

Financial Results for FY 2018

Prepared Remarks by President and CEO Yoshio Shimo

(English translation from the original Japanese-language document)

[Report of FY 2018 performance]

Unit sales in Japan for fiscal 2018 for trucks and buses combined came to 66,589 which was 99.7% year-over-year and slightly under our most recent forecast. That being said, this was the third highest level on record, and extends our streak of record-highs in market share to nine years.

As for overseas sales, we enjoyed robust sales in Indonesia and North America, and combined sales in overseas markets exceeded forecasts for a record-high of 120,354 units or 112% year-over-year.

Our global unit sales also exceeded forecasts at a record-high 186,943 units or 107% year-over-year.

In terms of our financial performance, we achieved sales of 1,838 billion yen; operating profits of 80.3 billion yen; and net profits of 51.4 billion yen. Although there have been temporary increases in expenditures this fiscal year, including expenditures for factory re-organization and new product launchings in the Japanese market as we mentioned at the beginning of the term, our revenues and profits were higher as a result of our steady efforts to build our profit bases. As for dividends, we will be increasing our year-end dividend to 15 yen, a 2 yen increase from our previously forecast amount, for a total of 28 yen for the year combined with the mid-term dividend, reflecting factors such as our profit and loss performance exceeding our forecasts.

[Forecasts for FY 2019]

While domestic demand for FY 2019 is forecasted to dip below last year's levels, we expect domestic sales to somewhat increase over the previous year to 67,000 units.

We forecast our overseas sales to reach 134,000 units since we expect sales to continue to be robust in the Asian market, most notably the Indonesian market, and the North American market. Our global unit sales are expected to reach 201,000 units surpassing the record-high we achieved in FY 2018.

Based on these forecasts, we expect to reach 1,860 billion yen in sales, 83 billion yen in operating profits, and 52 billion yen in net profits in our consolidated profits and losses for this term.

As for currency exchange rates, whereas the actual rate in FY 2018 was 111 yen to the dollar, we assume the rate for FY 2019 to be 105 yen to the dollar and aim to thoroughly cover exchange rate losses through sales and streamlining efforts.

In addition to this, our budget for the next fiscal year will contain strategic costs for the future and we aim for ongoing overall growth in revenue and profits for FY 2019.

As for dividends, we will maintain our guideline dividend ratio at 30% as we move forward with improving our financial strength and investments geared towards sustainable growth, and keep them unchanged from the previous term at 28 yen.

[Reflecting on FY 2018]

Owing to your support, we have been able to accomplish much in the last fiscal year, such as launching our new heavy- and medium-duty models for the Japanese market, starting up full-out operations at our Koga plant, and achieving new record-highs in overseas and global sales.

Our heavy- and medium-duty trucks for the Japanese market, “Hino Profia” and “Hino Ranger,” respectively, underwent full model changes last spring.

Since then, we have received much positive feedback from our customers mainly in the areas of safety features and riding comfort.

Unit sales have steadily grown, making this our 45th straight year of achieving the top position in annual sales of heavy- and medium-duty trucks.

Meanwhile, we began providing safety features, such as the PCS (Pre-Crash Safety system [collision damage mitigation brake]), standard on our “Hino Dutro” light-duty trucks, which has also been immensely popular with our customers.

Light-duty truck sales exceeded forecasts reaching 28,374 for a market share of 27.3%, making this a record year for both units sold and share.

Shifting our sights to our overseas markets, robust sales in both Asia and North America contributed to our record-high unit sales of 120,354 for FY 2018 in combined overseas markets.

We are doing very well in Indonesia and unit sales for the fiscal year reached 32,274. Sales in the country continue to be brisk in April, and we forecast sales for FY 2019 to reach roughly 41,000 units, rewriting the record-high of roughly 35,000 units that we marked in FY 2014.

We have also hit a record-high in North America with 16,556 units sold.

We are committed to strengthening our North American business even further, and have announced a new model this March that will meet the demands of a broader range of customers. This is a large-horsepower model that we will be launching in 2019, and preparations for its launch are steadily moving forward.

In terms of production, we have just about completed our relocation to the Koga plant—an extremely large project for Hino Motors. The plant began full-out operations in September last year.

In parallel with our operations at the Nitta plant, we will continue to push forward with the optimization of our production and supply systems. We are now entering the “harvesting” phase of the effects of these projects, and are committed to reaping the fruits of our efforts.

Meanwhile, in our overseas markets, we are currently building factories in the US and Russia. We will be moving forward with enhanced localization as a way to strengthen our competitiveness.

[Our direction for corporate management]

Next, I would like to touch on “our direction for corporate management” for the future.

The commercial vehicles industry is currently undergoing a major transformation.

The issues that our customers and societies face in terms of logistics and the transport of people are currently undergoing a major shift that stems from developments such as heightened needs towards safety and the environment, and driver shortages that come from the popularity of e-Commerce.

At Hino, we believe our urgent task is to resolve the issues that customers and societies face, and contribute to our customers’ businesses and our societies at large.

In order for us to continue to provide the highest value into the future to our customers and societies, and continue to be an indispensable partner for them in these challenging times, we have defined three directions which are based on our slogan “Trucks and buses that do more” as I have been reiterating since I was appointed president last June. These three directions are: “Provide appropriate products with safety and environment technologies,” “Ultimately customized total support for customers,” and “Challenge new fields”.

I would like to describe these three directions.

The first of the three is to “Provide appropriate products with safety and environment technologies.”

In the area of safety, we will be pushing forward with “Total Safety” which is about providing support in various areas including operational management, preventive safety and crash safety.

We will also be aggressively moving forward with the development and commercialization of new safety features.

We will be upping the ante on our R&D for advanced driving support technologies including road-to-vehicle communication, vehicle-to-vehicle communication and other ITS technologies, as well as automatic steering, and convoy driving with an aim to enable early commercialization of self-driving systems.

In terms of our environmental efforts, in addition to offering products that comply with emissions regulations in different countries, we will also be pushing forward

with the development and popularization of plug-in hybrid, electric vehicles and fuel cell vehicles based on the accumulation of hybrid technologies that we have developed to date.

Based on the “Hino Environmental Challenge 2050” that we announced in October last year, we also aim to minimize the environmental footprints of our products throughout their life cycles.

We will also be taking on the challenge of “CO2 Zero” from all perspectives, and not only from the perspective of new vehicles.

Our second direction is to “Ultimately customized total support for customers.” Hino’s greatest strength lies in our “Total Support” operations where Team Hino—our suppliers, distributors, and Hino as the manufacturer—work together as a coherent team to maximize our customers’ vehicles up-times and minimize their life cycle costs.

In order to meet the diversifying needs associated with trucks and buses among our customers and societies, we will continue to contribute to our customers’ businesses and society at large by providing best-fit products, utilizing ICT and other services, ensuring the quick supply of parts and maintenance, and offering other helpful activities to maintain all of our customers’ trucks and buses at optimum conditions.

With “HINO CONNECT”—a new ICT-based communication service for connecting our customers with Hino, announced and launched in the Japanese market last week on April 20—we offer support for maximizing our customers’ vehicles’ up-times.

In addition to making suggestions for preventive maintenance, this tool will enable us to offer powerful support for our customer’s businesses.

Our third direction is to “Challenge new fields.” Hino is aggressively committed to providing solutions to issues that our customers and societies face, such as achieving better efficiency in the transport of people and goods, as well as finding solutions for driver shortages. In order to help improve efficiencies in transport, we will be taking a variety of approaches including, for example, developing systems that enable customers to transport “more cargo per truck” and “more cargo with fewer drivers.”

[Alliances as a way of creating partners]

We will also be engaged in forming alliances as a way of creating partners that will enable us to move forward promptly with these efforts.

In November last year, we announced our Mutual Cooperation Agreement with Ashok Leyland of India as part of our efforts for strengthening our global competitiveness.

The “Strategic Cooperation Framework Agreement with VW Truck & Bus” that we announced just two weeks ago is also a part of our efforts to enhance our approaches for the future.

In order to achieve objectives that our two companies share in common, such as to “provide a broad range of customers the highest value” we will be carrying out specific reviews on the potential for cooperation in a wide range of areas such as “logistics and traffic solution research,” “existing and new technologies” as well as in “procurement.”

[Organizational reform]

This February, we carried out extensive reforms on our organization with the aim to “foresee the mid- and long-term future,” and “decide and act quickly.”

In addition to our three existing units—the Corporate, Global Business, and Monozukuri Units—we have newly formed the Advanced Technology Unit to create a four-unit setup, and we have also assigned local Chief Officers in charge of each region in major market countries as a way to delegate authorities to each region and expedite their decision-making processes.

In April, we renewed the organization of our officers, and assigned a EVP from among regional officers who are well-experienced in their regional markets to strengthen our overseas businesses.

We have also welcomed our first non-Japanese officer to our management.

[In closing]

Our mission at Hino Motors is “To make the world a better place to live by helping people and goods get where they need to go.”

In order for us to continue to fulfill this mission, we must move forward with “establishing our basic foundation” and “approaches for the future” during this great time of change to offer the best value to our customers and achieve sustainable growth so that we are able to become a trusted partner for our customers and societies, as well as a company that they find to be even more indispensable than they do today.

All Hino group companies around the world will work together as a coherent team to stay ahead of changes and promptly take on the challenges that come our way.