

Strategies and Businesses

Steadily Carry Out Growth Strategies
by Leveraging the Strengths of
Each Business Field

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Aiming for Sustainable Growth
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Top Message

Looking beyond the COVID-19 Pandemic and Seeking Sustainable Growth in Harmony with Society

Toyota Industries will take on new challenges to ensure sustainable growth in a time of increasing uncertainty while making Group-wide, concerted efforts to minimize the impact of the COVID-19 pandemic.

Akira Onishi

President



Could you explain the impact of COVID-19 on Toyota Industries and its response to the pandemic?

COVID-19 is said to have a profound impact on the global economy — the largest in the post-WWII period, far greater than the impact of the global financial crisis in 2008 and comparable to the Great Depression in the 1930s. Toyota Industries also has been heavily affected by the pandemic and has implemented a range of countermeasures.

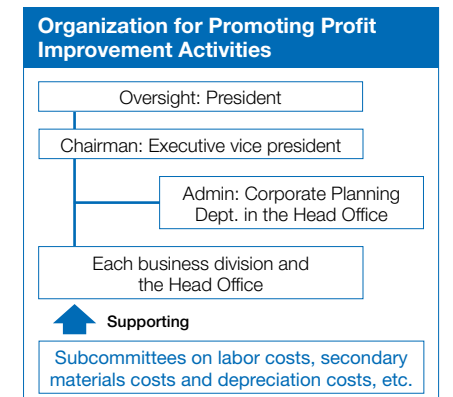
On the production and sales fronts, most of our plants around the world suspended operations for a certain period in and after February 2020. Even after lifting the suspension, some are still manufacturing at a reduced volume. For sales and after-sales service activities, customer visits have been restricted in some countries and regions. While giving due consideration to the prevention of infection, we are aiming to return business activities to normal levels.

For back office employees and engineers, we have cancelled large meetings and events and encouraged working from home and teleconferencing to reduce the risk of infection. Using this opportunity, we have been streamlining operations by examining how we hold meetings and revising and eliminating certain business processes. As a manufacturer, Toyota Industries values the concept of *genchi genbutsu* (go and see for yourself) in its operations. In the future, we will determine when to apply this concept by organizing operations into ones that continue to require *genchi genbutsu* and ones that can be done more efficiently online. Among the initiatives we are undertaking currently, we plan to carry on those that lead to work style reforms and better productivity. They have served to accelerate our rather slow efforts to improve work-life balance.

As a response to a downturn in business, we have been augmenting profit improvement activities. The plan is to substantially reduce capital investment and expenses by postponing non-urgent projects. I am spearheading a Company-wide organization encompassing various subcommittees to promote these activities. As for research and development, we will prioritize projects and carry out ones that are essential for our future growth. Anticipating a prolonged period of market instability, we have also increased cash on hand from the amount of two months to three months of consolidated net sales. At times like this, it is important to thoroughly reaffirm the basics and go back to the origin of our business. Thus, we have been stepping up our efforts to “create a workplace environment that places a top priority on safety,” “thoroughly control quality and enforce compliance” and “co-exist harmoniously with society and protect the global environment.”



Production of car air-conditioning compressors



Production of lift trucks

With regard to contributing to society, we have been carrying out various support activities for medical institutions, which are becoming overburdened by the spreading virus. As an example of support for healthcare professionals utilizing our *monozukuri* (manufacturing) capabilities, our bases in Japan and the United States have manufactured and delivered medical face shields to hospitals, medical institutions and local governments. We are providing as much support as possible to the dedicated healthcare professionals in this difficult situation.



Production of medical face shields

In the materials handling equipment sector, market growth is expected to continue well into the future. At Toyota Industries, this business is regarded as a stock-type business that provides support to customers in various areas, such as after-sales services and sales financing, along with equipment and systems.

We intend to encourage collaboration between the Lift Truck Business, for which we boast the world's top share*, and the Logistics Solutions Business, which we have been strengthening jointly with two subsidiaries, namely Bastian Solutions LLC and Vanderlande Industries Holding B.V., in response to the particularly growing needs in recent years. By doing so, we aim to respond to the changing needs of customers more accurately and achieve sustainable growth.

* Survey by Toyota Industries Corporation

Automobile-Related Businesses

With the idea of social distancing consciously beginning to take root, the value of cars has been reconsidered as a means of mobility that ensures personal space. We will continue to pursue growth in this field by leveraging the strengths of engaging in businesses related to an entire automobile, from vehicle assembly to the manufacture of car air-conditioning compressors, engines and electronics products.

- **Car air-conditioning compressor:** Even though the automobile market may need some time to recover, we will work to increase sales over the medium to long term on the back of an upward trend in automobile sales and an increase in the number of vehicles fitted with an air conditioner. We expect particularly strong growth in demand for electric compressors. We have accordingly developed a large-capacity model used not only for vehicle interior air conditioning but also for cooling batteries and other heat-emitting devices of electrified vehicles.
- **Vehicle:** Toyota Industries manufactures the new RAV4, which was selected as the Car of the Year Japan 2019-2020 and became the first vehicle of Toyota Motor Corporation (TMC) to receive the award in a decade. We also undertook the vehicle's exterior design and upper-body development. Being involved in the production of a globally popular model is a great morale booster for our plant workers. In June 2020, we started manufacturing TMC's new RAV4 plug-in hybrid electric vehicle. The car is selling well, as it offers a long driving range in the battery electric vehicle (BEV) mode and an external



New RAV4 winning the Car of the Year Japan 2019-2020 award

Q Given the impact of COVID-19, what is your perspective on the future business direction?

It is difficult to foresee what the post-COVID-19 world will be like as the situation keeps changing from day to day. Nevertheless, we do not think a drastic change is needed in our policy of promoting growth through two business pillars, namely the Materials Handling Equipment Business and the automobile-related businesses.

We do, however, have to take into account various factors, including the impact on our businesses of the ongoing changes in various needs caused by COVID-19. The following summarizes our planned efforts over the near term.

Efforts in Core Businesses

Materials Handling Equipment Business

There has been growing demand for higher logistics efficiencies and lower logistics costs driven by an increase in e-commerce demand and labor shortages. COVID-19 is expected to accelerate the trend. Greater expectations are also placed on automation and autonomous driving technologies for their potential important role in preventing infection. We have already engaged in the development of automation systems for better logistics efficiencies all around the world. In Japan, we have developed an autonomous robot to automatically deliver drugs and various test samples within a university hospital, thus contributing to the reduced workload of healthcare professionals. In Europe, our automated lift trucks have been operating in a food manufacturing plant, both ensuring good hygiene and successfully reducing the work done by human workers under low temperatures. We have also provided an advanced solution combining a logistics system and automated lift trucks to a distribution center of a leading retailer and helped the customer increase its productivity.



Robot transfer system (university hospital)



Automated lift truck (food manufacturing plant in the Netherlands)

Feeding power at an evacuation shelter
Photo courtesy of Car & Leisure News

power supply function to feed power to home electric appliances during disasters and other occasions. We completed renovations of our vehicle assembly plant two years ago, transforming it into a plant with even greater competitiveness. We will continue to advance our productivity and quality to increase our role within the Toyota Group.

- **Engine:** Diesel engines still have room for growth as an effective means of mobility in inland China, Africa and other emerging countries. We assume a significant role in improving the performance of these engines in environmental and other aspects. Amid the progress of car electrification, hybrid vehicles (HV) still require high-performance engines. We intend to leverage our strengths in this field as well.
- **On-board battery:** With car electrification gaining momentum, we have decided to start the development and production of a new battery. Utilizing our technologies cultivated in the development of batteries for lift trucks, we will develop a high-output, compact, long-life and low-cost battery for adoption in TMC's HVs. This is a fiercely competitive sector on a global scale, but we intend to prevail with our strong product appeal and turn it into a business that underpins the future of Toyota Industries.

Q What about the future direction of management?

To be honest, the profound impact of the COVID-19 pandemic makes it a challenge for me personally, and probably for many business managers as well, to deliver a message this year. The situation keeps changing, and we see different news every day. We thought the infection began to subside at one point but then have to worry about a second wave and the spread of the virus in the Southern Hemisphere. The good news is that the development of vaccines is proceeding and economic activities are resuming; however, the bad news is that there is growing concern about the pandemic becoming prolonged. Many experts are providing various views about the post-COVID-19 world, but the truth is no one knows for sure, or perhaps, it is just meaningless to speculate at this point.

What is important now is to uphold our basic sense of value and calmly and steadily do what we can. As the situation changes, we have to think hard and find our own, right course of action.



Founder Sakichi Toyoda

Toyota Precepts (corporate creed)

Toyota 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.

The Toyota Precepts (corporate creed), which embrace the spirit of founder Sakichi Toyoda, represent Toyota Industries' basic sense of value. Since our founding, we have always gone back to our philosophy encapsulated in these precepts and endeavored to provide products and services truly needed by customers. I believe our approach aligns with the objective of the United Nations' Sustainable Development Goals (SDGs).

As shown in the "Efforts in Core Businesses" section of this message, our business structure is akin to a conglomerate. Among our diverse businesses, we have explored how we should prioritize them and allocate resources to each in the face of the ongoing pandemic that is having an enormous impact on our society and economy. We have come up with several ideas and options on how to do this. However, it is now too early to decide on which idea or option to implement, and we will need to make flexible responses as we see fit toward the changing situation.

In Conclusion

Japan experienced a series of national crises over a period of about 25 years, including the Spanish flu epidemic in 1918, the Great Kanto Earthquake in 1923 and its defeat in World War II in 1945. The country has risen from the devastating damage of each crisis through the strenuous efforts of the people of that time. The environment we live in now significantly differs from the one in the past, but I think we can learn many lessons from how these people witnessed and recovered from each catastrophe.

Even though there is a common perspective that it will take considerable time for COVID-19 to subside, cooperation is already underway in the healthcare field to develop vaccines and drugs. I believe that promoting such cooperation between countries, regions and businesses will be essential for our recovery in the future.

At Toyota Industries, we intend to overcome the current crisis by sharing best practices and making concerted efforts among our globally operating businesses.

In recent years, we have been witnessing growing uncertainty caused by geopolitical issues, natural disasters, and of course, infectious diseases including COVID-19. Amid this environment, we will continue to pursue sustainable growth by leveraging our technologies, know-how and experience cultivated in our diverse businesses to adapt to a variety of changes and by working even more closely with other companies in the Toyota Group.

We will meet the expectations of our stakeholders through a continuous relationship built from a long-term perspective.

Major Events That Affected Japan	
1918 –	Spanish flu epidemic
1923	Great Kanto Earthquake
1930 –	Great Depression
– 1945	World War II