

ESG Initiatives

# Governance

## Corporate Governance

### Basic View on Corporate Governance at Hino Motors

As a company that manufactures and sells trucks and buses needed for distribution and transportation, Hino Motors is working to fulfill its corporate mission: "To make the world a better place to live by helping people and goods get where they need to go—safely, economically and with environmental responsibility—while focusing on sustainable development." At the same time, the Company has taken a clear stand on its responsibility to contribute to society and has set related goals under the HINO Credo, along with its Core Principles and CSR Charter.

To fulfill its corporate mission, Hino Motors is striving to build on the positive relationships it has established with its stakeholders, which include shareholders, customers, business partners, local communities around the world, and employees. Based on this stance, Hino Motors is working to enhance its corporate governance with the goal of achieving sustainable growth and raising its corporate value over the medium to long term as a global company. In addition, Hino Motors endorses the Corporate Governance Code prescribed by the Financial Instruments Exchange of Japan and has devised various measures based on the objectives and intent of the code's guidelines and principles. As a basic policy, Hino Motors intends to pursue these measures as a means of strengthening its corporate governance.

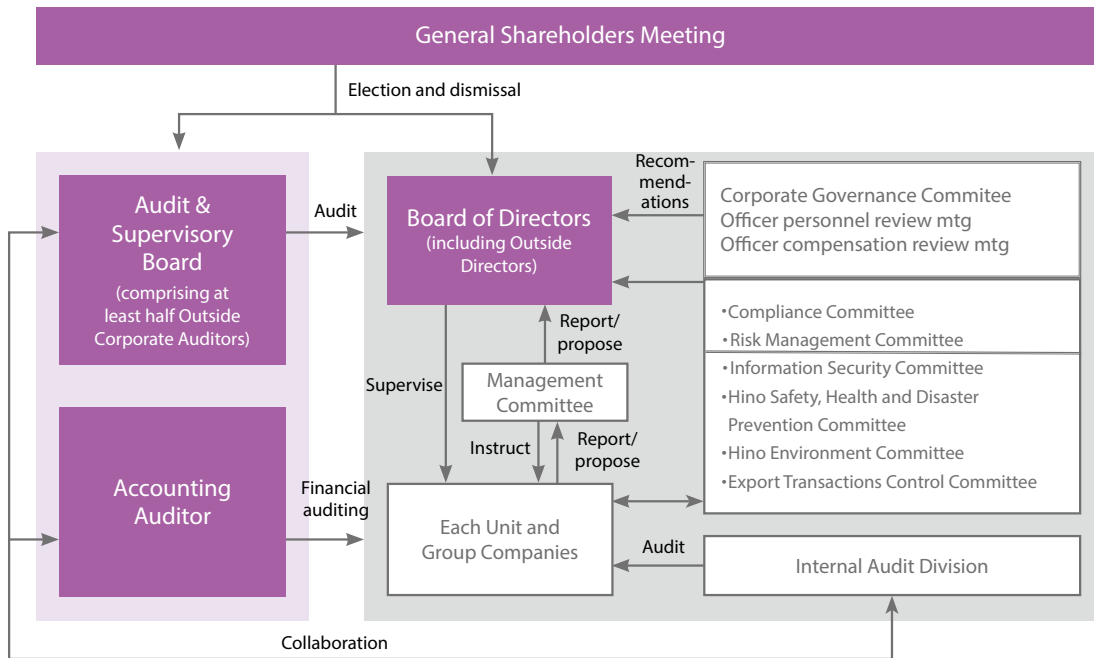
### Outline of Corporate Governance Framework

#### ◆ Corporate Management and Its Operating Framework

Hino Motors is a company that employs an Audit & Supervisory Board and has established a Board of Directors, established an Audit & Supervisory Board, appointed its members, and appointed an accounting auditor. The Company's Board of Directors is composed of 9 directors (as of June 2020, the number including three outside directors as defined by Japan's Companies Act. The Company's Articles of Incorporation stipulate a maximum number of 15). The Board of Directors makes decisions on important matters of business execution and supervises the execution of duties by the directors. The Company also employs an organizational structure consisting of division and business domains with the aim of streamlining the Board of Directors and flexible execution of business.

The Company has also established a Management Committee made up of the Chairman, the President & CEO, the general managers of the business units, and the full-time Audit & Supervisory Board members to deliberate on the management policies and strategies of the Company and to report information that is important for management. Hino Motors has established a Corporate Governance Committee in response to the election of outside directors with the aim of increasing the effectiveness of corporate governance and contributing further to sustained growth and enhancement of corporate value. The Corporate Governance Committee discusses the form that the Board of Directors should take (recommendations to the Board of Directors as necessary) and shares management information with the involvement of all of the outside directors and non full-time director. In fiscal 2019, the Corporate Governance Committee met second times.

Corporate Governance System



Auditing System

Hino Motors' Audit & Supervisory Board comprises four members (as of June 2020, the number including two outside members; the Company's Articles of Incorporation stipulate a maximum number of seven). Conforming to the standards for audits by the audit & supervisory board members stipulated by the Audit & Supervisory Board, the members communicate with the directors, the Internal Audit Department, and other employees and work to gather information and establish the audit environment in accordance with the Company's audit policy and planning. They also audit the status of Company operations and assets by attending meetings of the Board of Directors and other important meetings, hearing about the execution of duties from the directors and other employees, viewing important approval documents, investigating the status of business and assets of head quarters and major business sites, communicating and exchanging information with directors and audit & supervisory board members of subsidiaries, listening to business reports from subsidiaries, and supervise the execution of duties by the directors.

The Audit & Supervisory Board members receive reports on audit planning, the implementation and results of audits, and the status of implementation of their duties from the accounting auditors and exchanging opinions in addition to striving for mutual cooperation which includes witnessing onsite audits at subsidiaries during the fiscal year and monitoring and verifying the maintenance of independence and the performance of proper auditing by the accounting auditors. They also review the Business Report, financial statements and supplementary statements, and the consolidated financial statements.

Hino Motors has also established an Audit Division. In addition to conducting audits of the development and operation of internal control system relating to financial reporting in each department and at subsidiaries based on in-house regulations, the Audit Division seeks to enhance internal control by conducting audits of the legality, appropriateness, and efficiency of business, while urging each department and subsidiary to make the necessary improvements. The division also reports the internal audit plans, the status of audit implementation, and the findings of internal audits to the audit & supervisory board members as appropriate and shares information with them and the accounting auditors in relation to audits by the audit & supervisory board members and accounting audits.

▶ Corporate Governance   Interview with Outside Director   Compliance and Risk Management

### ◆ Outside Directors and Outside Audit & Supervisory Board Members

To oversee the execution of duties by the directors, Hino Motors has appointed three outside directors, (as of June 2020, both of whom are independent officers under the provisions of the Tokyo Stock Exchange and Nagoya Securities Exchange), as provided for in Japan's Companies Act. The outside directors are contributing to transparent, fair, swift and resolute decision making by playing a management oversight role for important decision making by the Board of Directors as well as participating in active and constructive discussion at the Corporate Governance Committee and inspecting the business sites of Hino Motors and its affiliated companies inside and outside Japan. To monitor the execution of duties by the directors, Hino Motors has also appointed two outside Audit & Supervisory Board members, both whom are independent Audit & Supervisory Board members, as of June 2020, as provided for in Japan's Companies Act. The Company believes that there is an adequate management monitoring function to oversee the appropriateness and legality of management through the implementation of objective audits in partnership with the two full-time Audit & Supervisory Board members.

Hino Motors makes efforts on collaboration so that the supervisory and audit functions operate fully by establishing forums for the exchange of information between the outside directors and outside Audit & Supervisory Board members and the Representative Director in addition to providing information on important matters, including providing explanations in advance of proposals to be submitted to the Board of Directors. The outside audit & supervisory board members work to achieve mutual communication with the full-time audit & supervisory board members, the directors, and other employees, and they attend the audit & supervisory board members' meeting Board of Directors' meetings to hear about the execution of duties and internal audits from the directors and other employees. In addition, as a rule, a meeting of the Audit & Supervisory Board is held before a meeting of the Board of Directors is convened. Thus, the audit & supervisory board members in attendance, including the outside audit & supervisory board members, check the proposals to be submitted to the Board of Directors to conduct a preliminary review.

Hino Motors ensures mutual cooperation by routinely receiving reports on audit planning and the implementation and results of audits from, and exchanging views with, the accounting auditor.

## Basic Views on Internal Control System and the Progress of System Development

### ◆ System to Ensure the Appropriateness of Business Operations under the Basic Policy

Hino Motors fosters a sound corporate culture that includes subsidiaries based on The HINO Credo, The Hino Code of Conduct, and The Hino Spirit. To realize the corporate mission set out in the HINO Credo, Hino Motors aims for sustainable growth and enhancement of corporate value with the trust of stakeholders. Moreover, recognizing that further strengthening corporate governance is important in order to increase corporate value, Hino Motors will constantly work to improve the operation of the Board of Directors. For detecting problems in operational processes and incorporating mechanisms for improvement at the sites where operations are actually executed, Hino Motors will make unwavering efforts to develop the human resources to implement these approaches.

### ◆ An Outline of the Operational Status of the System to Ensure the Appropriateness of Business Operations under the Basic Policy

Hino Motors strives to establish an internal control system to ensure the appropriateness of business operations as a corporate group and for the proper operation of these systems according to the Basic Policy on Establishing a System to Ensure the Appropriateness of Business Operations of the Company. Hino Motors also verifies the establishment and operational status of systems each business year to check that activities are conducted independently and strengthened as necessary in departments that implement internal control, in addition to confirming the content of internal control operations at the Management Committee and the Board of Directors. Please refer to IV. Matters Related to the Internal Control System in the Corporate Governance Report for Hino Motors' basic policies on matters stipulated in Japan's Companies Act based on the aforementioned awareness.

 [Click here for the Corporate Governance Report.](#)

Corporate Governance &gt; Interview with Outside Director Compliance and Risk Management

## Interview with Outside Director

### Strengthening group governance structure to become a global leader in the flow of goods and people around the world

Toshitaka Hagiwara Outside Director

Born 1940. Graduated from the Graduate School of Law, Waseda University, in 1967. Joined Komatsu Ltd., in 1969. Appointed a director of Komatsu in 1990, after which he became Executive Vice President in 1999 and Chairman of the Board in 2003. Appointed an independent Outside Audit & Supervisory Board Member of Hino Motors in 2013, and became an independent Outside Director in 2015.



#### > Hino's Tremendous Potential as a Global Company

Prior to my appointment as a director at Hino Motors, my impression of Hino was of an earnest and trustworthy company with a firm domestic focus. However, once I joined the board of directors I realized that with its large percentage of overseas sales and high product development capabilities, Hino has tremendous potential to develop as a global company. As an outside director, my aim is not just supervising the company's business execution, but also supporting the company's management from the sidelines to ensure the sustainable development of the company. The Company's truck and bus businesses are expected to contribute to various social needs for distribution and transportation on a global scale, including in such areas as automation, labor saving innovation, and reduced environmental impact. As a company that can help to resolve such social issues, it is likely that Hino Motors will have to take certain risks in order to move forward as a truly global company. I believe that one of my roles is to provide full encouragement at such times.

#### > Importance of Advancing Internationalization from Headquarters

My involvement with Hino Motors spans two years as an Outside Audit & Supervisory Board Member and five years as an Outside Director, and I can see that the company's corporate governance mechanisms and structures are at a very high level. However, what is truly important is whether the systems and mechanisms that have been polished to such a high level are truly functioning as intended, and whether corporate governance, which includes compliance and internal controls as a global company, has actually permeated every part of the company. For Hino to grow further as a global company, it is imperative to ensure that the corporate governance structure is developed and functions on a group-wide basis. Internationalization presents many challenges that need to be overcome, including cultural differences and communication issues, and the issue with the highest priority is to secure and cultivate human resources. It is also necessary for initiatives aiming at internationalization to be instigated by headquarters, including such considerations as where and how to create alliances, and what human resources to allocate to which division in order to enable the company to leverage its strengths and supplement any weaknesses.

Hino Motors is still at the developmental stage in terms of becoming a global company. By further invigorating the functions of the Board of Directors and engaging in thorough discussions about growth strategy and then putting ideas into action, I hope that the Company will strive to become a leading presence in the flow of goods and people around the world, in terms of both equipment and services.

## Interview with Outside Director

### Practicing Sustainability Management Driven by Corporate Governance Advancements

Motokazu Yoshida Outside Director

Born 1948. Graduated from the Faculty of Commerce of Hitotsubashi University in 1971. Joined Mitsui & Co., Ltd. Appointed a director of Mitsui & Co., in 2001, then Representative Director and Senior Executive Managing Officer in 2007, then Representative Director and Executive Vice President in 2008. Appointed Chairman of Meisei Gakuen Institute in 2012 and has been an independent Outside Director of Hino Motors since 2015.

#### > Ensuring Sustainable Growth as a Good Corporate Citizen

Essentially there are two elements required to corporate governance. The first, naturally, is to act as a good corporate citizen should. The other is to achieve the goal of sustainable growth. A company that can balance these two elements in its management and operation is a good company. And I believe that the role of an outside director is to supervise and advise from an objective third-party perspective about how to achieve this goal of balance in its management and operations. Societal demand for corporate governance is growing increasingly complex and diverse with the SDGs and ESG investment. Companies must address all stakeholders including customers, employees, shareholders, and local communities in a responsible manner, as they give the utmost consideration to the environment, safety, and human rights. To fulfill these social responsibilities, we are determined to increase our earning capacity and build a stable financial structure with sufficient stamina for sustainable growth. At Hino Motors, we will continue to implement management reforms to boost earning power and seek to practice sustainability management that takes the environment and society into account. To that end, Company management executives need to hear external voices and outside perspectives. We recognize that to be the outside directors' role and understand that corporate governance is based on that balance.

#### > Achieve Challenge 2025 and Becoming a Company That Customers Choose

Hino Motors' operating environment, which includes autonomous driving, electrification, the new CASE and MaaS mobility society, support for the digital transformation (DX) era, and market changes caused by the corona virus and its aftermath, is changing rapidly. In anticipation of this new era, Hino Motors formulated the Challenge 2025 management strategy and is actively working on various reforms including organizational reforms that enable swift decision-making and action to meet workplace needs, and setting up organizations to respond to advanced technologies and digital transformation. To achieve Challenge 2025, the board of directors must engage in serious discussions and decision-making, and business execution must be on-target. Strong corporate governance is therefore essential. Under the Corporate Governance Committee, Hino Motors corporate governance system, including medium- to long-term strategy formulation and the establishment of risk management and compliance systems, has advanced. However, to further instill corporate governance, it is necessary that each Team Hino member around the world acts consciously as someone who embodies our corporate philosophy and vision based on corporate governance.

## Compliance and Risk Management

### Basic Stance

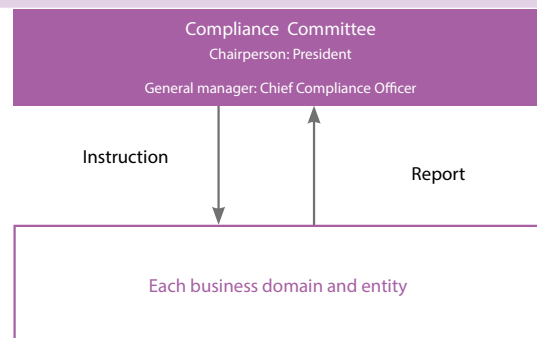
Hino Motors recognizes that earning the trust and cooperation of stakeholders is essential for promoting its CSR activities. Based on this perspective, the Company pursues stringent compliance as a priority management issue, and it is committed to the observance of laws and regulations along with ethical and appropriate business conduct that meets social expectations.

In addition, founded on the basic policy for risk management that seeks to avoid or reduce risks and minimize damage and losses as a result of risks, the Company identifies major risks in corporate management and takes the necessary steps to counter them.

Based on this stance and policy, Hino Motors strictly complies with laws and regulations, thoroughly maintains and improves its ethical character, and strives to be a company that continues to be trusted by customers and society.

### Compliance Promotion System

The "Compliance Committee" consisting of officers and advisors(external attorneys) has been set up with president & CEO at the top to deliberate on policies and issues related to compliance, and implement compliance measures in each business domain and entity.



### Educating Employees in the Complexities of Compliance

To foster awareness of compliance in each and every employee, Hino Motors has introduced compliance training into the employee education curriculum.

There are several training tools available for carrying out thorough in-house education. They include the CSR Charter, which is the CSR commitment to all stakeholders, the Hino Code of Conduct, which clarifies the evaluation criteria for actions that should be taken by all employees, and the Compliance Guidebook, which imagines a variety of situations that could arise in everyday work and explains specific coping methods. These training tools are distributed by pamphlet and other means to all employees and can be viewed anytime via the company intranet.

The Company will continue endeavors to further enhance training content to nurture human resources possessing a high awareness of compliance.



[Click here for the CSR Charter.](#)



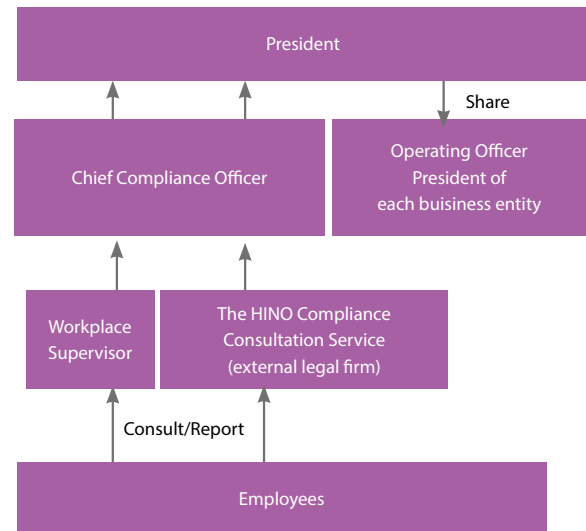
[Click here for the Hino Code of Conduct.](#)

## Preventing and Swiftly Resolving Compliance Issues Using an Internal Reporting System

Hino Motors utilizes an internal reporting system to provide consultation on employee compliance and swiftly resolve issues from an objective viewpoint. With the cooperation of an external legal firm, this system has established the HINO Compliance Consultation Service. It endeavors to maintain a system that facilitates consultation through efforts such as providing advice whenever needed on problems that are difficult to discuss in the workplace.

In fiscal year 2019, 185 reports and consultations were received, including the group companies. We have responded to all of them and took the . Hino Motors aims to prevent and swiftly resolve compliance issues by properly implement this system on an ongoing basis.

● Flow of Consultations/Reports in the Internal Reporting System



## Risk Management Promotion System

Hino Motors regularly identifies major risks, based on changes in laws, regulations and the business environment. Identified risks are managed by the Risk Management Committee (drawing up preventive measures for said risks and measures to reduce impact or prevent recurrence when risks occur).

Refer to the following for cases of major risk management.

### ◆ Response to natural disasters and infectious diseases

Hino Motors conducts training and response activities that give the highest priority to human life against natural disasters such as large earthquakes and infectious diseases, including COVID-19.

For natural disasters, we have been working to improve our disaster response capabilities by engaging in various types of training, including evacuation drills twice a year, firefighting drills, first aid drills, and training for countermeasures headquarters as more practical activities since the 2011 Great East Japan Earthquake. For infectious diseases including COVID-19, we have established internal regulations, and various activities such as company-wide preventive measures and countermeasures are being implemented by the countermeasures headquarters.

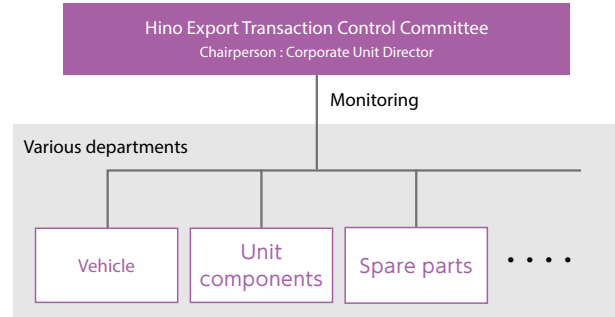


Practicing fire drills

◆ Managing Export Transactions

Hino Motors fulfills its duties related to maintaining international peace and security, practicing comprehensive management of export transactions to prevent the risk of exported vehicles, units and other products being diverted to weapon use.

Confirmation of strict legal compliance is conducted in every department, and management conditions are monitored by the Hino Export Transaction Control Committee to ensure company-wide implementation of export transactions that comply with various laws and regulations.

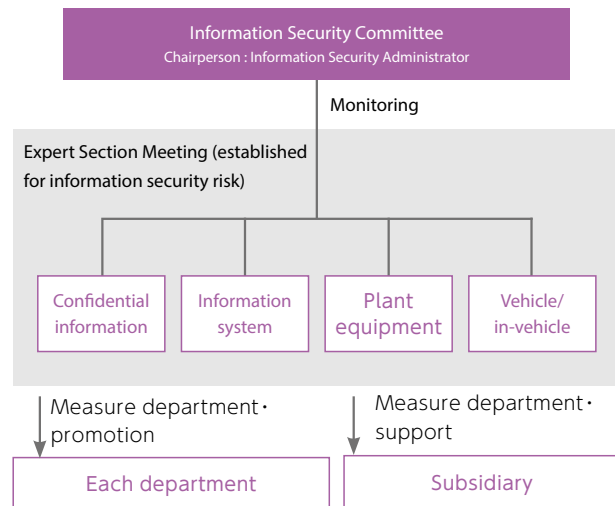


◆ Information Security Management

Hino Motors understands the social responsibility of protecting customers’ personal information and employees’ assets from threats such as cyber-attacks, and is working to strengthen information security initiatives.

A Basic Stance Toward Information Security was established that summarizes the approach to information security, and at each section meeting risk management is carried out that adheres to that policy. Furthermore, the risk management state in each section meeting is monitored by the Information Security Subcommittee to manage thoroughly information security risks throughout the company.

In 2019, Hino Motors have reviewed the rules regarding information security in response to information leakage prevention from the inside and cyber attacks that have been increasing in recent year. And we are improving countermeasures and reducing risks. Group companies in Japan and overseas also implement countermeasures in accordance with the Basic Stance Toward Information Security. Hino Motors inspects the response status at each company once a year in ongoing efforts to maintain and improve information security. Hino Motors has also established an internal Group contact network for responding to incidents, putting in place systems for proactive defense and rapid emergency response.



[Click here for the Basic Stance Toward Information Security.](#)

Future Initiatives

Hino Motors must be a company that maintains the trust of our customers and society, in order to contribute to them through its business in the future.

The Company continually strives to develop the awareness of each member of Team Hino of compliance and risk management to strictly comply with laws and regulations, and thoroughly maintain and improves its ethical character.