

2

Business policy

- 21 Materiality
- 23 "Ideal State" of Hino


Materiality

Defining key issues to address

In December 2023, Hino identified eight materialities (key issues) required to achieve the Group's mission, "We make a better world and future by helping people and goods get where they need to go." Through initiatives to address these materialities, we hope to contribute to the realization of a sustainable society while achieving sustainable growth and improving our corporate value.

Background to identifying materialities

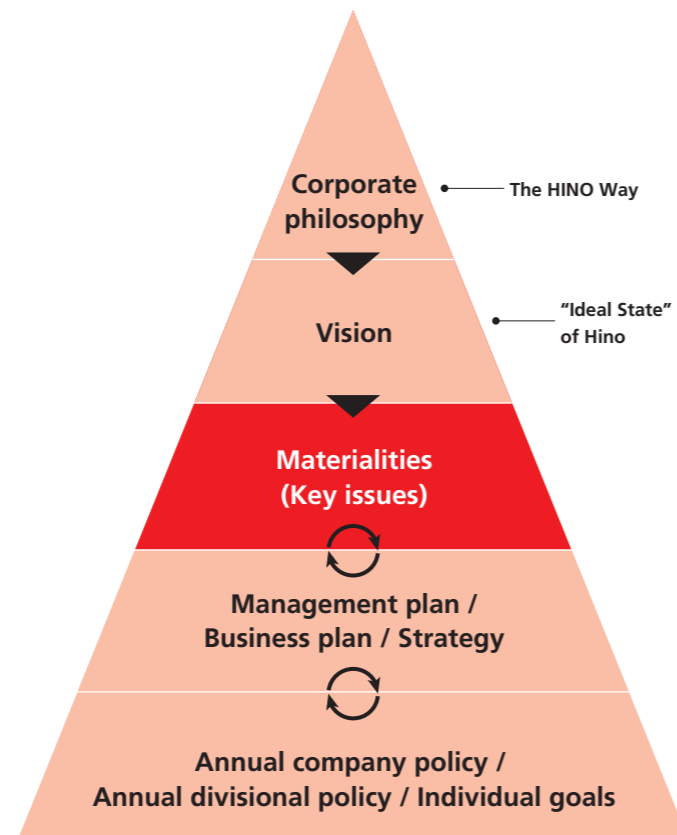
Working from our mission, "We make a better world and future by helping people and goods get where they need to go," we have confronted the issues faced by society and customers through the trucks and buses that are the social infrastructure supporting the movement of people and goods. We took the engine certification issues with sincerity and announced the "Ideal State" of Hino, and our management vision for Hino's aspirations beyond the restoration of trust in April 2023 in order to continue to fulfill our Corporate Mission. Thereafter, in December 2023, we identified the social issues that Hino must address in order to contribute to realizing a prosperous, pleasant, sustainable society. Of these, we identified eight issues that we deem to be particularly important as our materialities.

 P. 23 "Ideal State" of Hino

Management approach and the positioning of materialities

The diagram at right shows Hino's management approach. We think that materialities are key to achieving the "Ideal State" of Hino and to fulfilling our Corporate Mission as defined in the HINO Way. We believe that materialities contribute to the realization of a sustainable society and the sustainable growth of the Company, and are working to allocate managerial resources appropriately in our endeavors to address this issue.

Positioning of materialities



Materiality identification process

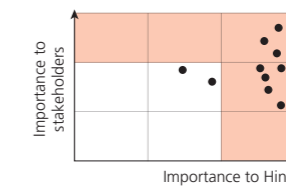
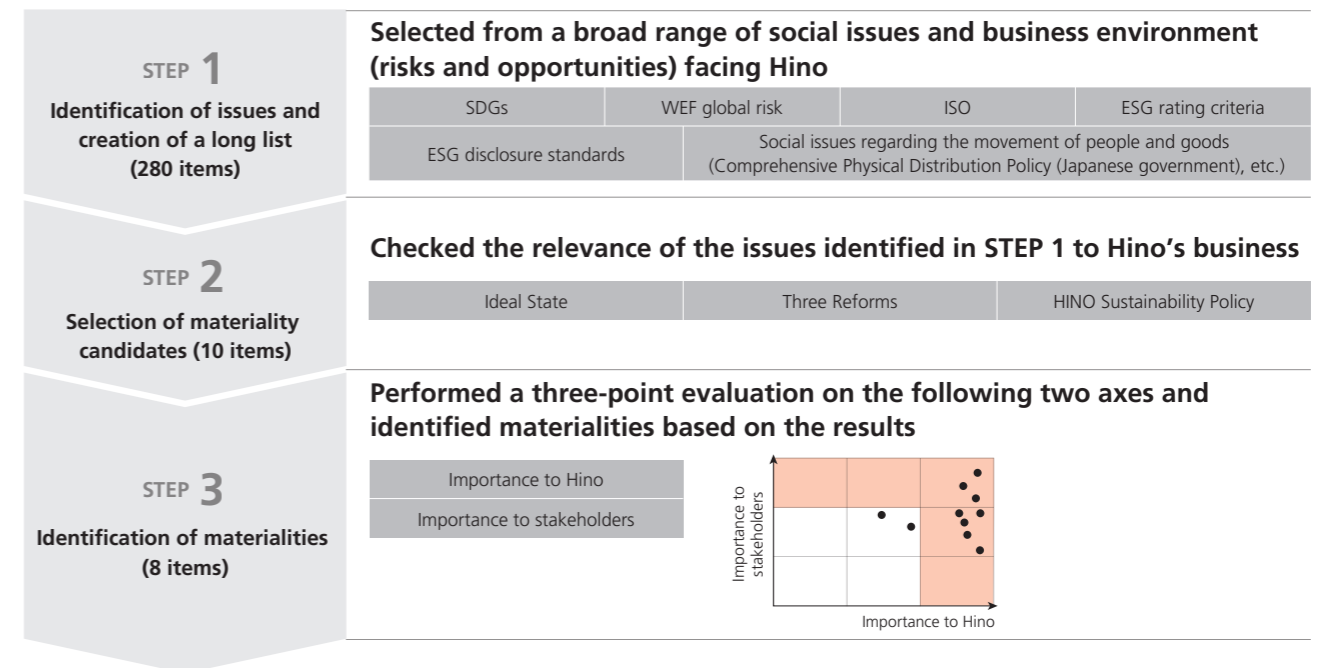
First, we began creating an extensive list of global sustainability themes in order to gain a comprehensive understanding of the business environment and social issues facing Hino. In addition to SDGs, WEF global risks, ISO, ESG rating and disclosure standards, we collated a broad range of social issues associated with the movement of people and goods, such as driver shortages, logistical efficiency, and carbon neutrality of vehicles, and compiled them into a long list of 280 items (STEP 1).

Next, to identify themes with a strong association with Hino businesses and the direction we wish to take, we narrowed this list down into a shorter list based on how well they aligned with the "Ideal State" of Hino, the "Three Reforms," and the HINO Sustainability Policy. Moreover, we took an overview of the themes and social issues from the short list, grouped them

into similar items, and selected 10 as candidates for materiality based on the role that Hino should play in solving the relevant issues, also taking into account the areas that we need to address in order to achieve growth in the medium and long term (STEP 2).

To decide on which themes to prioritize from the selected candidates, we gave each a score out of three from the perspectives of "importance to Hino" and "importance to stakeholders," and then mapped them out. The "importance to Hino" was evaluated from the perspectives of sustainable business growth and restoring trust, while the "importance to stakeholders" was evaluated based on what stakeholders such as customers, business partners, shareholders, investors, and employees expect from Hino. The results were discussed by the Management Committee and the Board of Directors, with eight materialities ultimately selected (STEP 3).

Identification steps



Message

We will achieve sustainable growth by solving social issues based on newly formulated materialities.

Tatsuya Nomura Chief Strategy Officer (CSO)

Trucks and buses, both Hino products, are important elements of social infrastructure, and also faced with social issues such as CO2 emissions, a shortage of drivers, and serious traffic accidents. We hope that contributing to solving such social issues will also lead to sustainable growth for our Company. Moreover, in order to minimize the risk of similar occurrences to the engine certification misconduct again, we will strengthen our management base through reforms to our organizational culture, developing human resources, and enhancing our systems of governance.



Materialities

Value propositions for society and our customers	Minimization of environmental impact and contribution to the achievement of a carbon-neutral society
	Achievement of a society in which people and goods can move optimally through the products and services, and the use of digital data
	Achievement of a safe and accident-free society
Management base for value propositions	Respect for human rights in business activities
	Corporate governance that supports "working in the right way"
	Respect for employees and active participation of a diverse range of human resources
	Honest dialogue with stakeholders to restore trust
	Maintenance of a strong and sustainable supply chain

"Ideal State" of Hino

To achieve sustainable development of society and the Hino Group

In April 2023, we released the "Ideal State" of Hino, which represents our vision for the Company we aspire to be after we have restored the trust of our stakeholders. In order to work in unison to realize this "Ideal State," the Hino Group will, by reflecting on its past misconduct, aim to shift away from a quantity-oriented style of management that overemphasized a disproportionate sales volume and market share toward a style of management that focuses on the quality of the value it provides to customers and society, thereby promoting a style of management that emphasizes the growth of personnel as a foundation of corporate management.

Ideal state



Aiming for a prosperous and more comfortable world

In order to achieve our Group's mission, "We make a better world and future by helping people and goods get where they need to go," we will enhance our "Overall Quality," which combines both our "Total Support Quality" and "Product Quality," to provide value to our customers and society.

Trucks and buses, the mainstay products of Hino, are part of the social infrastructure that supports the transportation of people and goods, and we will provide total support that contributes to our customers' maximization of the use of their vehicles. At the same time, we will contribute to our customers' businesses by further enhancing Quality, Durability, and Reliability (QDR) that have been our forte thus far.

Accordingly, we will strengthen our management base through the growth of personnel, in which every employee of the Company grows through their daily work, leading to the sustainable growth of the Company and the creation of new opportunities for employees to take an active role.

All of our business activities described here are rooted in the HINO Way, which was newly instituted in 2022, as the cornerstone for our decisions and actions.

Toward realizing the "Ideal State" of Hino

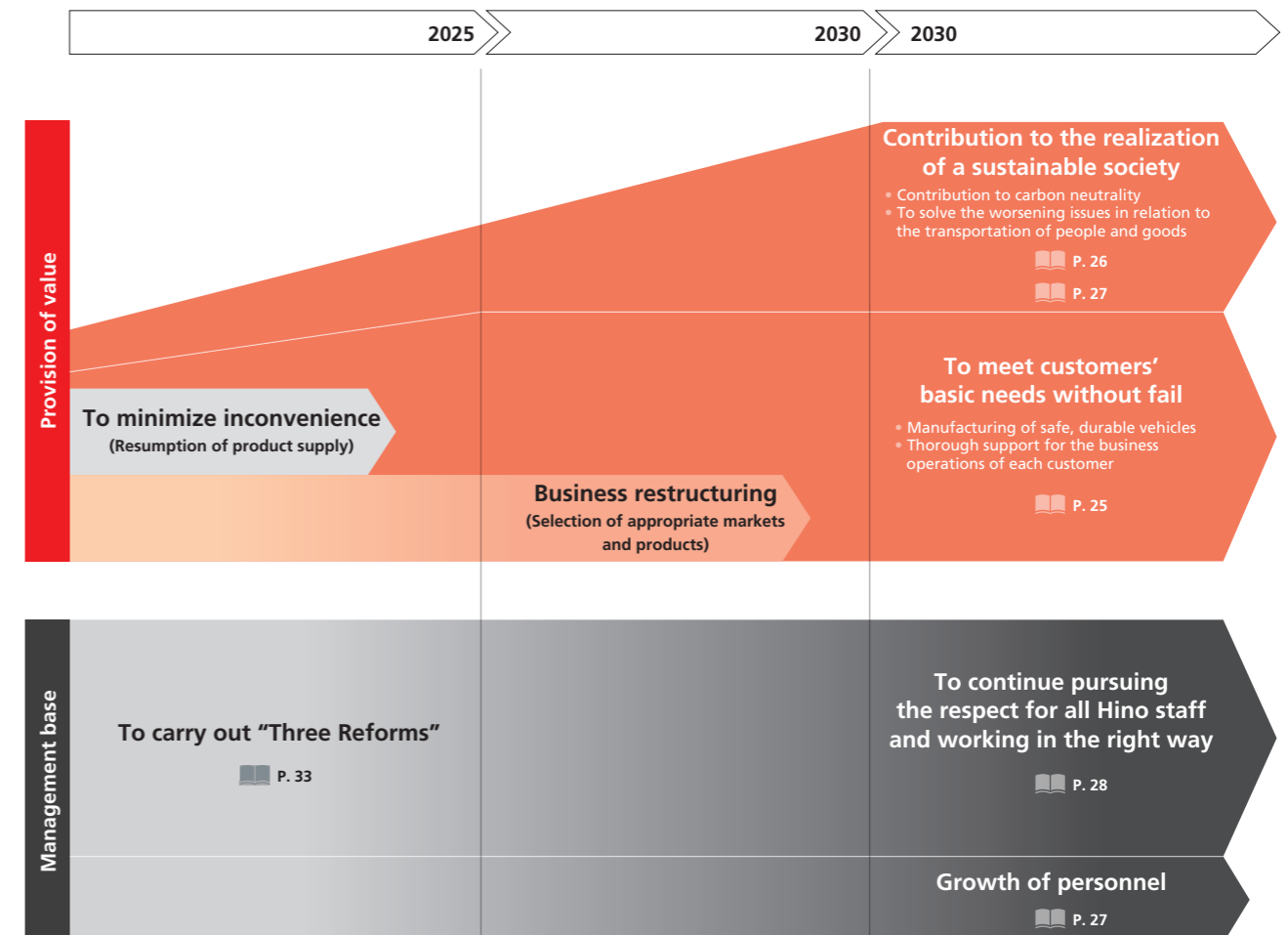
First, we will prioritize responding to those of our customers who were inconvenienced by past issues related to engine certification issues. At the same time, we will move forward with business restructuring, including adjusting the scale of our businesses that have prioritized quantitative growth to a more appropriate one that can be managed with our resources.

We will respond appropriately to the basic needs of our customers, offering thorough support to their businesses and, in addition, working with our customers to subsequently address the increasingly challenging issue of climate change as well as issues associated with the transportation of people and goods, thereby contributing to the realization of a sustainable society.

Additionally, we will redevelop our management base aiming to prevent recurrence of past issues, thoroughly implementing the "Three Reforms," namely, reforms to management, organizational culture, and vehicle manufacturing.

As we continue to pursue "respect for all Hino staff" and "work in the right way," we will institute measures to encourage each Hino employee to take on challenges and grow, such as investing in the active development of human resources, which will in turn lead to the manifestation of the HINO Way.

Roadmap



"Ideal State" of Hino

Provision of value

Meeting customer's basic needs without fail through Overall Quality

Trucks and buses are the tools with which our customers conduct their business, and we, at Hino, recognize that our customers' most basic requirement is that we provide the products and services that help them to do so.

To contribute to our customers' businesses, we will leverage the Total Support Quality we provide for services that support vehicle operation and solutions that address customers' business problems, in order to maximize the Product Quality, or QDR, which is the forte of Hino. By combining the mutual support of these two qualities to enhance the Overall Quality, we hope to continue to be the choice of our customers as a business partner.

Manufacturing of safe, durable vehicles (Product Quality)

The trucks that we offer may cause serious damage in the event of an accident, whereas our buses are entrusted with the lives of many passengers on board. Thus, for Hino, safety is the top priority issue to be addressed. As a leader when it comes to safety in the commercial vehicle industry, we are committed to the pursuit of safety in every aspect of our customers' businesses, through a three-pronged approach that connects three aspects, i.e., people, vehicles, and the traffic environment, as one, so as to contribute to the realization of a safe and secure society. As an initiative aimed at people, we have commenced training on safe driving practices for our customers that contributes to raising the safety awareness of drivers. With respect to vehicles, we are actively working to introduce the latest safe driving support technologies into the market to prevent accidents and make them the standard equipment used on our vehicles. In an effort to reduce the number of traffic-related deaths to zero, we will also work to develop autonomous driving technologies to reduce or eliminate human errors, which account for more than 90% of the causes of accidents.

Message

We will support our customers by delivering high Overall Quality, which will lead to the maximization of our profitability.

Nozomu Harada Chief Total Support Officer (CTSO)

As CTSO, I aim to thoroughly support our customers' businesses by delivering excellent Overall Quality, thereby contributing to maximizing the profitability of the Hino Group. To provide attractive products and high-quality maintenance and repair services, it is important that we have an antenna function in place that leverages our sales and service networks in Japan and around the world to enable us to better understand customer opinions and utilize them as feedback within the Company. To that end, we are focusing on the development of human resources who are able to identify with our customers.



In addition, our biggest contribution to our customers is that our trucks and buses—the tools of their businesses—do not break down, and thus, do not halt our customers' operations. To date, our customers have supported Hino's products based on our forte, QDR. Going forward, in order to further strengthen our forte, we will also make further efforts to develop vehicles with better serviceability, so that they can be repaired quickly in the event of malfunction.

To maintain and improve QDR, we are enhancing our production workplace capabilities by improving the environment at our production worksites and promoting the adoption of digital technology, and by doing so, we will provide safe, reliable products that not only meet but also exceed the expectations of our customers.

Thorough support for business operations of each customer (Total Support Quality)

In order for trucks and buses to contribute to our customers' businesses, it is important for them to be operational whenever our customers need them. To this end, we thoroughly support our customers' businesses through our Total Support activities.

Under our Total Support system, we utilize digital data to reduce the vehicle-related workload of our customers, by proposing optimal vehicles for their purposes and notifying them when their vehicles are to be delivered or require maintenance, helping to create an environment in which they can concentrate on their own businesses. Additionally, we provide our connected service "HINO-CONNECT" as standard equipment used on all vehicles intended for the Japan market and a portion of the vehicles intended for foreign countries, with vehicle data being shared between Hino and our customers. We use ICT data to provide preventative maintenance that delivers early notifications regarding any locations where malfunctions are expected to occur, and to create a system that prepares repair parts in advance so as to fix any issues promptly in the event of a breakdown, thereby helping customers to maximize their uptime and minimize total costs.

Going forward, we will improve the quality of these Total Support initiatives and continue to assist customer businesses. Our goal in doing so is to gain acceptance from our customers as a true business partner and work with them to support the movement of people and goods.

Contribution to the realization of a sustainable society

By continuing to refine our Overall Quality and support our customers' businesses, we will address the increasingly challenging issues facing the global environment and social issues in relation to the transportation of people and goods, thereby contributing to the realization of a sustainable society.

Contribution to carbon neutrality

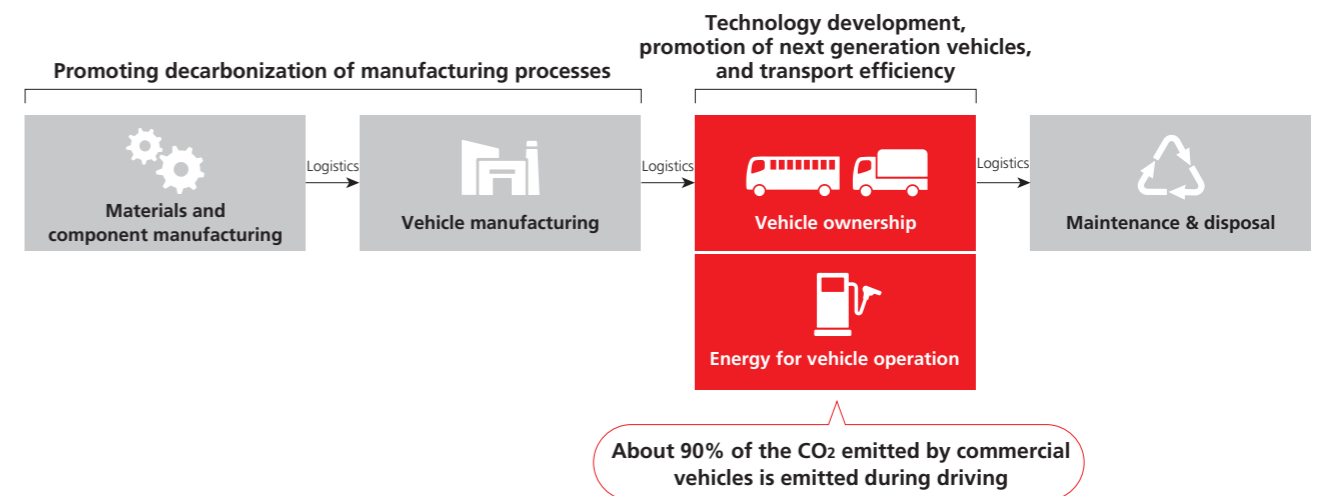
Currently, global warming is one of the social issues that the entire world must address together. Approximately 90% of the carbon footprint (the volume of greenhouse gases (GHGs) emitted during the product lifecycle) of trucks and buses is generated when they are in motion. As a business supplying

commercial vehicles, it is our social responsibility to promote the carbon neutrality of vehicles, and thus, we are accelerating initiatives to reduce GHG emissions.

In order to achieve carbon neutrality, we must reduce the CO₂ emitted during the entire lifecycle of a vehicle—production, transport, use, and disposal—to virtually zero. We will work to achieve carbon neutrality for our customers predicated on the three "don'ts": don't increase the total cost, don't stop vehicles that are in motion, and above all, don't emit CO₂. We will provide a diverse range of solutions that are closely aligned with our customers' needs, responding with "multiple pathways" of support that include improved fuel efficiency, switching to electric vehicles (EVs), and the adoption of carbon-neutral fuels. In particular, regarding EVs, we will pursue ease of use through vehicle layouts that are tailored to the needs

Focus areas for carbon neutrality in commercial vehicles

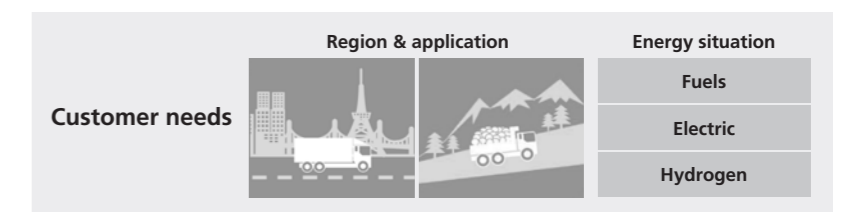
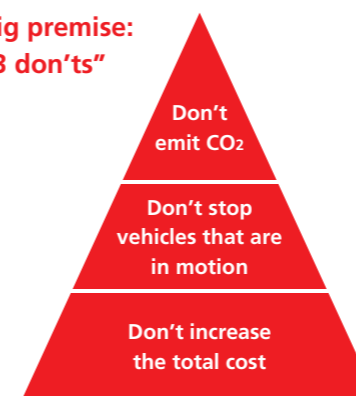
Carbon neutrality in terms of product life cycle. Reduction of CO₂ emissions in all processes: production, transport, use and disposal.



Concept of carbon neutrality for vehicles

Sustainable policy toward carbon neutrality Multiple pathways that provide diverse solutions close to our various customer needs.

Big premise: "3 don'ts"



Diverse solutions leading to carbon neutrality



"Ideal State" of Hino

of each customer, which is only possible with EVs. Additionally, our subsidiary, Cube-Linx Co., Ltd., acts as an EV advisor to our customers in order to realize the most user-friendly commercial EVs possible, providing a comprehensive platform called "EmoPlat" that is useful throughout the process from the initial use to operation of EVs, helping to accelerate the uptake of these vehicles. In order to achieve carbon neutrality, we will proceed with our initiatives in cooperation with like-minded companies, including Commercial Japan Partnership Technologies Corporation (CJPT) as well as fellow members of our four-company collaboration, i.e., Daimler Trucks, Mitsubishi Fuso Truck and Bus Corporation, and Toyota Motor Corporation.

P. 73 Providing a platform to promote the adoption of commercial electric vehicles

Solving the worsening issues in relation to the transportation of people and goods

Japan's declining birthrate and aging population, along with the application of the Work Style Reform Bill to drivers' overtime hours, have increased the likelihood that Japan as a whole will face a shortage in transportation capacity. Hino is working to address issues with the transportation of people and goods.

In mainline transportation, which is the primary artery for logistics, Next Logistics Japan, a Hino Group company, is aiming to maximize transport efficiency in terms of physical hardware and software solutions. On the physical hardware front, we are developing double-trailer trucks capable of transporting the equivalent of 2.5 large truckloads in a single vehicle, allowing one driver to transport more freight. On the software front, we developed "NeLOSS," an automatic freight allocation system that uses quantum computing to automatically calculate the best method for loading freight. We are also working with partners, such as shippers and logistics vendors in different industries and business lines, to establish a logistic sharing service that improves loading rates by combining cargoes from different industries.

Furthermore, in areas other than mainline transportation, we are working with our customers to identify problems at

their work sites, and collaborating with them to examine new solutions resulting in commercialization that is a win-win for both Hino and our customers.

P. 74 Working to resolve logistical issues faced by Japan

Management base

The "Three Reforms" and the growth of personnel

To prevent past issues from occurring again, we are moving forward with the "Three Reforms" by having our management take initiatives throughout the entire Company. In June 2022, we introduced the HINO Way as a cornerstone on which to base all of our actions and decisions. Going forward, we will work together to reform our organizational culture by facilitating mutual communications, such as dialogue between the management and employees and improving our human resources systems, allowing us to promote "respect for all Hino staff" and "working in the right way." Thus, we will engage in human resource development that encourages employee independence and skills and foster a culture where every employee contributes to servicing customers and cooperates together.

Some of the past issues related to engine certification were the result of prioritizing business expansion and company growth that was disproportionate to our capabilities. As a result, we neglected legal compliance and the development of a sound corporate culture, and failed to provide adequate support for the growth of personnel.

Hino will support the growth of every employee, while cultivating human resources who are empathetic to the HINO Way and our company vision and who can think and act independently to create new value for our customers and society.

Hino will be reborn as a new company that focuses on the growth of personnel as the source of all corporate activities and rebuild the foundations of our management with corporate growth seen as the result thereof.

Message

We will focus on three points to achieve carbon neutrality for commercial vehicles.

Koji Toyoshima Chief Product Officer (CPO)

As the Chief Product Officer, I will focus on three key points to achieve carbon neutrality. We should use a variety of methods to improve fuel efficiency in vehicles with internal combustion engines. For electric vehicles, we should construct platforms that are also capable of handling a variety of fuels, such as hydrogen. Finally, we should standardize batteries in order to develop products that are easy for our customers to deploy. As the only commercial vehicle manufacturer who has made such commitments, we will lead the industry in carbon neutrality.



Establishment of a CHRO

In February 2023, after a review of the management structure, Hino established a CHRO (Chief Human Resources Officer) tasked with leading and conducting the appropriate management of a range of initiatives associated with human resources from a management perspective. Our President & CEO is currently serving in this role in conjunction with his presidency, and is engaged in discussions with auditors and members of the Board of Directors, including outside directors. Under this new system, we are first working to reform our corporate and workplace culture and our human resources systems.

Going forward, the CHRO will take the lead in formulating a human resources strategy that is in step with our business strategy, working closely with the Board of Directors as we promote effective investment in human capital.

Succession plan

In order to produce employees at the prospective management level in an ongoing manner, Hino promotes the appointment of employees at junior-level positions to key management positions, actively engages in mid-career hiring, and also appoints employees who have management experience at other companies to CxO (Chief Officer) positions.

The Proposal Review Committee for Officers (a voluntary nomination committee), which used to primarily discuss the appointment of directors and senior managing officers, is involved in the appointment of CxOs. Moreover, we will increase opportunities for employees to gain a broad range of experience through career rotations in order to cultivate human resources who have the fortitude required in managerial roles.

Appointment of an outside director as chair of the nomination committee

In July 2023, we decided that an independent outside director will chair the Proposal Review Committee for Officers (a voluntary nomination committee). This has improved the ability of outside directors to express their opinions, which has led to the appointment of directors and managerial personnel with managerial abilities.

Systems for human resources training and welfare benefits

In addition to hierarchical training and training for employees who are being promoted, Hino is working to enhance systems that support the growth of each of our employees, including overseas trainee programs for employees at junior-level positions and a system of career design interviews to encourage them to think about their own careers. Additionally, we are endeavoring to create working environments and welfare systems that enable employees to work with peace of mind, through measures such as instituting telecommuting systems, a permission system for supplementary work, system of childcare leave and shorter working hours to accommodate childcare needs, and system of family care leave.

P. 41 Overseas trainee system

P. 65 Working environment and corporate culture to respect employees

Respect for all Hino staff and working in the right way

Defining the management philosophy and vision and instilling these in employees

We are implementing the following initiatives to disseminate the HINO Way throughout the Company.

- Hold briefings at which project members involved in the formulation of the "HINO Way" explain their thoughts on the philosophy
- Hold dialogues and training sessions for employees at each job level and department, and between different job levels to encourage employees to understand and put the HINO Way into practice
- Distribute pamphlets and portable cards to all officers and employees to provide more opportunities for them to see and reflect on the HINO Way
- Communicate information through the intranet, and display posters and wall banners

We will return to our roots of contributing to our customers and to society, and will continue to work to instill the values of the HINO Way, in order to be held in the highest esteem by every employee.

P. 11 How the HINO Way was formulated

Dialogue with senior management

Of the "Three Reforms" that we are proceeding with based on the HINO Way, the senior management is actively promoting initiatives related to our organizational culture reform with "respect for all Hino staff" as a core value.

We hold regular dialogues with employees, listening to the opinions and problems of each individual employee and reflecting them in our management, and strive to instill our corporate philosophy in our employees and comprehend the status of our management.

P. 39 Organizational culture reform with "respect for all Hino staff" as a core value