

FINANCIAL REVIEW

The Hino Motors Group comprises Hino Motors, Ltd., 103 subsidiaries, 22 affiliates, and 1 associated company. The Group's primary business is the manufacture of trucks and buses, and the production of vehicles on commission for Toyota Motor Corporation, as well as related product development, design and service operations.

The exchange rate at the end of the fiscal year was ¥123.90 to the U.S. dollar, ¥17.75 weaker than a year ago.

OPERATING RESULTS

Net Sales

For the fiscal year ended March 31, 2001, consolidated net sales increased 7.8% to ¥703,998 million. This reflected higher domestic and overseas sales volumes.

Domestic demand for Medium- and Heavy-duty trucks, the Company's mainstay products, rose from 74,000 units in the previous period to 77,000 units, failing again to break through the 80,000-unit mark. Amid this operating environment, Hino Motors aggressively focused on sales growth and on research and development. As a result, domestic sales volume of Medium- and Heavy-duty trucks, Light-duty trucks and buses rose 3,134 units year on year to 33,136

units. Overseas sales volumes increased 4,415 units to 19,380 units due mainly to increased sales volume in Southeast Asia, particularly Indonesia and Thailand.

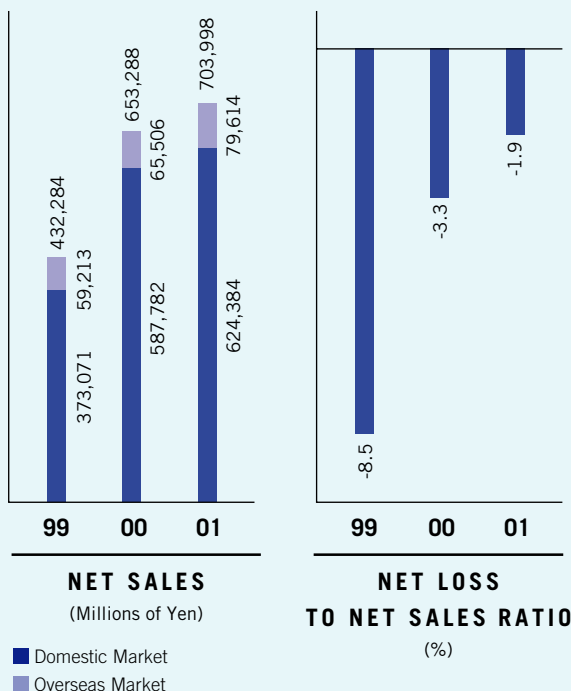
Vehicles produced on commission for Toyota rose 5,275 units to 140,734 units.

Overseas net sales climbed 21.5% to ¥79,614 million over the previous period. The percentage of consolidated net sales accounted for by overseas sales rose from 10.0% to 11.3%.

Net Income

Cost of sales rose 3.0% to ¥593,328 million. However, initiatives geared toward putting in place a low-cost structure resulted in the cost of sales ratio decreasing from 88.2% to 84.3%. Selling, general and administrative (SG&A) expenses increased 0.3% to ¥105,020 million. SG&A expenses accounted for 14.9% of net sales, compared with 16.0% in the previous period. As a result, operating profit was ¥5,650 million, reversing an operating loss of ¥27,459 million in the previous fiscal year.

Other expenses, net, rose to ¥15,569 million from ¥7,359 million the previous year. In other income, the Company recorded ¥13,523 million from gains on the sale of investment securities. Other expenses, however, included a ¥21,703 million charge for writing off the shortfall in retirement benefits following a change in accounting standards. Interest expenses net of interest and dividend income were ¥6,532 million, compared with an expense of ¥4,298 million a year earlier. Interest expense declined ¥2,337 million from the previous year due to a reduction in interest-bearing debt. Interest and dividend income, however, fell ¥4,571 million due to a change in the classification of installment interest income.



As a result, net loss improved to ¥13,302 million, from ¥21,837 million. Net loss per share was ¥29.54, against a net loss of ¥59.65 per share last year.

R&D Costs

R&D costs for the year were ¥23,589 million. The bulk of this was directed toward the development of environmental technology and improving products.

Investment in Property, Plant and Equipment

Investment in property, plant and equipment was ¥20,018 million, primarily representing renewal of aging facilities and capacity expansion of Medium-duty truck and consignment vehicle production facilities.

Cash Flows

Cash and cash equivalents were ¥41,967 million, a decrease of ¥26,991 million from the previous year.

Net cash provided by operating activities decreased ¥15,156 million from the previous period to ¥26,743 million. This is attributed to an increase in the provision for employees' retirement benefits, and depreciation and amortization offset by an increase in notes and accounts receivable.

Investing activities provided net cash of ¥27,493 million. In the previous period, they used net cash of ¥22,429 million. This was the result of a decrease of ¥16,435 million in additions to property, plant and equipment, and cash from the sale of marketable securities.

Net cash used in financing activities was ¥81,101 million, up ¥38,347 million. This reflected aggressive efforts to reduce interest-bearing debt across the Group, which resulted in net reductions of ¥55,438 million and ¥25,663 million in short-term bank loans and long-term debt, respectively.

FINANCIAL POSITION

Total assets at the end of the year decreased 8.1% to ¥765,310 million compared with a year earlier. Cash and cash equivalents declined ¥26,991 million as funds were used for the repayment of interest-bearing debt. Trade receivables increased ¥15,158 million in line with the higher net sales. Investments and advances fell 26.8% to ¥55,023 million. Property, plant and equipment decreased 5.7% to ¥316,034 million.

On the other side of the balance sheet, trade payables rose ¥8,003 million due to the increase in production units. Short-term bank loans decreased ¥50,561 million and current portion of long-term debt increased ¥35,609 million. Regarding long-term liabilities, long-term debt decreased ¥59,967 million. As a result, total interest-bearing debt was ¥455,373 million, a decrease of ¥74,920 million.

Shareholders' equity fell 21.9% to ¥84,101 million. Consolidated retained earnings decreased ¥17,346 million to ¥19,940 million. Shareholders' equity per share dropped from ¥241.01 to ¥186.02 and the equity ratio dropped from 12.9% to 11.0%.

