

Q. In fiscal 1999, Hino Motors recorded the first net loss in its corporate history. In fiscal 2000, you launched various initiatives to improve results. What specific measures have you taken?

A. It would be fair to say that fiscal 2000 was a decisive year in which we took various measures to reform the Company's operating structure. Although we recorded a net loss at the end of the year, this was an unavoidable consequence of the restructuring that took place with a view to achieving renewed growth in the fiscal year ending March 31, 2001.

In restructuring our manufacturing operations, from last year we began to consolidate production facilities and rightsize our workforce. The first step was to reorganize production lines to match required output, which led to a reduction in the number of lines from 6 to 3. We have also successfully raised efficiency, consolidated operations and reduced costs. Efforts to reduce staffing levels cut the number of employees at the parent company from 9,497 as at the end of March 1999 to 9,074 at the end of March 2000, even after the merger. This reduction contributed to lower selling, general and administrative expenses. We also streamlined our organization, taking into consideration the duties of each division. As a result, the number of divisions fell from 86 as of October 1999 to 59 in April 2000, and to 56 in June 2000.

In June 1999, we introduced a new executive officer system to speed up the decision-making process. This

system is designed to facilitate swift and bold decision making amid Japan's rapidly changing socioeconomic environment.

We also strengthened marketing. Accompanying our expansion into the light-duty truck market—an area expected to be a future pillar of earnings—we increased our marketing personnel, partly through transfers from other departments. At the same time, we revamped our sales network by consolidating sales affiliates, reducing the overall number of personnel and promoting more efficient sales practices.

Q. Fiscal 2000 was clearly a year of great change at Hino Motors. What prompted the alliance with Isuzu Motors Limited?

A. The business alliance with Isuzu in the bus sector is a response to changes in this particular market. Changing trends in tourism have reduced demand for tour buses, and the concentration of the population in cities and the accompanying depopulation of rural areas, along with the development of alternative modes of transport, have reduced demand for regular bus services. The contraction of the market has resulted in structural problems such as excess production capacity. Faced with these problems, bus manufacturers are generally in dire straits. Nevertheless, from the profit point of view, complete withdrawal from the business would not be viable. Consequently, we decided to cooperate with Isuzu rather than try to go it alone. The resultant economies of scale

will yield greater efficiency and lower costs in development, manufacturing and procurement, allowing us to continue to meet customer needs in this sector. As the first step toward this alliance, it was decided that our bus body manufacturing subsidiary Hino Auto Body, Ltd. should be made a wholly owned subsidiary. Through this measure, we intend to establish a fully integrated production structure, from manufacturing to sales. From hereon, we intend to continue with the fundamental realignment of our operating structure as we strive to raise profitability and increase market share.

Q. In recent years, the environment, economy and safety have become key themes in product development. What is Hino Motors' approach, particularly regarding the environment?

A. Although the large-scale investment required for the development of environmental technology places a considerable financial burden on the Company, particularly in a time of economic recession, we regard this as essential if we are to meet the demands of society and customers. In other words, we must effectively respond to environmental issues if we are to survive as a manufacturer of trucks and buses.

Great hopes are being pinned on Exhaust Gas Recirculation (EGR) systems as a means of reducing exhaust emissions. In September 1999, Hino Motors completed development of the world's first Pulse EGR system. The new system yields approximately a 25%



reduction in nitrogen oxides and a 5–10% decrease in fuel consumption compared with engines without the Pulse EGR system. We have also been marketing trucks and buses featuring our hybrid inverter-controlled motor retarder system (HIMR) diesel/electric hybrid engine, for the last ten years. Currently, there are around 260 Hino low-emission vehicles with HIMR in operation, receiving widespread recognition for their superior environmental attributes. Another example of technology that defies all attempts at imitation is our common rail fuel injection system, which features advanced electronic control. We were the first in the world to adopt this system for truck engines. Hino Motors' natural gas and LPG powered buses and trucks have also met with success.

Hino Motors has the technological prowess to develop some of the finest low-emission engines in the world. We will continue refining this technology to reduce emissions still further and to cut down noise to the lowest possible level. At the same time, we will endeavor to raise cost performance.