

REVIEW OF OPERATIONS



1

The SUPER DOLPHIN PROFIA series are epoch-making heavy-duty trucks with common rail systems for their turbo intercooler engines.

2

The SPACE RANGER series of medium-duty trucks incorporates improved levels of environmental consciousness, safety and transportation efficiency.

HINO MOTORS leads the market in introducing new products one step ahead of the competition.

2



DIESEL TRUCKS FOR THE DOMESTIC MARKET

Domestic sales of medium- and heavy-duty trucks, Hino Motors' main product category, recorded a decline exceeding that of the previous term amid a downturn in domestic demand unprecedented in recent years.

During the fiscal year under review, overall demand for medium- and heavy-duty trucks fell sharply below expectations to 81,000 units, a 27.0% drop from the previous term to a level last seen in the mid-1960s. Despite such measures by the Japanese government to stimulate the economy as front-loading of public investment, consumer spending, private capital investment and building and housing starts continued to decline. As a result, demand fell significantly for construction and cargo trucks.

Owing to this steep decline in overall demand, volume in the segment decreased 56.3% to 19,073 units, with sales down 54.0% to ¥84,597 million.

Despite the sharp decrease of both units and sales, Hino Motors made strong efforts to spur sales through product development. In May 1998, we completely renewed our SUPER DOLPHIN PROFIA series of heavy-duty trucks by releasing new models developed with the environment and economic efficiency as primary concerns. These new models are the world's first heavy-duty trucks with common rail, electronically controlled, high-pressure fuel injection systems for in-line six cylinder turbo intercooler engines, raising fuel efficiency while reducing exhaust emissions, noise and vibration.

To improve the transportation efficiency of heavy-duty trucks, we launched the Short-Cab series in August 1998, featuring Japan's first cargo hold with an internal loading space of more than 10 meters. This series symbolizes our development philosophy of integrating transportation efficiency, as well as low fuel consumption and safety.

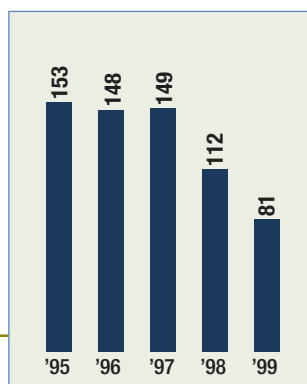
In the medium-duty class, we launched the new SPACE RANGER series in March 1999, which was ahead of competitors in meeting 1998 Japanese emission standards. With an attractive new style, the SPACE RANGER series provides new levels of comfort, convenience, transportation efficiency, safety and environmental friendliness.

Hino Motors maintained its strong market presence as number one in the industry for the 26th consecutive year with a 28.8% share of the domestic market for medium- and heavy-duty trucks. We attribute this continued success to the overall strength of our product lineup and concerted efforts to strengthen sales capabilities.

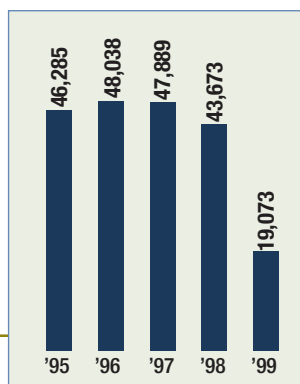
Marking further progress in the joint development of light-duty trucks with Toyota Motor Corporation, in May 1999 we made a full-fledged entry into the light-duty truck market by launching the 2-ton payload truck DUTRO. In

the fiscal year under review, Hino Motors held a 3.1% share of the domestic light-duty truck market. With the launch of the new DUTRO, our goal is to quickly raise our market share to 10%.

Total Domestic Demand for Medium- and Heavy-Duty Trucks
(thousand units)



Hino Motors' Sales of Trucks in the Domestic Market
(units)





1

The MELPHA 9 is our latest medium-sized bus. Complete design changes in this year's model improve safety and reduce emissions and noise.

2

Hino Motors' low-floor buses allow easy access for all passengers and incorporate the latest environmental measures.

DIESEL BUSES FOR THE DOMESTIC MARKET

The domestic market for diesel buses also shrank as a result of the recession, with total demand down 11.3% to 10,200 units. Although this decrease in demand was not as pronounced as that of medium- and heavy-duty trucks, it represented a level of demand for diesel buses comparable with the mid-1970s. In the fiscal year under review, sales volume of diesel buses slid 16.9% to 2,276 units, and sales fell 12.6% to ¥25,405 million.

To increase sales and strengthen its product lineup, Hino Motors introduced new medium-sized and small buses to the market. In June 1998, we launched the wide-body, small-sized bus MELPHA 7 and in March 1999, the MELPHA 9 medium-sized bus. Each of the new models is a leader in its class for providing interior width and height, and have seats as comfortable as those found in large tour buses. The MELPHA 7 won a 1998 Good Design Award from the Japan Industrial Design Promotion Organization for the fiscal year under review, and the MELPHA 9 met stringent 1998 Japanese standards for both emissions and noise.

In October 1998, the Company added a low-floor bus to its BLUE RIBBON series of large city buses. This model not only realizes the goal of normalizing



transportation for the physically impaired by allowing easy access and comfort for all passengers, but it also incorporates the latest advances in environmental protection, safety and easy maintenance.

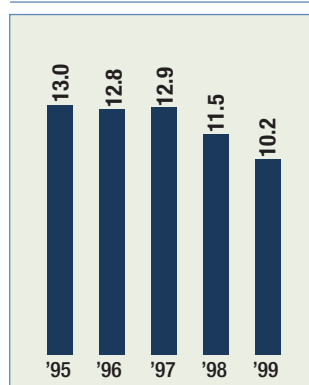
COMMISSIONED VEHICLES

Hino Motors produces vehicles on commission for Toyota Motor Corporation. A strong marketing effort through Toyota's sales network resulted in healthy growth in sales of commissioned vehicles in the Middle East and Australia. However, Toyota shifted production of its T100 pickup for the North American market to a new plant in the United States, and commissioned production of 4Runner (Hilux Surf) sports utility vehicles declined. As a result, production of commissioned vehicles decreased 7.4% to 229,687 units. Sales in this category, including sales of parts, declined 4.7% to ¥210,383 million.

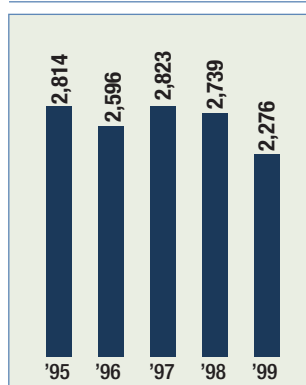
OTHER DIVISIONS

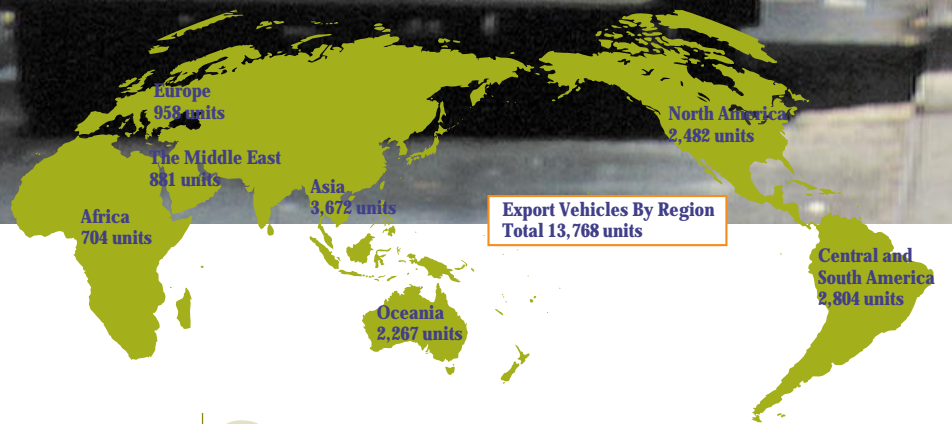
Directly affected by a drop in private capital investment, domestic sales of industrial diesel engines fell 37.5% in volume to 5,866 units and 35.3% in value to ¥4,298 million. Domestic sales of parts dropped 14.3% to ¥27,055 million, with overall sales of other divisions down 15.2% to ¥52,686 million.

Total Domestic Demand for Buses
(thousand units)



Hino Motors' Sales of Buses in the Domestic Market
(units)





1 The number of Hino trucks is increasing in the North American market on the strength of the Company's new emblem—a symbol of reliability.

2 The Hino Diesel Trucks (U.S.A.), Inc. headquarters functions as a sales base in the U.S. market.

OVERSEAS MARKETS

During the fiscal year under review, a recovery in our principal export markets of Southeast Asia failed to materialize. Sales of trucks and buses in Southeast Asia plummeted from slightly more than 9,500 units in the previous term to nearly 400 in the term under review—only 1.8% of the 22,000 units sold two years prior. In total, exports to Asia dropped 75.1% to 3,672 units. In other primary markets, sales climbed 22.4% to 2,482 units in North America, 16.9% to 2,804 units in Latin America and 14.4% to 2,267 units in Oceania. The scale of these increases was insufficient to cover the recession in Asian markets, however, leading to a 43.7% fall in total overseas sales to 13,768 units.

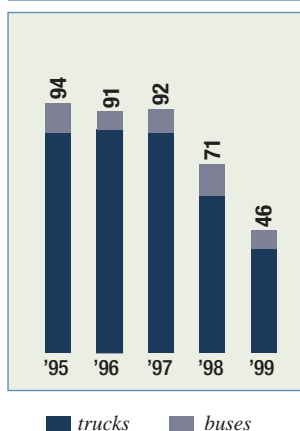
Demand for industrial diesel engines was up 3.8% to 2,180 units, approximately the same as the previous fiscal year. Aggregate sales of overseas original equipment manufacturing (OEM) components and parts supplied to overseas markets declined 33.2% to ¥8,820 million despite a substantial increase in shipments of components and parts for overseas production. As a result, total overseas sales decreased 36.6% to ¥59,213 million.

2

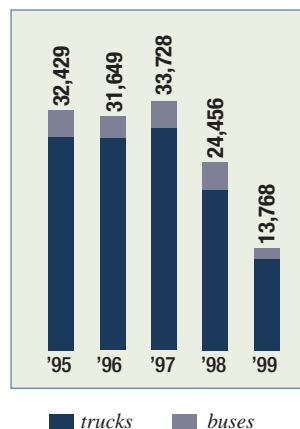


To reorganize overseas businesses, Hino Motors has formulated measures in response to the operating environment of each region. In Asian countries, we implemented measures that include business restructuring to strengthen the foundations of local subsidiaries. With a high ratio of overseas sales in Southeast Asia, the Company is intensifying efforts to reinforce its operating foundation. Against a background of remarkable economic growth in the United States, demand continued to grow in the Americas as a result of efforts to expand sales by boosting product strength. Hino Motors will aggressively introduce competitive products in each market, reinforce its sales structure and stimulate demand to foster primary markets that support overseas business.

Total Export Demand from Japan for Trucks and Buses
(thousand units)



Hino Motors' Sales of Trucks and Buses in Overseas Markets
(units)



Sales in Overseas Markets
(¥ millions)

