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DOMESTIC MARKET

Japan's economic stagnation continued unabated during the fiscal year ended March 31, 2000. Nevertheless, while pushing on with the restructuring of operations, Hino Motors recorded steady growth in sales volume due to its entry into the light-duty truck market and the launch of buses developed specifically to meet customer requirements. As a result, sales increased 73.2% to ¥204,465 million.

Diesel Trucks and Buses for the Domestic Market

In May 1999, Hino Motors unveiled the new 2-ton payload truck DUTRO. Jointly developed with Toyota Motor Corporation, the truck embodies the high-level product development technology of both companies. The launch of DUTRO also marks Hino Motors' full-fledged entry into the light-duty truck market, a market 1.5 times the size of the medium- and heavy-duty truck markets. This move strengthens Hino Motors' position as a full-line truck manufacturer.

Based on data from detailed market surveys, development of the DUTRO started by taking into account distribution trends and the features that would benefit customers most. Technology developed over decades of experience with medium- and heavy-duty trucks has also been incorporated, producing a durable, easy to drive truck which has low running costs, enhanced fuel efficiency and excellent payload efficiency.

These features have been well received by the market, raising Hino Motors' share of Japan's light-duty truck market from 3.1% for the year ending

March 1999 to 6.8% in the year under review. The number of vehicles sold increased 103.6% to 6,788 units. Hino Motors aims to increase its share of this market to 10% in the near future.

Domestic demand for medium- and heavy-duty trucks was around 74,000 units, marking a further decline from last year's 81,000 units. Nevertheless, sales volume increased 33.1% to 20,948 units due to large-scale inventory reduction in 1999.

Market contraction and the tightening of exhaust emission regulations is raising the pitch of competition across the industry. As part of its





strategy to prevail in this environment, Hino Motors bolstered its lineup by adding a new 8-ton payload truck to its Short-Cab series in November 1999 and launching a new low-emission series in January 2000. In addition, the PROFIA series underwent a major upgrade in February 2000. Due to the release of products developed with environmental soundness, economy and safety as primary considerations, Hino Motors secured a 28.5% share of the medium- and heavy-duty truck market. This is the 27th consecutive year that Hino Motors has been the market leader in this category, based on the number of registrations in Japan.

The domestic market for buses shrank 4.0% year on year to 9,792 units. To increase sales and strengthen its product lineup, Hino Motors introduced new medium-sized and small buses. Hino Motors succeeded in regaining the top market share in medium-sized buses, a position that the Company has not occupied since 1997, selling 2,266 buses, roughly the same as last year.

The bus market in recent years has been characterized by trends closely linked to the direction of people's lifestyles, such as the downsizing from large to medium-sized buses and the proliferation of low-floor buses. In response to these tendencies, Hino Motors unveiled its LIESSE small bus in June 1999 and the Rainbow medium-sized, low-floor bus



series in December 1999. Also, reflecting the tightening of environmental regulations governing exhaust emissions and noise levels, in July 1999 Hino Motors upgraded the LIESSE II, and in August 1999 it began sales of upgraded versions of the large tour bus S'ELEGA, the large city bus/private-use bus Blue Ribbon and the wide-body, small bus MELPHA 7. These efforts ensured that sales of buses remained on a par with the previous year, despite contracting demand in this sector.



Commissioned Vehicles

In sales of vehicles produced on commission for Toyota Motor Corporation, the start of production of the light-duty truck Dyna, yielded steady sales growth. Exports of the Hilux were hit by the strong yen, with commissioned production falling to 135,459 units. Sales in this category, including sales of spare parts, increased 3.8% to ¥218,403 million.

Domestic Other Divisions

Domestic sales of industrial diesel engines rose 581.5% to ¥119,924 million due to the inclusion of sales subsidiaries in the Company's consolidated accounts, as well as the inclusion of used engine and repair operations. Domestic sales of parts increased 66.3% to ¥44,989 million. Overall, sales in these divisions increased 269.3% to ¥164,914 million.

OVERSEAS MARKETS

During the year under review, there were some signs of recovery in Hino Motors' principal export markets of Southeast Asia, namely Thailand and Indonesia. Exports of trucks and buses to Asia as a whole increased 104.1% to 7,493 units. However, sales volumes in Latin America plummeted 71.5% to 800 units, compared with 2,804 in the previous fiscal year. In other primary markets, sales volumes dropped 0.1% to 2,480 units in North America, and climbed 14.2% to 2,589 units in Oceania.

Sales of industrial diesel engines and other overseas sales, including components supplied to overseas manufacturing bases and spare parts for overseas markets, increased 81.4% to ¥19,433 million.

As a result, total overseas vehicle sales increased 8.7% to 14,965 units, and consolidated overseas sales climbed 10.6% to ¥65,506 million.

In preparation for the full recovery of the Asian markets, Hino Motors will continue to support subsidiaries and affiliated companies in the region as they restructure their businesses and reinforce their operations. It is currently formulating a strategy to bring success in the light-duty truck market while creating synergies that will expand market share in medium- and heavy-duty truck operations.

