



Top Message

Formulating a New Vision for the Next Decade and Seeking Sustainable Growth in Harmony with Society

Akira Onishi President

Over the past decade, the Toyota Industries Group has steadily undertaken initiatives for sustainable growth. Accordingly, as a confirmation of our aspirations toward the year 2030, we have revised the existing Vision 2020 and formulated Vision 2030. In this section, President Akira Onishi provides an overview of the new vision and describes specific initiatives for its achievement.

1 Review of Vision 2020

■ Major Initiatives and Challenges

Toyota Industries formulated Vision 2020 in October 2011 as a roadmap to enter the next stage of growth while maintaining its lean corporate structure that was created during the global recession triggered by a financial crisis.

Vision 2020 was based on a robust strategy comprising three action themes. These were: 1) development of eco-friendly, energy-saving products based on the keywords of 3Es (Energy, Environmental protection and Ecological thinking) in the Materials Handling Equipment Business, automobile-related businesses and Textile Machinery Business; 2) enhancement of our value chain in seeking to provide convenience to customers in various fields, including after-sales services and sales financing; and 3) business development in world markets to deliver products and services to customers worldwide. Based on these themes and also through M&As, we had endeavored to set up a structure necessary for future growth.

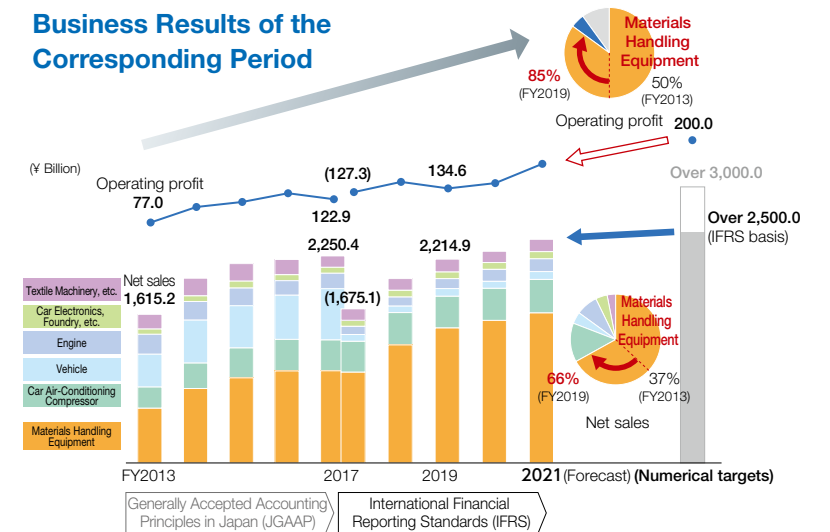
In promoting these initiatives, we positioned the Materials Handling Equipment Business as our mainstay business and expanded our value chain through M&As. Specifically, we acquired U.S.-based Cascade Corporation,

the world's leading manufacturer of lift truck attachments; Taiwan-based Tailift Co., Ltd., a lift truck manufacturer possessing strengths in models targeting emerging countries; the sales financing operations for materials handling equipment of Toyota Motor Corporation (TMC) in the United States; and U.S.-based Bastian Solutions LLC and Europe-based Vanderlande Industries Holding B.V., both of which provide logistics solutions.

These initiatives have yielded steady increases both in net sales and profits since fiscal 2013. With regard to business composition, the ratio of the mainstay Materials Handling Equipment Business nearly doubled in terms of net sales.

As a first step, we had concentrated on making investment in establishing a required growth structure in each business, including the Materials Handling Equipment Business, in preparation for future growth. Going forward, we will harvest these “crops” and turn them into greater earnings.

Business Results of the Corresponding Period



Vision 2020

Targets

- Net sales: Over ¥3 trillion
- Operating profit: Over ¥200 billion (7%)
- ROA^{*1}: 5%, ROE^{*1}: 10%

^{*1}: Based on acquisition prices for investment securities



Major Initiatives in Each Business Field

	Materials Handling Equipment/Logistics	Car Air-Conditioning Compressor	Vehicle	Engine	Car Electronics	Textile Machinery	Others
3Es	FC lift trucks, LIB lift trucks	Electric compressors	Production of HVs	Clean diesel engines	PCU components / assemblies	JAT810 air-jet loom	Automotive batteries
	Hybrid system for construction machinery	Air compressor for FCVs	Production lines with high environmental efficiencies	General-purpose industrial engines without DPF			CFRP
Value Chain	Acquisition of dealers in Europe and the U.S.	In-house development of inverters for electrified vehicles	Special-edition Vitz	Increase in internally sourced parts		Acquisition of Uster Technologies	
	Acquisition of Cascade		Plastic glazing	Turbochargers			
	Acquisition of TMC's sales financing operations for materials handling equipment in North America						
World Market	Sales expansion in emerging countries	Business expansion in emerging countries	Support for development and production preparations for the RAV4 globally	Launch of production in India	Sales reinforcement in North America		
	Business reinforcement in South America	Business reinforcement in China			Sales reinforcement in Europe		
	Acquisition of Tailift						
	Acquisition of Bastian and Vanderlande						

2 Reasons for Revising Vision 2020 into the Toyota Industries Group Vision 2030

We had worked to attain steady growth under Vision 2020. Before reaching its final year in 2020, we started to consider updating the vision with a view toward the next decade.

In recent years, considerable changes have occurred in the external environment, leaving a significant impact on our business strategy. For example, we have seen a substantial swell of change of the Fourth Industrial Revolution, driven by a rapid rise in the industrial use of artificial intelligence (AI), big data, the Internet of Things (IoT), robotics and other cutting-edge technologies. On the risk front, we can no longer ignore the heightened geopolitical risks as seen in frequent trade disputes and regional conflicts.

Another change involves expanding social demands for non-financial activities of companies to deal with environmental, social and governance (ESG) factors, now deemed integral to corporate growth, and to achieve the United Nations' Sustainable Development Goals (SDGs) representing 17 goals and 169 targets for a sustainable world. These social demands have prompted companies to alter their corporate behavior.

Meanwhile, we have seen several changes in business operations within Toyota Industries as well. These changes, including the growing importance of the Logistics Solutions Business within the Materials Handling Equipment Segment and focused development of environment-related technologies in each business, have also necessitated the revising of Vision 2020.

3 Vision 2030

Basic Concept

Our Vision 2030 shows what we should be and which direction we should take over the medium to long term, with its basic concept remaining the same as Vision 2020. Using Vision 2020 as a cornerstone, we added necessary updates to accommodate changes in the internal and external environments.

Our Aspirations for the New Vision

Since its founding in 1926, Toyota Industries has engaged in the Textile Machinery Business. Beginning from the 1950s, we constantly took on new challenges to ensure the stability of our management foundation by extending our reach into such business fields as engine production, vehicle assembly and the development and production of lift trucks and car air-conditioning compressors. At the same time, we also commenced full-scale operations outside Japan. Later in the 2010s, we promoted a “concentration and selection” strategy with a focus on ensuring “affinity” with the Materials Handling Equipment Business and automobile-related businesses. Throughout our history of evolution and development spanning more than 90 years, the founding spirit encapsulated in the Toyoda Precepts (corporate creed) has been a constant source of support and inspiration for our risk-taking challenges into new businesses and markets.

Toyoda Precepts (Corporate Creed)

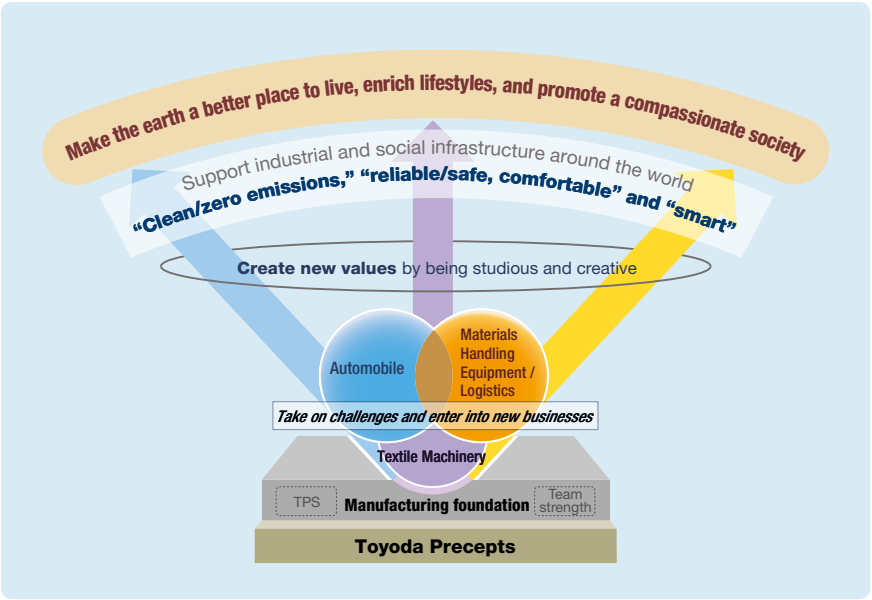
Carrying out the spirit of founder Sakichi Toyoda,

- Always be faithful to your duties, thereby contributing to the Company and to the overall good.
- Always be studious and creative, striving to stay ahead of the times.
- Always be practical and avoid frivolousness.
- Always strive to build a homelike atmosphere at work that is warm and friendly.
- Always have respect for God, and remember to be grateful at all times.

Our policy for promoting business in the future remains unchanged, namely retaining our origin in the Textile Machinery Business and promoting the automobile-related businesses and Materials Handling Equipment Business in tandem. Under this policy, we will proactively take on yet other challenges of creating new value that anticipates the needs of customers around the world.

Overview of the New Vision

The new vision aims to “contribute to making the earth a better place to live, enrich lifestyles, and promote a compassionate society by supporting industrial and social infrastructure around the world through the continuous supply of products/services that anticipate customers’ needs.”



Our Approach to Realizing a Sustainable Society

Since its founding, Toyota Industries has constantly endeavored to “contribute to regional living conditions and social prosperity” as one tenet under its Basic Philosophy that embraces the Toyoda Precepts. As our approach corresponds with the objective of the SDGs, we clearly state the concept in the new vision and will seek sustainable growth in harmony with society.

Particularly in the area of the environment, we have been working to develop eco-friendly products to help realize a zero CO₂ emissions society by 2050. In recognition of our efforts in this area, we received A-list ratings in both the



Founder Sakichi Toyoda



Toyoda Precepts (corporate creed)



17 Goals of SDGs



climate change and water security categories of the CDP*2 surveys in 2018. Taking the opportunity, we will continue focusing on activities for conservation of the global environment.

*2: An international not-for-profit organization established in the United Kingdom in 2000 to encourage companies and governments to reduce greenhouse gas emissions, conserve water resources and protect forests

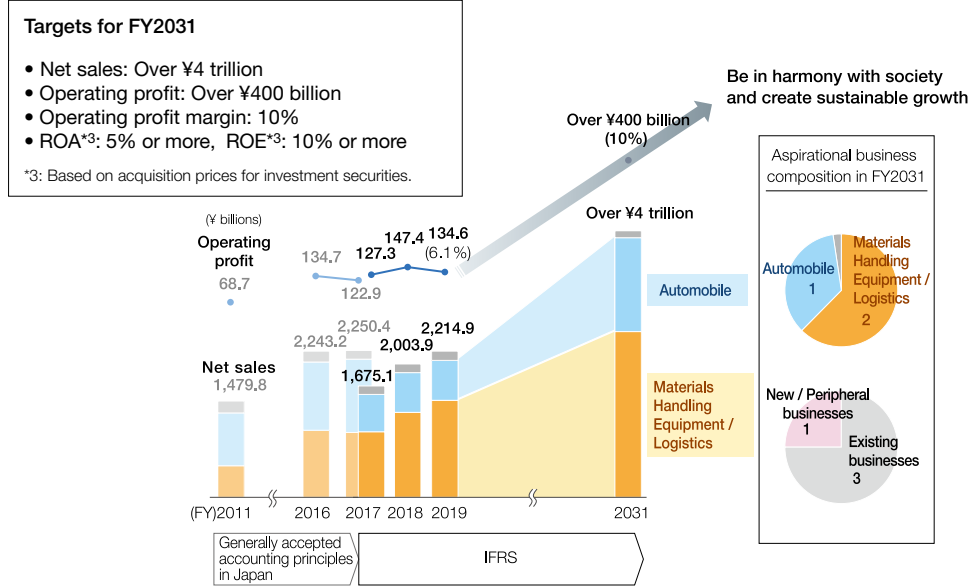
■ **Targets of the New Vision**

Our targets under Vision 2030 for fiscal 2031 include net sales of over ¥4 trillion, operating profit of over ¥400 billion and an operating profit margin of 10%. Our envisioned business composition in fiscal 2031 is almost the same as the current one, with the ratio between the Materials Handling Equipment/Logistics Solutions businesses and automobile-related businesses standing at 2:1. This is because we seek growth in both segments simultaneously. In

the Materials Handling Equipment/Logistics Solutions businesses, the logistics solutions field will drive strong growth. In the automobile-related businesses, we aim to increase our position in each field and achieve growth.

Additionally, while steadily strengthening and expanding existing businesses, we plan to enter into various fields, to augment either new or peripheral areas to existing businesses. By doing so, we will proactively plant new seeds for future growth.

Numerical Targets of the New Vision



4 Medium-Term Initiatives in Each Business

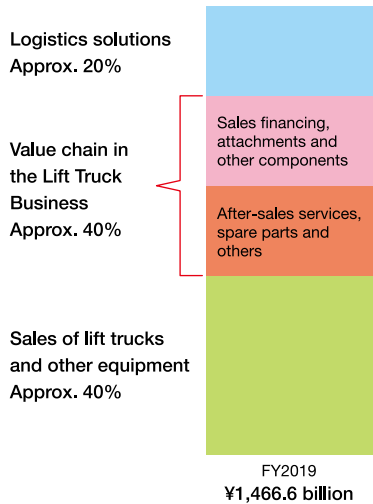
In the following sections, I would like to describe initiatives to be undertaken in respective businesses toward the realization of Vision 2030.

1) Materials Handling Equipment Business

Looking at the environment surrounding the Materials Handling Equipment Business, we expect an increase in logistics volume driven by global economic expansion and growing needs for greater logistics efficiencies arising from labor shortages in developed countries and surging labor costs in emerging countries.

In the Materials Handling Equipment Business, we engage in a “flow-type” business and “stock-type” business. The former refers to a “one-off” model, which in our case means the straightforward sales of lift trucks and other equipment. The latter is a recurring revenue model, which at Toyota Industries involves its value chain and logistics solutions, accounting for 60% of the total sales of the Materials Handling Equipment Business. Engaging in these two types of operations is one characteristic of our business in this area, which makes us less vulnerable to the impact of an economic slowdown and allows us to achieve relatively stable growth.

Net Sales in the Materials Handling Equipment Segment



Products and Services of the Materials Handling Equipment Business



■ **Strengths in This Business and Initiatives for Growth**

In the Lift Truck Business, we seek to achieve business expansion through collaboration with the Logistics Solutions Business. We aim to do this by utilizing the comprehensive strengths of our entire value chain encompassing both “hardware” (sales of a broad lineup of products as well as attachments and other components) and “software” (sales and service networks, IT-based after-sales services, sales financing and the capability to provide solutions).

In the Logistics Solutions Business, while giving consideration to our strengths in offering an extensive equipment lineup, an ability to create systems and a global network, we have clearly defined the roles among Bastian, Vanderlande and Toyota Industries and aim to align and maximize synergies among the three companies.

We will deepen the collaboration between the Lift Truck Business and Logistics Solutions Business to attain the top position in terms of comprehensive strengths.

2) Automobile-Related Businesses (Car Air-Conditioning Compressor)

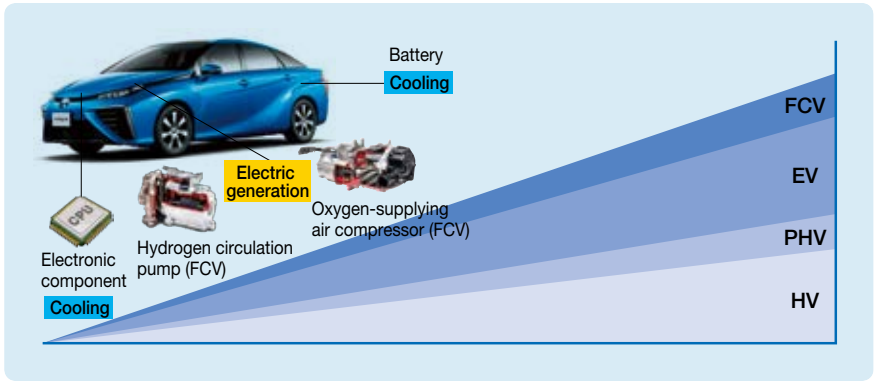
We anticipate sustained growth of the car air-conditioning compressor market in line with expanding automobile sales and an increase in the number of vehicles equipped with an air conditioner. Even though we expect car electrification to continue over the medium to long term, there is an uncertainty about the speed at which this will proceed because many factors will affect the advancement. As such, we have increased our readiness to flexibly respond to any changes in these circumstances.

More specifically, we are promoting the differentiation of our products as early as in the development stage to match the needs of every type of electrified vehicles, from hybrid vehicles (HV) to plug-in hybrid vehicles (PHV), electric vehicles (EV) and fuel cell vehicles (FCV). In terms of production, we are

in the process of setting up a structure to flexibly accommodate changes in production volumes of compressors for internal-combustion vehicles and those for electrified vehicles.

■ Medium- to Long-Term Initiatives

As electrification and automation progress, the number of heat-emitting components is expected to increase. Taking advantage of the excellent cooling performance of our products, we will concentrate on product development geared toward satisfying such needs. Our policy also focuses on expanding our business domain into drive system components based on our core technologies.



3) Automobile-Related Businesses (Vehicle, Engine and Car Electronics)

In the fields of vehicles, engines and car electronics, we aim to become a multi-supplier having top-notch competitiveness in every field, from vehicle assembly to components.

As for vehicles, we received the Toyota Quality Control Award from TMC for seven consecutive years. While demonstrating its top-level quality, cost and delivery (QCD) capabilities, this business will continue to serve as a foundation of Toyota Industries' manufacturing operations. Additionally, we have already established a structure to retain our competitive edge for the next 30 years as we completed plant renovations last year. In the future, we will reinforce product planning and development capabilities on top of our manufacturing capability and seek to lead the production of compact sports utility vehicles (SUV) within the Toyota Group.

For engines, we aim to increase our involvement in gasoline engines in addition to our existing mainstay diesel engines. At the same time, we will strengthen the competitiveness of our turbochargers and increase models fitted with them.

In the field of car electronics, we will strengthen each function, from planning and development to production, in order to link the trend toward car electrification to our business growth and contribute to the creation of a low-carbon society.

4) Textile Machinery Business

For our mainstay air-jet looms, we will move forward with sales expansion by leveraging their excellent quality. Along with these efforts, we will increase their applications in the field of industrial textile products and promote differentiation

based on their superior environmental performance. We will also pursue technological synergy with Uster Technologies AG, a consolidated subsidiary manufacturing yarn quality measurement instruments, to improve the competitiveness of our products.

5 Basic Management Concept

1) Direction of Our Business

Toyota Industries seeks to contribute to society 20 to 30 years into the future while sustaining our own growth. From this medium- to long-term perspective, we revised our vision.

As mentioned earlier, our efforts for sustainable growth are twofold. On one hand, we will reinforce the competitiveness of existing businesses on the basis of our strengths in manufacturing. On the other hand, we will plant seeds and grow them into new businesses to underpin our expansion in the future. For these efforts, we will continue to make proactive investment in R&D and other relevant fields.

Among existing businesses, we will focus on logistics solutions and environment-related technologies as our priority areas for future growth. We anticipate continued growth in needs for greater logistics efficiencies and steady progress in electrification owing to the growing importance of curbing global warming. In the field of logistics solutions, we have already established a structure to pursue growth through synergies among Bastian, Vanderlande and Toyota Industries. In responding to electrification, we will differentiate our products based on our broad range of technologies to satisfy the needs of respective types of electrified vehicles.

Capturing changes in society as a driving force, we will strive to strengthen each business and utilize our core technologies to expand our business domains.

2) Efforts concerning Corporate Governance

Corporate governance must take hold and properly function within Toyota Industries. Under this belief, we have steadily and consistently made efforts to help all members, from top management to individual employees, to understand and instill the importance of corporate governance, rather than simply introducing a related structure and rules for the sake of formality.

Outside directors are also making a significant contribution to the management of Toyota Industries, as they provide appropriate and effective advice at the meetings of the Board of Directors based on their abundant experience. With regard to business performance, we have determined to take a longer view so as to avoid short-sighted management decisions leaning too much on near-term targets. Similarly, we have cultivated relationships with business partners and other stakeholders from a long-term perspective to achieve sustainable corporate growth. This, in turn, has enabled us to provide returns to shareholders in a constant and stable manner.

Currently, Toyota Industries is implementing initiatives to encourage individual employees to fully understand the concepts behind the new vision and put this into practice in their respective positions. Determined to meet the expectations of our stakeholders, I will work along with all employees to achieve growth by fulfilling the vision to contribute to society.



New RAV4



TNGA gasoline engine



Turbocharger
(mounted on GD diesel engine)