MANAGEMENT'S DISCUSSION AND ANALYSIS

SCOPE OF CONSOLIDATION AND EQUITY METHOD

In accordance with generally accepted accounting principles in Japan, the consolidated financial statements include the accounts of Hino Motors, Ltd. and 10 consolidated subsidiaries, compared with seven subsidiaries during the previous term. In addition, 19 affiliated companies were accounted for using the equity method, compared with 17 companies during the previous term.

NET SALES

For the fiscal year ended March 31, 1999, consolidated net sales fell 26.6% to ¥432,284 million (US$3,586 million) on account of a sharp fall in demand for medium- and heavy-duty trucks. Total domestic sales, which include vehicles produced on commission for Toyota Motor Corporation, dropped 24.8% to ¥373,071 million (US$3,095 million). Overseas sales declined 36.6% to ¥59,213 million (US$491 million). The overseas sales ratio was 13.7%, compared with 15.8% during the previous fiscal year.

Domestic sales of diesel trucks and buses fell 48.3% to ¥110,002 million (US$913 million). Of this amount, heavy-duty truck sales were ¥56,540 million (US$469 million), a decline of 51.6% from the previous term, and medium-duty truck sales were ¥22,082 million (US$183 million), down 60.7%. Domestic bus sales decreased 12.6% to ¥25,405 million (US$211 million). Domestic sales of light-duty trucks, which include the 2-ton payload truck segment shown independently in the previous term, fell 44.8% to ¥5,974 million (US$50 million).

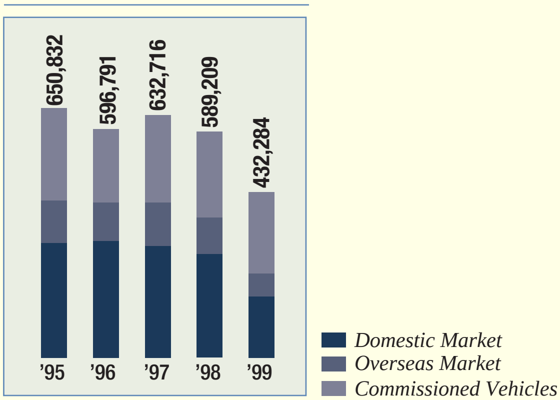
Owing largely to adverse operating conditions in the Company's chief export markets of Southeast Asia, overseas sales of diesel trucks and buses fell 36.5% to ¥48,498 million (US$402 million), or 11.2% of net sales.

Sales of pickup trucks and sports utility vehicles produced on commission for Toyota, and related parts and others, edged down 4.7% to ¥210,383 million (US$1,745 million), accounting for 48.7% of total net sales. Of this amount, vehicle sales were ¥148,512 million (US$1,232 million), 12.9% below the previous fiscal year.

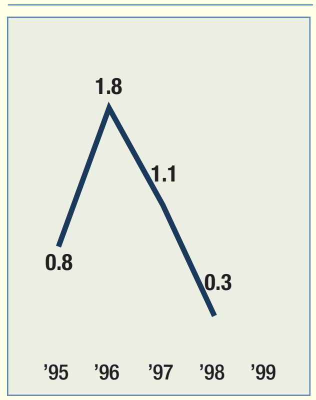
NET INCOME

The drop in net sales led to an 88.2% fall in gross profit to ¥4,786 million (US$40 million). The gross profit margin deteriorated 5.8 percentage points to 1.1%, and the ratio of selling, general and administrative expenses to net sales was 9.8%, a worsening of 3.0 percentage points. An operating loss of ¥37,593 million (US$312 million) was recorded, compared with an operating income of ¥710 million during the previous fiscal year.

Net Sales
(¥ millions)



Net Income Ratio to Net Sales
(%)



Interest expenses net of interest and dividend income was ¥1,370 million (US$11 million), compared with ¥37 million a year earlier. However, with other income, net of ¥8,088 million (US$67 million), the Company recorded other income, net of other expenses, of ¥2,723 million (US$23 million), compared with ¥792 million in the previous term.

The above factors resulted in loss before income taxes of ¥34,870 million (US$289 million), compared with income before income taxes of ¥1,502 million a year earlier. A net loss of ¥36,659 million (US$304 million) was recorded, compared with net income of ¥1,649 million in the previous term. Net loss per share was ¥101.16 (US$0.84). Cash dividends were suspended.

CASH FLOWS AND FINANCIAL POSITION

Net cash provided by operating activities was ¥9,666 million (US$80 million), compared with net cash used in operating activities of ¥4,914 million during the previous term. Although the total of net loss and notes and accounts payable was ¥70,535 million (US$585 million), this was offset by other factors, especially depreciation and amortization and notes and accounts receivable, which totaled ¥80,112 million (US$665 million).

Net cash used in investing activities was ¥29,485 million (US$245 million), down 31.5% from the previous term. The largest reason behind this decline was a substantial decrease in use of cash of addition to property, plant and equipment to ¥36,038 million (US$299 million).

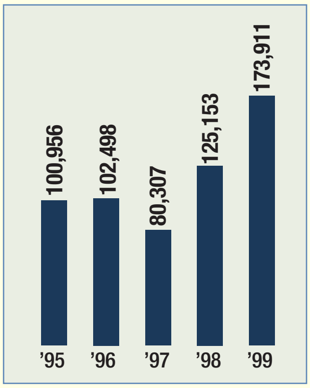
Net cash provided by financing activities was ¥44,630 million (US$370 million), up 4.9% from the previous term. The largest source of cash in this category was proceeds from long-term debt of ¥51,159 million (US$424 million), followed by a net increase in short-term loans of ¥8,633 million (US$72 million).

In aggregate, cash and cash equivalents at end of year increased ¥24,811 million to ¥61,084 million (US$507 million).

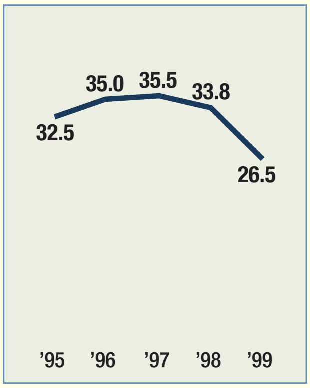
Interest-bearing debt (short-term bank loans, the current portion of long-term debt and long-term debt) increased ¥48,758 million to ¥173,911 million (US$1,443 million). Long-term debt increased ¥5,634 million to ¥79,564 million (US$660 million), including bond issuances of ¥10,000 million (US$83 million) and ¥20,000 million (US$166 million) at 2.0% and 2.5%, respectively. The current portion of long-term debt increased ¥31,624 million to ¥45,030 million (US$374 million).

Total assets decreased ¥28,762 million to ¥392,601 million (US$3,257 million). The equity ratio was 26.5%, compared with 33.8% a year earlier.

Interest-Bearing Debt
(¥ millions)



Shareholders' Equity Ratio
(%)



CONSOLIDATED BALANCE SHEETS

MARCH 31, 1998 AND 1999

ASSETS	Millions of Yen 1998	Millions of Yen 1999	Thousands of U.S. Dollars (Note 1) 1999
Current assets:			
Cash and cash equivalents	¥ 36,273	**¥ 61,084**	**$ 506,709**
Short-term investments	13,667	**13,797**	**114,455**
Trade receivables			
Notes	1,058	**589**	**4,887**
Accounts	73,376	**24,556**	**203,700**
Inventories (Note 3)	34,044	**31,342**	**259,996**
Prepaid expenses and other current assets	9,657	**9,534**	**79,082**
Less allowance for doubtful accounts	(717)	**(389)**	**(3,226)**
Total current assets	167,358	**140,513**	**1,165,603**
Investments and advances:			
Investment securities	34,014	**30,263**	**251,045**
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 4)	24,627	**17,256**	**143,147**
Long-term loans	355	**306**	**2,541**
Other investments	10,154	**10,441**	**86,604**
Less allowance for doubtful accounts	(1,680)	**(1,690)**	**(14,020)**
Total investments and advances	67,470	**56,576**	**469,317**
Property, plant and equipment (Note 7) **:**			
Land	17,888	**18,935**	**157,072**
Buildings and structures	129,899	**136,959**	**1,136,115**
Machinery, equipment and vehicles	262,441	**279,655**	**2,319,825**
Tools	61,394	**60,730**	**503,776**
Construction in progress	17,462	**20,917**	**173,510**
	489,084	**517,196**	**4,290,298**
Less accumulated depreciation	(302,728)	**(326,337)**	**(2,707,064)**
Net property, plant and equipment	186,356	**190,859**	**1,583,234**
Translation adjustments	111	**3,499**	**29,024**
Other assets	68	**1,154**	**9,567**
	¥ 421,363	**¥ 392,601**	**$ 3,256,745**

See accompanying Notes to Consolidated Financial Statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of Yen 1998	Millions of Yen 1999	Thousands of U.S. Dollars (Note 1) 1999
Current liabilities:			
Short-term bank loans (Note 5)	¥ 37,817	**¥ 49,317**	**$ 409,097**
Current portion of long-term debt (Note 5)	13,406	**45,030**	**373,535**
Trade payables			
Notes	5,666	**3,141**	**26,056**
Accounts	91,952	**60,983**	**505,872**
Accrued income taxes (Note 9)	433	**550**	**4,562**
Accrued expenses	11,574	**9,569**	**79,382**
Other current liabilities	28,232	**23,767**	**197,158**
Total current liabilities	189,080	**192,357**	**1,595,662**
Long-term liabilities:			
Long-term debt (Note 5)	73,930	**79,564**	**660,010**
Accrued severance indemnities (Note 6)	15,523	**15,426**	**127,959**
Other	24	**31**	**260**
Total long-term liabilities	89,477	**95,021**	**788,229**
Minority interests in consolidated subsidiaries	354	**1,167**	**9,680**
Shareholders' equity:			
Common stock, par value ¥50 per share			
Authorized—1,000,000,000 shares			
Issued—362,391,898 shares in 1998 and 1999	26,412	**26,412**	**219,099**
Additional paid-in capital	17,787	**17,787**	**147,546**
Retained earnings (Note 11)	98,254	**59,858**	**496,537**
Less			
Treasury common stock, at cost:			
1,770 shares in 1998 and 2,010 shares in 1999	(1)	**(1)**	**(8)**
Total shareholders' equity	142,452	**104,056**	**863,174**
	¥421,363	**¥392,601**	**$3,256,745**

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED MARCH 31, 1998 AND 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1998	**1999**	**1999**
Net sales (Note 13)	¥589,209	**¥432,284**	**$3,585,933**
Cost of sales (Note 7)	548,553	**427,498**	**3,546,230**
Gross profit	40,656	**4,786**	**39,703**
Selling, general and administrative expenses (Note 7)	39,946	**42,379**	**351,547**
Operating income (loss)	710	**(37,593)**	**(311,844)**
Other income (expenses) (Note 7)**:**			
Interest and dividend income	1,999	**1,890**	**15,673**
Interest expense	(2,036)	**(3,260)**	**(27,039)**
Equity in (losses) earnings of unconsolidated subsidiaries and affiliates	(1,047)	**(3,995)**	**(33,142)**
Other, net	1,876	**8,088**	**67,093**
	792	**2,723**	**22,585**
Income (loss) before income taxes	1,502	**(34,870)**	**(289,259)**
Income taxes (Note 9)**:**			
Current	470	**(70)**	**(580)**
Deferred	(426)	**2,226**	**18,462**
	44	**2,156**	**17,882**
Income (loss) before minority interests	1,458	**(37,026)**	**(307,141)**
Minority interests in income of consolidated subsidiaries	191	**367**	**3,041**
Net income (loss)	¥ 1,649	**¥ (36,659)**	**$ (304,100)**

Per share amounts:	Yen		U.S. Dollars (Note 1)
Net income (loss)	¥ 4.55	**¥ (101.16)**	**$ (0.84)**
Cash dividends	6.00	**—**	**—**

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED MARCH 31, 1998 AND 1999

	Number of shares of common stock (Thousands)	Millions of Yen			Number of shares of Treasury common stock
		Common stock	Additional paid-in capital	Retained earnings	
Balance at March 31, 1997	362,392	¥26,412	¥17,787	¥97,449	(176)
Net income	—	—	—	1,649	—
Cash dividends paid	—	—	—	(2,174)	—
Directors' and statutory auditors' bonuses	—	—	—	(140)	—
Increase due to the addition of an affiliate accounted for by the equity method	—	—	—	1,470	—
Other	—	—	—	—	(1,594)
Balance at March 31, 1998	**362,392**	**26,412**	**17,787**	**98,254**	**(1,770)**
Net loss	**—**	**—**	**—**	**(36,659)**	**—**
Cash dividends paid	**—**	**—**	**—**	**(1,087)**	**—**
Directors' and statutory auditors' bonuses	**—**	**—**	**—**	**(70)**	**—**
Decrease due to the addition of an affiliate accounted for by the equity method	**—**	**—**	**—**	**(580)**	**—**
Other	**—**	**—**	**—**	**—**	**(240)**
Balance at March 31, 1999	**362,392**	**¥26,412**	**¥17,787**	**¥59,858**	**(2,010)**

	Thousands of U.S. Dollars (Note 1)		
	Common stock	Additional paid-in capital	Retained earnings
Balance at March 31, 1998	**$219,099**	**$147,546**	**$ 815,042**
Net loss	**—**	**—**	**(304,100)**
Cash dividends paid	**—**	**—**	**(9,018)**
Directors' and statutory auditors' bonuses	**—**	**—**	**(581)**
Decrease due to the addition of an affiliate accounted for by the equity method	**—**	**—**	**(4,806)**
Balance at March 31, 1999	**$219,099**	**$147,546**	**$ 496,537**

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 1998 AND 1999

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	1998	**1999**	**1999**
Operating activities:			
Net income (loss)	¥ 1,649	**¥(36,659)**	**$(304,100)**
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	27,697	**30,346**	**251,730**
Provision for doubtful accounts	(102)	**(351)**	**(2,912)**
Provision for severance indemnities less payments	(226)	**(97)**	**(805)**
Loss on sales and disposal of property, plant and equipment	625	**996**	**8,262**
Decrease in minority interests	(14)	**(204)**	**(1,692)**
Changes in operating assets and liabilities:			
Notes and accounts receivable	(1,983)	**49,766**	**412,825**
Inventories	(6,665)	**6,327**	**52,484**
Prepaid expenses and other current assets	(2,889)	**863**	**7,159**
Notes and accounts payable	(17,956)	**(33,876)**	**(281,012)**
Accrued income taxes	(3,555)	**9**	**75**
Accrued expenses and other current liabilities	(1,495)	**(7,454)**	**(61,833)**
Net cash (used in) provided by operating activities	(4,914)	**9,666**	**80,181**
Investing activities:			
Increase in short-term investments	(2,150)	**(130)**	**(1,078)**
Net decrease in investments in unconsolidated subsidiaries and affiliates	2,833	**3,571**	**29,623**
Net decrease (increase) in investment securities	(61)	**3,751**	**31,116**
Net decrease in long-term loans	75	**70**	**581**
Addition to property, plant and equipment	(50,668)	**(36,038)**	**(298,946)**
Proceeds from sales and disposal of property, plant and equipment	4,478	**1,479**	**12,269**
Payment for purchase of subsidiaries, net of cash acquired	—	**(595)**	**(4,936)**
Other	2,472	**(1,593)**	**(13,214)**
Net cash used in investing activities	(43,021)	**(29,485)**	**(244,585)**
Financing activities:			
Net increase in short-term loans	14,561	**8,633**	**71,613**
Proceeds from long-term debt	32,843	**51,159**	**424,380**
Repayments of long-term debt	(2,558)	**(14,005)**	**(116,176)**
Cash dividends paid and directors' and statutory auditors' bonuses	(2,314)	**(1,157)**	**(9,598)**
Net cash provided by financing activities	42,532	**44,630**	**370,219**
Net increase (decrease) in cash and cash equivalents	(5,403)	**24,811**	**205,815**
Cash and cash equivalents at beginning of year	41,676	**36,273**	**300,894**
Cash and cash equivalents at end of year	¥ 36,273	**¥ 61,084**	**$ 506,709**
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest expense	¥ 1,971	**¥ 3,310**	**$ 27,454**
Income taxes	¥ 4,170	**¥ 439**	**$ 3,645**

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Basis of Consolidated Financial Statements' Presentation

The accompanying consolidated financial statements of HINO MOTORS, LTD. (the "Company") and its consolidated subsidiaries have been prepared in accordance with accounting principles and practices generally accepted in Japan. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

In preparing these statements, certain reclassifications and rearrangements have been made to the accompanying consolidated financial statements prepared domestically in Japan in order to present these statements in a format which is more familiar to readers outside Japan. In addition, the accompanying notes include additional information, which is not required under accounting principles and practices generally accepted in Japan. Certain reclassifications have been made in the 1998 consolidated financial statements to conform to the classifications used in 1999.

The U.S. dollar amounts included herein are solely for the convenience of readers outside Japan and have been translated from the Japanese yen amounts at the rate of ¥120.55=$1, the approximate exchange rate prevailing as of March 31, 1999.

Note 2: Summary of Significant Accounting Policies

(1) Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. Investments in unconsolidated subsidiaries and affiliates are stated at cost and certain unconsolidated affiliates are accounted for by the equity method.

(2) Foreign Currency Translation

Foreign currency translation of the accounts of the Company and its subsidiaries are as follows:

Current receivables and payables in foreign currencies are translated at the rate of exchange in effect at the balance sheet date or at the rates of any applicable forward exchange contract. Non-current receivables and payables are translated at historical exchange rates.

Assets and liabilities, and income and expenses in the financial statements of the consolidated foreign subsidiary are translated into yen at the rate of exchange in effect at the balance sheet date.

(3) Statements of Cash Flows

For the presentation of the statements of cash flows, the Company considers cash, time deposits and all other highly liquid investments with an original maturity of three months or less to be cash equivalents.

(4) Inventories

The Company:

Finished products are stated at cost, which is determined by the identified cost method. Work in process, raw materials and supplies are stated at cost, which is determined by the moving average cost method.

Subsidiaries:

Inventories are principally stated at cost, which is determined by the moving average method or at the latest purchase price.

(5) Marketable Securities and Investment Securities

Marketable securities and investment securities are carried at cost, which is determined by the moving average cost method.

(6) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost. Depreciation is computed principally by the declining balance method based on the estimated useful lives of the respective assets.

The range of useful lives is as follows:

Buildings and structures	5 to 75 years
Machinery, equipment and vehicles	3 to 17 years
Tools	2 to 15 years

(7) Severance Indemnities and Pension Plans

Employees who terminate their services with the Company and its subsidiaries are entitled to a lump-sum severance payment determined by reference to their current basic rate of pay and length of service. The Company and its subsidiaries generally provide for this liability to the extent of 40 per cent. of the amount which would be required to be paid if all employees voluntarily terminated their services at the balance sheet date.

The Company has a non-contributory pension plan for employees. An employee who terminates employment with the Company at age 50 or more receives 10 per cent. (mandatory retirement at age 60 entitles an employee to receive 100 per cent.) of such retirement benefits by a lump-sum payment or by annuity payments from this pension plan, and the remainder by a lump-sum payment from the unfunded retirement plan (as described above). Payments to the pension fund are charged to income when made. The past service costs relating to the pension plan are being funded over a period of 8 years and 3 months.

The consolidated subsidiaries have various kinds of pension plans.

(8) Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided based on the estimated amount of probable bad debts and the maximum amount which can be charged to income under Japanese income tax laws.

(9) Research and Development Costs

Research and development costs are charged to income as incurred.

(10) Income Taxes

Income taxes are provided for based on amounts currently payable for each year. No tax effect is recognized by the Company and its domestic subsidiaries for timing differences which arise as a result of the differences in the recognition of certain income and expenses for tax and for financial reporting purposes.

The foreign consolidated subsidiaries recognizes deferred income tax for such timing differences.

(11) Revenue Recognition

Sales of products are recognized in the accounts upon shipment to customers.

(12) Net Income per Share

The computation of net income per share is based on the weighted average number of shares outstanding during the period.

(13) Leases

Finance leases, other than those lease agreements which stipulate the transfer of ownership of the leased property, are accounted for as operating leases.

Note 3: Inventories

Inventories at March 31, 1998 and 1999 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1998	**1999**	**1999**
Finished products	¥17,341	**¥16,654**	**$138,154**
Work in process	13,377	**9,241**	**76,660**
Raw materials and supplies	3,326	**5,447**	**45,182**
	¥34,044	**¥31,342**	**$259,996**

Note 4: Advances to Unconsolidated Subsidiaries and Affiliates

Loans to unconsolidated subsidiaries and affiliates at March 31, 1998 and 1999, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1998	**1999**	**1999**
Short-term loans:			
Affiliates	¥ —	**¥ 320**	**$ 2,655**
Long-term loans:			
Unconsolidated subsidiaries	¥940	**¥ 925**	**$ 7,673**
Affiliates	0	**1,170**	**9,706**
	¥940	**¥2,095**	**$17,379**

Note 5: Short-Term Bank Loans and Long-Term Debt

The annual interest rates applicable to short-term bank loans outstanding at March 31, 1998 and 1999 were principally 1.5 per cent.

Long-term debt at March 31, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	1998	**1999**	**1999**
Loans, principally from banks, insurance companies and other institutions, due 1999 to 2026 with interest rates ranging from 1.15% to 5.6%			
Secured	¥ 4,830	**¥ 6,512**	**$ 54,016**
Unsecured	8,506	**18,082**	**149,997**
Less amount due within one year	(9,406)	**(5,030)**	**(41,722)**
	3,930	**19,564**	**162,291**
7.0% bonds due 1998	4,000	**—**	**—**
3.45% bonds due 1999	15,000	**15,000**	**124,430**
Floating-rate bonds due 1999	25,000	**25,000**	**207,383**
2.0% bonds due 2001	—	**10,000**	**82,953**
2.2% bonds due 2002	10,000	**10,000**	**82,953**
2.5% bonds due 2002	—	**20,000**	**165,906**
2.6% bonds due 2003	20,000	**20,000**	**165,906**
Less amount due within one year	(4,000)	**(40,000)**	**(331,812)**
	70,000	**60,000**	**497,719**
	¥73,930	**¥79,564**	**$660,010**

The aggregate annual maturities of long-term debt outstanding at March 31, 1999, were as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars
2000	¥ 45,030	$ 373,535
2001	4,593	38,099
2002	27,069	224,550
2003 and thereafter	47,902	397,361
	¥124,594	$1,033,545

As is customary in Japan, short-term and long-term bank loans are made under general agreements which provide that collateral and guarantees for present and future indebtedness will be given upon request of the bank with reasonable and probable cause, and that the bank shall have the right to offset cash deposited with it against any obligation that has become due or, in the event of default, against all obligations due to the bank. The Company has never been requested to give any additional collateral or guarantee.

Note 6: Accrued Severance Indemnities and Pension Costs

The charges to income for accrued severance indemnities and pension costs for the years ended March 31, 1998 and 1999 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1998	**1999**	**1999**
Accrued severance indemnities	¥3,729	**¥3,256**	**$27,506**
Pension costs	1,621	**2,640**	**21,901**

Note 7: Depreciation

Depreciation charges of property, plant and equipment for the years ended March 31, 1998 and 1999 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1998	**1999**	**1999**
Selling, general and administrative expenses	¥ 1,296	**¥ 1,478**	**$ 12,261**
Cost of sales	24,859	**27,390**	**227,209**
Other	397	**272**	**2,258**

Note 8: Leases

Lease expenses in respect of finance leases, other than those lease agreements which stipulate the transfer of ownership of the leased property at March 31, 1998 and 1999, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
Class of property	1998	**1999**	**1999**
Machinery, equipment and vehicles	¥5,915	**¥ 6,009**	**$ 49,851**
Tools	11,908	**12,725**	**105,555**
	17,823	**18,734**	**155,406**
Less accumulated depreciation	(6,887)	**(9,384)**	**(77,841)**
Net	10,936	**9,350**	**77,565**
Future minimum payments			
Due within one year	2,921	**2,767**	**22,953**
Due after one year	8,015	**6,583**	**59,611**
	10,936	**9,350**	**77,564**
Lease expenses for the year	2,070	**3,013**	**24,996**
Accumulated depreciation	2,070	**3,013**	**24,996**

Note 9: Income Taxes

The Company and its domestic subsidiaries are subject to corporate income tax, enterprise tax and prefectural and municipal inhabitants taxes, based on income, which in the aggregate result in statutory tax rates of approximately 52 per cent. for 1998 and 46.4 per cent. for 1999. However, the effective tax rates in the accompanying statements of operations differ from the above-mentioned income tax rates. The principal reasons for such differences are (a) the accounting policy of not providing for deferred income taxes arising from timing differences between financial and tax reporting, and (b) certain expenses which are not deductible for income tax purposes.

Note 10: Contingent Liabilities

Contingent liabilities at March 31, 1998 and 1999 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	1998	**1999**	**1999**
Trade notes receivable discounted with banks	¥ 643	**¥ 406**	**$ 3,366**
Guarantees of housing loans of employees and for indebtedness of unconsolidated subsidiaries and affiliates	14,866	**14,006**	**116,188**

Note 11: Retained Earnings and Dividends

The amount of retained earnings available for dividends under the Commercial Code of Japan is based on the amount stated in the statutory financial statements of the Company.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividend is applicable. In addition, a semi-annual interim dividend payment may be made by resolution of the Board of Directors subject to certain limitations imposed by the Commercial Code.

Note 12: Subsequent Event

On February 10, 1999, the Company entered into an agreement of the merger with Hino Motor Sales, Ltd., a general sales agent of the Company in Japan, as of October 1, 1999 and such agreement has been approved at the general shareholders meeting of the Company held on June 24, 1999.

Note 13: Segment Information

The Company and its consolidated subsidiaries are primarily engaged in the manufacture and sale of automobiles, particularly diesel trucks and buses.

Business segment information is not required to be disclosed as both sales and operating income of the automobile business exceed 90 per cent. of total sales and of operating income of all segments not incurring an operating loss.

Geographical segment information is not required to be disclosed as sales outside Japan are less than 10 per cent. of consolidated net sales.

	Year ended March 31, 1999		
	Millions of Yen		
Overseas sales	Overseas sales(A)	Consolidated sales(B)	(A)/(B)
Asia	**¥17,385**	**—**	**4.0%**
Oceania	**¥12,192**	**—**	**2.8%**
Other areas	**¥29,636**	**—**	**6.9%**
Total	**¥59,213**	**¥432,284**	**13.7%**
	Thousands of U.S. Dollars		
Total	**$491,187**	**$3,585,933**	

	Year ended March 31, 1998		
	Millions of Yen		
Overseas sales	Overseas sales(A)	Consolidated sales(B)	(A)/(B)
Asia	¥53,844	—	9.1%
Oceania	¥11,740	—	4.7%
Other areas	¥27,805	—	2.0%
Total	¥93,389	¥589,209	15.8%

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
HINO MOTORS, LTD.

We have examined the consolidated balance sheets of Hino Motors, Ltd. and its consolidated subsidiaries as of March 31, 1998 and 1999 and the related consolidated statements of operations, shareholders' equity and cash flows for the years then ended, all expressed in Japanese yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above, expressed in Japanese yen, present fairly the consolidated financial position of Hino Motors, Ltd. at March 31, 1998 and 1999, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan applied on a consistent basis.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 1999 are presented solely for convenience. Our examination also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Showa Ota & Co

Tokyo, Japan
June 24, 1999

SHOWA OTA & CO.
Certified Public Accountants