

HINO And the TOYOTA Way

At a time when many auto producers are reporting market share declines and financial losses, Toyota has led the industry with double digit global sales growth and record profits. The Toyota Camry is the number one selling car in the United States. The Prius hybrid represents leading edge engineering in both economy and ecology. To quote Global Insight analyst George Magliano, "Toyota is doing something its US rivals can't – building plants rather than closing them."

The reasons for Toyota's success have been written about in many articles and business reviews, but two books stand out:

In 1990, a 5-Year study of the world auto industry was published by Jim Womack, Dan Jones and Daniel Roos in conjunction with the Massachusetts Institute of Technology entitled *The Machine that Changed the World*. It is the story of Lean Manufacturing which prominently features Toyota's foundational work to increase both the quality and the efficiency of the automobile manufacturing process.

In 2003, Dr. Jeffrey Likers of the University of Michigan published an even more detailed account of Toyota's approach to manufacturing entitled *The Toyota Way*. Dr. Likers outlines 14 key points of Toyota's management style and links them to Toyota's success in the world automotive market:

- Do business with a long term philosophy rather than constantly driving short term gains.
- Grow leaders from inside your organization.
- Create a "learning organization" that is continuously improving.
- Drive decisions through consensus.
- Empower employees to stop production to fix problems.
- To understand issues, go see them for yourself rather than simply getting reports from others.
- Respect your suppliers and network of supporters.
- Create continuous product flow to expose quality problems.
- Create pull systems to regulate work.
- Create visual inventory control.
- Level the work load so groups are equally balanced.
- Use reliable and stable technology.
- Employ exceptional people.
- Standardize processes and tasks.

The work of Dr. Likers is largely based on his interviews with both Toyota people and industry insiders. His book's title uses the Toyota Way name from a 2001 internal document in which Toyota President Fujio Cho wrote:

"Since Toyota's founding we have adhered to the core principle of manufacturing high quality products and services. Our business practices and activities based of this core principle created values, beliefs and business methods that over the years have become a source of competitive advantage. These are the managerial values and business methods that are known collectively as the Toyota Way."



Toyota in the United States

Another principle of the Toyota Way is manufacturing products in close proximity to the customers buying them. So Toyota has made a major investment in the United States market in both manufacturing and research and development facilities.

The following numbers will give you an idea of Toyota's scope in the United States. With Toyota's growth, these numbers change on a daily basis, so we've used the 2005 Toyota North America Operations report as our reference.

- Direct Employment – 31,420 people
- Direct USA Investment -- \$13.4 Billion
- Number of US Dealerships – 1,464
- North American Purchased Goods -- \$26.4 Billion
- Vehicle Production – 1,155,792
- Vehicle Sales – 2,060,049
- Associated Jobs (Suppliers, etc.) – 200,000
- States with Manufacturing Plants – 8

Add to these figures the recently announced 160 acre Research and Development center in Michigan, and you can see that Toyota's commitment to this market is major in every respect.



Hino's Connection

As a member of the Toyota group of companies, Hino follows the business precepts of the Toyota Way to run our business. You can see the results in the efficiency of our Long Beach manufacturing facility that fully demonstrates the use of pull systems, staged just-in-time inventory, work leveling and the spirit of kaizen or continuous improvement. Our Long Beach assemblers are empowered to stop production if they see a problem and their ingenuity is evident in the many devices and processes they have applied to their work.

Those who have visited our Hino Truck manufacturing facility have instantly noticed a difference between Hino and other OEMs – our facility is small by design. We haven't wasted a single inch of factory floor and the entire operation is designed to keep the prime focus of every employee on the quality of the product they produce.

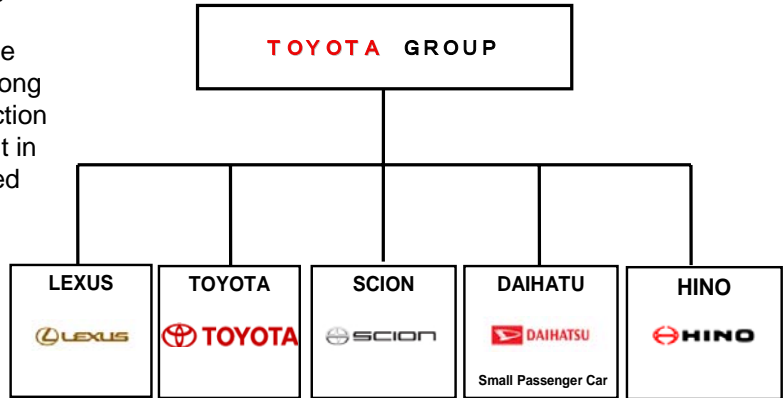


Hino's Toyota Role

While we're best known in the US for our medium duty trucks, most people don't know that Hino plays a role in the design, development and manufacturing of several Toyota car models as well. Toyota's pickup trucks and SUV's are built with Hino produced components from our Hino Motors Manufacturing facilities in California and our new plant in Marion, Arkansas.



Another example of Hino's adherence to the Toyota Way is our investment in United States facilities and the creation of jobs in this country. The design of our medium duty conventionals combines Hino engines and cabs with American produced drive train components.



In addition to the jobs created at our suppliers, Hino is also investing in its own facilities that will create jobs in multiple states:

- Our Long Beach, California manufacturing plant can produce up to 10,000 trucks per year.
- Our 160 acre manufacturing complex in Marion, Arkansas produces components for Toyota cars and is poised for future expansion.
- Our Application Engineering and Service Training facility is based in Farmington Hills, Michigan.
- Our Sales and Customer Support Headquarters is based in Bloomfield Hills, Michigan.

Customer Satisfaction

While the Toyota Way is most identified with the concept of Lean Manufacturing, it also applies to your relationship with your customers. Our customer focus is directly based on the principle of "going to see things ourselves", so we travel to our customers' facilities to better understand their operating challenges. We constantly gather real world input to share with both our designers and manufacturing associates in an effort to build the highest quality trucks possible.

We consider ourselves to be in the business of bringing the Toyota Way to the medium duty truck market of the United States – we take that responsibility very seriously and we thank you for your consideration of our truck.

Every report of this type needs some fine print – so here it is. Our idea in publishing these papers is to keep you informed on our progress as a company. The contents are as accurate as possible at the time of publishing. But everything may change if we get a better idea.