

Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2017
[Japanese GAAP] (Consolidated)
English translation from the original Japanese-language document



January 31, 2017

Stock Listing: Tokyo and Nagoya

Name of Listed Company: Hino Motors, Ltd.
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Scheduled Date of Quarterly Financial Statements Filing: February 3, 2017

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, 2017 (April 1, 2016–December 31, 2016)

(1) Consolidated Financial Results (Cumulative) (% of change from 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 2017	1,210,643	(7.3)	50,522	(37.9)	52,723	(33.0)	35,213	(37.0)
3Q of FY 2016	1,306,092	7.1	81,320	1.1	78,676	(4.8)	55,853	5.0

(Note) Comprehensive income: 3Q of FY 2017: ¥ 40,069 million (-22.3%) 3Q of FY 2016: ¥ 51,549 million (-34.4%)

	Profit per share		Diluted profit per share	
	Yen		Yen	
3Q of FY 2017	61.40		61.37	
3Q of FY 2016	97.44		97.34	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
3Q of FY 2017	1,150,613		495,764		39.1	
FY 2016	1,119,888		473,891		38.3	

(Reference) Equity capital: 3Q of FY 2017: ¥449,742 million FY 2016: ¥429,417 million

2. Dividends

	Dividends per share				
	1 Q	2Q	3Q	Year-end	Annual
	Yen				
FY 2016	—	20.00	—	18.00	38.00
FY 2017	—	11.00	—		
FY 2017 (forecast)				11.00	22.00

(Note) Changes from the latest dividend forecast: None

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2017 (April 1, 2016 – March 31, 2017)

(% of change from FY2016.)

	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 2017	1,650,000	(5.5)	69,000	(29.8)	69,000	(28.0)	48,000	(26.3)	83.69

(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: Yes
- 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 2017	574,580,850 shares	FY 2016	574,580,850 shares
2) Number of treasury stock at end of term	3Q of FY 2017	1,066,361 shares	FY 2016	1,176,534 shares
3) Average number of shares (quarterly consolidated cumulative period)	3Q of FY 2017	573,471,436 shares	3Q of FY 2016	573,214,395 shares

* Information regarding implementation of quarterly review procedures

- The review procedures of the Financial Instruments and Exchange Act do not apply to this financial notice, and at the time of release it is being reviewed using procedures for quarterly consolidated financial statements.

*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) Qualitative Information on Consolidated Operating Results

As for the Japanese domestic truck market during the current third quarter (nine months), mainly, the demand for cargo trucks continued to perform well from the previous year. As a result, the total demand for heavy- and medium-duty trucks increased to 69.0 thousand units by 5.9 thousand units (9.4%) compared to the same quarter in the previous year. Total demand for light-duty truck increased to 74.6 thousand units by 3.6 thousand units (5.1%) compared to the same quarter in the previous year.

As for Japanese domestic sales, as a result of sales activities implemented in a concerted effort in our consolidated group, the total sales volume of trucks and buses increased to 46.6 thousand units by 2.2 thousand units (5.0%) compared to the same quarter in the previous year.

As for overseas market, the markets of emerging countries remained sluggish due to the low prices of resources, the depreciation of local currencies, etc. As a result, sales volume decreased to 76.9 thousand units by 4.8 thousand units (-5.9%) compared to the same quarter in the previous year.

As a result of the above, total unit sales of Hino Brand trucks and buses decreased to 123.6 thousand units by 2.6 thousand units (-2.0%) compared to the same quarter in the previous year.

As for the volume of sales to Toyota Motor Corporation, mainly because the sales of SUV decreased, total sales volume decreased to 108.0 thousand units by 11.4 thousand units (-9.5%) compared to the same quarter in the previous year.

As a result of the above, net sales in the current third quarter were ¥1,210,643 million, which is a decrease of ¥95,448 million (-7.3%) as compared to the same quarter in the previous year. As for profit and loss, due to a decline in the overseas unit sales and impact of the strong yen, etc., operating income was ¥50,522 million which is a decrease of ¥30,798 million (-37.9%) compared to the same quarter in the previous year, ordinary income was ¥52,723 million which is a decrease of ¥25,952 million (-33.0%) compared to the same quarter in the previous year, and profit attributable to owners of parent was ¥35,213 million which is a decrease of ¥20,640 million (-37.0%) compared to the same quarter in the previous year.

(2) Qualitative Information on Consolidated Financial Position

Total assets at the end of the third quarter increased by ¥30,724 million to ¥1,150,613 million compared to the end of the previous fiscal year. This is mainly because inventories increased by ¥28,270 million.

Liabilities increased by ¥8,851 million to ¥654,848 million compared to the end of the previous fiscal year. This is mainly because interest-bearing debt increased by ¥51,328 million, although accounts payable - other decreased by ¥23,023 million and notes and accounts payable - trade decreased by ¥15,526 million.

Net assets increased by ¥21,873 million to ¥495,764 million compared to the end of the previous fiscal year. This is mainly because profit attributable to owners of parent of ¥35,213 million was recorded and valuation difference on available-for-sale securities increased by ¥2,402 million, although dividends from retained earnings of ¥16,633 million were paid.

(3) Qualitative Information on Forecasts of Consolidated Financial Results

As for the truck and bus market in Japan, it is expected that the performance of cargo trucks in particular will remain healthy. As for the overseas truck and bus markets, it is expected that the future outlook will remain uncertain, because there are significant uncertainties in the political and economic trends in each country, financial markets, etc., although there are some signs of recovery in emerging countries.

The full-year earnings forecast has been revised as follows, as the assumed exchange rates were changed considering the recent fluctuations in foreign exchange rates.

(Consolidated Earnings Forecast for the Full Fiscal Year)

Net sales	¥1,650,000 million
Operating income	¥69,000 million
Japan unit sales of trucks and buses	64.1 thousand units
Overseas unit sales of trucks and buses.....	108.0 thousand units
Unit sales of Toyota brand vehicles.....	144.4 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. Summary Information (Notes)

[Changes in Accounting Policies, Accounting Estimates and Restatements]

(Changes in Accounting Policies)

(Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016)

In line with a revision of tax regulations, we applied the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (Practical Solution Report No.32 of June 17, 2016) in the first quarter and changed the depreciation method for facilities attached to buildings and structures that were acquired after April 1, 2016 from the declining balance method to the straight-line method.

As a result, the operating income, ordinary income, and profit before income taxes for the third quarter (cumulative) of this consolidated fiscal year increased by 304 million yen.

[Additional information]

(Application of the Implementation Guidance on Recoverability of Deferred Tax Assets)

We applied the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No.26 of March 28, 2016) from the first quarter.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	FY 2016 (As of March 31, 2016)	Third Quarter of FY 2017 (As of December 31, 2016)
Assets		
Current assets		
Cash and deposits	34,672	34,765
Notes and accounts receivable - trade	283,198	269,324
Merchandise and finished goods	123,893	150,391
Work in process	32,095	33,790
Raw materials and supplies	35,940	36,017
Other	70,987	65,514
Allowance for doubtful accounts	(3,893)	(3,558)
Total current assets	576,895	586,244
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	105,556	133,513
Machinery, equipment and vehicles, net	101,405	103,427
Land	107,748	114,494
Other	83,687	62,334
Total property, plant and equipment	398,397	413,769
Intangible assets	21,903	19,718
Investments and other assets		
Investment securities	104,162	114,134
Other	21,417	19,599
Allowance for doubtful accounts	(2,888)	(2,853)
Total investments and other assets	122,691	130,880
Total non-current assets	542,993	564,368
Total assets	1,119,888	1,150,613
Liabilities		
Current liabilities		
Notes and accounts payable - trade	253,567	238,041
Short-term loans payable	109,733	84,963
Commercial papers	—	79,000
Current portion of long-term loans payable	2,798	5,204
Income taxes payable	4,938	3,272
Provision for product warranties	28,252	33,413
Other provision	6,480	2,977
Other	111,590	81,116
Total current liabilities	517,361	527,988
Non-current liabilities		
Long-term loans payable	26,791	21,484
Net defined benefit liability	61,113	60,961
Other provision	1,864	1,798
Other	38,866	42,615
Total non-current liabilities	128,635	126,859
Total liabilities	645,996	654,848

(Millions of yen)

	FY 2016 (As of March 31, 2016)	Third Quarter of FY 2017 (As of December 31, 2016)
Net assets		
Shareholders' equity		
Capital stock	72,717	72,717
Capital surplus	66,058	66,088
Retained earnings	270,006	288,586
Treasury shares	(434)	(392)
Total shareholders' equity	408,348	426,999
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	39,792	42,194
Deferred gains or losses on hedges	15	(231)
Revaluation reserve for land	2,318	2,318
Foreign currency translation adjustment	(6,245)	(7,662)
Remeasurements of defined benefit plans	(14,811)	(13,876)
Total accumulated other comprehensive income	21,069	22,742
Subscription rights to shares	99	79
Non-controlling interests	44,374	45,943
Total net assets	473,891	495,764
Total liabilities and net assets	1,119,888	1,150,613

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

[Quarterly Consolidated Statements of Income]

[Consolidated Third Quarter of FY 2017 and FY 2016 (Cumulative)]

(Millions of yen)

	Third Quarter of FY 2016 (From April 1, 2015 to December 31, 2015)	Third Quarter of FY 2017 (From April 1, 2016 to December 31, 2016)
Net sales	1,306,092	1,210,643
Cost of sales	1,078,335	1,014,847
Gross profit	227,756	195,795
Selling, general and administrative expenses		
Salary and allowances	35,444	36,185
Provision for bonuses	1,333	1,410
Retirement benefit expenses	2,322	2,412
Other	107,335	105,264
Total selling, general and administrative expenses	146,436	145,273
Operating income	81,320	50,522
Non-operating income		
Interest income	833	871
Dividend income	3,097	2,715
Foreign exchange gains	—	244
Share of profit of entities accounted for using equity method	1,007	1,421
Miscellaneous income	1,796	1,988
Total non-operating income	6,735	7,240
Non-operating expenses		
Interest expenses	5,177	3,565
Foreign exchange losses	3,102	—
Miscellaneous expenses	1,099	1,473
Total non-operating expenses	9,379	5,039
Ordinary income	78,676	52,723
Extraordinary income		
Gain on sales of non-current assets	238	93
Gain on sales of investment securities	65	806
Gain on bargain purchase	383	—
Gain on step acquisitions	581	—
Other	196	36
Total extraordinary income	1,467	936
Extraordinary losses		
Loss on sales and retirement of non-current assets	540	218
Impairment loss	16	10
Other	252	369
Total extraordinary losses	809	599
Profit before income taxes	79,333	53,060
Income taxes—current	19,346	13,963
Income taxes—deferred	1,199	(851)
Total income taxes	20,545	13,111
Profit	58,788	39,948
Profit attributable to non-controlling interests	2,934	4,735
Profit attributable to owners of parent	55,853	35,213

[Quarterly Consolidated Statements of Comprehensive Income]
 [Consolidated Third Quarter of FY 2017 and FY 2016 (Cumulative)]

(Millions of yen)

	Third Quarter of FY 2016 (From April 1, 2015 to December 31, 2015)	Third Quarter of FY 2017 (From April 1, 2016 to December 31, 2016)
Profit	58,788	39,948
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,261)	4,306
Deferred gains or losses on hedges	41	(250)
Foreign currency translation adjustment	(6,210)	(2,682)
Remeasurements of defined benefit plans	301	869
Share of other comprehensive income of entities accounted for using equity method	1,890	(2,121)
Total other comprehensive income	(7,238)	120
Comprehensive income	51,549	40,069
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	50,578	36,886
Comprehensive income attributable to non-controlling interests	971	3,182

(3) Notes on Going Concern Assumption

None.

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

None.

4. Supplementary Information**(1) Actual Production (Consolidated)**

Category	3Q of FY 2016 (From April 1, 2015 to December 31, 2015)	3Q of FY 2017 (From April 1, 2016 to December 31, 2016)	Change
Trucks and buses	122,600 units	127,196 units	4,596 units
Toyota brand vehicles	119,508 units	108,135 units	(11,373 units)

(2) Actual Sales (Consolidated)

Category	3Q of FY 2016 (From April 1, 2015 to December 31, 2015)		3Q of FY 2017 (From April 1, 2016 to December 31, 2016)		Change	
	Volume (Units)	Amount (Millions of yen)	Volume (Units)	Amount (Millions of yen)	Volume (Units)	Amount (Millions of yen)
Japan	44,430	314,271	46,637	337,028	2,207	22,756
Overseas	81,707	371,559	76,919	302,846	(4,788)	(68,712)
Supplies and parts for overseas production	—	649	—	864	—	215
Total trucks and buses	126,137	686,479	123,556	640,738	(2,581)	(45,741)
Total Toyota brand vehicles	119,342	263,027	107,980	238,517	(11,362)	(24,510)
Japan	—	43,251	—	45,789	—	2,538
Overseas	—	39,208	—	34,056	—	(5,152)
Total service parts	—	82,459	—	79,845	—	(2,614)
Japan	—	118,282	—	124,631	—	6,349
Overseas	—	16,177	—	10,360	—	(5,816)
Toyota	—	139,664	—	116,548	—	(23,115)
Total others	—	274,124	—	251,541	—	(22,583)
Total net sales	—	1,306,092	—	1,120,643	—	(95,448)

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