

Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2019
[Japanese GAAP] (Consolidated)
English translation from the original Japanese-language document



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Stock Listing: Tokyo and Nagoya

Name of Listed Company: Hino Motors, Ltd.
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Scheduled Date of Quarterly Financial Statements Filing: November 2 2018

Scheduled Date of Dividend Payment Start: November 27, 2018

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, 2019 (April 1, 2018–September 30, 2018)

(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	%
2Q of FY 2019	957,847	12.7	38,177	9.3	37,915	2.6	24,118	4.9
2Q of FY 2018	849,977	6.4	34,921	6.2	36,937	15.1	23,001	1.8

(Note) Comprehensive income: 2Q of FY 2019: ¥ 30,237 million (-7.5%) 2Q of FY 2018: ¥ 32,678 million (278.0%)

	Profit per share		Diluted profit per share	
	Yen		Yen	
2Q of FY 2019	42.02		42.02	
2Q of FY 2018	40.09		40.08	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
2Q of FY 2019	1,270,434		572,544		41.0	
FY 2018	1,286,081		552,848		39.1	

(Reference) Equity capital: 2Q of FY 2019: ¥520,770million FY 2018: ¥502,365 million

(Note) "Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, revised on February 16, 2018)," etc. had been adopted from the beginning of 1Q-FY2019, accordingly amounts of previous FY are shown as amendments reflected amounts.

2. Dividends

	Dividends per share				
	1Q	2Q	3Q	Year-end	Annual
	Yen				
FY 2018	—	13.00	—	15.00	28.00
FY 2019	—	14.00	—	—	—
FY 2019 (forecast)	—	—	—	14.00	28.00

(Note) Changes from the latest dividend forecast: None

3. Forecasts of Consolidated Financial Results for the Fiscal Year Ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(% of change from FY2018.)

	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 2019	1,930,000	5.0	86,000	7.1	85,000	5.7	53,000	3.2	92.34

(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 2019	574,580,850 shares	FY 2018	574,580,850 shares
2) Number of treasury stock at end of term	2Q of FY 2019	601,036 shares	FY 2018	713,542 shares
3) Average number of shares (quarterly consolidated cumulative period)	2Q of FY 2019	573,954,181 shares	2Q of FY 2018	573,716,656 shares

*Summary of financial results is out of scope of audit.

*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 demand for cargo trucks remained strong, but the demand for construction trucks declined from the previous term. As a result, the total demand for heavy- and medium-duty trucks decreased to 44.5 thousand units by 1.0 thousand units (-2.2%) compared to the same quarter in the previous year, and total demand for light-duty truck increased to 50.7 thousand units by 1.8 thousand units (3.7%) 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 heavy-, medium-, and light-duty trucks and buses increased to 33.7 thousand units by 2.3 thousand units (7.4%) compared to the same quarter in the previous year.

As for overseas sales, thanks to the favorable sales in Asia and North America, etc., sales volume of overseas trucks and buses increased to 64.9 thousand units by 10.8 thousand units (20.1%) compared to the same quarter in the previous year.

As a result of the above, total unit sales of Hino Brand trucks and buses increased to 98.6 thousand units by 13.2 thousand units (15.4%) 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 increased, total sales volume increased to 72.1 thousand units by 3.7 thousand units (5.3%) compared to the same quarter in the previous year.

As a result of the above, net sales in the current second quarter were ¥957,847 million, which is an increase of ¥107,870 million (12.7%) as compared to the same quarter in the previous year. As for profit and loss, due mainly to an increase in the domestic and overseas unit sales, operating income was ¥38,177 million which is an increase of ¥3,255 million (9.3%) compared to the same quarter in the previous year, ordinary income was ¥37,915 million which is an increase of ¥978 million (2.6%) compared to the same quarter in the previous year, and profit attributable to owners of parent was ¥24,118 million which is an increase of ¥1,116 million (4.9%) compared to the same quarter in the previous year.

(2) Information on Consolidated Financial Position

Total assets at the end of the second quarter decreased by ¥15,647 million to ¥1,270,434 million compared to the end of the previous fiscal year. This is mainly because notes and accounts receivable - trade decreased by ¥16,379 million.

Liabilities decreased by ¥35,343 million to ¥697,889 million compared to the end of the previous fiscal year. This is mainly because notes and accounts payable - trade decreased by ¥35,785 million.

Net assets increased by ¥19,696 million to ¥572,544 million compared to the end of the previous fiscal year. This is mainly because profit attributable to owners of parent of ¥24,118 million was recorded, although dividends from retained earnings of ¥8,609 million were paid.

(3) Information on Forecasts of Consolidated Financial Results

As for the truck and bus market in Japan, it is expected to remain strong. As for the overseas truck and bus markets, a favorable market environment is expected to continue in Asia, particularly Indonesia which is the key market for our company. On the other hand, in terms of profit, negative effects of such factors as yen appreciation and increase in costs to strengthen the business foundations are expected.

Then, the full-year earnings forecast has been revised as follows, while considering the changes in the business environment, including the sales in domestic and overseas markets, the trends in foreign exchange rates, etc.

(Consolidated Earnings Forecast for the Full Fiscal Year)

Net sales	¥1,930,000 million
Operating income	¥86,000 million
Japan unit sales of trucks and buses	70.0 thousand units
Overseas unit sales of trucks and buses.....	137.0 thousand units
Unit sales of Toyota brand vehicles.....	151.9 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)

	FY 2018 (As of March 31, 2018)	Second Quarter of FY 2019 (As of September 30, 2018)
Assets		
Current assets		
Cash and deposits	45,225	40,583
Notes and accounts receivable - trade	342,804	326,424
Merchandise and finished goods	172,891	169,087
Work in process	32,684	35,735
Raw materials and supplies	36,940	45,221
Others	56,120	59,211
Allowance for doubtful accounts	-4,679	-3,990
Total current assets	681,985	672,273
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	146,146	149,381
Machinery, equipment and vehicles, net	106,284	98,560
Land	118,566	121,645
Others, net	57,753	56,554
Total property, plant and equipment	428,751	426,141
Intangible assets	21,163	20,588
Investments and other assets		
Investment securities	118,504	122,376
Deferred tax assets	29,260	22,366
Others	9,223	9,768
Allowance for doubtful accounts	-2,806	-3,080
Total investments and other assets	154,181	151,430
Total non-current assets	604,096	598,161
Total assets	1,286,081	1,270,434

(Millions of yen)

	FY 2018 (As of March 31, 2018)	Second Quarter of FY 2019 (As of September 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	307,013	271,228
Short-term loans payable	154,020	172,965
Current portion of long-term loans payable	15,639	9,460
Income taxes payable	12,828	10,164
Provision for product warranties	40,227	42,441
Other provisions	7,386	6,677
Others	92,863	82,928
Total current liabilities	629,978	595,864
Non-current liabilities		
Long-term loans payable	12,728	16,838
Deferred tax liabilities	6,576	166
Deferred tax liabilities for land revaluation	2,765	2,765
Net defined benefit liability	56,178	56,382
Other provisions	2,013	1,829
Others	22,991	24,043
Total non-current liabilities	103,254	102,025
Total liabilities	733,232	697,889
Net assets		
Shareholders' equity		
Capital stock	72,717	72,717
Capital surplus	66,244	66,275
Retained earnings	337,998	353,506
Treasury shares	-258	-215
Total shareholders' equity	476,701	492,284
Accumulated other comprehensive incomes		
Valuation difference on available-for-sale securities	45,963	47,185
Deferred gains or losses on hedges	-80	-178
Revaluation reserve for land	2,318	2,318
Foreign currency translation adjustment	-12,787	-11,584
Remeasurements of defined benefit plans	-9,749	-9,255
Total accumulated other comprehensive income	25,664	28,485
Subscription rights to shares	21	—
Non-controlling interests	50,461	51,774
Total net assets	552,848	572,544
Total liabilities and net assets	1,286,081	1,270,434

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

[Quarterly Consolidated Statements of Income]

[Consolidated Second Quarter of FY 2019 and FY 2018 (Cumulative)]

(Millions of yen)

	Second Quarter of FY 2018 (From April 1, 2017 to September 30, 2017)	Second Quarter of FY 2019 (From April 1, 2018 to September 30, 2018)
Net sales	849,977	957,847
Cost of sales	711,432	811,781
Gross profit	138,544	146,066
Selling, general and administrative expenses		
Salary and allowances	23,019	24,544
Provision for bonuses	2,961	3,288
Retirement benefit expenses	1,590	1,663
Others	76,051	78,392
Total selling, general and administrative expenses	103,622	107,888
Operating income	34,921	38,177
Non-operating income		
Interest income	683	718
Dividend income	1,773	1,274
Foreign exchange gains	711	180
Share of profit of entities accounted for using equity method	732	1,165
Miscellaneous income	1,465	1,220
Total non-operating income	5,366	4,559
Non-operating expenses		
Interest expenses	2,432	2,676
Miscellaneous expenses	917	2,144
Total non-operating expenses	3,350	4,821
Ordinary income	36,937	37,915
Extraordinary income		
Gain on sales of non-current assets	91	596
Gain on sales of investment securities	2,605	0
Others	11	52
Total extraordinary income	2,707	648
Extraordinary losses		
Loss on sales and retirement of non-current assets	203	185
Special costs of quality-related measures	1,510	—
Others	60	159
Total extraordinary losses	1,774	344
Profit before income taxes	37,869	38,218
Income taxes—current	12,922	11,062
Income taxes—deferred	-989	-311
Total income taxes	11,933	10,750
Profit	25,936	27,468
Profit attributable to non-controlling interests	2,934	3,350
Profit attributable to owners of parent	23,001	24,118

[Quarterly Consolidated Statements of Comprehensive Income]

[Consolidated Second Quarter of FY 2019 and FY 2018 (Cumulative)]

(Millions of yen)

	Second Quarter of FY 2018 (From April 1, 2017 to September 30, 2017)	Second Quarter of FY 2019 (From April 1, 2018 to September 30, 2018)
Profit	25,936	27,468
Other comprehensive income		
Valuation difference on available-for-sale securities	3,851	1,695
Deferred gains or losses on hedges	-197	-31
Foreign currency translation adjustment	1,122	1,004
Remeasurements of defined benefit plans	559	484
Share of other comprehensive income of entities	1,405	-384
Total other comprehensive income	6,741	2,768
Comprehensive income	32,678	30,237
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	29,690	26,939
Comprehensive income attributable to non-controlling interests	2,987	3,297

(3) Notes to Consolidated Financial Statements

Notes on Going Concern Assumption

None.

Notes on Significant Changes in the Amount of Shareholders' Equity

None.

Additional Information

(Adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.)

The company, effective from the beginning of the consolidated first quarter of this fiscal year, adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, revised on February 16, 2018)," etc. Accordingly, deferred tax assets are classified as investments and other assets and deferred tax liabilities are classified as non-current liabilities.

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

Category	2Q of FY 2018 (From April 1, 2017 to September 30, 2017)	2Q of FY 2019 (From April 1, 2018 to September 30, 2018)	Change
Trucks and buses	88,697 units	97,698 units	9,001 units
Toyota brand vehicles	68,610 units	72,229 units	3,619 units

(2) Actual Sales (Consolidated)

Category	2Q of FY 2018 (From April 1, 2017 to September 30, 2017)		2Q of FY 2019 (From April 1, 2018 to September 30, 2018)		Change	
	Volume (Units)	Amount (Millions of yen)	Volume (Units)	Amount (Millions of yen)	Volume (Units)	Amount (Millions of yen)
Japan	31,404	228,656	33,725	259,642	2,321	30,986
Overseas	54,045	230,969	64,891	274,359	10,846	43,390
Supplies and parts for overseas production	—	688	—	826	—	137
Total trucks and buses	85,449	460,314	98,616	534,828	13,167	74,513
Total Toyota brand vehicles	68,436	150,287	72,093	170,015	3,657	19,727
Japan	—	30,346	—	31,156	—	809
Overseas	—	25,725	—	28,166	—	2,441
Total service parts	—	56,071	—	59,323	—	3,251
Japan	—	89,072	—	93,080	—	4,007
Overseas	—	9,670	—	12,527	—	2,856
Toyota	—	84,559	—	88,072	—	3,512
Total others	—	183,302	—	193,680	—	10,377
Total net sales	—	849,977	—	957,847	—	107,870

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