



Chapter


2

Medium- to long-term policies and strategies

- 11 "Ideal State" of Hino
- 13 Message from the COO
- 15 Message from the CFO
- 17 Materiality
- 19 The "Three Reforms"
- 21 Four-company collaboration and two-company management integration

"Ideal State" of Hino

Seeking to achieve sustainable development of society and the Hino Group

In April 2023, we released the "Ideal State" of Hino. The Hino Group will work as one to bring this to reality improving our Overall Quality, implementing the "Three Reforms" in a comprehensive manner, and employing management practices that prioritize the growth of personnel.  Management strategy

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," the Group will enhance our Overall Quality which combines 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 must be able to operate when customers need them. Hino will provide total support that helps our customers

maximize use of their vehicles, and will contribute to our customers' businesses by further enhancing the QDR* that has been our forte thus far.

Accordingly, we will strengthen our management base by focusing on 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 as the cornerstone for our decisions and actions.

* QDR: Quality, Durability, and Reliability

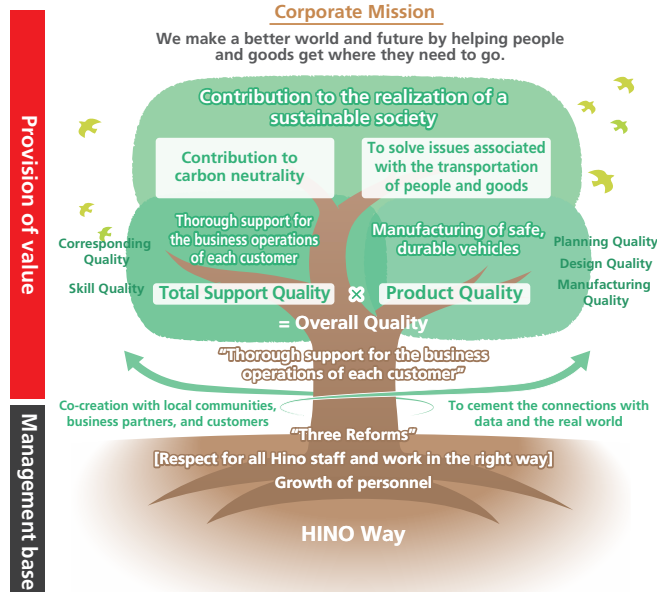
To contribute to our customers' businesses, we will leverage Total Support Quality, which comprises services that support vehicle operation and solutions that address customers' business problems, in order to maximize the Product Quality, or QDR, which is the forte of Hino. By combining the mutual support 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 are our main products may cause serious damage in the event of an accident, and our buses are entrusted with the lives of many passengers on board. Thus, for Hino, safety is the top priority issue to be addressed. 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 reducing traffic fatalities to zero, we are moving to provide opportunities for customers to learn safe driving practices and 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. We are also engaged in the development of autonomous driving technologies intended to reduce and eliminate human error.

In addition, we view the fact that our trucks and buses—the tools of business—do not break down and thus do not halt our customers' operations, is the Product Quality that we must provide for our customers. To that end, we will take QDR—a strength of Hino—further, and devote yet more effort to develop vehicles that are easier to maintain, which will maximize the level at which operations are possible.

"Ideal State" of Hino

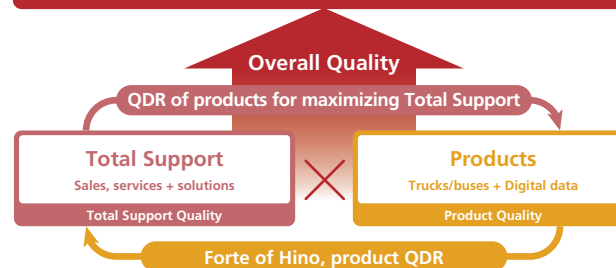


Provision of value

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 deepen and maintain connections with customers for a longer period of time, and support their businesses thoroughly



“Ideal State” of Hino

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. For example, we use ICT data from Hino's “HINO-CONNECT” connected service to provide preventative maintenance that delivers early notifications regarding any locations where malfunctions are expected to occur, and to operate a system that prepares repair parts in advance to fix any issues promptly in the event of a breakdown, thereby helping customers to maximize their uptime and minimize total costs.

We will enhance the quality of our total support and contribute to our customers' businesses, continuing to support the transportation of people and goods.

📖 P. 26 Achievement of a society in which people and goods can move optimally through our products and services, and the use of digital data

Contribution to the realization of a sustainable society

As we continue to refine our Overall Quality and support our customers' businesses, we will work to 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—manufacturing,

transport, use, and disposal—to virtually zero. Taking the perspective of ensuring business continuity for our customers, we will work to achieve carbon neutrality that focuses 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.

Specifically, we will utilize and provide a diverse range of solutions that are closely aligned with our customers' needs, through multiple pathway efforts that include improved fuel efficiency, switching to electric vehicles (EVs), and the adoption of carbon-neutral fuels. For example, a Hino Group company CUBE-LINX Co., LTD. acts as a commercial EV advisor for customers, offering support from deployment through to operations. Additionally, in order to achieve carbon neutrality, we promote cooperation with like-minded companies, including the initiatives of CJPT Corporation*, and a four-company collaboration with Daimler Trucks, Mitsubishi Fuso Truck and Bus Corporation, and Toyota Motor Corporation.

* Commercial Japan Partnership Technologies Corporation. Established in April 2021 as a business that aims to implement and promote the adoption of CASE technologies in society, centering on the two pillars of electrification and improving logistical efficiency. Toyota Motor Corporation, Isuzu Motors Limited., Suzuki Motor Corporation, and Hino have invested.

📖 P. 23 Minimization of environmental impact and contribution to the achievement of a carbon-neutral society

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

Faced with the increasing likelihood that Japan as a whole will confront a shortage in transportation capacity due to the labor shortage brought on by the nation's declining birthrate and aging population, 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, Ltd., 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 longer combination vehicles (LCVs) capable of transporting the equivalent of 2.5 large truckloads in a single vehicle, with the goal of allowing one driver to transport more freight. On the software front, we developed “NeLOSS,” an automatic freight allocation system that automatically calculates 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 launch a logistic sharing service that improves loading rates and transport efficiency 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 and propose new solutions resulting in commercialization that is a win-win for both Hino and our customers.

Management base

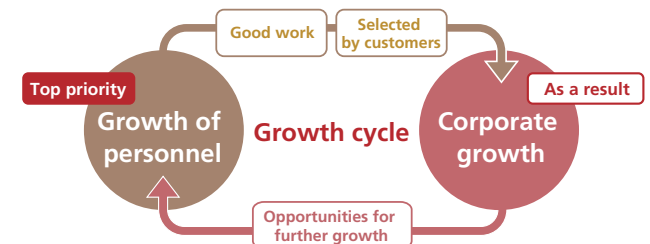
The “Three Reforms” and the growth of personnel

Hino is working on the “Three reforms” to fulfill our mission and social responsibilities. Under the “Three Reforms,” the entire Company is striving as one to achieve management reforms to emphasize “respect for all Hino staff” and “promote working in the right way,” organizational culture reform with “respect for all Hino staff” as a core value, and structural reforms for a new “Hino vehicle manufacturing,” with management taking the lead.

We will focus on the growth of personnel that is the source of all of our business activities, in the belief that the Company will grow as a result. We will develop human resources who share our vision, think and act on their own initiative for society and for our customers, and are able to create new value, and will invest in human capital in a way that supports the growth of each of our employees. In doing so, we will implement a cycle of growth that leads to the growth of the Company.

📖 P. 19 The “Three Reforms”

📖 P. 40 Respect for employees and active participation of a diverse range of human resources



Message from the COO

Pursuing Product

Quality and Total Support

Quality to enhance our

Overall Quality and realize

the "Ideal State" of Hino

In order for Hino to achieve the "Ideal State" of Hino, it is essential that we hone the Overall Quality that is our strength. Beyond maintaining and improving QDR*, we will accelerate the technological innovation that contributes to carbon neutrality and solve issues with the transportation of people and goods, fulfilling our mission of supporting this movement.

*QDR: Quality, Durability, and Reliability

Naoki Sato

Senior Managing Officer, Member of the Board of Directors, and Chief Operating Officer (COO) of the Japan Business

Joined Hino Motor Industries, Ltd. (Now Hino Motors Ltd.) in 1989. From 2011, served as chief engineer responsible for the product development department. After serving as General Manager for the Product Strategy Department, was appointed Operating Officer in 2021, and then Director, Senior Managing Officer, and Chief Operating Officer (COO) of the Japan Business in 2023.

My mission as COO of the Japan Business

Creating an open organizational work culture with the "four promises," we are moving ahead with business for society and our customers

The mission of a COO is to draw up proposals for business plans and fulfill my role in moving them forward. I set strategies for our Japan business, create medium-term business plans, and manage profits. Additionally, I work together with the Product Owner responsible for products to decide on product plans and take the lead in development projects.

When it comes to the promotion of our businesses, I am always careful to remain attentive and considerate. That is why, when we launched our new organization in 2023, I outlined four promises to the people I was managing. These promises represent my interpretation of the HINO Way and the "Three Reforms." In my career to date, I have learned a great deal from the four years I spent leading those working under my supervision as a chief engineer for medium-duty trucks beginning in 2014, and this experience has also had a bearing on these promises.

My first promise is to take the lead in breaking down sectionalism. Since one of my roles is to cut through the boundaries between departments, this is particularly important to me. I communicate with general managers and personnel responsible for tasks as well as CxOs, working to promote the mindset that what we do is not just for our own departments, but for our customers, and for society. The second is to enforce working onsite, hands-on, and to verify things first-hand. We take the initiative in visiting dealers, body manufacturers, suppliers, and customers to listen to their opinions and engage in dialogue with them. Over the past year and a half, we have traveled to approximately 40 dealer locations. The third promise is to think together and to make decisions as the COO. There is an increasing number of opportunities for advice in the course of everyday communication, and in 360-degree feedback I have been evaluated as listening to problems and issues sincerely



Visiting sites

Message from the COO (Chief Operating Officer), the Japan Business

and taking the lead, even in the face of difficulties. My fourth promise is to build open and transparent relationships with everyone. I post my thoughts on our in-house messaging app, mainly focusing on my observations on going out and in-house events. This is not just to share information; I believe that it is important that I continue to post if I am to reduce the distance between myself and Hino employees and help them understand that management has changed.

Medium- to long-term strategies

Promoting the creation of attractive products and services that support the growth of our customers' businesses

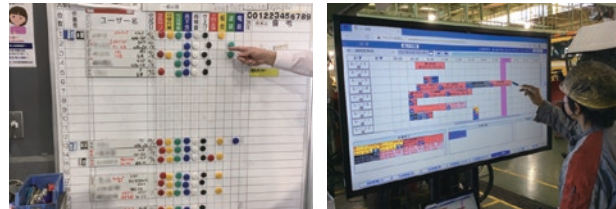
Overall Quality, which is a combination of Product Quality and Total Support Quality, will be the key to achieving the "Ideal State" of Hino. What is important about Product Quality is continuing to provide attractive products that lead to the growth of customer businesses. Fortunately, the heavy-duty trucks we released in FY2023 have been well received by dealers. At a lecture given at a certain freight company, the president of the company commented, "The idea that cheaper trucks are better is wrong. Hino's new trucks may seem expensive if you're looking at the just the truck itself, but their overall cost is low." To me, this is one of the goals we are aiming for.

Manufacturing safe, durable vehicles is also extremely important. Since traffic accidents involving trucks and buses are highly likely to be extremely serious, the pursuit of safety is the responsibility of any manufacturer of commercial vehicles. In an effort to prevent traffic accidents, we at Hino equip many of our products with advanced safety features, and going forward, we will improve the safety of our products as we work to reduce traffic accidents to zero. Making durable vehicles is also important in terms of reducing customer downtime. Although Hino already receives praise from customers for our QDR, we are seeking further improvement rather than being satisfied with the status quo.

In our current efforts to select and focus on our businesses, we are reviewing the vehicle models we offer and reducing the number of part types used, working to increase operational efficiency and improve product quality and appeal.

We are also making steady progress in improving Total Support Quality. As an example, in FY2022, we used HINO CYCLE to digitize maintenance reservation and task management work, something that has been performed manually to date. Linking reservations to

Achieving efficiency by linking equipment reservations to service plants



Before installation

After installation

the shop floor in real time makes it possible to use limited personnel and equipment efficiently. We are also endeavoring to develop lean logistics inventories by reducing the lead time for delivery to customers.

Enhancing CASE initiatives in order to address a range of issues related to commercial vehicles

I believe that CASE initiatives are essential if we are to contribute to the realization of a carbon-neutral society and solve issues with the transportation of people and goods. In FY2023, we conducted a four-week demonstration experiment of autonomously driven vehicles at a dam construction site with Obayashi Corporation (see page 28 for details). I think that solving the labor shortage in the transportation of people and goods is one of Hino's many roles, and that such vehicles may represent the ultimate solution to this issue. NEXT Logistics Japan, Ltd., a Hino Group company, is constructing a highly efficient transportation scheme using LCVs, which is contributing to this solution.

When it comes to sharing, we began offering new operation management services for private paid passenger transportation.*1 In rural areas where the population is aging and declining, maintaining public transport is becoming difficult, and the number of private paid passenger transportation services is on the rise. However, a lack of knowledge regarding the transport business causes problems with continuing such operations in more than a few cases. In this service, the operator entrusts Hino with operations management, with Hino carrying out managerial functions such as driver check-ins and driver logging on a remote basis. We are helping to ensure that people in areas where it is difficult to maintain public transport are able to find transport.

On the electrification front, the Hino Dutro Z EV, a light-duty BEV truck, released in 2022 has been well received. Additionally, a Hino Group company CUBE-LINX Co., LTD. is promoting the spread of electric commercial vehicles by offering comprehensive support

for the deployment of electric vehicles and ancillary facilities. In FY2023, we again made public the approach and initiatives of the Hino Group with regard to carbon neutrality. Commercial vehicles account for a large proportion of CO₂ emissions in the transport sector, and reducing those is a vital matter for Hino. In addition to promoting the adoption of electric vehicles, we pursue a multiple-pathway policy with the goal of achieving carbon neutrality for commercial vehicles by offering the choice of a variety of fuels and improving the fuel economy of internal combustion engine vehicles (see page 23 for details). In FY2023, we also returned to a collaborative framework through CJPT Corporation.*2 Going forward, we will cooperate with other vehicle manufacturers in Japan to achieve real progress with CASE.

*1 Private paid passenger transportation: Systems under which private vehicles can be used to transport paying passengers in regions where buses and taxis cannot operate.

*2 Commercial Japan Partnership Technologies Corporation. Established in April 2021 as a business that aims to implement and promote the adoption of CASE technologies in society, centering on the two pillars of electrification and improving logistical efficiency. Toyota Motor Corporation, Isuzu Motors Limited., Suzuki Motor Corporation, and Hino have invested.

To our shareholders and investors

Further enhancing Overall Quality to create the future of commercial vehicles

In FY2023, we posted an operating loss, significantly inconveniencing our shareholders and investors. Our entire Company will work together in unity to meet your expectations. While selecting and focusing on our businesses and cost reduction, we will make every effort to eliminate waste on all fronts and work to further enhance initiatives toward achieving carbon neutrality and improving logistical efficiency.

I believe that the currently planned four-company collaboration and two-company management integration (for details see page 21) will be extremely significant in terms of maximizing Overall Quality from a long-term perspective and contributing to the transportation of people and goods around the world. It is my firm belief that we will be able to supply valuable vehicles, primarily in Japan and throughout Asia, working with a shared goal of creating the future of commercial vehicles together. Looking to the future, I would like to ask for your continued understanding and ongoing support.

Message from the CFO

Pursuing improved profitability
and competitiveness with
the aim of medium- to long-term
growth in difficult circumstances

Currently Hino faces ongoing difficulties in securing sufficient profit levels due to engine certification issues. We will accelerate efforts to return to normality, promoting the creation of a foundation for achieving future growth and working to achieve an operating profit ratio of 8%.

Yasushi Nakano Chief Financial Officer

Joined Toyota Motor Corporation in 1986. After working in various departments, such as those responsible for accounting and improving costs, appointed to the position of General Manager of the Cost Improvement Division in 2013. Since 2017 has worked at Hino as a Senior General Manager and as General Manager of the Accounting Department. After becoming a Managing Officer, was appointed to the position of CFO (Chief Financial Officer) in 2023.

My mission as CFO

Working to maximize future cashflow and acting as a compass for management

The mission of a CFO is to protect and increase the assets of a company. In other words, my role is to use the assets we currently possess effectively to maximize future cashflow.

I have worked in finance and accounting for many years and was taught from a young age that these disciplines are the compasses for management. If we look at a company as a ship, it is our job to have an accurate understanding of our current position and point out the direction we need to take. Accordingly, I inspect the current state of Hino's finances and our business portfolio and utilize facts and data to determine where our risks and weaknesses are, and where we should allocate resources. I then draft financial strategies that bring these elements together and seek out support and understanding from those involved inside and outside the Company. To me, those are my duties as CFO.

Carrying out my duties, prioritizing aspirations, belief, and integrity

To fulfill these roles and responsibilities, I prioritize aspirations, belief, and integrity in my everyday work.

In order to achieve medium- to long-term business growth, it is important to set goals of the highest order, or in other words to be aspirational in seeking out challenges, while considering their significance and feasibility for the Company. It is vital that we work with belief regarding our goals once we have set them, remaining steadfast and moving ahead with conviction. Moreover, we must not lie with regard to our endeavors, acting with integrity and without any deception.

Message from the CFO

Our policy for medium- to long-term growth

Focusing on restoring profitability and working to achieve an operating profit ratio of 8%

As a policy for medium- to long-term growth, we have set our sights on returning to expected profit levels and have set an operating profit ratio of 8% as our target for FY2030.

Earnings did not reach expected levels in FY2023, due to the ongoing engine certification issues and the impact of unprofitable business. With regard to shareholder dividends, sales of fixed assets and investment securities saw profit attributable to owners of the parent total ¥17.087 billion. However, losses incurred due to engine certification issues had a significant effect on results, and since the task now at hand is to recover and strengthen our financial base we have elected to suspend dividend payments. Moreover, for the second quarter of FY2024, we booked an extraordinary loss of ¥230 billion due to a loss associated with engine certification issues in engines intended for North America. Accordingly, although we anticipate a loss of ¥220 billion for the FY2024 period, I think we have passed a major milestone in dealing

with the loss associated with the engine certification issues. We have also prepared measures for future fundraising.

Going forward, we will accelerate efforts to return to normality, promoting the creation of a foundation aimed at achieving future growth as we work to realize the "Ideal State" of Hino. The entire Company will work in unity to evolve our Overall Quality, which is a combination of Product Quality and Total Support Quality. We will regain the trust of our customers by continuing to support their businesses and restore our profitability.

Revising the business portfolio to improve competitiveness through selection and focus of our businesses

We are moving ahead with selecting and focusing on our businesses in order to strengthen our financial platform and improve our competitiveness. Rather than seeking to expand our businesses to an extent that is beyond our capacity, we will look back to the principles on which we were founded and review those of our businesses and products that do not contribute to our customers, with a view to becoming a company that both society and our

customers need. We will use the knowledge of Toyota Motor Corporation to promote the visualization of goods and information in our operations and technical workplaces and will work tirelessly to eliminate waste and improve productivity. Moreover, we will slim down our operations by reconfirming the purpose and effect of the assets in our possession and selling those that are extraneous, and improve our financial position by thoroughly streamlining fixed costs and shortening the time required for collection of accounts receivable. We are also endeavoring to develop lean logistics inventories by reducing the lead time for delivery of products to customers and cooperating with body manufacturers on supply and demand.

Resources created through initiatives such as this that are aimed at making our management resources more efficient will be used to improve and expand products that have been well received by customers, and to grow our businesses in regions where we hold a favorable position in the market, such as Japan, ASEAN, and Australia. Of course, we will actively invest resources in improving the Overall Quality that is a strength of Hino, working to link this to the provision of high value-added products and services, and to improve our competitiveness.

Points of note in our FY2023 financial results

	FY2023 results	FY2024 forecast
Unit sales	<p>Global unit sales 130.2 thousand units Year-on-year change: -10.0%</p> <ul style="list-style-type: none"> • Japan: 36,300 vehicles (+0.2%) • Other countries: 93,900 vehicles (-13.4%) 	<p>Global unit sales 130.0 thousand units Year-on-year comparison: -0.2%</p> <ul style="list-style-type: none"> • Japan: 42,000 vehicles Year-on-year change (+15.9%) E13C/A05HC not reflected in the forecast • Other countries: 88,000 vehicles Year-on-year (-6.3%)
Operating profit	<p>¥ 8.1 billion decrease Year-on-year change: ¥25.5 billion decrease</p> <ul style="list-style-type: none"> • Operating loss caused by ongoing high prices in the materials market and rising fixed costs 	<p>¥ 30 billion Year-on-year comparison: ¥38.1 billion increase</p> <ul style="list-style-type: none"> • Despite the ongoing downturn in the ASEAN market, factors such as the weak yen and streamlining of fixed costs have resulted in an upward revision of ¥10 billion
Profit (loss)	<p>¥ 17.1 billion Year-on-year change: ¥134.8 billion increase</p>	<p>¥ 220 billion decrease Year-on-year comparison: ¥202.9 billion decrease</p> <ul style="list-style-type: none"> • Certification-related losses in Canada and Australia are still being evaluated, and thus are not reflected in the full-year forecast

To our shareholders and investors

Fulfilling my mission as CFO and working to achieve stable, ongoing dividends under difficult circumstances

With regard to dividends, we will strive to restore dividends as soon as possible by improving our competitiveness through the initiatives detailed above, and working to recover profitability and strengthen our financial position. Moreover, while taking factors such as annual business achievements and new investments into account, everyone at Hino will work together towards our goal of offering stable, ongoing dividends at a consolidated 30% payout ratio.

Although we are currently faced with difficult conditions, I am aware that it is in situations such as these that the CFO must fulfill their roles, and I will work diligently to perform my duties. I would like to ask our stakeholders for their continued understanding and ongoing support.

Materiality

Defining key issues to address

The Hino Group has 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." We will accelerate initiatives aimed at addressing these issues, and hope to contribute to the realization of a sustainable society while propelling the Group to sustainable growth and improving our corporate value.

Background to identifying materialities

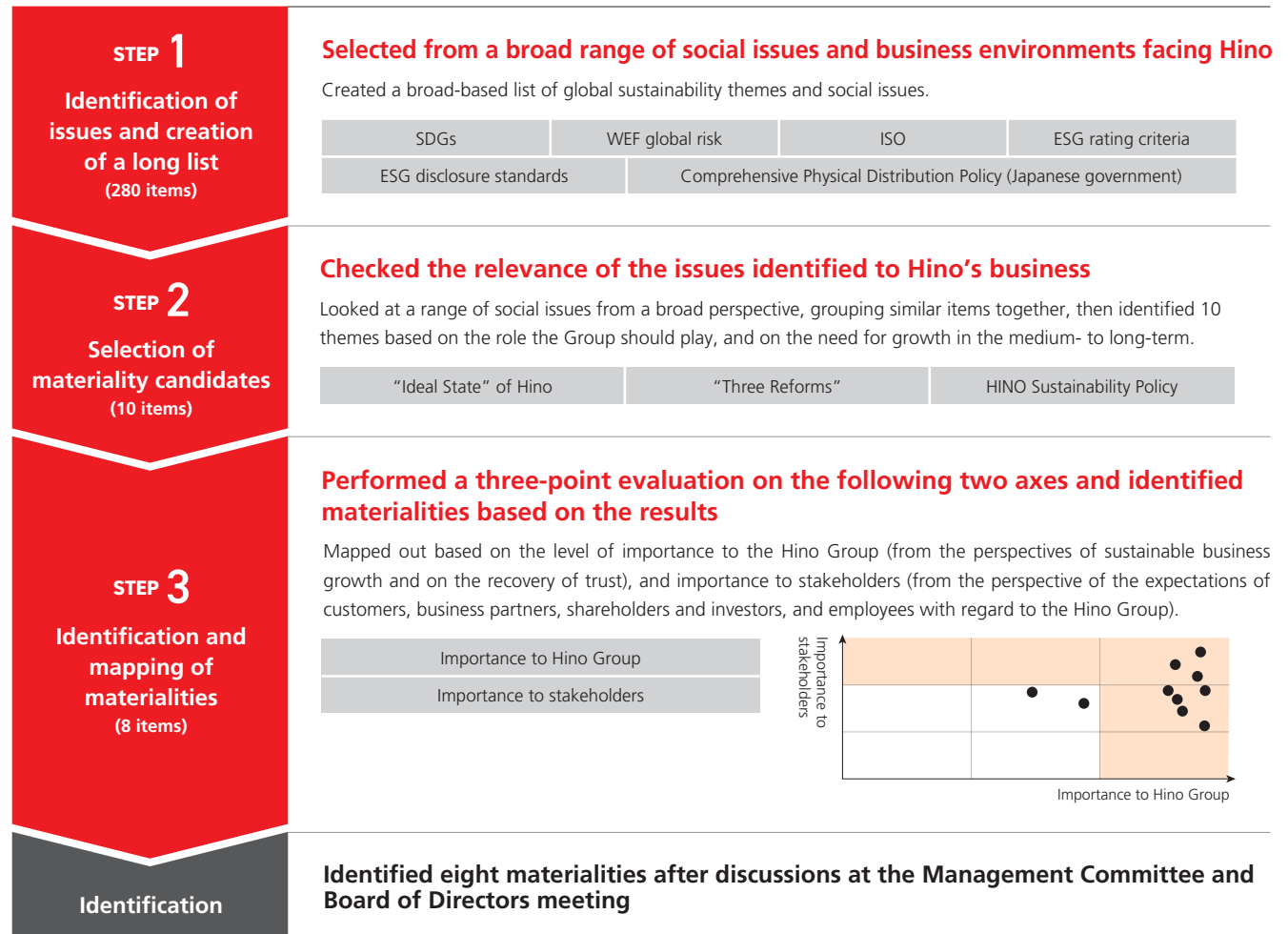
Working from our mission, "We make a better world and future by helping people and goods get where they need to go," the Hino Group has confronted the issues faced by society and customers through the trucks and buses that are the social infrastructure supporting the transportation of people and goods.

The eight materialities identified in December 2023 are important issues that we must address if the Hino Group is to continue fulfilling the Corporate Mission laid out in the HINO Way and achieve the "Ideal State" of Hino. We must realign the efforts we have made to date with these materialities and allocate our management assets appropriately to contribute to the realization of a sustainable society.

Materiality identification process

To identify materialities, we first listed more than 200 issues from a global perspective, then narrowed these down to 10 based on their affinity to the businesses of the Hino Group. The importance of each was then evaluated from the perspectives of the Hino Group and of our stakeholders, and after discussions at the management level, we identified eight materialities.

Identification steps



Materiality

Hino's value creation **Medium- to long-term policies and strategies** Improving corporate value Data

	Materiality	Hino's approach	Major initiatives	SDGs to address	ESG	Page
Value propositions for society and our customers	Minimization of environmental impact and contribution to the achievement of a carbon-neutral society	We are working to address the six themes of "HINO Environmental Challenge 2050" out of a desire to reduce the environmental impact of the entire lifecycle of the trucks and buses that are Hino's main products, from their manufacture, use by our customers, to disposal. We are cooperating with governments and related industries in each country to take all measures possible, taking a society- and customer-centric approach.	<ul style="list-style-type: none"> Life Cycle / New Vehicle Zero CO₂ Emissions Challenge <ul style="list-style-type: none"> Offering a variety of choices to match customer requirements Transport efficiency Conducting fuel-saving lectures for customers Factory Zero CO₂ Emissions Challenge <ul style="list-style-type: none"> Introduction of innovative technologies Promotion of daily improvements Introduction of renewable energy (On-site renewable energy generation and external procurement of renewable energy (Hydroelectric power generation, PPA*1 model businesses, non-fossil certificates*2, etc.); implemented at nine consolidated companies worldwide, Factory CO₂ emissions: Reduced 60% compared to FY2013) 	<ul style="list-style-type: none"> Challenge of Minimizing and Optimizing Water Usage <ul style="list-style-type: none"> Reduction in water usage (Water used: 2.829 million tons Year-on-year: +238,000 tons) Thorough control of wastewater quality Challenge of Achieving Zero Waste <ul style="list-style-type: none"> Promotion of resource recycling Reduction of factory waste (Factory waste volume: 37,500 tons Year-on-year: +200 tons) Challenge of Minimizing the Impact on Biodiversity <ul style="list-style-type: none"> Conservation activities appropriate to the global environment 	E	P. 23
	Achievement of a society in which people and goods can move optimally through our products and services, and the use of digital data	We use digital technology to further enhance the Overall Quality (Product Quality and Total Support Quality) that is the strength of the Hino Group, maximizing the movement of our customers and supporting the movement of people and goods as social infrastructure.	<ul style="list-style-type: none"> Improving Product Quality <ul style="list-style-type: none"> Improving development efficiency to develop safe, durable vehicles (Reviewing numbers of vehicle models and reducing the number of part types) Developing products capable of accurately predicting a range of malfunctions that may occur in future Improving manufacturing quality by compiling and analyzing data during production Improving Total Support Quality <ul style="list-style-type: none"> Strengthen points of contact with customers, focusing on maintenance package Use HINO-CONNECT to offer proposals for preventative maintenance and shorten maintenance times Use HINO CYCLE to transition maintenance reservation and vehicle acceptance management to digital technology Develop and strengthen service personnel (Total number of people acquiring qualification/certification: Mechanic category: approx. 5,400 people / Front category: approx. 6,600 people / Parts category: approx. 3,900 people) 	<ul style="list-style-type: none"> Emergency service response (147,855 incidents) Enhancing service bases (Relocating and rebuilding service workshops: 11 sites in Japan since 2022) Solving issues related to the movement of people and goods <ul style="list-style-type: none"> Demonstration experiments on automatic operation for labor-saving at a dam construction site Providing services to support regional public transport Utilizing hardware- and software-based approaches to promote efficiency in transport [NEXT Logistics Japan, Ltd. Initiatives] Energy management, promoting the spread of electric commercial vehicles [CUBE-LINX Co., LTD. Initiatives] 	S	P. 26
	Achievement of a safe and accident-free society	To reach a level where we have zero traffic accident casualties, we employ a "Total Safety" policy through which we pursue safety in every part of the vehicle operation process, taking the view that people, vehicles, and the environment are three aspects connected as one, and we seek to instill safety in every facet of our customers' businesses.	<ul style="list-style-type: none"> Practical application of advanced driving support systems that prevent accidents, implementation of safety technologies tailored to customer use Conducting training in safe driving techniques for customers (Total number of people using the Customer Technical Center to date: approx. 111,000 people. Total number of people using Customer Support Centers to date: approx. 19,700 people in Malaysia and 1,700 people in Indonesia) 	<ul style="list-style-type: none"> 3 GOOD HEALTH AND WELL-BEING 11 SUSTAINABLE CITIES AND COMMUNITIES 	S	P. 29
Management base for value propositions	Respect for human rights in business activities	Hino recognizes the importance of initiatives supporting respect for human rights in business and is working to instill respect for human rights in close cooperation with all people associated with the business activities of the Hino Group, based on the United Nations Guiding Principles on Business and Human Rights.	<ul style="list-style-type: none"> Initiatives to promote respect for human rights <ul style="list-style-type: none"> Formulation of the HINO Human Rights Policy Performance of due diligence on human rights (1 dealer subsidiary in Japan, 1 supplier subsidiary in Japan) Initiative to eliminate workplace harassment 	<ul style="list-style-type: none"> 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 AFFORDABLE AND CLEAN ENERGY 16 PEACE, JUSTICE AND STRONG INSTITUTIONS 	S	P. 32
	Corporate governance that supports "working in the right way"	Hino thoroughly enforces compliance, the foundation of our business activities, and promotes risk management based on indices shared throughout the Company. Moreover, senior management is responsible for establishing and operating an effective governance system to ensure the soundness, efficiency, and transparency of the operation of the Company.	<ul style="list-style-type: none"> Initiatives to establish an awareness of compliance that does not condone misconduct or allow it to be forgotten <ul style="list-style-type: none"> Implementation of compliance training, including training on laws and regulations for technical personnel Promotion of awareness and appropriate operation of internal reporting systems (Internal reports: 310 cases Year-on-year decrease: 4 cases) Strengthening management oversight functions <ul style="list-style-type: none"> Evaluation of the effectiveness of the Board of Directors and formulation of action plans Personnel selection that takes into account the skill set required for the Board of Directors 	<ul style="list-style-type: none"> Strengthening internal control systems <ul style="list-style-type: none"> Re-checking operational regulations and standards and creating maintenance and update systems Establishing document management rules for appropriate management of documents and data Improving risk management <ul style="list-style-type: none"> Building company-wide risk management systems Prevention of risk manifestation (Business continuity management, information security management) 	G	P. 33
	Respect for employees and active participation of a diverse range of human resources	We will take the safety, health, and diversity of our employees into account as we create workplaces where each person can play an active role. We will develop human resources who can think and act independently to create new value for our customers and society, using the HINO Way as a cornerstone for our decisions and actions.	<ul style="list-style-type: none"> Creating environments where people can talk openly <ul style="list-style-type: none"> Initiatives aimed at improving psychological safety (Workplace roundtable meetings: approx. 1,690 times) Focus of the growth of personnel based on a human resources medium-term plan <ul style="list-style-type: none"> Human resources development that facilitates employees' development of their own careers Revision of evaluation and compensation systems to reward the growth and use of capabilities Initiatives to improve employee satisfaction 	<ul style="list-style-type: none"> Creation of workplace environments where employees can thrive and be active <ul style="list-style-type: none"> Conducting employee awareness surveys and utilizing the results Introduction of systems aimed at implementation of a range of working styles such as hybrid work Measures against heat at manufacturing locations Promotion of workplace safety Promotion of Health Management® 	S	P. 40
	Honest dialogue with stakeholders to restore trust	We disclose corporate information in a timely, appropriate manner, engaging in repeated dialogues with stakeholders using a variety of different methods and opportunities to build a relationship of trust with society and our customers.	<ul style="list-style-type: none"> Promotion of dialogues with a variety of stakeholders <ul style="list-style-type: none"> General Shareholders' Meetings and meetings of major stockholders Financial results briefings Individual consultations with institutional investors, analysts, etc. (approx. 150 times) Meetings with representatives of dealers nationwide (5 meetings) Meetings with sales managers at dealers nationwide (10 meetings) Exhibition of new technologies and construction methods (1 time) 	<ul style="list-style-type: none"> Labor union-management meetings (4 times) Dialogues with local community associations (10 times) Appropriate disclosure of financial and non-financial information <ul style="list-style-type: none"> Annual securities, Corporate Governance Report Enhancement of the official website Disclosure based on TCFD Recommendations Publication of Integrated Report 	S	P. 45
	Maintenance of a strong and sustainable supply chain	The Hino Group builds partnerships through sound, fair transactions with business partners in Japan and around the world, working to achieve mutual growth and strengthen solidarity.	<ul style="list-style-type: none"> Promotion of fair trade based on the Declaration of Partnership Communication with our business partners to promote mutual improvement <ul style="list-style-type: none"> Holding supplier meetings Holding exhibitions of new technologies and construction methods 	<ul style="list-style-type: none"> Initiatives to improve competitiveness for mutual development <ul style="list-style-type: none"> Improvements to operational efficiency, revisions to quality control standards, design alterations, etc. Promotion of sustainability in the supply chain <ul style="list-style-type: none"> Investigations related to the use of conflict minerals (voluntary inspections at approx. 300 suppliers) 	S	P. 46

*1 PPA: Power Purchase Agreement

*2 Non-fossil certificates: Certificates representing the environmental value of electricity generated from non-fossil fuels such as renewable energy sources that do not emit CO₂

The “Three Reforms”

Promoting the “Three Reforms” to prevent future misconduct

We view the engine certification issues caused by Hino very seriously and are promoting the “Three Reforms” to prevent such misconduct from occurring again. While endeavoring to return to our Corporate Mission and reform as a company that fulfills our social responsibilities, management will take the initiative and promote reform throughout the entire Company.

Overview

In March 2022, Hino announced that we had engaged in misconduct in the application process for type designation of diesel engines for vehicle and industrial use in the Japanese market.


To prevent this kind of conduct from occurring again, we are promoting the adoption of “Three Reforms” on a company-wide basis to revitalize our Company and transform it into an organization that prioritizes compliance with the law and fulfills its social responsibilities.

The first of our “Three Reforms” is “management reforms to emphasize ‘respect for all Hino staff’ and ‘promote working in the right way.’” Management will demonstrate respect for front-line workers on the basis of the notion of contributing to customers and society by giving top priority to legal compliance and will work in close alignment with people. Moreover, we have reviewed our organizational structure to ensure that we share objectives across functions and therefore “think and run together.” Additionally, we will work to strengthen compliance while enhancing internal control systems and management oversight functions to ensure that “working in the right way” is implemented reliably throughout the Company, and are promoting initiatives to establish a compliance-first attitude companywide.

The second of our “Three Reforms” is “organizational culture reform with ‘respect for all Hino staff’ as a core value.” Under this reform, everyone in the Company will promote reforms to organizational culture with the awareness that Hino’s contribution to customers and society is a core part of Hino’s mission.

The third of our “Three Reforms” is “structural reforms for a new ‘Hino vehicle manufacturing.’” Under this reform, we promote a more fundamental reform in the framework and structure of our development processes in order to achieve a state where everyone truly manufactures vehicles together. To regain the confidence of our customers and society in Hino’s Product Quality, we will promote reforms that focus on creating a framework which we can rely on to secure reasonableness and traceability in the manufacturing process.

Management will take the lead and act in a proactive manner to continue and expand the “Three Reforms” and promote them in a more reliable, powerful manner throughout the Company. Additionally, every employee will actively drive change in issues and measures related to our organization and culture in an effort that spans the entire Company. Furthermore, we are working to make these efforts a group-wide initiative that also includes our businesses overseas.

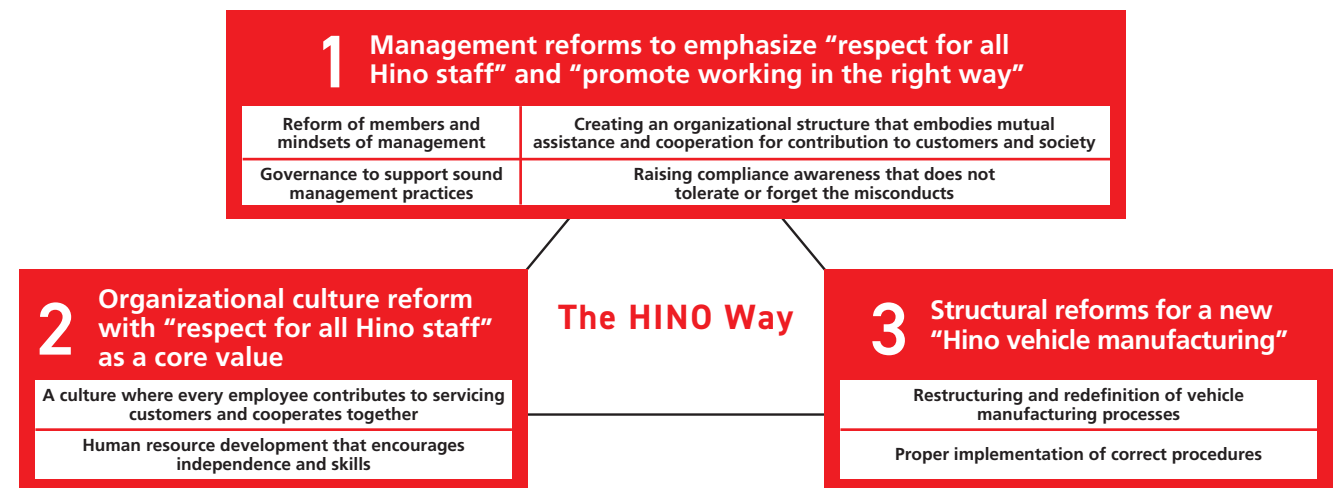
 Measures addressing Certification Issues

Dissemination of our foundational corporate philosophy, the HINO Way

We will look back on the principle on which we were founded, “We make a better world and future by helping people and goods

get where they need to go,” which is our Corporate Mission, in all of our business activities, including the “Three Reforms.” In order to fulfill our social responsibility, we must disseminate the HINO Way—our corporate philosophy—and make it a cornerstone for our decisions and actions. Each employee will be sincere in their interactions with customers, society, and their colleagues, “working in the right way” with integrity, respecting each other, listening to each other’s concerns and offering support, inspiring a deep understanding that each person and each job is intimately connected to society, and pursuing an ideal state.

Returning to our Corporate Mission and reforming as a company that fulfills our social responsibilities
Management will take the initiative and promote reform throughout the **entire company**



The “Three Reforms”


Major initiatives in FY2023

Efforts to disseminate the HINO Way

Policies for FY2023 that centered on the HINO Way were formulated for the Company, divisions, and individuals to strengthen the connection between the HINO Way and daily operations, as well as to disseminate it at each opportunity for dialogue. Moreover, under the new personnel systems (evaluation and remuneration systems) that went into operation in April 2024, understanding and dissemination of the HINO Way have been clearly identified in the Job Qualification Standards that are the shared criteria for evaluation of management and union members.

Establishing a culture of dialogue

We hold an ongoing series of different events such as offsite meetings between managers, management information sharing meetings held between management and employees, labor union-management meetings, workplace roundtable meetings at each department, and other opportunities for dialogue in which anyone can participate regardless of their rank or role, with the goal of establishing a culture of dialogue. In FY2024, we will continue to offer more opportunities for dialogue of all kinds.

 P. 40 Respect for employees and active participation of a diverse range of human resources



Offsite management meetings

Initiatives to forge connections outside the Company

Hino is continuing initiatives to place developers in temporary posts in the sales division to allow them to gain a customer-focused mindset. We are also increasing opportunities for our employees to interact with people outside the Company by holding events where we exchange visits with other companies engaged in organizational reform, such as vehicle manufacturers, electronics manufacturers, and airline companies.



Exchange with an electronics manufacturer

Voluntary employee initiatives

Efforts made by employees to improve the Company and their workplaces on their own initiative are gaining ground. Five teams, including the “HINO Way Dissemination Team,” “Corporate Culture Reformation Team,” and “Lovable Company Project,” are working at a company-wide level, while 17 teams are engaged in efforts at a functional or departmental level. In FY2024, we will create opportunities to link these initiatives together.

Enforcing misconduct-free vehicle manufacturing

Activities of the Toyota Production System Jishuken activities

We will leverage our Toyota Production System Jishuken activities (TPS Jishuken) to directly prevent recurrence of misconduct, as well as to promote values and an awareness of improvement that are shared with the Toyota Group, using this to build our culture and strengthen our competitiveness.

In TPS Jishuken focused on legal certification we conduct activities in cooperation with each company in the Toyota Group and apply the knowledge gained to Hino's certification tasks.

Establishing a “Day of a New Beginning”

In order to remember the misconduct, we have designated March 4, the day we announced the engine certification issues, as our “Day of a New Beginning.” The company president offered a message for the entire Company, and each department looked back on the misconduct.



Departments review past events on “Day of a New Beginning”

Acquiring ISO 9001

To put in place type designation application systems that will make misconduct impossible, we constructed quality management systems in conjunction with outside audits and acquired international standard ISO 9001 certification in April 2024. Our certification covers our design and development processes for bus and truck engines for international and domestic use, and for processes used for application to this office for engine certification.

We will work under a highly transparent monitoring and checking system with external observation in conducting reliable, objective type designation application tasks.

Four-company collaboration and two-company management integration

Joining hands to work toward the realization of a rich society through mobility

Daimler Truck Holding AG, Mitsubishi Fuso Truck and Bus Corporation, Toyota Motor Corporation, and Hino Motors Ltd. concluded a Memorandum of Understanding regarding the business integration of Mitsubishi Fuso Truck and Bus Corporation and the Company with the aim of accelerating the development of CASE technologies.

Accelerating the development of CASE technologies and creating the future of Japan's commercial vehicles

In May 2023, Daimler Truck Holding AG (Daimler Trucks), Mitsubishi Fuso Truck and Bus Corporation (MFTBC), Toyota Motor Corporation (Toyota), and Hino concluded a Memorandum of Understanding on merging Hino and MFTBC in order to achieve carbon neutrality and create a prosperous mobility society by developing CASE technologies (Connected/Autonomous & Automated/Shared/Electric) and strengthening the commercial vehicle business on a global scale.

Under this Memorandum of Understanding (1) MFTBC and Hino will merge on an equal footing and collaborate in the areas of commercial vehicle development, procurement, and production (2) Daimler Trucks and Toyota will equally invest in the (listed) holding company of the merged MFTBC and Hino. The companies will collaborate on the development of hydrogen and other CASE technologies, working to build a globally competitive Japanese commercial vehicle manufacturer by supporting the competitiveness of the new company. Common to the corporate philosophies of all four companies is the desire to contribute to a prosperous society through mobility. To continue to be an essential force of transformation in the world, the four companies intend to promote the use of environmentally friendly vehicles and increase the value of mobility in the world's social systems.

The commercial vehicles that support our lifestyles through the transportation of people and goods constitute an important form of mobility that could be termed, "social infrastructure." In order to achieve a rich mobility society through commercial vehicles we must solve the issues that society faces, such as carbon neutrality and logistical efficiency, and to do so will require significant investment. In the Japanese market, where there are fewer commercial vehicles than passenger vehicles, it is very difficult for a single manufacturer

to successfully address these issues on their own. To protect industry and employment in Japan and in Asia as a whole, we must improve operational efficiency in areas such as development and production and strengthen our competitiveness.

By joining forces, MFTBC and Hino would create synergies and enhance the competitiveness of Japanese commercial vehicle manufacturers, helping to strengthen the foundation of the Japanese and Asian automotive industries and contributing to the ongoing development of our customers, stakeholders, and the Japanese vehicle industry.

Both Daimler Truck and Toyota count global full lineups tailored to local needs among their corporate strengths and—toward achieving carbon neutrality—value multi-pathways that provide diverse options based on local conditions and how their customers use vehicles. Inspired by the idea that CASE technologies are only useful to society if widely adopted, Daimler Truck, Toyota, Hino, and MFTBC, are endeavoring to improve their technical development capabilities, lower costs, and promote the adoption of CASE technologies. Together, the four companies will unite our aspirations to "support mobility and contribute to society" and, hand in hand we will overcome the increasingly fierce global competition. Through these efforts, we will strive to tackle societal challenges such as achieving carbon neutrality.

Moving toward completing integration

Through the discussion based on integrity, mutual respect, and diversity and by understanding each other's strengths and corporate culture, the parties confirm that the merger discussions are progressing on a positive note.

While the Definitive Agreement for merging MFTBC and Hino was targeted to be signed by the end of March 2024 and integration complete by the end of 2024, the process of obtaining necessary regulatory clearances and approvals under competition and other laws and regulations, as well as the pending investigations related to Hino's engine certification issues, are still ongoing.

We will move ahead with discussions on the timing of the conclusion of the contract and the integration of the two companies with the agreement of those concerned, and with the approval of the relevant boards of directors, shareholders, and authorities. The parties confirm that the merger discussions are progressing on a positive note and that the strategic objectives and logic of the proposed transaction continue to be valid. We are making steady progress towards attaining our goal of integration.

