

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



October 27, 2022

Stock Listing: Tokyo and Nagoya

Name of Listed Company: Hino Motors, Ltd.
 Code Number: 7205 URL: <https://www.hino.co.jp/>
 Representative: Satoshi Ogiso, President, Member of the Board of Directors
 Contact Point: Hiroshi Hashimoto, Operating Officer, Public Affairs Dept.
 Phone: (042) 586-5494

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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 Second Quarter of the Fiscal Year Ending March 31, 2023 (April 1, 2022–September 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	%
2Q of FY 2023	733,359	6.4	16,615	-47.8	20,548	-36.3	3,478	-70.4
2Q of FY 2022	689,385	—	31,812	—	32,235	—	11,756	—

(Note) Comprehensive income: 2Q of FY 2023: ¥ 26,154 million (127.3%) 2Q of FY 2022: ¥ 11,506 million (—%)

	Profit per share		Diluted profit per share	
	Yen		Yen	
2Q of FY 2023	6.06		—	
2Q of FY 2022	20.48		—	

(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 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 2023	1,315,030		537,956		36.1	
FY 2022	1,258,350		516,007		36.4	

(Reference) Equity capital: 2Q of FY 2023: ¥ 474,330 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)		—	—	—	—

(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	
	Millions of yen	%	Millions of yen	%
FY 2023	1,530,000	4.8	6,000	-82.3

(Note) Changes from the latest financial forecast: Yes

(Note2) Ordinary income, Profit attributable to owners of parent and Profit per share are yet to be determined.

For details, please refer to "1. Qualitative Information Regarding the Financial Performance for the Current Quarter (3) Information on Forecasts of Consolidated Financial Results" on page 2 of the attached documents.

*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 2023	574,580,850 shares	FY 2022	574,580,850 shares
2) Number of treasury stock at end of term	2Q of FY 2023	553,652shares	FY 2022	553,582shares
3) Average number of shares (quarterly consolidated cumulative period)	2Q of FY 2023	574,027,239shares	2Q of FY 2022	574,027,797shares

*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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Qualitative Information Regarding the Financial Performance for the Current Quarter

(1) Information on Consolidated Operating Results

We deeply apologize once again to our customers and all other stakeholders for betraying their trust and causing great inconvenience by violating related laws and regulations through long-standing misconduct, despite our position in the social infrastructure for transportation of people and logistics.

We sincerely regret this incident, and we will once again return to our mission statement, "We make a better world and future by helping people and goods get to where they need to go," and management will take the initiative and push forward with company-wide reforms to ensure that fraud will never occur again.

As for the Japanese domestic truck market during the current second quarter (six months), 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 58.9 thousand vehicles, a decrease of 24.7 thousand vehicles (-29.6%) 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 market decline, total domestic sales volume of trucks and buses was 18.6 thousand vehicles, a decrease of 10.6 thousand vehicles (-36.3%) 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 55.8 thousand vehicles, an increase of 11 thousand vehicles (24.7%) 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 74.4 thousand units, an increase of 0.4 thousand units (0.6%) compared to the same quarter in the previous year.

As for the volume of sales to Toyota Motor Corporation, the sales volume of SUVs increased, so the total sales volume was 72.1 thousand units, an increase of 4.1 thousand units (6.1%) compared to the same quarter in the previous year.

As a result of the above, net sales in the current second quarter were ¥733,359 million, which is an increase of ¥43,973 million (6.4%) 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 ¥16,615 million which is a decrease of ¥15,197 million (-47.8%) compared to the same quarter in the previous year, ordinary income was ¥20,548 million which is a decrease of ¥11,686 million (-36.3%) compared to the same quarter in the previous year, and profit attributable to owners of parent was ¥3,478 million which is a decrease of ¥8,278 million (-70.4%) compared to the same quarter in the previous year.

(2) Information on Consolidated Financial Position

Total assets at the end of the second quarter increased to ¥1,315,030 million by ¥56,679 million compared to the end of the previous fiscal year. This is mainly because inventories increased by ¥45,556 million.

Liabilities increased to ¥777,074 million by ¥34,731 million compared to the end of the previous fiscal year. This is mainly because interest-bearing liabilities increased by ¥50,859 million, while notes and accounts payable - trade decreased by ¥18,778 million.

Net assets increased to ¥537,956 million by ¥21,948 million compared to the end of the previous fiscal year. This is mainly because profit attributable to owners of parent of ¥3,478 million was recorded and foreign currency translation adjustment increased by ¥11,885 million.

(3) Information on Forecasts of Consolidated Financial Results

At the time of the announcement of financial results on July 28, 2022, we had stated that the timing of resumption of shipment of the car models that were the subjects of the fraudulent acts was undetermined because it was difficult to reasonably foresee the timing. Although it is still difficult to foresee when we will be able to resume the shipment of some models, we have decided to announce net sales and operating income based on calculations using available information for the models that are currently approved for shipment.

Our company will continue to refrain from announcing ordinary income, profit attributable to owners of parent, and net income per share because it is difficult to make a reasonable calculation of some certification-related losses due to the certification fraud at this time. We will disclose the information when a reasonable calculation becomes possible.

(Consolidated Earnings Forecast for the Full Fiscal Year)

Net sales	¥1,530,000 million
Operating income	¥6,000 million
Japan unit sales of trucks and buses	37 thousand units
Overseas unit sales of trucks and buses	120 thousand units
Unit sales of Toyota brand vehicles	142 thousand units

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

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	66,253	71,720
Notes and accounts receivable - trade	288,044	264,209
Merchandise and finished goods	127,565	126,282
Work in process	50,665	88,147
Raw materials and supplies	47,906	57,263
Other	59,199	75,611
Allowance for doubtful accounts	-4,878	-5,390
Total current assets	634,755	677,844
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	178,778	184,972
Machinery, equipment and vehicles, net	86,643	85,634
Land	128,202	129,702
Other, net	50,669	50,675
Total property, plant and equipment	444,293	450,984
Intangible assets	31,129	31,256
Investments and other assets		
Investment securities	122,444	128,104
Deferred tax assets	9,890	10,497
Other	18,895	19,597
Allowance for doubtful accounts	-3,059	-3,254
Total investments and other assets	148,171	154,944
Total non-current assets	623,594	637,185
Total assets	1,258,350	1,315,030
Liabilities		
Current liabilities		
Notes and accounts payable - trade	250,780	232,002
Short-term borrowings	144,568	171,928
Current portion of long-term borrowings	8,400	5,434
Income taxes payable	2,383	6,769
Provision for product warranties	52,333	49,011
Provision for certification related loss	29,970	29,970
Other provisions	7,752	7,485
Other	118,017	114,773
Total current liabilities	614,204	617,374
Non-current liabilities		
Long-term borrowings	8,279	34,744
Deferred tax liabilities	26,680	27,471
Deferred tax liabilities for land revaluation	2,742	2,742
Retirement benefit liability	56,174	56,427
Other provisions	1,700	1,427
Other	32,559	36,885
Total non-current liabilities	128,137	159,699
Total liabilities	742,342	777,074

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Net assets		
Shareholders' equity		
Share capital	72,717	72,717
Capital surplus	65,952	65,956
Retained earnings	279,087	282,566
Treasury shares	-201	-201
Total shareholders' equity	417,556	421,037
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	46,315	46,672
Deferred gains or losses on hedges	-125	-103
Revaluation reserve for land	2,273	2,273
Foreign currency translation adjustment	170	12,055
Remeasurements of defined benefit plans	-8,020	-7,605
Total accumulated other comprehensive income	40,613	53,292
Non-controlling interests	57,837	63,625
Total net assets	516,007	537,956
Total liabilities and net assets	1,258,350	1,315,030

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

[Quarterly Consolidated Statements of Income]

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

(Millions of yen)

	2Q of FY 2022 (From April 1, 2021 to September 30, 2021)	2Q of FY 2023 (From April 1, 2022 to September 30, 2022)
Net sales	689,385	733,359
Cost of sales	560,202	609,374
Gross profit	129,183	123,984
Selling, general and administrative expenses		
Salaries and allowances	25,136	26,805
Provision for bonuses	3,741	3,938
Retirement benefit expenses	1,708	1,788
Other	66,783	74,836
Total selling, general and administrative expenses	97,370	107,369
Operating profit	31,812	16,615
Non-operating income		
Interest income	539	866
Dividend income	1,357	1,841
Foreign exchange gains	—	2,133
Share of profit of entities accounted for using equity method	650	608
Miscellaneous income	1,614	2,011
Total non-operating income	4,162	7,461
Non-operating expenses		
Interest expenses	1,359	2,435
Foreign exchange losses	1,234	—
Miscellaneous expenses	1,146	1,093
Total non-operating expenses	3,740	3,528
Ordinary profit	32,235	20,548
Extraordinary income		
Gain on sale of investment securities	638	125
Gain on sale of non-current assets	16	96
Subsidy for estate	—	670
Other	29	35
Total extraordinary income	684	928
Extraordinary losses		
Loss on sale and retirement of non-current assets	107	300
Loss related to domestic certification	—	4,606
Loss related to North American certification	9,495	—
Other	316	17
Total extraordinary losses	9,919	4,924
Profit before income taxes	23,000	16,552
Income taxes - current	7,291	7,816
Income taxes - deferred	1,045	400
Total income taxes	8,337	8,217
Profit	14,663	8,335
Profit attributable to non-controlling interests	2,906	4,856
Profit attributable to owners of parent	11,756	3,478

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

(Millions of yen)

	2Q of FY 2022 (From April 1, 2021 to September 30, 2021)	2Q of FY 2023 (From April 1, 2022 to September 30, 2022)
Profit	14,663	8,335
Other comprehensive income		
Valuation difference on available-for-sale securities	-1,999	925
Deferred gains or losses on hedges	56	39
Foreign currency translation adjustment	-1,894	16,398
Remeasurements of defined benefit plans, net of tax	583	400
Share of other comprehensive income of entities accounted for using equity method	97	55
Total other comprehensive income	-3,156	17,819
Comprehensive income	11,506	26,154
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,075	16,157
Comprehensive income attributable to non-controlling interests	2,430	9,996

(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. As a result, recall costs of 1,960 million yen and compensation loss of 2,646 million yen based on the agreement with suppliers, etc., totaling 4,606 million yen were recorded 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 the 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	2Q of FY2022 (From April 1, 2021 to September 30, 2021)	2Q of FY2023 (From April 1, 2022 to September 30, 2022)	Change
Trucks and buses	76,289 units	74,559 units	-1,730 units
Toyota brand vehicles	69,405 units	72,060 units	2,655 units

(2) Actual Sales (Consolidated)

Category		2Q of FY2022 (From April 1, 2021 to September 30, 2021)		2Q of FY2023 (From April 1, 2022 to September 30, 2022)		Change	
		Volume (Units)	Amount (Millions of yen)	Volume (Units)	Amount (Millions of yen)	Volume (Units)	Amount (Millions of yen)
	Japan	29,240	218,545	18,628	108,175	-10,612	-110,370
	Overseas	44,727	177,171	55,758	293,819	11,031	116,647
	Supplies of parts for overseas production	—	411	—	87	—	-323
Total trucks and buses		73,967	396,129	74,386	402,082	419	5,953
Total Toyota brand vehicles		67,932	44,696	72,064	50,186	4,132	5,490
	Japan	—	30,550	—	33,492	—	2,942
	Overseas	—	29,357	—	41,180	—	11,823
Total service parts		—	59,907	—	74,673	—	14,766
	Japan	—	91,717	—	91,482	—	-235
	Overseas	—	19,804	—	10,689	—	-9,114
	Toyota	—	77,131	—	104,244	—	27,113
Total others		—	188,652	—	206,415	—	17,763
Total net sales		—	689,385	—	733,359	—	43,973

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