(Note 2) 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 current consolidated accounting period.

Accordingly, the figures for the second quarter of the term ending March 2022 reflect said accounting standard, etc., and increase/decrease from the same quarter of the previous year are not indicated.