

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

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Top Message

Seeking Further Growth in an Environment of Lingering Uncertainty by Building a Robust Corporate Structure and Regarding Drastic Social Changes as Growth Opportunities

This section presents Toyota Industries' efforts to overcome the COVID-19 pandemic and achieve further growth.

Akira Onishi President



1. Review of Fiscal 2021

In fiscal 2021, COVID-19, which has become a global phenomenon, repeated the cycle of expanding infections and winding down, and this difficult situation is likely to continue around the world with the exception of a few countries. I would like to take this opportunity to extend my condolences to people who have lost their lives to the pandemic and wish for an early recovery of those who are suffering from COVID-19.

Looking back over the past year, Toyota Industries was struck hard by the pandemic and fell into the red in the first quarter but succeeded in getting on a track to recovery in and after the second quarter. I believe this was made possible because we maintained our Group-wide **profit improvement activities** that started from well before the pandemic and worked to resume **business activities on a full-scale** in keeping with a recovery in the market. Observing market trends and the post-COVID-19 world, we need to determine **which initiatives to retain, accelerate or undo and adapt to “new normal” work styles.**



Operational test of a control system conducted remotely at Vanderlande



Providing work instructions to overseas servicing staff remotely from Japan in the Textile Machinery Business

2. Medium-Term Growth Scenario

In order to achieve growth over the medium term, it is essential to keep our eyes on changes in the market and make sure to seize growth opportunities.

Specifically, we regard two **growth fields** as having great potential. One is the **Materials Handling Equipment Business encompassing logistics solutions** to respond to changes in lifestyles, including more widespread use of e-commerce, and labor shortages. The other is **responding to electrification** in the automobile and other sectors. In these two growth fields, we will accurately capture changes in customer needs, leverage our strengths and turn them into business opportunities. The following highlights our major efforts in this regard.

Efforts in the Materials Handling Equipment Business

An increase in logistics volume is likely to continue with an expected post-pandemic **recovery of the world economy and an expansion of e-commerce.** In the logistics industry, **labor shortages and a rise in labor costs** are driving an increase in needs for mechanization and automation of logistics operations. These trends are expected to accelerate further, as new lifestyles and **social distancing** practices will become more prevalent as a result of COVID-19.

Under these circumstances, **lift trucks and logistics solutions will play increasingly important roles.** Demand for **lift trucks** is expected to remain strong due to their versatility. Along with expanding sales further, we will aim to contribute to customers throughout **our entire value chain, including**

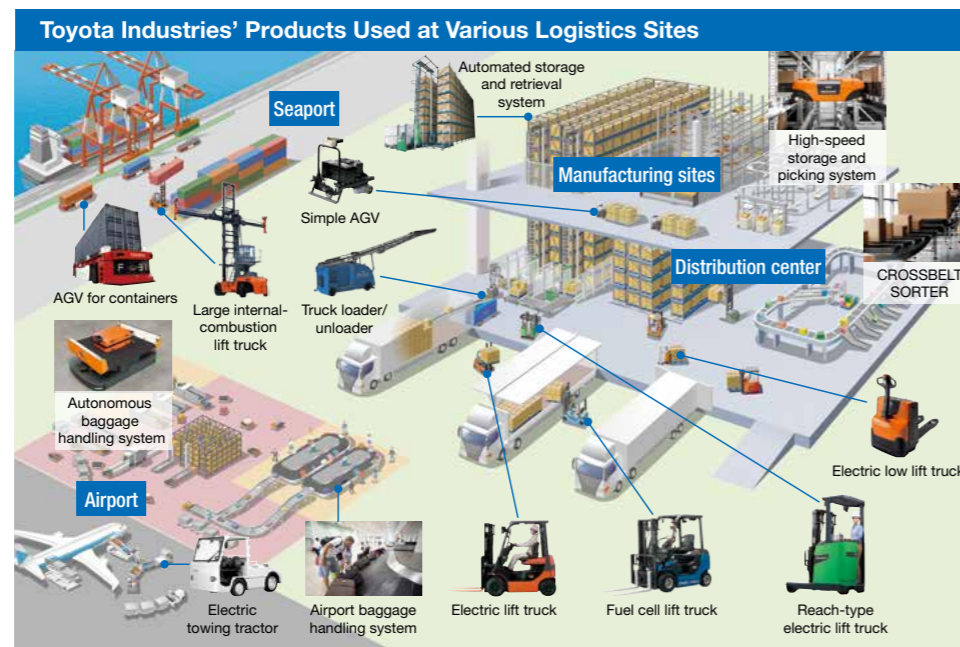
after-sales services. As for a rise in needs for even greater efficiencies in distribution centers, which has been driven by an expansion of e-commerce, three companies in the Logistics Solutions Business, namely Bastian, Vanderlande and Toyota Industries, are collaborating to bolster business. The effort is beginning to bear fruit as evidenced by an increase in new orders in recent years. As one example of this collaboration, a system of Vanderlande has been adopted in a state-of-the-art distribution center established in Japan by a leading international logistics and parcel service operator.

We will make an accurate response to a broad range of customer needs by leveraging a wealth of know-how accumulated in dealing with customers worldwide as the top player in the lift truck market as well as synergies with logistics solutions.

In the Lift Truck Business, there has been a delay in acquiring certification from the environmental authority in the United States for engines to be fitted in certain models of internal-combustion lift trucks manufactured at a plant in the country (as of June 30, 2021). In 2021, we suspended their shipment and production in January and June, respectively. We offer our sincere apologies for the inconvenience and concern we have caused to our stakeholders. We are making our utmost efforts to resume shipment, including providing relevant information to the authority, and appreciate your understanding regarding the matter.

Responding to Electrification

In the future, electrification is expected to gain momentum in a variety of fields due to the enforcement of more stringent fuel efficiency regulations and growing energy-saving awareness among customers. Amid this environment, Toyota Industries will make maximum use of our technologies in the materials handling equipment and automobile-related fields and increase our competitive edge by encouraging collaboration among these fields.



A system of Vanderlande introduced in Japan

● Electrification of Materials Handling Equipment (Lift Trucks and Others)

Electrification of lift trucks started much earlier than automobiles, and more than 70% of our annual lift truck sales are already electric. These lift trucks are used mainly in distribution warehouses and food manufacturing factories as they emit no exhaust gas and are quiet to operate. We are working to increase the appeal of our products by developing motors, controllers and other key components internally. We will also augment the development of high value-added products. One such product is a lift truck equipped with lithium-ion batteries that enable continuous operation thanks to a shorter charging time. Another is a fuel cell lift truck with excellent environmental performance, not emitting CO₂ or NO_x while in operation. Through these efforts, we aim to remain a leader in the market with the electrification of materials handling equipment.

● Car Electrification

With the progress of car electrification, electric vehicles have become a frequent topic of conversation in our society. However, from a global perspective, we expect demand for various types of electrified vehicles to increase, not just for battery electric vehicles (BEVs) but also for hybrid electric vehicles (HEVs), plug-in hybrid electric vehicles (PHEVs) and fuel cell electric vehicles (FCEVs), depending on the market characteristics in each region and usage by customers. We will respond to car electrification by providing products, which can be adopted in a broad range of electrified vehicles, in the fields of car air-conditioning compressors and electronic components.

For example, in the field of car air-conditioning compressors, we are expanding sales of electric compressors to automakers across the world. With the emerging need to cool batteries, we see great growth potential in this field, including components for drive systems.

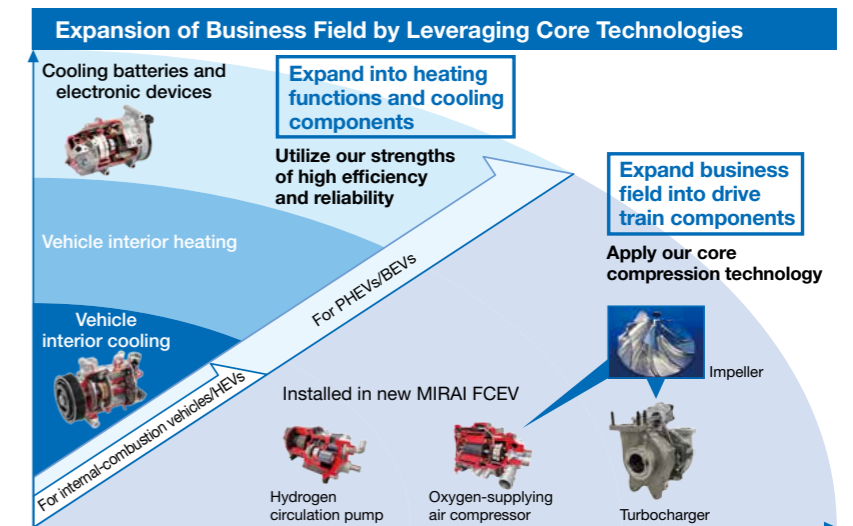
In the electronics field, there has been a rise in demand from the perspective of social infrastructure for AC inverters as an emergency power source. Combined with the RAV4 PHV's system to feed power externally, we seek to increase their use in evacuation shelters and similar locations. For on-board batteries, we have accumulated a variety of knowledge through many years of research and development. This is a fiercely competitive sector, but we will turn it into another growth pillar, following materials handling equipment and car air-conditioning compressors, by offering batteries with unique characteristics and a high competitive edge.



Lift truck equipped with lithium-ion batteries



Fuel cell lift truck



Disaster prevention drill using AC inverter's external power feeding system

3. Future Direction of Management

Changes in the External Environment

Even though there are many views on the [post-pandemic society](#), [no one knows for sure](#) what it will be like. However, we have already witnessed several changes in how we live and work.

The transformation of society and lifestyles is expected to continue into the future, and changes that relate to our businesses include [an increase in online transactions as seen in the further expansion of e-commerce](#). Additionally, [environmental initiatives will be of even greater importance](#) for companies, as green investments are spreading in an unprecedented scope. We also expect [the progress in digitalization](#) will entail changes in the industry structure.

Our Response

In responding to drastic changes, it will be crucial, more than anything else, to [place top priority on safety while thoroughly ensuring quality, compliance and other basic matters](#).

As for [quality](#), we will strive for an even higher level of quality by [utilizing advanced technologies](#) based on digital transformation (DX) on top of our ongoing efforts to maintain and improve quality. For example, we have newly developed AI to predict product defects in the aluminum die-casting process for car air-conditioning compressors and are now exploring its applications in further improving quality and productivity. In the future, we will leverage such digital technologies to transform our operations and business models.

After thoroughly ensuring basic matters such as these, it will be important to proceed with the creation of a [flexible and lean organization](#) in order to capture the aforementioned [changes in society as new growth opportunities](#). We will channel our management resources into focused areas and leverage our own strengths to constantly create [innovative products and services](#).

[Our basic approach](#) to promoting these efforts is to provide products and services that are needed by customers and are helpful to society, as embraced in the [Toyoda Precepts \(corporate creed\)](#). This stance will remain unchanged.

Besides observing laws and regulations, another crucial element in ensuring [corporate governance](#) is that everyone, from top management to individual employees, respects the culture of each region and understands and trusts each other. We need to do [more than just establishing a governance system for the sake of formality, but rather render it actually functional](#) and effective. As such, our continued aim is



Motor housing for an electric compressor manufactured by aluminum die-casting



Founder Sakichi Toyoda

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.

to operate the system in a manner to further improve the efficiency, fairness and transparency of management. With regard to [our relationships with companies in the Toyota Group](#), we will [continue to reinforce collaboration in various ways to survive the difficult environment](#), since competition is increasingly intensifying in the automobile industry and automobile-related businesses form the core of our *monozukuri* (manufacturing).

[Environmental protection](#) is a [theme of growing importance](#) for manufacturers, including Toyota Industries. We will continue to focus on this area under the Global Environmental Commitment and in accordance with the Environmental Vision 2050 and the newly formulated Seventh Environmental Action Plan. (See pages 64–65.) In the “Responding to Electrification” section of this message, I have explained about electrification in the lift truck, car air-conditioning compressor and electronics product sectors. However, [our environment-friendly products, such as electrified or fuel-efficient products, actually cover every sector of our businesses](#). As examples, in the Vehicle Business, [more than half of the RAV4](#) manufactured by Toyota Industries [are HEVs and PHEVs](#). In the Engine Business, we also [manufacture gasoline engines for HEVs](#). Our textile machinery products, which form our founding business, are renowned for their energy-saving performance. In the future as well, we will continue to fulfill our role as a manufacturer in protecting the global environment. (See Special Feature 2 “Contributing Both in Terms of Product Development and Production to the Establishment of a Carbon Neutral Society” on pages 22–25 for our environment-friendly products.)

4. In Conclusion

Since we were founded in 1926 to manufacture and sell an automatic loom invented by founder Sakichi Toyoda, we have attained [sustainable growth by adapting our business portfolio](#) to changes in society and customer needs and accordingly extending our reach in the automobile-related and materials handling equipment fields. The idea underpinning our growth [basically aligns with the environmental, social and governance \(ESG\) concept and the United Nations’ Sustainable Development Goals \(SDGs\)](#) in that we seek to [respond to social issues from a long-term perspective](#).

To date, we have endeavored to develop a variety of competitive products and accumulate technologies and know-how. We have also built relationships of trust with our stakeholders, including business partners and customers, as we engage with them from a long-term perspective. [Capitalizing on these tangible and intangible assets, we intend to strengthen business even further](#) in order to attain [growth over the medium to long term](#).

Environmental Vision 2050 under the Global Environmental Commitment

- (1) Establishing a carbon neutral society
- (2) Establishing a recycling-based society
- (3) Reducing environmental risk and establishing a society in harmony with nature
- (4) Promoting environmental management



RAV4 PHEV



Gasoline engine for HEVs