MESSAGE FROM THE MANAGEMENT

Hino Motors has implemented a number of structural reforms during the past three years. Beginning with the 1999 merger of Hino Motors and subsidiary Hino Motor Sales, Ltd., we have taken a series of decisive steps, cutting costs of production and reducing other operating expenses. We are in the process of completing our medium-term management plan announced March 2000, which lays the foundation for future growth.

In order to fulfill the management plan's goals as quickly as possible, Tadaaki Jagawa, formerly an executive of Toyota Motor Corporation, was appointed president in June 2001. With this more powerful organization and top management team, we will now take on the ambitious targets that we have set for ourselves.

Under the leadership of the new president, everyone within the Hino Motors Group will retain a tight focus on the ongoing three-year management plan to become the kind of company we should be in the future.

Results of Operations

In fiscal 2001, the year ended March 31, 2001, there was an upturn in demand in Japan's Medium- and Heavy-duty truck market, the primary source of Hino Motors' sales. This took place mainly in cargo-carrying vehicles during the year's first half as the economy appeared to have stopped weakening. However, demand softened in the fiscal year's second half as growth of the U.S. economy began to slow. The result was a difficult operating environment in which total demand for Medium- and Heavy-duty trucks in Japan was 77,000 units, remaining well below the 80,000 level. Through highly effective R&D and sales efforts, however, we were able to overcome these challenges. Our truck and bus sales in Japan and overseas rose 16.8% to 52,516 units, the second consecutive year of solid growth. In addition, total vehicles assembled on commission for Toyota Motor Corporation climbed 3.9% to 140,734 units.

We continued to step up our environmental programs. The most significant result was the acquisition of ISO 14001 certification of our Head Office and Hino Plant complex. With the Hamura and Nitta plants already certified, this completes the certification of all our production facilities.

Steps to radically realign production and sales activities continued. Most notably, we shut down and integrated assembly lines and made Hino Auto Body, Ltd. a wholly owned subsidiary. Domestic sales activities were also reinforced. Hino Motors purchased ¥30 billion of newly issued shares of sales subsidiaries, eliminating accumulated losses and giving these companies the solid balance sheets required to return to profitability. Accompanying these investments were actions to streamline management and bring about many other improvements.

These actions contributed directly to the growth in sales volumes in Japan and overseas. Results also benefited from the launch of the DUTRO Light-duty truck in Australia and an increase in vehicles produced for Toyota. Consolidated net sales increased by

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Tadaaki Jagawa,
President

¥50,710 million, or 7.8%, to ¥703,998 million. More significantly, there was a big turnaround in profitability as we recorded operating profit of ¥5,650 million, an improvement of ¥33,109 million over the prior year's operating loss of ¥27,459 million. This was attributable to the success of company-wide initiatives to cut the cost of producing vehicles as well as bringing down administrative and other operating expenses.

However, there was a consolidated net loss of ¥13,302 million due to an expense of ¥21,703 million to recognize additional severance indemnities and pension costs following the adoption of a new accounting standard. On a non-consolidated basis, we reported net income of ¥8,591 million compared with a net loss of ¥15,422 million in the prior fiscal year. There were no dividend payments applicable to the past fiscal year as the company still has ¥20,979 million of unappropriated losses.

Moving Forward

In the three-year period through March 2001, we eliminated more than ¥80 billion of costs from our organization, mainly by cutting fixed expenses. Based on the premise of domestic Medium- and Heavy-duty truck demand of 80,000 units and total exports of 15,000 units, our medium-term management plan challenges us to meet three goals: bottom-line profitability at the parent company by fiscal 2001; consolidated bottom-line profitability by fiscal 2003; and reducing interest-bearing debt.

Our hard work has allowed us to clear the first hurdle: the parent company returned to the black in fiscal 2001. Behind this accomplishment were sweeping management and structural reforms that required considerable dedication and perseverance by our people. Everyone worked hard to establish an operating base capable of generating a profit even when Japan's total Medium- and Heavy-duty truck demand was only about 80,000 units.

The next task is clear. We must make this lean and competitive organization an integral element of Hino Motors' operations. As the global motor vehicle industry undergoes a far-reaching realignment, Hino Motors needs to be positioned to compete and grow on a global scale. Doing so demands that we draw on the strengths of the entire Hino Motors Group. In the past, there was a tendency to look only at a single activity when shooting for optimal performance. Now we need to optimize the performance of the Group as a whole. Adopting this perspective will allow us to build on existing strengths, leveraging our collective resources to resume our growth on a global scale.

Our medium-term management plan was formulated to bring about structural reforms. The goal is to establish a stable base for our operations. Now is the time to take Hino Motors to the next stage, one in which we aggressively translate strategies into action while maintaining profitability. Advancing to this stage mandates that we create an organization capable of taking the offensive. We will do so by transforming Hino Motors in the following five ways.

1. Establish a low-cost structure

There are no prospects at this time for a rebound in demand for Medium- and Heavy-duty trucks in Japan. Structural changes in the market are responsible. There have been fundamental shifts in Japan's courier and delivery systems, accompanied by rising efficiency, and owners are using their vehicles longer. To make the domestic truck market a reliable source of earnings, we must cut the cost of materials and other elements of truck production. In short, we must do whatever is necessary to strengthen our domestic truck business.

2. Produce more technological innovation

As a motor vehicle manufacturer, we must constantly address two critical social issues: the environment and safety. We need to make this commitment a central element of our identity. The public should link the Hino name with an organization that takes the initiative in technological progress in trucks and buses. We want to solidify our identity as a company working to make vehicles safer, cutting exhaust emissions, improving fuel efficiency and reducing pollution. We also want Hino to be synonymous with refinements in reliability and quality. In this regard, we will utilize concurrent engineering and other sophisticated techniques to make our R&D programs still more efficient, bringing new ideas to the market faster than ever.

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3. Take actions to raise profits in each business sector

As Japan's truck market shrinks, it is imperative that sales companies generate more earnings from peripheral activities. In other words, we need to act quickly to structure the Hino Group as a powerful and unified value chain. Reforming and restructuring overseas activities is also of considerable importance. We will place particular emphasis on re-building our operations in Southeast Asia.

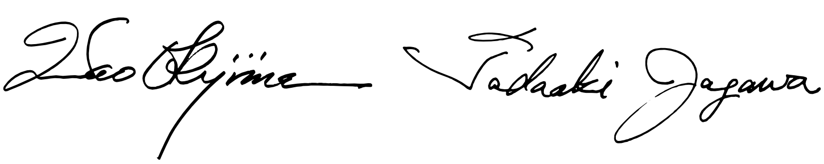
4. Increase sales of Light-duty trucks

Our goals are to achieve more growth in sales of these trucks in Japan and, building on the momentum of our success in Australia, rapidly expand sales in other countries. Raising earnings is equally important. Light-duty trucks are to become a core profit center alongside our well-established Medium- and Heavy-duty truck lines.

5. Pursue a global strategy for expansion

Our competitors are entering into cross-border alliances and other forms of co-operation. Hino Motors' future is dependent on our ability to establish superiority in terms of technology, quality and cost. We must therefore formulate a strategy that leverages our strengths in all three of these areas. And above all, this strategy must be global in its perspective and actions.

Cooperation among all operating and administrative divisions of the Hino Group is vital for this transformation. Each division will set its own numerical goals. Each will formulate a strategy best suited to competing successfully in its respective market. By working together to address the issues faced by every part of the Group, we will have a solid base for reaching our profit targets. All our efforts to offer quality products and services are aimed at meeting the expectations of our shareholders, customers, employees and all other stakeholders. In closing, we would like to thank you for your continued support.



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Tadaaki Jagawa
President

July 2001

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