Hino Motors Value Creation

The Hino Motors business model is being developed on the dual pillars of creating social value through the resolution of issues faced by customers and the world and creating economic value by discovering new issues and cultivating needs. In addition, the directionality of our business is established by our environmental strategy called, Hino Environmental Challenge 2050 and Challenge 2025, the medium- to long-term management strategy drawn up based on the Hino Credo. We are striving to carry out sustainable business to realize a sustainable society.

### The 3 Goals

- **Best-fit products** incorporating safety and environmental technologies
- **Total Support** customized for each vehicle
- **New activity areas**

Creating social value through the resolution of issues faced by customers and the world

Creating economic value by discovering new issues and cultivating needs

**Serving Society through Transportation**

**Supporting Customers**

**Creating Technologies**

**Managing Vehicles**

**Value Chain**

- Planning
- Development
- Production
- Sales
- After Sales Service
- Solutions

Hino Environmental Challenge 2050

**Contribution to SDGs**

1. Realizing a society in which people and goods can get to where they need to go safely, reliably and in an optimum manner with environmental responsibility
2. Minimizing environmental impact in each step of the truck and bus business
3. Developing partners that have the same dreams (Providing solutions to societal issues by bringing together others' competencies)
4. Building a sustainable value chain
5. Diversity & inclusion
6. Training human resources to help people and goods get to where they need to go

### ESG Initiatives (Business foundation)

- Occupational health and safety / Quality / Human resources creation / Compliance and fair competition / Human rights and labor practices and so on

**The HINO Credo**

To make the world a better place to live by helping people and goods get to where they need to go
The world we want to create and providing Hino value

To realize “a sustainable world that is prosperous and pleasant to live in,” Hino has worked together with its customers and society to solve a variety of societal issues. Today, various societal issues are materializing in the transportation of goods and people, such as serious traffic accidents, CO₂ emissions, and labor shortages. Hino is not only using its own resources but also bringing together various competencies by cultivating partnerships to resolve these issues by tackling them head on.

A world where people and goods move freely, safely, and efficiently. A sustainable world that is prosperous and pleasant to live in.

1. The world we want to create

Hino wants to achieve “a sustainable world that is prosperous and pleasant to live in,” where people and goods can move freely and in an optimized way in a society that is worry-free, safe, and earth friendly.

2. Challenges to overcome and providing Hino value

To face the increasingly complex challenges of our customers and the world, we uphold the provision of four values of “zero traffic accident casualties,” “major reductions in CO₂ emissions,” “support for the growth of our customers’ businesses,” and “enhanced efficiency in transporting goods and people.”

We are working on comprehensive solutions through our Three Directions approach therefore, which is comprised of “best-fit products incorporating safety and environmental technologies,” “total support customized for each vehicle,” and “new activity areas.”

Enhancing our business foundation for sustainable growth

Based on the Three Directions approach of “Trucks and buses that do more,” we have established the pillars of “New vehicle business,” “Total Support business,” and “Solutions business” to enhance Hino’s business foundation. We are striving for sustainable growth by steadily strengthening these businesses.

Growth and business structure changes leading up to 2025

1. Further enhancing our business foundation

The number of vehicles sold is steadily increasing each year, and we aim to sell 300,000 new vehicles by 2025, which is approximately 1.6 times more than in FY2017. Sales are experiencing well-balanced growth in overseas regions in addition to the three mainstays (Japan, ASEAN, the Americas), and we are releasing the best products in a timely manner through “quick” development utilizing thorough optimization.

In manufacturing, we deliver products to our customers in a short production lead time, and are increasing price competitiveness and revenue per vehicle through drastic cost reduction activities that take advantage of alliances.

Our Total Support (number of units in operation) business aims to boost the rate of service visits 50% by 2025 through improvements in maintenance skills and promotion of service visits. This will result in an increase in the number of vehicles making service visits that is approximately 2.5 times greater than now.

Furthermore, to strengthen our bonds with customers, we will continue providing substantial support, including opening customer service centers at all overseas bases. We are striving for a stable business structure through initiatives that include an increase in the sales of new vehicles and an increase in UIO.

Growth scenario

- New vehicle sales
- Total Support business
- Sales growth indicators for service visits
- Improved service visits
- Strengthen ties with customers
2. Partnerships
There are endeavors Hino has undertaken thus far that would have been difficult to accomplish alone. While focusing on collaboration with the Toyota Group, we are further moving forward with efforts that include a strategic cooperative relationship with the TRATON Group in a range of areas and collaboration with Ashok Leyland, which has a strong hold in developing nations.

Hino has taken the lead in promoting efforts for commercial base CASE* within the Toyota Group to accelerate resolutions to problems for its customers and the world.

**Partnerships**

- **Management perspective (FY2025)**
  - Hino is looking to achieve growth in 2025 of 2.5 trillion yen in sales and an operating profit ratio of 10% by providing strong, far-reaching value to its customers and contributing to society. We hope to secure steady revenue and stable returns to stockholders through growth in the solutions business and Total Support business that accompanies an increase in the number of units in operation. Together with boosting this earning power, we will invest in growth for new technology development to further improve corporate value.
  - We will do our utmost so that Hino continues to be a company needed by all stakeholders, including our customers and stockholders.

### Corporate Targets

<table>
<thead>
<tr>
<th>FY2017</th>
<th>FY2025 targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>1.8 trillion yen</td>
</tr>
<tr>
<td>Operating profit* (in millions yen)</td>
<td>4.47% (40 million yen)</td>
</tr>
<tr>
<td>Vehicle sales* (in million units)</td>
<td>180,000 units</td>
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<tr>
<td>Service sales*</td>
<td>About 1.77 million</td>
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<tr>
<td>Service and After-Sales* (in millions yen)</td>
<td>117 million</td>
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<tr>
<td>Earnings structure</td>
<td>525,000 yen</td>
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<tr>
<td>Owners' equity structure</td>
<td>805,000 yen</td>
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</tbody>
</table>

*CASE: C = connected (connectivity), A = autonomous (autonomous driving), S = shared, and E = electric (electrification)

3 Goals to realize “Challenge2025”

**The 3 Goals**

Hino Motors, in its medium to long-term strategy, “Challenge2025,” describes the plan to address complex challenges based on its Three Directions approach by listing four ways to provide value to customers and society: 1. Zero traffic accident casualties, 2. Major reductions in CO₂ emissions, 3. Support the growth of our customers’ businesses, and 4. Enhanced efficiency in transporting goods and logistics.

This section will focus on the three 3 Goals to introduce specific examples of Hino Motors initiatives, as well as the members of “Team Hino” who are working to provide solutions to issues faced by customers and society.
Hino Motors is working to sustainably support its customers and society by pursuing technologies that are environment friendly and provide safety and peace of mind. The creation of environmental technologies to improve safety technology for making society safer and to curb global warming is a critical issue that must be addressed with a long-term perspective. In the automobile industry, Hino Motors is committed to helping solve social problems by enhancing the quality, durability, and reliability of its products. The Company is doing this by improving its safety and environmental technologies and flexibly providing optimal products that most diverse customer needs in the global market in a timely manner.

1. Current technologies
   - **Environmental technology**
     - **Vehicle electrification development**
       - Development of electric vehicles such as EV toward 100% electrification by 2050 contributes to the prevention of global warming.
   - **Safety technology**
     - **Pre-Crash Safety System (PCS)**
       - The system detects vehicles or pedestrians ahead and automatically reduces the vehicle's speed, helping to reduce collision damage.
     - **Emergency Driving Stop System (Bus only)**
       - When the driver becomes incapacitated and cannot maintain control of the vehicle due to sudden illness or other factors, the system automatically stops the vehicle when either the driver or a passenger presses a switch.
   - **Safety technology**
     - **Autonomous driving**
       - The technology assists advanced assisted driving to move, round, and stop automatically, and contributes to reduce traffic accidents by human error.

2. Next-generation technologies
   - **Environmental technology**
     - **Vehicle electrification development**
       - Development of electric vehicles such as EV toward 100% electrification by 2050 contributes to the prevention of global warming.
   - **Safety technology**
     - **Autonomous platooning**
       - The technology adjusts the speed and steer behavior of multiple vehicles into automatic mode, promises for the solution to challenges such as driver shortages.

**The Power That Sustains Hino Motors**

**ADAS Development Div**

**Naoto Kota**

Currently, my job is to develop safety equipment that detects moving objects to prevent accidents. I’ve always been interested in the safety and comfort of commercial vehicles, which underpin our day-to-day lives, so I feel this work is very rewarding. I want a job that continuously contributes to the safety of society as a whole—that’s my dream. Developing safety technologies that reduce and eliminate human error, which is the greatest cause of accidents, is a constant repetition of trial and error day after day, but I hope to grow by learning from my incredible superiors, using my reasoning skills, and working to achieve goals.

**Shunsuke Hataya**

I’m involved in designing advanced safety equipment systems such as automatic braking. My work improving safety technologies is an ongoing, daily pursuit. To achieve the ultimate goal of “zero accidents” involving Hino vehicles, I especially value listening to the frank opinions of customers who actually use the vehicles. From that point of view, not only does analysis of the causes of accidents move forward, but listening to our customers is also an opportunity to come to unexpected realizations. I hope to thoroughly pass on this kind of know-how to the younger generation and together establish the safety performance standards found only in Hino vehicles.

**Hino Profia Hybrid**

Reducing the fuel consumption of heavy-duty trucks has become a major issue. Hino Profia Hybrid is equipped with the World’s first hybrid control system to significantly improve fuel consumption by using AI to predict gradients on routes based on 3D map information. In addition, both environmental performance and safety performance are achieved through standard equipment featuring advanced safety technology, such as the Pre-Crash Safety and the Sight Around Monitor System. (Refer to the right section)
The 3 Goals

“Total Support” That Underpins Our Customers’ Business

Hino Motors not only supplies completed trucks and buses, but also meets each vehicle’s diverse ongoing needs, supporting customers’ businesses worldwide with “Total Support” care for vehicles after delivery. The trucks and buses that Hino supplies to the world will make an even greater contribution to solving social issues as Total Support gives Hino a stronger presence as the company that “does more.”

Specific Initiatives

Maximizing Vehicle Uptime

Expanding HINO CONNECT, which links vehicles and customers through ICT

Hino Motors provides support so that trucks and buses continue to operate reliably for its customers and can fulfill their needs.

In 2019, the Hino Dutro was added to our lineup, which includes the Hino Profia, Hino Ranger, and Hino Selega.

To prevent the non-operation of customer’s vehicles, we have focused on “preventive maintenance,” which involves maintaining the vehicle before it breaks down, not fixing it afterwards. We plan to add a feature that offers optimal "preventive maintenance" based on information such as how the vehicle is used and gradually expand the service.

I believe that gaining customer trust requires improving the technical abilities of mechanics, and that forms the foundation of total support. I train mechanics to learn quick and accurate maintenance skills to cultivate mechanics capable of understanding customer needs and conducting maintenance from the customer’s point of view. I also hope to further polish my skills and continue to grow at the front lines of service in countries around the world with other mechanics who share the same ambition.

I was drawn by the ability to work around the world, so I joined Hino Motors as a Field Service Engineer (FSE).* When I was a student, I visited a plant in Arkansas in the USA and was drawn by the ability to work around the world, so I joined Hino Motors as a Field Service Engineer (FSE).* I train local mechanics in the Middle East and North Africa. When I was a student, I visited a plant in Arkansas in the USA and was drawn by the ability to work around the world, so I joined Hino Motors as a Field Service Engineer (FSE).*

United Arab Emirates (U. A. E.)

Mechanic

Kishore Sanjeeva Salian

Overseas subsidiary (Hino Motors Middle East FZE)

Field Service Engineer (FSE)

My mission is to maintain my customers’ vehicles in good condition. I feel a great sense of satisfaction being able to help each of my customers with their work and their lives by keeping their vehicles operating.

As a mechanic, I naturally have a sense of ownership and believe in working closely with my colleagues in the ongoing pursuit of providing the best service.

In addition, my dream is to pass on my experiences and the best technologies to the children who will lead the next generation in order to help achieve a prosperous and comfortable future.

Minimizing vehicle life cycle costs

MOBILOTS Corporation launches operations

The way commercial vehicles are being used is shifting from the previous approach of “ownership” to “utilization,” and customer demand for financial services is growing. To meet this demand, MOBILOTS established by three companies: Hino Motors, Toyota Finance Co., Ltd., and Sumitomo Mitsui Auto Service Co., Ltd. helps to minimize the life cycle costs of customers’ commercial truck / bus vehicles by offering vehicle leases and installment plans, as well as services that include vehicle management and maintenance.
The social issues related to trucks and buses are diversifying as society changes. Also demanding attention are problems associated with logistics, including measures to address global warming—a challenged faced by the entire Automobile industry—the driver shortage accompanying the growth of e-commerce, and accidents due to long working hours. Indeed, the range of issues is quite broad, including the increasing number of traffic accidents involving elderly drivers and the need to do something for the growing number of people whose movement is restricted in sparsely populated areas with few available means of transportation. As a manufacturer of trucks and buses, Hino Motors is working to solve social issues like these in “new activity areas” by venturing into logistics and transportation systems as a whole.

### Specific Initiatives

#### New Forms of Logistics

**NEXT Logistics Japan, Ltd. Initiatives**

To resolve societal issues such as driver shortages and CO₂ reduction, NEXT Logistics is striving to optimize logistics with the dual approach of utilizing 25-meter, full trailers for transporting large volumes of freight more efficiently (1 person transports 2 trucks worth of cargo) and “transporting more freight on a single truck” (20% increase of loading rate). The company will continue developing initiatives to fulfill the mission of keeping logistics flowing.

- **Transporting large volumes of freight more efficiently**
  - Freight that previously required two drivers and two trucks can be shipped with a single driver operating two trucks.
  - Loading rate: 40% (3 weeks)

- **Transporting more freight on a single truck**
  - Loading rate is improved by using vehicle information, such as available cargo space that is recognized using volume sensors and load sensors.
  - Loading rate: 60% (1 truck)

**CASE-MaaS**

**Offering value through new solutions**

Hino Motors is developing Commercial CASE (Connected, Autonomous, Shared, Electric) with the aim of continuing to engage with vehicles, even after they have been introduced into world markets, to bring smiles to every person involved with vehicles.

The Company entered into an agreement with the cities of Komatsu in Ishikawa Prefecture and Mitoyo in Kagawa Prefecture in 2019 and began demonstration experiments for a new mobility service using regional public transportation.

To provide “trucks and buses that do more” for customers, Hino Motors will continue identifying and improving issues onsite to assist customers and society through Commercial CASE.

**The Power That Sustains Hino Motors**

**Naoyo Kawata**

I’ve been fascinated by trucks and buses that support our lives from behind the scenes since before I joined Hino Motors. Today, I’m involved in solving onsite problems from the perspective of a commercial vehicle manufacturer that provides waste collection vehicles. I especially feel a great sense of satisfaction when discovering problems that wouldn’t have been recognized without going to the worksite. In addition to thinking from the perspective of the onsite worker, I soak up a variety of knowledge. I keenly feel that I can gain customer trust by becoming “more of a professional than the onsite professionals.” Worksites are constantly facing challenges. Going forward, I’d like to be able to solve onsite problems based on an even broader range of perspectives and be a presence that steadily supports customer business from behind the scenes.

**Yasuei Kawata**

Value unique to Hino Motors is produced by discovering and proposing solutions to potential worksite problems with transporting goods and people, such as risks and waste inconsistency at work.

Based on the motto “the worksite comes first,” we work to solve problems onsite to quickly offer value. I believe an approach that listens firsthand to customer opinions and carefully responds to each and every issue should be passed on to the younger generation.

This department has been established for less than a year, but we will continue working onsite to cultivate professionals whose strength is onsite skills in order to gain even greater trust both in and outside of the Company.