

## Corporate Governance Report

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Hino Motors, Ltd.

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<http://www.hino-global.com/index.html>

The corporate governance of Hino Motors is described below.

### I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

#### 1. Basic Views

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

To fulfill its corporate mission, Hino Motors is striving to build on the positive relationships it has established with its stakeholders, which include shareholders, customers, business partners, local communities around the world, and employees. Based on this stance, Hino Motors is working to enhance its corporate governance with the goal of achieving sustainable growth and raising its corporate value over the medium to long term as a global company.

In addition, Hino Motors endorses the Corporate Governance Code prescribed by the Financial Services Agency of Japan and has devised various measures based on the objectives and intent of the code’s guidelines and principles. As a basic policy, Hino Motors intends to pursue these measures as a means of strengthening its corporate governance.

#### [Reasons for Non-compliance with the Principles of the Corporate Governance Code]

Prior to its revision in June 2018, Hino Motors has implemented each of the Principles of the Code. Based on the revised version of the Code, Hino Motors is planning to update its own measures by December 2018.

#### [Disclosure Based on the Principles of the Corporate Governance Code]

[Principle 1.4 Cross-Shareholdings]

<Policy on Cross-Shareholdings>

Hino Motors has a policy of maintaining cross-shareholdings taking a comprehensive view of business relationships over the medium to long term as collaborative relationships between various companies in development, procurement, production, logistics, and sales are vital in the automotive industry.

<Basic Policy on the Exercise of Voting Rights Related to Cross-Shareholdings>

With regard to the exercise of voting rights related to cross-shareholdings, Hino Motors emphasizes dialogue with the investee company to verify and decide on each proposal from the perspectives of future increases in corporate value and improvement in shareholder returns based on respect for the management policy of the investee company rather than determining approval or disapproval in a uniform manner.

[Principle 1.7 Related Party Transactions]

Hino Motors complies with the procedures stipulated in Japan's Companies Act regarding conflict of interest transactions with officers. In addition, transactions with executive vice presidents, senior managing officers and managing officers who are not directors have to be approved by and reported to the Board of Directors. Moreover, regular checks are conducted by the Audit & Supervisory Board, Internal Audit Division, General Administration Division, and Finance & Accounting Division.

Sales of products and other goods to TOYOTA MOTOR CORPORATION, the parent company of Hino Motors, are determined in price negotiations each fiscal year by taking into account such factors as the market prices of raw materials and the contracted production volume. Other transactions with the parent company are conducted at a reasonable price following discussions with the parent company and take full account of such factors as market prices in the same way as for regular terms of transactions. The interest rate when borrowing funds is determined by taking the market interest rate into account in the same way as for regular transactions.

[Principle 3.1 Full Disclosure]

(1) Company objectives (management philosophy, etc.), business strategies and business plans

Please refer to the HINO Credo and vision posted on the Hino Motors corporate website.

HINO Credo

[http://www.hino-global.com/about\\_us/hino\\_credo/index.html](http://www.hino-global.com/about_us/hino_credo/index.html)

Hino's Vision for the Future

[http://www.hino-global.com/for\\_investors/business\\_strategy/index.html](http://www.hino-global.com/for_investors/business_strategy/index.html)

(2) Basic views and guidelines on corporate governance

Please refer to "I.1 Basic Views" in this document where this is noted.

(3) Board policies and procedures determining the remuneration of the senior management and directors

Please refer to II.1 Director Remuneration and Policy on Determining Remuneration Amounts and Calculation Methods in this document, which notes the policies and procedures in determining the remuneration of senior management and directors.

(4) Board policies and procedures in the appointment of the senior management and the nomination of directors and audit & supervisory board member candidates

The policies and procedures for the appointment of directors and audit & supervisory board members at Hino Motors are as below.

<Policies>

Hino Motors selects human resources who are capable of contributing to sustained growth, giving comprehensive consideration to factors such as the credentials, character and insight of each person from the viewpoints of appropriate and swift decision making and the right person for the job. Hino Motors selects outside directors/audit & supervisory board members from the viewpoint of enhancing management monitoring and supervisory functions, giving comprehensive consideration to factors such as experience of corporate management at other companies, industry understanding, and expertise in addition to independence.

<Procedures>

Each year, personnel are submitted to and approved by the general meeting of shareholders after approval by the Board of Directors. A meeting composed of the Chairman, the President, the Director with responsibility for personnel, and the independent director prepares a proposal to be submitted to the Board of Directors and a proposal to be recommended to the Audit & Supervisory Board for the nomination of candidates for directors and audit & supervisory board members.

(5) Explanations with respect to the individual appointments and nominations based on the board policies and

procedures in the appointment of the senior management and the nomination of directors and audit & supervisory board member candidates:

Refer to the Notice of Convocation for the General Meeting of Shareholders posted on the corporate website, which contains explanations with respect to the appointments of individual directors and audit & supervisory board members.

[Principle 4.1 Roles and Responsibilities of the Board (1)]

Supplementary Principle 4.1.1

The Board of Directors at Hino Motors decides on the implementation of important business as well as supervising the execution of duties by the directors. Hino Motors has also secured a system to ensure that the duties of the directors are executed efficiently. The Board of Directors and the directors lead and supervise the executive officers based on management policy while collaborating with them from a management perspective. At the same time, they delegate executive authority in each organization to executive vice presidents, senior managing officers and managing officers to carry out flexible decision making.

Matters relating to the judgements and decisions of the Board of Directors and matters related to the scope of delegation to and the judgements and decisions of executive vice presidents, senior managing officers and managing officers are clearly stipulated in the Articles of Incorporation of the Company and the Regulations of the Board of Directors in addition to the Regulations for Approval of Important Issues, the Regulations on Senior Managing Officers and Managing Officers and other regulations. Of these, the Regulations of the Board of Directors defines the matters to be resolved and reported at the Board of Directors as follows, and these matters are deliberated and resolved at the Board of Directors' meeting composed of the Chairperson of the Board of Directors and all the directors.

<Matters to be resolved>

- (1) Matters provided for in Japan's Companies Act and other laws and regulations
- (2) matters provided for the Company's Articles of Incorporation
- (3) matters delegated by resolution of the general meeting of shareholders
- (4) other important matters of management

<Matters to be reported>

- (1) The state of execution of business and other matters provided for in Japan's Companies Act and other laws and regulations
- (2) Other matters deemed necessary by the Board of Directors

[Principle 4.9 Independence Standards and Qualification for Independent Directors]

Please refer to II. 1 Independent Directors/Audit & Supervisory Board Members in this document.

[Principle 4.11 Preconditions for Board and Audit & Supervisory Board Effectiveness]

Supplementary Principle 4.11.1

Please refer to the preceding [Principle 3.1 Full Disclosure] under which this is noted in iv) Board policies and procedures in the appointment of the senior management and the nomination of directors and audit & supervisory board member candidates.

Supplementary Principle 4.11.2

The concurrent service of officers at other listed companies is noted in the *HINO REPORT* (Business Report) and the Notice of Convocation for the General Meeting of Shareholders posted on the Company's corporate website as well as on EDINET (Electronic Disclosure for Investors' NETwork). Please refer to the Securities Report.

Supplementary Principle 4.11.3

Hino Motors established a Corporate Governance Committee with the aim of increasing the effectiveness of corporate governance and further contributing to sustained growth and enhancement of corporate value.

In addition to initiating discussion on the form that the Board of Directors should take (recommendations to the Board of Directors as necessary) and the sharing of management information involving all of the independent directors and non full-time director, the Corporate Governance Committee has implemented an evaluation of the effectiveness of the Board of Directors.

An outline of the evaluation conducted (once a year) this year, its results, and an outline of the measures for improvement of the issues identified are presented below.

(1) Subjects of evaluation (evaluation method)

- All directors, including outside directors (questionnaire-style self-evaluation)

(2) Objective of evaluation

- Establishment of the plan-do-check-act (PDCA) cycle in order to continuously improve and enhance the functions of the Board of Directors

(3) Areas of evaluation

- Evaluation of the roles and responsibilities that the Board of Directors should fulfill (including the roles and responsibilities of the Board in General Principle 4 of the Corporate Governance Code)
- Evaluation of the structures that support the effectiveness of the Board of Directors (composition and operation of the Board of Directors, the quality of discussion at the Corporate Governance Committee, and support for the activities of outside directors, etc.)

(4) Evaluation Results

- Overall, the Board of Directors operates appropriately, engages in free, vigorous and constructive discussion on key matters such as corporate strategy while responding to changes in the environment, and has determined the broad course for addressing these matters. The Corporate Governance Committee also discussed strategy and strengthened supervisory functions by exchanging opinions from an objective perspective. Even more concrete discussion will be held, going forward, based on the course determined. In addition, for the Corporate organization, Hino has moved ahead with transitioning to a divisional organization of four units and delegating authority to operations. It was affirmed that the decision-making process in execution of each the company's business was appropriate, and that the directors fulfill their obligations for mutual oversight.
- On the other hand, issues were identified such as bolstering environmental improvements that support appropriate risk-taking and strengthening follow-up on the progression of important matters.

(5) Improvement measures

Going forward, the Board of Directors will operate following a full review of the improvement measures below in particular.

- Strengthening relevant business and /functions to appropriately control risk-taking
- Strengthening supervision of the implementation status of important matters that have been decided upon

[Principle 4.14 Training for Directors and Audit & Supervisory Board Members]

Supplementary Principle 4.14.2

Hino Motors will establish opportunities for training and activities from the perspective of identifying changes in the environment and other factors to promote sustained growth in addition to understanding and practicing the HINO Credo which is “to make the world a better place by helping people and goods get to where they need to — safely, economically and with environmental responsibility — while focusing on sustainable development.”

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

Hino Motors believes that timely and appropriate disclosure of business information is important in order to deepen an accurate understanding of the Company. Based on this view, Hino Motors strives for constructive dialogue with shareholders and investors and aims to increase corporate value over the medium to long term by taking the opinions obtained through this dialogue seriously and using them as reference information in the management of the Company.

<Forums for and Views on Dialogue>

1. General Meeting of Shareholders

Hino Motors views the General Meeting of Shareholders as a forum for important dialogue with all of its shareholders and believes that it deepens understanding of the Company through reports on subjects that include the progress of operations and outcomes and issues to be addressed as well as question and answer sessions. The opinions received from shareholders through this dialogue are then used as reference information in the management of the Company.

Moreover, Hino Motors strives to enhance information provision through such means as holding facility tours for shareholders who wish to visit on dates other than the day of the General Meeting of Shareholders.

## 2. Other

With regards to forums for dialogue other than the General Meeting of Shareholders, Hino Motors provides mass media announcements and analyst briefings on financial results each quarter, and the Company President also takes part in these forums each six-monthly period.

In addition, the Company holds various press conferences and briefings when appropriate in an effort to further deepen understanding of its management strategy and business content. Dialogue is also held with investors, including regular participation by the director in charge of the Public Affairs Division in conferences organized by securities companies.

Furthermore, the Company responds to individual questions and requests for interviews as appropriate based on the nature of the request and other factors.

The director in charge of the Public Affairs Division oversees dialogue other than the General Meeting of Shareholders, covering the implementation as well as in-house cooperation including regular meetings between the departments concerned. When necessary, this director reports on the opinions obtained through the dialogue, passing them on as feedback to senior management.

### <Management of Insider Information>

In addition to the operation of in-house regulations on insider trading, Hino Motors strives to prevent the unintended leakage of insider information by further raising awareness through attendance at various seminars and participation in training and rigorous management for officers and employees involved in dialogue.

A number of employees also participate in forums for dialogue together in an effort to check and monitor each other.

Before the day when the financial results for each quarter are announced, the Company refuses requests for interviews concerning performance and also refrains from responding to similar inquiries.

(Establishment of silent period for approximately one month before announcement of financial results)

### <Identification of Shareholder Ownership Structure>

Hino Motors identifies its shareholder ownership structure in a timely manner using an external data service company and other means and strives to utilize this information in dialogue.

## 2. Capital Structure

Percentage of Shares Held by Foreign Investors	From 10% to less than 20%
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### [Description of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
TOYOTA MOTOR CORPORATION	287,897,126	50.16
The Master Trust Bank of Japan, Ltd. (Trust Account)	42,761,500	7.45
Japan Trustee Services Bank, Ltd. (Trust Account)	26,493,900	4.62
Japan Trustee Services Bank, Ltd. (Trust Account 9)	6,254,900	1.09
Japan Trustee Services Bank, Ltd. (Trust Account 5)	5,453,600	0.95
Tokio Marine & Nichido Fire Insurance Co., Ltd.	4,884,060	0.85
State Street Bank West Client - Treaty 505234	4,565,608	0.80
JP Morgan Chase Bank 385765	4,313,700	0.75
Nagasaka Sangyo K.K.	4,255,000	0.74
Nisshinbo Holdings Inc.	4,209,250	0.73

Existence of Controlling Shareholders (excluding parent company)	—
Existence of Parent Company	TOYOTA MOTOR CORPORATION (listed stock exchanges: Tokyo, Nagoya, and overseas)

Supplementary Explanation
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### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section, Nagoya Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Transportation equipment
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000
Sales (consolidated) as of the End of the Previous Fiscal Year	More than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 50 companies to less than 100 companies

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

Toyota Motor Corporation is the parent company of Hino Motors and holds 50.2 % of the voting rights (50.3 % when indirect holdings are included) in the Company as of March 31, 2018. Sales of products and other goods to the parent company are determined in price negotiations each fiscal year by taking into account such factors as the market prices of raw materials and the contracted production volume. Other transactions with the parent company are conducted at a reasonable price following discussions with the parent company and take full account of such factors as market prices in the same way as for regular terms of transactions. The interest rate when borrowing funds is determined by taking the market interest rate into account in the same way as for regular transactions. Consequently, it is considered that transactions with the parent company do not harm the rights of the Company or, consequently, of minority shareholders.

### 5. Other Special Circumstances which may have Material Impact on Corporate Governance

In conducting business activities as a member of the Toyota Group, Hino Motors strives for collaboration and cooperation with Toyota Group companies to strengthen its management base. Meanwhile, the Company has the Hino Group's unique Hino brand business that includes trucks, buses and engines, which accounts for 72% of Company sales, and engages in independent product planning, research and development, procurement, production and sales activities. While complying with the policies of the Group overall as a member of the Toyota Group, Hino Motors has established its own corporate governance framework.

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Structures and Organizational Operations

Organization Form	Company with an Audit & Supervisory Board
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**[Directors]**

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	One year
Chairperson of the Board	Chairman (except when President serves concurrently)
Number of Directors	10
Appointment of Outside Directors	Appointed
Number of Outside Directors	Two
Number of Independent Directors	Two

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Toshitaka Hagiwara	From another company									△		
Motokazu Yoshida	From another company					△						

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/audit & supervisory board member

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company outside directors/audit & supervisory board members are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Toshitaka Hagiwara	○	Hino Motors conducts transactions with the Financial Accounting Standards Foundation where Toshitaka Hagiwara previously served as an executive officer. However, as there is judged to be no risk of an impact on the judgements of shareholders and investors in light of the size and nature of the transactions, a summary has been omitted.	In order to utilize his extensive experience and deep insight as a management expert in the Company's management. Hino Motors has designated Toshitaka Hagiwara as an independent director because there is no risk of a conflict of interest with general shareholders.
Motokazu Yoshida	○	Hino Motors conducts important transactions with Mitsui & Co., Ltd. where Motokazu Yoshida previously served as an executive officer. Until April 2009, Motokazu Yoshida served variously as Executive Director and Executive Vice President as well as Executive Director and Senior Executive Managing Officer at Mitsui & Co., Ltd.	<p>In order to utilize his extensive experience and deep insight as a management expert in the Company's management. Mitsui &amp; Co., Ltd., the company where Motokazu Yoshida served previously, is one of Hino Motors' main business partners but is not one with a notable impact on the Company's decision making. Sales to Mitsui &amp; Co., Ltd. in the most recent fiscal year were around 3% of Hino Motors' consolidated net sales. It has also been more than nine years since Motokazu Yoshida resigned from Mitsui &amp; Co., Ltd, and he is not currently involved in the execution of that company's business.</p> <p>Based on the above, Hino Motors has designated Motokazu Yoshida as an independent director as there is no risk of a conflict of interest with general shareholders.</p>

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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	Voluntary Establishment of Committee corresponding to Nomination Committee	Voluntary Establishment of Committee corresponding to Remuneration Committee
Name of committee	Proposal Review Committee for Officers	Proposal Remuneration Committee for Officers
All committee members	4	4
Full-time members	0	0
Inside directors	3	3
Outside directors	1	1



Outside experts	0	0
Others	0	0
Committee chairman	Inside Director	Inside Director

Supplementary Explanation

**[Audit & Supervisory Board Members]**

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	7 (or less)
Number of Audit & Supervisory Board Members	4

Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Departments

Audit & supervisory board members receive regular reports on audit planning, the implementation and results of audits, and the status of implementation of their duties from the accounting auditors and exchange opinions in addition to striving for mutual cooperation which includes witnessing onsite audits at subsidiaries during the fiscal year and monitoring and verifying the maintenance of independence and the performance of proper auditing by the accounting auditors. Audit & supervisory board members also receive reports on audit planning and implementation of audits by the Internal Audit Division as well as holding meetings when required, again with mutual cooperation.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	2
Number of Independent Audit & Supervisory Board Members	2

Outside Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Keiko Kitamura	Academic													
Masahiro Nakajima	Person from another company													

\* Categories for "Relationship with the Company"

- \* "○" when the director presently falls or has recently fallen under the category;
- "△" when the director fell under the category in the past
- \* "●" when a close relative of the director presently falls or has recently fallen under the category;
- "▲" when a close relative of the director fell under the category in the past

- a. Executive of the Company or its subsidiary
- b. Non-executive director or accounting advisor of the Company or its subsidiaries
- c. Non-executive director or executive of a parent company of the Company

- d. Audit & supervisory board member of a parent company of the Company
- e. Executive of a fellow subsidiary company of the Company
- f. A party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an audit & supervisory board member
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the audit & supervisory board member himself/herself only)
- k. Executive of a company, between which and the Company outside directors/audit & supervisory board members are mutually appointed (the audit & supervisory board member himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the audit & supervisory board member himself/herself only)
- m. Others

Outside Audit & Supervisory Board Members' Relationship with the Company (2)

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment
Keiko Kitamura	○		In order to reflect her academic experience and deep insight into accounting and finance in auditing activities. Hino Motors has designated Keiko Kitamura as an independent audit & supervisory board member as there is no risk of a conflict of interest with general shareholders.
Masahiro Nakajima	○		In order to utilize his extensive experience and deep insight as a management expert in the Company's management, Hino Motors has designated Masahiro Nakajima as an independent director. There is no risk of a conflict of interest with general shareholders.

**[Independent Directors/Audit & Supervisory Board Members]**

Number of Independent Directors/Audit & Supervisory Board Members	4
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Matters relating to Independent Directors/Audit & Supervisory Board Members

Based on the requirements for outside directors and outside audit & supervisory board members stipulated in Japan's Companies Act and the standards for independence set out by financial instruments exchanges, Hino Motors requires independent directors/audit & supervisory board members to have extensive experience and broad insight as a manager or knowledge in a specialized field such as accounting and to be capable of fulfilling proper supervisory and monitoring functions for the Company's management.  
Hino Motors has designated as independent directors/audit & supervisory board members all of the outside directors/audit & supervisory board members who qualify as independent directors/audit & supervisory board

members.

#### [Incentives]

Incentive Policies for Directors	Introduction of a stock option system
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Supplementary Explanation

Stock options at Hino Motors were granted up until August 2011 with the objective of increasing corporate value by further enhancing motivation and morale among the directors and employees to improve business performance and improving international competitiveness and profitability.

Recipients of Stock Options	Inside directors, employees, others
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Supplementary Explanation

“Employees” corresponds to senior general manager and general manager grade employees, and “others” corresponds to managing officers, for whom exercise rights for stock options granted in August 2011 have not expired.

#### [Director Remuneration]

Disclosure of Individual Directors’ Remuneration	Partial individual disclosure only
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Supplementary Explanation

Hino Motors discloses individual directors’ remuneration for persons with more than ¥100,000,000 in total consolidated remuneration in its Securities Report. The Securities Report is published on the Electronic Disclosure for Investors’ NETwork (EDINET) run by the Financial Services Network, and the Business Report is published on the Company’s website.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The policy and procedure for determining the remuneration of directors at Hino Motors is as below.

<Policy>

Remuneration of directors is composed of monthly remuneration and bonuses.

Remuneration is structured to ensure it is linked to corporate performance and to reflect responsibilities and results.

Monthly remuneration reflects responsibilities. Bonuses are determined based on consolidated operating income for each fiscal year with comprehensive consideration given to such factors as dividends to shareholders, the level of bonuses for employees, medium and long term business performance, the past payment record, and trends at other companies.

Hino Motors does not pay bonuses to outside directors and audit & supervisory board members in view of their responsibility for supervising and monitoring management from an independent viewpoint.

<Procedure>

Monthly remuneration is determined within the limit of the ceiling for total remuneration (directors: ¥60 million monthly, audit & supervisory board members: ¥15 million monthly) determined by resolution of the Annual General Meeting of Shareholders

The amount of remuneration for each director is determined by the representative director delegated by the Board of Directors based on the criteria stipulated by the Company. The amount of remuneration for each audit & supervisory board member is determined in consultation with the audit & supervisory board. For bonuses, the total amount of bonuses to be paid to directors is first approved by resolution of the General Meeting of Shareholders, and the representative director delegated by the Board of Directors determines the amount of bonus for each director.

A meeting composed of the Chairman, the President, the Director with responsibility for personnel, and the independent director prepares a proposal to be submitted to the Board of Directors on the monthly remuneration and bonuses of the directors.

**[Supporting System for Outside Directors and Outside Audit & Supervisory Board Members]**

In addition to providing forums for information exchange between outside directors and outside audit & supervisory board members and the representative directors, Hino Motors provides information on important matters, including prior explanations of proposals submitted to the Board of Directors. Moreover, the Corporate Strategy Division and the General Administration Division are in charge of in-house liaison and coordination for outside directors while a number of dedicated staffs have been assigned to assist the activities of the outside audit & supervisory board members. The Company has also created forums for regular reports from the accounting auditors to the outside audit & supervisory board members.

**[Status of Persons Who Have retired from senior positions, such as President and CEO]**

Names of consultants and advisors, etc., who formerly served as President and CEO, etc.	Name	Position, rank	Business outline	Employment status and conditions (full-time, part-time, remunerated/non-remunerated, etc.)	Date of departure from position of President and CEO, etc.	Term of office

No. of consultants and advisors, etc., who formerly served as President and CEO, etc.	0
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Other items	Currently there are no persons to whom these conditions apply.
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**2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)**

1) Overview of Current System (please read in conjunction with corporate governance at Hino Motors (schematic diagram) on the last page of this document)  
Hino Motors is a company that employs an Audit & Supervisory Board and has established a Board of Directors, audit & supervisory board members, an audit & supervisory board and an accounting auditor. The Company's Board of Directors is composed of 10 directors (the number as of the date of submission of this

document including two outside directors as defined by Japan's Companies Act. The Company's Articles of Incorporation stipulate a maximum number of 15). The Board of Directors makes decisions on important matters of business execution and supervises the execution of duties by the directors. The Company also employs a system of executive vice presidents, senior managing officers, managing officers, and a four unit set-up, with the aim of streamlining the Board of Directors and flexible execution of business.

The Company has also established a Management Committee made up of full-time directors and audit & supervisory board members to deliberate on the management policies and strategies of the Company and to report information that is important for management.

Hino Motors has established a Corporate Governance Committee in response to the election of outside directors with the aim of increasing the effectiveness of corporate governance and contributing further to sustained growth and enhancement of corporate value. The Corporate Governance Committee discusses the form that the Board of Directors should take (recommendations to the Board of Directors as necessary) and shares management information with the involvement of all of the outside directors and non full-time director. In fiscal 2017, the Corporate Governance Committee met three times.

Hino Motors' Audit & Supervisory Board comprises four audit & supervisory board members (the number as of the date of submission of this document including two outside audit & supervisory board members; the Company's Articles of Incorporation stipulate a maximum number of seven). Conforming to the standards for audits by the audit & supervisory board members stipulated by the Audit & Supervisory Board, the audit & supervisory board members communicate with the directors, the Internal Audit Department, and other employees and work to gather information and establish the audit environment in accordance with the Company's audit policy and planning. They also audit the status of Company operations and assets by attending meetings of the Board of Directors and other important meetings, hearing about the execution of duties from the directors and other employees, viewing important approval documents, visiting each business site and visiting subsidiaries inside and outside Japan, and supervise the execution of duties by the directors. The audit & supervisory board members receive reports on audit planning, the implementation and results of audits, and the status of implementation of their duties from the accounting auditors and exchange opinions in addition to striving for mutual cooperation which includes witnessing onsite audits at subsidiaries during the fiscal year and monitoring and verifying the maintenance of independence and the performance of proper auditing by the accounting auditors. They also review the Business Report, financial statements and supplementary statements, and the consolidated financial statements.

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

## 2) Outside Directors and Outside Audit & Supervisory Board Members

To oversee the execution of duties by the directors, Hino Motors has appointed two outside directors, both of whom are independent directors, as provided for in Japan's Companies Act. The outside directors are contributing to transparent, fair, swift and resolute decision making by playing a management oversight role for important decision making by the Board of Directors as well as participating in active and constructive discussion at the Corporate Governance Committee and inspecting the business sites of Hino Motors and its affiliated companies inside and outside Japan.

To monitor the execution of duties by the directors, Hino Motors has also appointed two outside audit & supervisory board members, both whom are independent audit & supervisory board members, as provided for in Japan's Companies Act. The Company considers that there is an adequate management monitoring function to oversee the appropriateness and legality of management through the implementation of objective audits in partnership with the two full-time audit & supervisory board members.

Hino Motors makes efforts on collaboration so that the supervisory and audit functions operate fully by establishing forums for the exchange of information between the outside directors and outside audit & supervisory board members and the Representative Director in addition to providing information on important matters, including providing explanations in advance of proposals to be submitted to the Board of Directors.

The outside audit & supervisory board members work to achieve mutual communication with the full-time audit & supervisory board members, the directors, and other employees, and they attend the audit &

supervisory board members' meetings to hear about the execution of duties and internal audits from the directors and other employees. In addition, as a rule, a meeting of the Audit & Supervisory Board is held before a meeting of the Board of Directors is convened. Thus, the audit & supervisory board members in attendance, including the outside audit & supervisory board members, check the proposals to be submitted to the Board of Directors to conduct a preliminary review.

#### 3) Agreements to Limit Liability

With regard to the liability specified in paragraph 1, Article 423 of the Companies Act, Hino Motors has concluded agreements with the directors (excludes executive directors) and the outside audit & supervisory board members to limit liability to the amount specified in paragraph 1, Article 425 of the Act when there has been good faith and no gross negligence in the performance of duties.

#### 4) Internal Control, etc.

Please refer to "Basic Views on Internal Control System and the Progress of System Development" in section IV, 1 of this report, where this is set out.

### 3. Reasons for Adoption of Current Corporate Governance System

Hino Motors has appointed two outside directors, both of whom are independent directors, to the Board of Directors, establishing a system for transparent, fair, swift and resolute decision making in its management. Moreover, in order to monitor the appropriateness and legality of management, objective audits are performed by the two outside audit & supervisory board members, both of whom are independent audit & supervisory board members, as provided for by Japan's Companies Act in addition to the two full-time audit & supervisory board members providing a function for monitoring the Board of Directors.

## III. Implementation of Measures for Shareholders and Other Stakeholders

### 1. Approach toward the Vitalization of the General Shareholders' Meeting and the Facilitation of Exercise of Voting Rights

	Supplementary Explanations
Early distribution of notice of convocation of General Shareholders' Meeting	In connection with an Ordinary General Shareholders' Meeting, Hino Motors posts the notices of convocation for the Ordinary General Shareholders' Meeting before the statutory deadline.
Scheduling of General Shareholders' Meeting avoiding the date on which General Shareholders' Meeting of companies are concentrated	Hino Motors convenes its General Shareholders' Meeting avoiding the dates on which general shareholders' meetings of companies are most and second-most concentrated on.
Exercise of voting rights by electronic means	Hino Motors enables shareholders to exercise voting rights on the Internet.
Measures aimed at participation in electronic voting platforms and other improvements in voting environments geared towards institutional investors	Hino Motors participates in an electronic voting platform for institutional investors operated by ICJ Corporation.
Provision of summary English-language convocation notices	Hino Motors creates an English-language convocation notice and reference documents for an Ordinary General Shareholders' Meeting (both in summary form) and makes them available on both the Company's corporate website and within electronic voting platform for institutional investors.
Others	Hino Motors posts the date and agenda for the Ordinary General Shareholders' Meeting on the Company's corporate website as soon as they

	are decided. Moreover, the Company posts the convocation notice for an Ordinary General Shareholders' Meeting prior to the date of the distribution of the convocation notice as well as the notices of resolutions on the Company's corporate website on the date of the distribution of the notices.
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## 2. IR Activities

	Supplementary Explanations	Briefing provided by representative
Preparation and Publication of Disclosure Policy	—	
Holding Regular Briefings for Individual Investors	—	—
Holding Regular Briefings for Analysts and Institutional Investors	In addition to holding briefings on financial results four times a year, including quarterly financial results, Hino Motors holds corporate briefings and tours of its facilities as it deems fit.	Yes
Holding Regular Briefings for overseas investor	—	—
Posting of IR Materials on Website	Hino Motors has established an IR section on its website where it posts useful IR-related information such as summaries of financial results and convocation notices for AGMs in a timely and appropriate manner.	
Establishment of Department and/or Manager in Charge of IR	Hino Motors has assigned IR managers in the PR and IR Office of the Public Affairs Division, the Finance & Accounting Division, and the General Administration Division.	
Others		

## 3. Measures Concerning Respect for the Position of Stakeholders

	Supplementary Explanations
Provisions for Respecting the Position of Stakeholders Based on Internal Rules, etc.	The Company has set forth its CSR Charter within the HINO Credo to provide a statement to its stakeholders.
Implementation of Environmental Activities, CSR Activities etc.	Hino Motors promotes CSR activities in a broad range of fields including environmental conservation, social contribution activities and compliance to fulfill the trust and expectations of stakeholders. The main activities are featured in the CSR Report. <a href="http://www.hino-global.com/csr/index.html">http://www.hino-global.com/csr/index.html</a> In particular, in the area of environmental conservation activities, the Company set up the Hino Green Fund (HGF) in 1991 to assist a variety of enterprises related to afforestation and nature conservation.
Establishment of policies concerning disclosure of information to stakeholders	Hino Motors has established the "Hino Code of Conduct" based on the aforementioned HINO Credo, and the Company's policy on the appropriate disclosure of information is provided within the Code.
Other	In order to continue providing high value added goods and services that contribute to society, Hino Motors believes that it is important for its diverse human resources to reach their full potential. As part of the Company's initiatives to promote diversity, Hino Motors is continuing its efforts to enable female employees to attain greater success in their careers. As a result, the number of its female managers has been

	<p>steadily increasing, from 19 in 2014 to 36 in 2018. In addition to initiatives for female employees achieve greater success in their careers, Hino Motors intends to continue focusing on the following initiatives with the aims of achieving work-life balance and building a system and environment that allow all employees to work with vitality.</p> <p>1) Increasing the percentage of women in new graduate and year-round recruitment and expanding the appointment of female managers based on gender composition by year  2) Creating a workplace that is easy for anyone to work in, such as by introducing flexible working systems (a work-at-home system was introduced in April 2018)  3) Creating an environment that facilitates working while raising children, such as the establishment of in-house day care centers</p>
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## IV. Matters Related to the Internal Control System

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

<p>(a) Basic Policy on Establishing a System to Ensure the Appropriateness of Business Operations of the Company</p> <p>With regard to the internal control system, the Basic Policy on Establishing a System to Ensure the Appropriateness of Business Operations of the Company has been adopted as follows by the Board of Directors in accordance with revisions to Japan's Companies Act.  Resolutions by the Board of Directors are listed here (See Appendix Sheet 1: No change)</p> <p>(b) Outline of the Operational Status of the System to Ensure the Appropriateness of Operations</p> <p>1. Overall Internal Control System</p> <p>The basis of the internal control system at Hino Motors consists of oversight of management by the Board of Directors and decision-making after comprehensive reviews conducted by the Board of Directors (once a month), the Management Committee (twice a month) and various other inter-organizational meetings, as well as the implementation of internal audits regarding the legality, appropriateness, and efficiency of operations by the Internal Audit Division, based on in-house regulations.</p> <p>Moreover, in order to foster a sound corporate culture, including at subsidiaries, Hino Motors has formulated The Hino Code of Conduct, which clarifies the attitude and behavior guidelines for the management team and employees. Hino Motors has been working to clarify the basic policies for the internal control system relating to the development of systems to ensure the appropriateness of operations at subsidiaries, which the Company has been addressing for some time, in response to the revisions to Japan's Companies Act enforced on May 1, 2015. Hino Motors continuously aims to improve the status of development of the system under the basic policies, including the implementation of evaluations once a year by the full-time directors.</p> <p>2. Compliance and Risk Management</p> <p>In order to establish corporate ethics and ensure compliance, Hino Motors has established the Compliance and Risk Management Committee (held twice every fiscal year) composed of the president, executive vice presidents, senior managing officers in charge of various functions, managing officers, and full-time auditors. In addition to deliberating on important issues and action relating to corporate ethics, compliance and risk management, reports on the compliance activities of the Hino Motors Group and the status of internal audits are made to the committee. Hino Motors has also established and operates the HINO Compliance Consultation Service with an external lawyer reception service as a framework for internal reporting at the Company in order to identify important information concerning compliance.</p> <p>In addition to the development of internal regulations that provide risk prevention, initial measures to be taken when risks arise, and individual control activities by each department in charge, Hino Motors has endeavored</p>
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to strengthen finely tuned control activities and risk management through various activities that include the Hino Safety, Health and Disaster Prevention Committee, the Hino Environment Committee, and the Hino Export Transaction Control Committee (each held twice every fiscal year). Moreover, Hino Motors stores the minutes of Board of Directors' meetings in accordance with laws and regulations as well as appropriately retaining documents on important decisions in line with in-house regulations and managing them so as to allow them to be read.

### 3. Ensuring Efficient Execution of Duties

The important matters such as medium- to- long-term management plans and Company policies for each fiscal year are decided by the Board of Directors following deliberation by the Management Committee and shared with the senior managing officers and the managing officers at the Operating Officers' Meeting. Hino Motors also conducts integrated policy management that ensures policy takes root at each level of the organization and establishes in-house regulations on the provisions for authority and the division of duties to enable agile decision-making to be conducted by each department, ensuring the efficiency of execution of operations. In fiscal 2017, the Board of Directors met 13 times, the Management Committee met 26 times, and the Operating Officers' Meeting was held 29 times.

### 4. Ensuring Appropriate Operations in Group Companies

Hino Motors supervises and audits the execution of operations related to important matters for the management of subsidiaries based on the Management Regulations for Affiliated Companies, and attaches non full-time directors and audit & supervisory board members to key subsidiaries. Moreover, in addition to presenting the Code of Conduct and various guidelines to Group companies for building and operating systems, Hino Motors exchanges opinions with subsidiaries with the aim of developing systems to ensure the appropriateness of operations.

### 5. Ensuring the Effectiveness of Audit & Supervisory Board Members

Hino Motors shares information in a timely and appropriate manner through the attendance of the full-time audit & supervisory board members at all the meetings of the Board of Directors, the Management Committee and other important meetings. In addition, the departments in charge report on the execution of key operations such as the status of internal audits and the operational status of internal reporting to the audit & supervisory board members periodically, while also forwarding them documents on important decisions. Each business site and subsidiary makes the necessary reports at the time of site visits by the audit & supervisory board members. Hino Motors assigns independent staff to assist the duties of the audit & supervisory board members, and the Management Department provides monthly reports on the execution of operations.

The expenses that arise in connection with the execution of the duties of the audit & supervisory board members are paid smoothly, and the directors and the audit & supervisory board members and the accounting auditor and the audit & supervisory board members work to enhance the audits through the Company's internal control system by holding meetings, striving to communicate, and exchanging the necessary information.

## 2. Basic Policy and Preparation towards the Elimination of Anti-social Forces

Based on The Hino Code of Conduct, Hino Motors' basic policy is to have no relationship with anti-social forces.

The Hino Code of Conduct clearly states that Hino Motors takes resolute action as an organization against organized violence and criminal activities by anti-social forces or groups, and that when confronted with an undue demand, we should consult immediately with the relevant department and work with the appropriate authorities to swiftly resolve the issue. Hino Motors makes the above thoroughly known to its officers and employees.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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#### Supplementary Explanation

Toyota Motor Corporation, the parent company, owns 50.2 % of the voting rights in Hino Motors (50.3 % when indirect ownership is included).

Other Matters Concerning Corporate Governance System	See Appendix Sheet 2: With Changes
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### 2. Other Matters Concerning Corporate Governance System

The internal system for the timely disclosure of Hino Motors' corporate information is as follows.

1. Hino Motors has established the Hino Code of Conduct which clearly states the conduct guidelines for officers and employees. This includes the following provisions on the timely disclosure of corporate information.

We seek to implement an active investor relations (IR) program, disclosing information pertinent to Hino's operation such as business performance and financial position in an accurate and timely manner.

We also disclose our management policy and the measures we are taking to improve profits, and take all opinions and criticism seriously, passing along this information as feedback to top management and other concerned departments and divisions.

2. In order to achieve the above, Hino Motors has clearly stated rules for the disclosure of important information (information that requires disclosure, departments with responsibility for disclosure, procedure for disclosure, etc.) and endeavors to disclose corporate information based on the following processes.

\* Departments with responsibility for disclosure: Public Affairs Division, Finance & Accounting Division, General Administration Division

1) Each internal department shall take the following measures when there is information that should be disclosed in the department (and the subsidiaries that it supervises) in accordance with the rules on the disclosure of important information.

a) With regard to information on decisions, each department and the division with responsibility for disclosure consult on the method and timing of timely disclosure at the planning and review stage for each project.

b) With regard to information on facts which occurred, each department contacts the division with responsibility for disclosure as it obtains the information.

2) Hino Motors determines the details of disclosure as follows.

a) The details of disclosure for information on decisions are determined at meetings such as the Board of Directors and the Management Committee.

b) The details of disclosure for information on facts which occurred are determined based on consultation between the division with responsibility for disclosure and the department in charge of the case in question.

3) The department with the responsibility for handling information (Public Affairs Division) promptly carries out disclosure to the stock exchange in light of the decisions described above.

# Corporate Governance System

