

# Strong Performance Readies Us for the Twenty-First Century

At Toyoda Automatic Loom Works, Ltd. (Toyoda), fiscal year 2000, ended March 31, 2000, was extremely significant, not only because it was the first year for our new management team under the leadership of newly appointed President Tadashi Ishikawa, but also because we were able to lay a solid foundation for the future. Sales and earnings during the period increased substantially over the previous year. Consolidated net sales grew by 12 percent to ¥625.8 billion (U.S.\$5,895.2 million), and operating income improved by 16 percent to ¥28.9 billion (U.S.\$271.9 million).

In the past fiscal year, the Japanese economy showed signs of gradual recovery, and the U.S. expansion continued. In Europe, economic expansion was generally on track, while East Asia continued to recover from the currency and financial crises of 1997.

With this overall economic environment as a backdrop, we are pleased to report that our efforts met with success, with double-digit increases in sales and earnings over the previous fiscal year. Major factors behind the gains were strong sales of the popular Toyota Vitz (Yaris) automobile, which we produce on behalf of Toyota Motor Corporation (TMC), and increased sales of car air-conditioning compressors. We also believe that our company-wide commitment to meet sales and profit targets enabled us to achieve the past year's strong performance.

Note: The exchange rate used for calculating all the dollar figures that appear in this report is ¥106.15= U.S.\$1.



**Chisei Isogai**  
Chairman

**Tadashi Ishikawa**  
President

**Akira Yokoi**  
Executive Vice Chairman

## Strategies and Achievements

### Management Strategy

Toyoda has come a long way since it started business as a textile machinery manufacturer over 70 years ago. We are diversified, innovative and ready for the next 100 years. Today our business is divided into three categories, each with a distinctive character and mission.

**Category I** – Automobiles and Engines: Contributing to the Toyota Group, of which we are a member, through our commitment to quality and technological innovation.

**Category II** – Car Air-Conditioning Compressors, Forklifts and Textile Machinery: Aggressively deploying our technological strengths to design and develop products for global markets.

**Category III** – Electronics and Electronic Devices (including LCDs): Creating new sources for the company's future growth.

In Category I, we are enhancing our manufacturing technology and quality control capabilities in order to play a larger role in assembling automobiles and providing automotive engines for TMC. This category is a driving force for the further development of the Toyota Group.

We are also strengthening our R&D and planning capabilities to play a more active part in product development for Toyota vehicles and engines. We believe that the management of knowledge and the development of human resources, especially in the manufacturing and technical departments, are essential for enhancing these capabilities.

In Category II, our basic policy is to penetrate markets worldwide by providing state-of-the-art products that satisfy customer needs. We recognize that technological advancement is the key determinant of competitiveness, and therefore put great emphasis on fostering superior engineering talent and strengthening our technology development capabilities.

Category III requires advanced technology and continuous investment in equipment to maintain a competitive advantage. In addition, it is essential to accurately forecast market movements and to make prompt decisions based on those forecasts. Success in this business requires management to put production promptly on the right track, improve yield rates, and move at high speed so as to recoup investment as quickly as possible.

In order to achieve sustainable growth, we are also focusing on the following measures across all our businesses:

- Strengthening our overall technological capabilities for new product development.
- Systematically improving productivity and lowering production costs.
- Incorporating production cost reduction into the engineering and design stages.
- Utilizing mergers and acquisitions to further increase competitiveness.

### **Achievements**

We developed and introduced a number of significant new products during fiscal 2000.

The launch of the GENE0-B electric-powered counterbalanced forklift in the Japanese market in August 1999 exemplifies our efforts to bring out new products offering technological breakthroughs. The GENE0-B incorporates our new "System of Active Stability" (SAS), with improved performance features that include tip-over prevention. Our proprietary alternating current (AC) drive system has overcome the weaknesses typical of electric-powered forklifts, putting the GENE0-B almost on a par with engine-powered models. Customer response has been positive. We began exporting the GENE0-B under the model name 7FB to Europe, Australia and Asian countries in September 1999.

A new car air-conditioning compressor, the 6SEU12, is another innovative addition to our product lineup. Compact and lightweight, the 6SEU12 is a continuous variable displacement external signal-controlled compressor designed to help reduce fuel consumption and improve acceleration.

In June 1999, we completed development and began production of a common rail type 2,000 cc direct injection turbo diesel engine. It is already being installed on Toyota Avensis models for European markets. In the future, we anticipate that it will gain wider use, particularly on other Toyota models bound for Europe, and we have high hopes that it will become a mainstay of our diesel engine product line.

New products, such as those listed above, helped support our outstanding gains for this period. Additionally, the rigorous cost reduction measures as well as the value analysis (VA) and value engineering (VE) approaches introduced at our domestic and overseas production bases made major contributions to the improvement in results.

As part of our strategic plan to strengthen textile machinery operations, we acquired the water jet loom business from Nissan Motor Co., Ltd. and Nissan Texsys

## To Our Shareholders

Co., Ltd. (Nissan Texsys) in April 1999. Production transfer was completed by the end of 1999, and in February 2000 we began manufacturing the LW600 series water jet loom, a product originally developed by Nissan Texsys which we improved further through our proprietary technology. This merger has expanded our weaving machinery product range, which had been limited to air jet looms, and will boost our medium-term textile machinery sales.

### Management Challenges and Business Model

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#### **Management Challenges**

Competition has accelerated and now transcends national boundaries. We resolve to continue increasing our value as a corporation through speedy decision-making and efficient allocation of management resources in order to generate continued consolidated growth and improve our market position. To compete and thrive in today's global business, we will design and develop attractive products that meet market needs in a timely manner. At the same time, we will continuously improve product and service quality and lower manufacturing costs through the Toyota Production System (TPS), while reviewing our operating structure to increase sales. We also realize the importance of improving work processes by using state-of-the-art information technology (IT), as well as reducing fixed costs and further raising customer satisfaction levels.

Rapid advances in IT have changed the way business is done. To take advantage of the opportunities these changes present, we are implementing strategic initiatives and structural changes that will help us grow further in the twenty-first century.



Tadashi Ishikawa, President

#### **New Business Model**

Throughout its long history, Toyoda has grown by constantly improving upon its technology base. We now have diversified businesses, and each business area has its own core technologies. The challenge is to transcend existing business areas to integrate our proven technologies in various fields and develop new technologies for next-generation products and enter new business domains.

At the same time, we will introduce the concept of business models to each of our business units. As independent units, each of our business operations will analyze its business environment and develop appropriate market and product strategies, while evaluating the profitability and efficiency of capital deployment. Through such business models, each operational unit will contribute to the steady expansion of profits. We also intend to utilize IT to speed up the management process and to raise the productivity of indirect operations.

### Medium-Term Management Strategy

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Our medium-term strategy, which is focused on ensuring growth in the next several years, can be summarized as follows:

#### **Become a global leader in the forklift and car air-conditioning compressor businesses**

Toyoda is the undisputed leader of the domestic forklift market and holds a substantial share of the global market, and we continue to strengthen this market position. We made a significant step toward achieving this goal in June

2000. Moving to complement our mainstay lineup of counterbalanced forklifts, we acquired BT Industries AB of Sweden, which has a solid global presence in the warehouse equipment market. This move better positions us to provide comprehensive materials handling solutions. In addition, in late July we agreed with TMC to strengthen the forklift and materials handling systems businesses of both companies. The entire forklift and materials handling systems businesses of TMC are to become part of Toyoda in April 2001, although the details are still being worked out.

We are a leading global manufacturer of car air-conditioning compressors. We are continuing to aggressively develop new products that satisfy customers, thereby further strengthening our market position.

***Remain a stable supplier of Toyota automobiles and engines***

As a core member of the Toyota Group, we will strive to increase the value of Toyota automobiles by improving the quality and lowering the costs of our products. An important role for the engine division is the development of high performance and environmentally friendly engines.

***Become a successful LCD manufacturer***

We have begun production of low-temperature polysilicon TFT-LCDs, a product with outstanding growth potential. By improving the manufacturing process through TPS and other methods, we will increase the profitability, quality and productivity of our LCD operations.

***Increase corporate value***

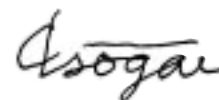
To remain globally competitive in our rapidly changing markets, we are steadily implementing management strategies designed to improve earnings. At the same time, we recognize that an important part of our overall mission consists of fulfilling our social responsibilities. For example, as part of our concern for protecting the environment, we

emphasize developing environmentally friendly products and recycling technology. In addition, we have made obtaining ISO14001 certification a company-wide priority.

The most important aspect of our corporate mission is to create greater shareholder value. By boldly implementing the strategies outlined above, we will strive to maximize shareholder value and satisfy the expectations of our customers, employees, business partners and the communities we serve.

We thank all of our shareholders, customers, partners, and employees for your support and enthusiasm during the past year. As we navigate our changing markets, we will continue to work to meet your needs and maintain your confidence.

July 2000



Chisei Isogai  
Chairman



Akira Yokoi  
Executive Vice Chairman



Tadashi Ishikawa  
President