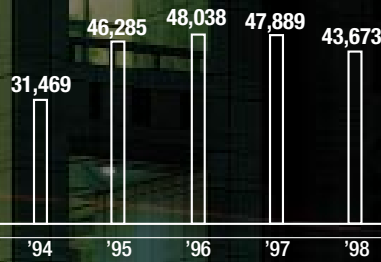




SALES OF MAINLINE MEDIUM- AND HEAVY DUTY DIESEL TRUCKS

Sales of Trucks in the Domestic Market (units)



DIESEL TRUCKS FOR THE DOMESTIC MARKET

Domestic demand for medium- and heavy-duty trucks, Hino Motors' main product category, declined sharply during the term under review. Adverse factors included the impact of the consumption tax hike, cuts in public works expenditures, a slump in housing investment and general economic uncertainty. Signs of a recovery in demand have yet to appear.

Owing to the steep decline in overall demand, sales in the segment, excluding light-duty trucks, decreased in terms of both volume and value, falling 8.8% to 43,673 units and 11.1% to ¥183,780 million.

Amid an extremely harsh environment, we strove to stimulate demand through aggressive and finely tuned product development. In the heavy-duty diesel truck class, we expanded our SUPER DOLPHIN PROFIA L series with gross vehicle weight of 22 tons and 25 tons, which was developed in response to the relaxation of gross vehicle weight regulations in Japan, by adding a 20-kiloliter petroleum tank

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Hino Motors is developing industry-leading technology for our SUPER DOLPHIN PROFIA series in the highly competitive domestic heavy-duty truck market.

lorry specialty vehicle and a low-bed four-axle truck with all tires of the same size. In the medium-duty class, we raised the maximum payload for all of our RISING RANGER series, increased the number of vehicle-type series and introduced a new liquefied petroleum gas (LPG) vehicle in the bedless-cab FB series. In the RANGER 2 series of light-duty trucks, we also extended the scope of engine types and upgraded standard specifications. As a result, Hino Motors maintained the top position in domestic medium- and heavy-duty trucks, representing 25 consecutive years of market leadership.

DIESEL BUSES FOR THE DOMESTIC MARKET

Overall domestic demand for diesel buses remained weak during the term. Sales fell 3.0% to 2,739 units and 5.5% in value to ¥29,052 million.

In addition, the market structure is changing with a decrease in the number of overall passengers and an increase in the proportion of elderly passengers. These trends are driving changes in the types of vehicles and specifications required.

Hino Motors developed and launched new buses that precisely meet market needs. To improve the convenience of boarding and deboarding, we launched the RAINBOW series, which eliminates different deck levels, and the LIÉSSE series, which features a mechanical step for passengers in wheelchairs. In addition, we developed a diesel/electric hybrid system for hill-climbing and high-speed cruising, which has already demonstrated a low level of environmental impact for busses in urban areas and national parks. This system was incorporated in SÉLEGA, a large tour bus that was launched during the fiscal year in review. The system boosts the running performance of new engine types on roads in mountainous and hilly areas and allows

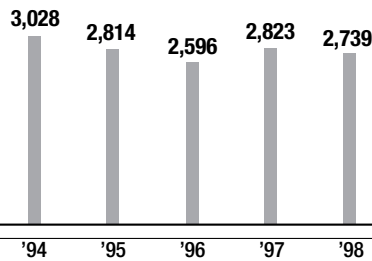
**BUSES DECLINED 0
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We introduced a new series of buses designed for more comfortable cruising and advanced environmental protection.

cleaner operation through the elimination of a sub-engine for the air-conditioning system. In February 1998, Hino buses using this system owned by Matsumoto Electric Railway Company, Ltd. played an active role in transporting competitors and spectators at the Nagano Winter Olympics.

Sales of Buses in the Domestic Market (units)



COMMISSIONED VEHICLES

Hino Motors produces vehicles on commission for Toyota Motor Corporation. In September 1997, full model changes were introduced for the Hilux pickup truck and the Hilux Surf recreational vehicle, each of which posted strong sales performance. However, as knockdown exports bound for Southeast Asia declined, overall production of commissioned vehicles fell 20.3% to 248,019 units. Including the supply of parts and other products to Toyota, sales in this category edged down 0.1% to ¥220,855 million.

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EVER, WE MADE**



Demand for industrial diesel engines was adversely affected by Japan's weakening economy.

OTHER DIVISIONS

Domestic sales volume of industrial diesel engines declined 14.8% to 9,391 units, as previously strong demand for models equipped with emission control devices for generators and compressors declined.

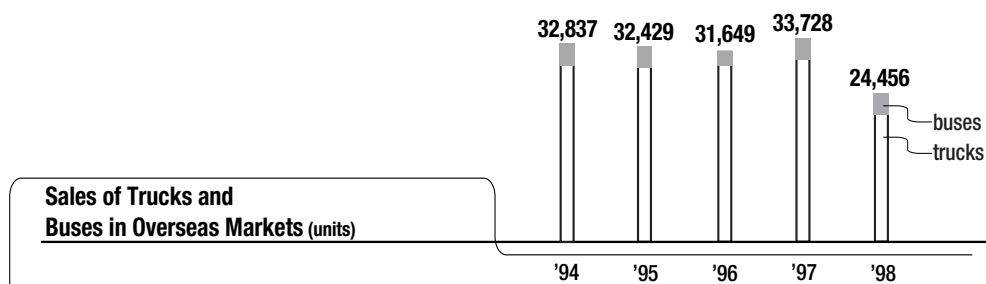
Sales of parts supplied to the domestic market were depressed by such factors as restrained private-sector capital investment and fell 6.0% to ¥31,563 million. Overall sales of other divisions rose 2.4% to ¥62,130 million.

OVERSEAS MARKETS

As in fiscal 1997, Hino Motors endeavored to reinforce its product strength by expanding the new Super F series and launching vehicles that conform with such vehicle emission regulations as Euro I and EPA98. As a result, we boosted sales volume in the United States, Central and South America and Australia. However, as conditions worsened in our principal export markets of Southeast Asia, overall export volume fell below the previous term's level, dropping 27.5% to 24,456 units.

Exports of industrial diesel engines to China and the United States were buoyant and in October 1997, we began full-fledged exports of engines for generators to Taiwan. Consequently, overall sales of industrial diesel engines soared 63.8% to 2,100 units.

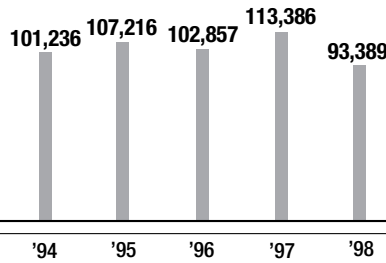
However, as shipments of overseas OEM (original equipment manufacturing) components to South Korea declined substantially because of the economic turmoil



Only 1994 figure is on a nonconsolidated basis.

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Sales in Overseas Markets (¥ millions)



Only 1994 figure is on a nonconsolidated basis.



We continue to reinforce our operations in Thailand.

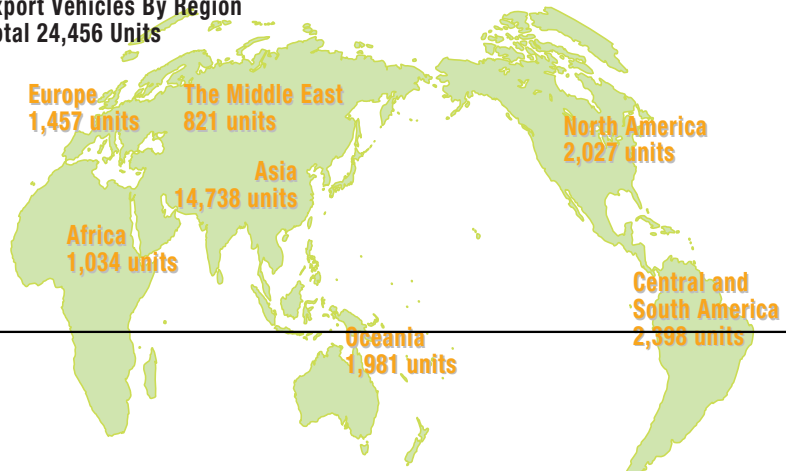
in the country, aggregate sales of overseas OEM components and parts supplied to overseas markets edged down 0.1% to ¥13,197 million.

As a result of these factors, total overseas sales decreased 17.6% to ¥93,388 million.

During the fiscal year, the financial crisis in Southeast Asia led our joint venture in Thailand, Thai Hino Industry Co., Ltd., to completely close down its production lines in January 1998, the first time this had occurred since the venture was established in 1964. In June, however, it resumed truck production. To bolster our product lineup in Thailand, in February 1998 we began a mutual OEM supply arrangement with Toyota for our 5-ton trucks and Toyota's 2-ton trucks.

Further, November 1997 saw the start of operations at the factory of Hino Motors Vietnam, Ltd., which we established in 1996 to develop a new market in Vietnam.

**Export Vehicles By Region
Total 24,456 Units**



**TO DIFFERENTIATE
THE COMPETITION.**