

< NOTE > English translation from the original Japanese-language document

## Corporate Governance Report

Last Update: June 21<sup>th</sup>, 2019

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] UPDATED

Hino Motors implemented each of the Principles of the Code.

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

[Principle 1.4 Cross-Shareholdings]

<Policy on Cross-Shareholdings>

As collaborative relationships between various companies in development, procurement, production, logistics, and sales are vital in the automotive industry, Hino Motors holds shares of listed companies it deems necessary from the perspective of enhancing corporate value over the medium to long term through the building of positive relationships with business partners and implementing business smoothly. As a policy, Hino Motors will not hold listed stocks as cross-shareholdings in other cases. Cross-shareholdings here include not only mutual shareholdings but also unilateral ones.

Hino Motors' Board of Directors reviews the justification for ownership of cross-shareholdings annually through quantitative verification of returns, including associated profit and dividends received, in addition to qualitative verification of the purpose of ownership for each stock. The Company considers the orderly sale of stock when the justification for ownership is no longer recognized.

<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 makes a comprehensive decision on each proposal based on a judgement of whether a proposal will lead to an increase in corporate value from a medium- to -long- term perspective, whether a proposal will undermine the justification for ownership of the stock and other criteria.

[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, General Administration Division, Finance & Accounting Division, and Legal and Intellectual Property 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 2-6. Roles of Corporate Pension Funds as Asset Owners]

Hino Motors has established an expert committee so that the organization responsible for the corporate pension fund can take appropriate action, such as monitoring the investment manager, for proper management of the corporate pension reserve fund and the sound operation of the pension plan into the future. Hino Motors also strives to further strengthen the required human resources for the expert committee.

[Principle 3.1 Full Disclosure]

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

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

HINO Credo

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

Hino's business strategies for the future

[http://www.hino-global.com/corp/for\\_investors/business\\_strategy.html](http://www.hino-global.com/corp/for_investors/business_strategy.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 and dismissal of senior management and the nomination of directors and audit & supervisory board member candidates

The policies and procedures for the appointment and dismissal of senior management and the nomination of candidates for 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, the right person for the job, and diversity. 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 Proposal Review Committee for Officers meeting composed of the Chairman, the President 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. (meeting held in January 2018)

(5) Explanations with respect to the individual appointments and dismissals 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 and dismissals of senior management and the nominations 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 and engages in free, vigorous and constructive discussion on key matters such as corporate strategy while responding to changes in the environment. The fact that the Board of Directors presented "Challenge2025" (announced in October 2018), business strategies that sets 2025 as a milestone, was highly evaluated. In addition, Hino Motors has moved ahead with strengthening the structure of the Legal Department, which supports compliance risk management and risk taking. 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 supervision of specific initiatives toward the achievement of "Challenge 2025," and consideration of changes to the structure of the Board of Directors that would further enhance its independence, objectivity and diversity. Moreover, supervision of the implementation status of important matters, which was an issue last year, has been strengthened, but there is still work to be done on remaining issues.

##### (5) Improvement measures

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

- In order to achieve Challenge2025, the Board of Directors will primarily supervise the progress of the following initiatives.

1. Providing the best products and boosting current profitability to achieve sustainable growth
2. Strengthening total support to underpin stabilization of the earnings base
3. Providing new value that solves the issues of customers and society, utilizing C.A.S.E. (car connectivity, autonomous or assisted driving, car sharing, and electrified powertrains and components)
4. Reducing fixed costs through radical operational reform and streamlining and shifting resources to new initiatives

- Reviewing the composition of the Board of Directors to further increase effectiveness of supervision

- Implementing systematic supervision of the implementation status of important matters

[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	50.15
The Master Trust Bank of Japan, Ltd. (Trust Account)	47,632,200	8.30
Japan Trustee Services Bank, Ltd. (Trust Account)	23,119,200	4.03
Japan Trustee Services Bank, Ltd. (Trust Account 9)	12,366,200	2.15
JPMorgan Chase Bank, 385151	6,134,265	1.07
Japan Trustee Services Bank, Ltd. (Trust Account 5)	4,913,600	0.86
Tokio Marine & Nichido Fire Insurance Co., Ltd.	4,884,060	0.85
Japan Trustee Services Bank, Ltd. (Trust Account 7)	4,572,400	0.80
Nisshinbo Holdings Inc.	4,209,250	0.73
DENSO CORPORATION	4,095,687	0.71

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

<p>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, 2019. 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</p>
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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 73% 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 ten 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	2	2
Outside directors	2	2
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*
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		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	Other
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**Supplementary Explanation**

Hino Motors has introduced remuneration in the form of restricted stock starting in fiscal 2019 in order to encourage the sustainable enhancement of corporate value and to promote greater sharing of value with shareholders (approved at the Annual General Meeting of Shareholders in June 2019).

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

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**[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 basic remuneration, bonuses, and restricted stock remuneration.

Basic remuneration reflects responsibilities. Bonuses, which are performance-linked remuneration, are determined based on consolidated operating income for each fiscal year (fiscal year ended March 31, 2019: initial target ¥83.0 billion, result ¥86.7 billion) 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. As indicators for the fiscal year ending March 31, 2020, the target for consolidated operating income is ¥90.0 billion, and the dividend forecast is ¥30.

In addition, restricted stock remuneration is determined based on a comprehensive consideration of responsibilities, achievements and other factors, and is designed to promote share ownership by directors and greater sharing of value with shareholders while also encouraging the directors to sustainably enhance corporate value.

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

<Procedure>

Basic remuneration, bonuses, and restricted stock remuneration are determined within the limit of the ceiling for total remuneration (¥1.0 billion annually; includes up to ¥100 million annually for outside directors) determined by resolution of the Annual General Meeting of Shareholders held on June 19, 2019.

The restricted stock remuneration for directors is determined by the Board of Directors within the limit of the ceiling on the number of shares (300,000 shares) determined by resolution of the Annual General Meeting of Shareholders held on June 19, 2019. The basic amount of remuneration for each Audit & Supervisory Board member is determined by the Audit & Supervisory Board within the limit of the ceiling on total remuneration (¥15 million monthly) determined by resolution of the Annual General Meeting of Shareholders held on June 25, 2008.

The total amount of basic remuneration, bonuses, and restricted stock remuneration for directors (ten directors were elected by resolution of the Annual General Meeting of Shareholders held on June 19, 2019) is determined by the Board of Directors based on the amount of remuneration for each position agreed upon at the Proposal Remuneration Committee for Officers composed of the Chairman, the President, and two outside directors. The basic remuneration and bonus for each director are determined by the Chairman and the President, who are the representative directors delegated by the Board of Directors, and the number of shares to be allocated in the form of restricted stock remuneration is determined by the Board of Directors. Regarding the process for determining the amount of remuneration, etc., for the directors of Hino Motors in the year ending March 31, 2020, the meeting of the Proposal Remuneration Committee for Officers was held on April 25, 2019, and this agenda item was addressed by meetings of the Board of Directors were held on April 25, 2019 and June 19, 2019.

#### **[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 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, a four unit set-up, and an officer system with the aim of streamlining the Board of Directors and flexible execution of business.

The Company has also established a Management Committee made up of the Chairman, the President, Unit 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 2018, 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 of the Ordinary General Shareholders' Meeting on the Company's corporate website as soon as it is 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.

#### 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. <a href="https://www.hino-global.com/corp/for_investors/">https://www.hino-global.com/corp/for_investors/</a>	
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 **UPDATED**

	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.	To fulfill the trust and expectations of stakeholders, Hino Motors promotes CSR activities in a broad range of fields including environmental conservation, social contribution activities and compliance. The main activities are featured in the Hino Sustainability Report 2018. <a href="http://www.hino-global.com/corp/csr/">http://www.hino-global.com/corp/csr/</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 steadily increasing, from 19 in 2014 to 43 in 2019. 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.  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

## IV. Matters Related to the Internal Control System

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

(a) Basic Policy on Establishing a System to Ensure the Appropriateness of Business Operations of the Company
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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: UPDATED)

(b) Outline of the Operational Status of the System to Ensure the Appropriateness of Operations

1. Overall Internal Control System

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.

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.

2. Compliance and Risk Management

In order to establish corporate ethics, ensure compliance, and reduce risk, Hino Motors has established the Compliance and Risk Management Committee (which meets twice every fiscal year) composed of unit directors, vice unit directors, and chief officers as well as the full-time directors and audit & supervisory board members. 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.

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 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 executive vice presidents, 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 2018, the Board of Directors met 12 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, Legal and Intellectual Property 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.

## APPENDIX Sheet 1

### (a) Basic Policy on Establishing a System to Ensure the Appropriateness of Business Operations of the Company

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.

#### < The Basic Policy on Establishing a System to Ensure the Appropriateness of Business Operations of the Company >

Hino Motors has developed a system to ensure the appropriateness of business operations under the Basic Policy below.

Hino Motors fosters a sound corporate culture that includes subsidiaries based on the HINO Credo and The Hino Code of Conduct.

Hino Motors works to gain the trust of stakeholders, achieve sustained growth and enhance corporate value, seeking to achieve the corporate mission stated in the HINO Credo. Hino Motors recognizes that further strengthening corporate governance is vital to enhancing corporate value and will work relentlessly to improve the operation of the Board of Directors. In addition to detecting problems in operational processes and incorporating mechanisms for improvement at the sites where operations are actually executed, Hino Motors will make unwavering efforts to develop the human resources to implement these approaches.

#### 1. System to Ensure that the Execution of Duties by Directors Conforms to Laws and Regulations and the Articles of Incorporation

- (1) Directors act in compliance with laws, regulations, the Articles of Incorporation of the Company, the HINO Credo, and The Hino Code of Conduct.
- (2) Decisions are made following comprehensive review by the Board of Directors and a variety of inter-organizational meetings based on the division of duties and in-house regulations, and directors supervise each other.
- (3) Internal audits on the legality, appropriateness, and efficiency of operations are conducted based on in-house regulations, and in addition to confirming the results and the risk management status and making the necessary improvements, information is disclosed appropriately and in a timely manner.

In order to ensure that the execution of duties by the directors complies with laws, regulations, and the Articles of Incorporation of the Company based on the above recognition, Hino Motors has developed a system, outlined below, to ensure the appropriateness of operations under the provisions of ordinances of the Ministry of Justice of Japan.

#### 2. System Regarding Storage and Management of Information on Execution of Duties by the Directors

Hino Motors ensures the appropriate storage and management of information on the execution of duties by the directors by each department in charge based on the relevant rules, laws and regulations.

#### 3. Rules for Management of Risk of Loss and Other Systems

- (1) Business and investment-related risks are managed through meetings of the Board of Directors, the Management Committee and a variety of inter-organizational meetings held on a company-wide basis in accordance with in-house regulations. Officers are in charge of and responsible for all investment-related risks in their jurisdiction.
- (2) For other risks including safety, quality and the environment, the Compliance and Risk Management Committee deliberates on and determines the overall system based on the Risk Management Regulations, and the officers in each fields with jurisdiction manage each individual risk. When a risk materializes, Hino Motors takes appropriate measures to minimize damages, based on the Risk Management Regulations.

#### 4. System to Ensure Efficient Execution of Duties by Directors

- (1) Based on the medium- to long-term management policy and the Company's policy each fiscal year, Hino Motors gives concrete shape to its policies at each level of the organization, engaging in consistent policy management.
- (2) The Board of Directors and the directors lead and supervise the executive vice president, the senior managing officers and managing officers based on management policy while collaborating with the executive officers from a management perspective. At the same time, they delegate executive authority in each department to the officers to carry out flexible decision making.

#### 5. System to Ensure that Execution of Duties by Employees Conforms to Laws, Regulations, and the Articles of Incorporation of the Company

- (1) Hino Motors ensures that the HINO Credo and The Hino Code of Conduct are well known to employees.
- (2) Hino Motors ensures that the execution of operations is conducted in accordance with decisions of the Board of Directors, based on in-house regulations and other methods for the approval of important matters.
- (3) In addition to clarifying the duties of each organization, Hino Motors maintains an infrastructure for achieving continuous improvement.
- (4) Hino Motors has established in-house regulations, including the Compliance and Risk Guidelines and the Risk Management Regulations, as the framework for legal compliance and conducts appropriate deliberation about important issues and responses related to corporate ethics and compliance in and outside Japan.
- (5) Hino Motors has established the HINO Compliance Consultation Service to serve as an internal whistle-blowing system and works to assess and resolve information concerning legal compliance and corporate ethics at an early stage. In addition, Hino Motors ensures protection so that whistleblowers are not penalized.

#### 6. System to Ensure Appropriate Operations in Corporate Group Composed of the Joint Stock Company as well as its Parent Company and Subsidiaries

Hino Motors has extended the HINO Credo and Hino Code of Conduct, which are based on The Toyota Precepts and the Guiding Principles at Toyota of the parent company Toyota Motor Corporation, to its subsidiaries as a common code of conduct for the Group in its endeavors to create an environment to properly ensure the soundness of Group operations. The Company also works to disseminate the HINO Credo and the Hino Code of Conduct through human interaction.

- (1) Important Matters for Group Management Deliberated by the Board of Directors of Hino Motors  
Hino Motors has established the Management Regulations for Affiliated Companies and related regulations as a framework for reporting to the joint stock company on matters related to the execution of duties by the directors of subsidiaries, and the department at Hino Motors with responsibility for subsidiaries verifies the appropriateness and legality of operations at subsidiaries through information exchange on a regular basis and when needed. Important matters for Group management are deliberated by the Board of Directors of Hino Motors.
- (2) Rules for Management of Risk of Loss at Subsidiaries and Other Systems  
Hino Motors has established risk management systems at its subsidiaries based on risk management regulations at the Company. After the department at Hino Motors with responsibility for subsidiaries collects and evaluates risk information, the department in charge promptly reviews the countermeasures for major risks and the situation is deliberated on by the appropriate meeting at Hino Motors.
- (3) System to Ensure Efficient Execution of Duties by Directors of Subsidiaries  
Hino Motors has the directors of subsidiaries produce management policies and annual business plans and requires regular reports. In addition, the Company has established in-house rules on areas such as provisions for authority and the division of duties based on the Management Regulations for Affiliated Companies and seeks to ensure that authority is delegated appropriately and duties are performed efficiently based on these rules.

(4) System to Ensure that Execution of Duties by Directors and Employees of Subsidiaries Conforms to Laws, Regulations, and the Articles of Incorporation of the Company

Hino Motors requires its subsidiaries to create a compliance system and to establish an internal reporting service. In addition, Hino Motors has established an outside reporting service for subsidiaries in Japan. The Company conducts regular inspections including a variety of audits on the state of compliance, which are reported to the Compliance and Risk Management Committee. Hino Motors provides support including the holding of training seminars and other events as appropriate for compliance staff at its subsidiaries.

7. System for Support Staff where Required by Audit & Supervisory Board Members, Independence of Support Staff from Directors, and System for Ensuring the Effectiveness of Instructions from Audit and Supervisory Board Members to Support Staff

Hino Motors assigns the appropriate number of staff to support the duties of audit & supervisory board members. These personnel are approved in advance by the Audit & Supervisory Board or the full-time audit & supervisory board member designated by the audit & supervisory board.

8. System for Reporting to the Audit & Supervisory Board Members and System for Ensuring that Persons Making Such Reports Do Not Receive Adverse Treatment as a Result

- (1) Directors report properly on the execution of the main operations to the audit & supervisory board members as appropriate through the department in charge. In addition, they report immediately to the audit & supervisory board members when they discover facts likely to cause significant damage to the Company or its subsidiaries.
- (2) The directors, the executive vice presidents, senior managing officers, managing officers, and other employees report on business to the audit & supervisory board members regularly and as required on the request of the audit & supervisory board members.
- (3) The directors, the executive vice presidents, senior managing officers, managing officers, and other employees, or the directors, audit & supervisory board members or employees of subsidiaries report on business of the subsidiary regularly and as required on the request of the audit & supervisory board members.
- (4) Hino Motors has established provisions that stipulate a person who makes a report to the audit & supervisory board members shall not receive adverse treatment by reason of having made the said report, and makes these provisions well known to the directors, the executive vice presidents, senior managing officers, managing officers and other employees.

9. Policies on Handling of Expenses and Liabilities from the Execution of Duties by Audit & Supervisory Board members

With regard to the expenses required for the execution of the duties of the audit & supervisory board members, Hino Motors makes budgetary provision for the amount considered necessary by the audit & supervisory board members. The Company also pays the expenses required for reasons that cannot be anticipated when making budgetary provisions.

10. Other Systems for Ensuring that Audits by Audit & Supervisory Board members are Conducted Effectively

In addition to having audit & supervisory board members attend the main meetings of officers, Hino Motors ensures there are opportunities for audit & supervisory board members to view important documents and exchange information with accounting auditors regularly and as necessary.

# The Company's Corporate Governance

