Hino Motors Mid-Term Corporate Plan (FY2013-2015)

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Member of The Board
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April 26, 2012
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1. Introduction
2. Hino's Strategies
3. Hino's Strategies: Production
4. Hino's Strategies: Sales
5. Hino's Strategies: Environmental Technologies
6. Mid-term Corporate Targets
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1. Introduction (business climate)

1) Global Commercial Vehicle Market

Growth is strong in the GVW 3.5t or greater segment.

<table>
<thead>
<tr>
<th>GVW</th>
<th>'07</th>
<th>'11</th>
<th>'15</th>
<th>Competitors</th>
<th>Toyota group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over 15t</td>
<td></td>
<td></td>
<td>213</td>
<td>1.4 fold</td>
<td></td>
</tr>
<tr>
<td>6-15t</td>
<td></td>
<td>192</td>
<td>120</td>
<td>1.2 fold</td>
<td></td>
</tr>
<tr>
<td>3.5-6t</td>
<td></td>
<td>95</td>
<td>600</td>
<td>1.5 fold</td>
<td></td>
</tr>
<tr>
<td>2-3.5t</td>
<td>179</td>
<td>217</td>
<td>268</td>
<td>1.1 fold</td>
<td></td>
</tr>
</tbody>
</table>

Total | 1.3 fold
1. Introduction (business climate)

2) Vehicle sales performance by manufacturer (GVW 3.5t or greater)

Vehicle sales of primary group brands by region (Top 15 in 2010)

Thousands of vehicles

(Source: Hino Motors)
1. Introduction (business climate)

3) Growth by Regional Market (GVW 3.5t or greater)

Growth in emerging economies, particularly in ASEAN, is strong.

- **China**: Chinese manufacturers’ market
  - Steadily move forward through joint ventures.
- **India**: Indian and European manufacturers’ market
  - Determine our actions on a case-by-case basis.
- **Brazil**: European manufacturers’ market
- **Australia, Asia, Latin America, and Africa**: Japanese manufacturers are strong. Competition with manufacturers from other countries will intensify moving forward.
- **Russia**: European manufacturers’ market
  - Implement operations in the Far East.
- **North America**: North American (European) manufacturers’ market
  - Establish business foundations.
- **Europe**: European manufacturers’ market
- **Japan**: Japanese manufacturers’ market
  - Hino’s home market: Maximize business profits.

Changes in regional markets (2007 = 100)

*(Global Insight forecast)*
1. Introduction (business climate)

4) Shifts in Competitive Climate

— Chinese and Korean Makes Expand into ASEAN —

Chinese and Korean manufacturers are increasing their sales in emerging markets.

* Market share positions have reversed in Pakistan (light-duty) and Vietnam (heavy- and medium-duty).

The competition is also entering Hino's foundational markets.

<Thailand>
Korean-Chinese heavy-duty truck CNG was launched.
(2010 sales: 260 vehicles)

<Indonesia>
The number of sales talks is on the rise where we are competing against Chinese makes. (from 2009 onward)
2. Hino's Strategies

1) World Market Classification and Positioning

Establish a solid foundation through concentrated allocation of corporate resources.

**Foundation markets**
- Japan
- Australia and Asia (Thailand, Indonesia, Malaysia)

◆ Further strengthen our pillars of profitability.

**Markets targeted for sales growth**
- China and Russia (Far East)

**Markets to develop**
- Middle East
- Africa
  □ Increase vehicle sales
  
- Latin America (ANCOM region)
  □ Develop into Hino's next foundation market.

**Individual markets**
- North America
2. Hino's Strategies

2) Provide Best Fit Products

Provide products and services that meet customers' expectations. —Reform our development, production, and service structure —

Provide products and services that are suited to specific use; “Heavy-duty trucks for mining”

Provide products that meet specific market needs; Light-duty trucks for emerging markets
2. Hino's Strategies

3) Hino Vehicle Sales Forecasts (FY2013-2015)

Vehicle sales are expected to grow dramatically from growth in the commercial vehicle markets of emerging economies.

[Thousands of vehicles]
2. Hino's Strategies

4) Individual Strategies for Development, Production, and Sales

Reform our business structure from development to production and sales
— Enhance our superiority in foundation markets by improving our non-price competitiveness —
3. Hino's Strategies: Production

1) Visions for Establishing Core Regional Production Centers

Establish production and supply structures that can accommodate increases in overseas sales.

- Increase capacities
- Increase local procurement rates
- Modularization
- Bridge production

Asia: Establish core overseas centers
(General policy: Products needed locally are to be produced locally)

Expand our production centers in Indonesia and Thailand.
(Increase the capacity of existing lines. Build new lines for module fabrication and assembly.)

Japan: Production for Japan and other countries. Support capacity increases in Asia.

Reinforce our supply structures by reorganizing processes in factories in Japan.

- Vehicles = Koga Plant (Build new plant)
- Units = Nitta Plant (Consider expansion)
3. Hino's Strategies: Production

2) Overview of vehicle and unit production and supply structures

### Vehicles: Produce in close proximity to markets (Unit: 1,000 vehicles, based on assembly)

<table>
<thead>
<tr>
<th></th>
<th>FY'12</th>
<th>FY'16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>78</td>
<td>107</td>
</tr>
<tr>
<td>Thailand</td>
<td>13</td>
<td>33</td>
</tr>
<tr>
<td>Indonesia</td>
<td>47</td>
<td>82</td>
</tr>
<tr>
<td>Other markets</td>
<td>39</td>
<td>70</td>
</tr>
<tr>
<td>Total</td>
<td>177</td>
<td>292</td>
</tr>
</tbody>
</table>

### Engines: Capacity increases to be implemented primarily locally (Unit: 1,000 engines, based on machining fabrication)

<table>
<thead>
<tr>
<th></th>
<th>FY'12</th>
<th>FY'16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>195</td>
<td>214</td>
</tr>
<tr>
<td>Thailand</td>
<td>0</td>
<td>30</td>
</tr>
<tr>
<td>Indonesia</td>
<td>0</td>
<td>74</td>
</tr>
<tr>
<td>Other markets</td>
<td>8</td>
<td>26</td>
</tr>
<tr>
<td>Total</td>
<td>203</td>
<td>344</td>
</tr>
</tbody>
</table>

- Japan: 1.4 fold
- Thailand: 2.5 fold
- Indonesia: 1.7 fold
- Other markets: 1.7 fold
3. Hino's Strategies: Production

3) Establish Global Production Structure: Visions and Roles of Different Plants

**Japan:** Vehicle-related (heavy- and medium-duty) production to be consolidated at the Koga Plant, and unit-related production to be consolidated at the Nitta Plant.

**Overseas:** Establish core regional production centers in Thailand and Indonesia.

<table>
<thead>
<tr>
<th>Country</th>
<th>Visions</th>
<th>Roles</th>
</tr>
</thead>
</table>
| **Koga Plant** | ➢ Manufacturing plant for heavy- and medium-duty vehicles.  
                ➢ KD export base.                                                     | ➢ Modularized assembly of heavy- and medium-duty vehicles.            |
|           |                                                                        | ➢ Axle and drive shaft assembly.                                       |
|           |                                                                        | ➢ Center for KD packing.                                               |
| **Nitta Plant** | ➢ Unit plant                                                           | ➢ Vertical production of engines, transmissions, and differential  
                gear carriers (casting, machining, and heat treatment).           | ➢ Base for supplying Hino-made rough mold material to overseas     |
|           |                                                                        |                facilities.                                                   |
| **Indonesia** | ➢ Production center for light-duty trucks (market-best fit models) for emerging markets. | ➢ Center for machining and assembling small engines for the ASEAN region. |
|           |                                                                        | ➢ Production center of light-duty trucks (market-best fit models for emerging markets). |
|           |                                                                        | ➢ Assembly of medium-duty vehicles for Indonesia.                     |
| **Thailand** | ➢ Core production center of medium-duty trucks for the ASEAN market     | ➢ Center for machining and assembling mid-sized engines.              |
|           |                                                                        | ➢ Center for assembling differential gear carriers.                    |
|           |                                                                        | ➢ Production center of light- and medium-duty trucks                   |
3. Hino's Strategies: Production

4) Establish Global Production Structures: Build New Plant on Koga Site

Site area: 660,000 m²
3. Hino's Strategies: Production

5) Establish Global Production Structures: Build New Plant on Koga Site

<Progress of construction of KD factory at the Koga Plant>

KD factory
To begin operations in May 2012

Photographed on February 27, 2012
3. Hino's Strategies: Production

6) Complementary Relationship between Plants in Different Countries (Bridge production)

<Engine bridge production>

[Currently]
Engine component machining is performed exclusively in Japan.

[Vision]
Three centers – Japan, Thailand, and Indonesia – to complement each other in production.
- Adapt to production volume fluctuations.
- Adapt to risks posed by disasters.
- Reduce influence of exchange rate fluctuation by producing products for local markets locally.

Japan

- Heavy-duty
- Medium-duty
- Light-duty

Thailand

- Heavy-duty
- Medium-duty
- Light-duty

Indonesia

- Heavy-duty
- Medium-duty
- Light-duty

Models that can be fabricated on available facilities.

Facility specifications with capability to fabricate multiple models.

FY2013 onward
3. Hino's Strategies: Production

7) Schedule for Establishing Global Production Structures

<table>
<thead>
<tr>
<th></th>
<th>FY’13</th>
<th>FY’14</th>
<th>FY’15</th>
<th>FY’16~</th>
</tr>
</thead>
<tbody>
<tr>
<td>Koga Plant</td>
<td>KD center</td>
<td>Axle modules</td>
<td>Vehicle assembly</td>
<td></td>
</tr>
<tr>
<td>Nitta Plant</td>
<td>Differential gear center</td>
<td></td>
<td></td>
<td>Machining and assembly of heavy-duty vehicle engines</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Machining of light-duty vehicle engines</td>
<td>Axle modules</td>
<td>Increase machining capacity for light-duty vehicle engines</td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td>Establish as core production centers</td>
<td>Machining of heavy-and medium-duty vehicle differential gears</td>
<td>Machining of light-duty vehicle differential gears</td>
<td>Machining of heavy- and medium-duty vehicle engines</td>
</tr>
</tbody>
</table>

**Visions for capital investments**
- Downsize facility units (organize into cells) to enable investments in small tranches.
- Improve flexibility of production by promoting multi-purpose lines. (to adapt to production volume fluctuations).
- Deploy new technologies that are unique to long takt time to reduce investments.
4. Hino's Strategies: Sales
1) Enhance Sales and Service Structures

Improve our non-price competitiveness through "Hino's unique sales and total support operations"

< Establish support structures >
- Reinforce our service centers (in Japan and overseas)
- Enhance our consumable service parts supply structures (including for parts made by group companies), etc.
5. Hino's Strategies: Develop Environmental Technologies

1) Fifth Environmental Initiatives Plan (FY2012-2016)

Vision

Achieve harmony with the environment in all aspects of our operations. (right)

Become one of the most environmentally-consciously managed corporations among all commercial vehicle manufacturers.

<Initiatives in Product Development and Design>

- Take steady steps to improve fuel efficiency and meet emissions regulations in all markets.
- Engage in forward-looking R&D in light of ongoing heightening of environmental awareness and needs.

- R&D for electrical energy vehicles: PHV, EV, fuel cells
- R&D for alternative fuel vehicles: GTL, bio fuels
5. Hino's Strategies: Develop Environmental Technologies

2) Most Recent Examples

**Hino Dutro Plug-in Hybrid**

World premiere at the 2011 Tokyo Motor Show

**Hino Poncho Electric Bus**

Began operation in March 2012 in Sumida-ku and Hamura city.

**Inductive Power Supply Hybrid Bus**

Test runs carried out between Tokyo Big Site and Toyosu Station from December 2 through December 18, 2011 during the Motor Show.

Hamura city "Hamuran"

Sumida-ku "Sumirinchan"

(Photo courtesy of Hamura city)
6. Corporate Targets
1) Relationship between Hino's Strategies and Profits

Realize effects from FY2016 onward by steadily implementing our mid-term plans.

- **Module 1:** Modularization and establishment of global production structures
  - Effects are realized.
  - **FY’13** Modularization and establishment of global production structures

- **Module 2:** Increase vehicle sales volumes.
  - Effects from new products based on modular design
    - Local procurement to reach at least 70%
  - **FY’14**

- **Module 3:** Improve distribution efficiency through process reorganizations.
  - **FY’15** Effects from increasing local procurement rates in existing models

- **Module 4:** Cost reduction effects
  - **FY’16~** Effects are realized.
6. Corporate Targets
2) Mid-term Corporate Target Values

< Net sales and Operating income (Consolidated) >

<table>
<thead>
<tr>
<th>Year</th>
<th>Net sales (100 million yen)</th>
<th>Operating income (100 million yen)</th>
<th>Profit margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY'12</td>
<td>13,146</td>
<td>375</td>
<td>2.9%</td>
</tr>
<tr>
<td>FY'13</td>
<td>14,800</td>
<td>470</td>
<td>3.2%</td>
</tr>
<tr>
<td>FY'14</td>
<td>15,600</td>
<td>600</td>
<td>3.8%</td>
</tr>
<tr>
<td>FY'15</td>
<td>16,800</td>
<td>750</td>
<td>4.5%</td>
</tr>
<tr>
<td>FY'16</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>