Responding Flexibly to an Evolving Business Environment and Accelerating Initiatives for Sustainable Growth

President Akira Onishi explains our initiatives for realizing the vision, as well as management policies, under the principle of “contributing to a comfortable society and enriched lifestyles.”
Car Air-Conditioning Compressor Business achieved higher unit sales on a global basis. The Vehicle Business recorded a steep increase in unit sales thanks to brisk sales of the RAV4, which underwent a full model change at the end of 2012. Conversely, the Engine Business posted lower sales, as sales of KD diesel engines were undermined by sluggish automobile sales in Asia. The Car Electronics Business recorded favorable sales to automakers in and outside Japan, primarily to Toyota Motor Corporation (TMC).

The Logistics Business attained growth in sales supported by an increase in logistics services and land transportation services for automotive-related parts. The Textile Machinery Business generated a marked increase in sales owing to a positive performance in the important China market as well as to the introduction of a new air-jet loom that offers superior environmental performance.

As a result of these developments, in fiscal 2014 Toyota Industries posted net sales of ¥2,007.8 billion and operating income of ¥107.6 billion, both representing record highs. Taking into consideration an array of factors such as our business results, future demand for funds and the payout ratio, Toyota Industries raised cash dividends per share by ¥30 from the previous fiscal year to ¥85.

Toyota Industries formulated Vision 2020 as its aspired shape for the medium and long terms. Within this vision, we are implementing the following three measures as major growth strategies.

The first is to contribute to realizing a society with minimum environmental impact through technological innovation in environment and energy areas such as energy conservation.

In lift trucks, a core product in the Materials Handling Equipment Business, we are strengthening environmental performance by undertaking in-house development of main functional components for internal-combustion and electric lift trucks.

Regarding internal-combustion lift trucks, we introduced a lift truck fitted with a new industrial engine, which was jointly developed with the Engine Division, and a turbocharger. In October 2013, this lift truck was first unveiled in North America. It meets stringent emission regulations without using a diesel particulate filter and realizes a drastic improvement in fuel efficiency compared with the previous model. Electric
Lift trucks now account for more than half of Toyota Industries’ unit sales of lift trucks corresponding to tighter environmental regulations mainly in developed countries and growth in indoor logistics. In collaboration with the Electronics Division, the Materials Handling Equipment Business has been jointly developing motors and controllers, the keys to raising environmental performance of electric lift trucks, to differentiate our lift trucks in terms of both power and operating hours.

In automobile-related businesses, environmental performance is also becoming increasingly crucial. For example, the tightening of vehicle fuel efficiency regulations is giving rise to a greater need for variable-displacement type car air-conditioning compressors, which have higher fuel efficiency. Toyota Industries is therefore strengthening development and production of variable-displacement type compressors. We are also making significant strides in raising fuel efficiency and realizing lighter weight for electric compressors for hybrid and other vehicles. Together with compressors for internal-combustion vehicles, we are expanding sales of electric compressors not only to TMC but also to automakers around the world.

The second measure is to expand our value chain, which includes continuously providing excellent products. In other words, we aim to maximize the value our products create for customers. Specifically, we strive to assist customers in every domain of their businesses, such as providing services that ensure our materials handling equipment and textile machinery, which are industrial goods, are always used in the best possible condition.

In the Materials Handling Equipment Business, we are pursuing a variety of initiatives to strengthen the quality of crucial services in each country for these industrial goods. These measures include providing education for service trainers primarily at the Global Training Center and holding the Service Skills Contest to enhance dealer service. We are also strengthening our own in-house response capabilities to address rising needs in leasing and other forms of sales finance. As specific examples, in June 2013 we established bases to provide financing services in Mexico and France, both of which subsequently started operations. Through these steps, we are building a structure that is able to respond to a variety of customer needs through an integrated structure for sales, service and financing.

In the Textile Machinery Business, we rolled out a new air-jet loom that further advances energy-saving performance, one of our strengths. By digitizing our extensive accumulated know-how, we equipped the latest loom with a system that automatically sets the optimal weaving conditions. This feature offers the kind of added value that only a master craftsman can elicit by maximizing the performance of a weaving machine. As for spinning machinery, we will expand the production capacity of our base in India and carry out production close to our customers to provide more timely services suited to local needs.

The third measure is to conduct business and provide customers with products and services wherever there are markets across the world, including in emerging countries that play a growing role in driving economic growth.

In the Materials Handling Equipment Business, our focus in developed countries has been on building production structures close to markets. Alternatively, in emerging countries we have gradually shifted to bases optimally situated for supplying sales distributors to reduce lead times and lower transportation costs. Several important steps for responding to growing markets primarily in emerging countries included the relocation and expansion of a production base in China in June 2013. Also, we established a new plant in Brazil in October 2013, where the market is expected to grow, and commenced production of internal-combustion lift trucks, for which there is a high market demand.

In the Car Air-Conditioning Compressor Business, we are securing increased orders from automakers on the back of an expansion of automobile sales and the strengthening of fuel efficiency regulations globally. To meet this rising demand, we are augmenting our production capacity in North America, Europe and Asia. Especially in North America, there has been marked growth in demand for variable-displacement type compressors that offer high fuel-saving performance. In response, we started up a local plant in September 2013 for producing key functional components to raise local procurement rates.

To be more specific, in areas such as development and production, horizontally aligned collaboration among business divisions enables the strengths of each business divisions to be shared, which in turn further reinforces these businesses. Going forward, we will step up efforts to maximize this benefit.

In the area of development, the Materials Handling Equipment Business and automobile-related businesses are leveraging their respective accumulated technologies and know-how and increasing the Toyota Industries engages in a variety of businesses encompassing materials handling equipment, automobile-related businesses and textile machinery. Within these businesses, we have world-leading market shares in three product categories: lift trucks, a core product in the Materials Handling Equipment Business; car air-conditioning compressors in automobile-related businesses; and air-jet looms in our founding Textile Machinery Business. From this perspective, Toyota Industries is a truly unique company within the Toyota Group.

The advantages of this type of business structure may not be apparent for some of our stakeholders.

* Survey by Toyota Industries Corporation
Looking to the future, we will further promote these measures, utilize the advantages of operating a diversity of businesses and further strengthen our growth potential.

Could you explain what you most value in management?

Making Group-wide efforts toward the realization of Vision 2020

Designating Vision 2020 as its inspired shape toward the year 2020, Toyota Industries is making Group-wide efforts to realize this vision. Specifically, we aim to support industries and social foundations around the world by continuously supplying products and services that anticipate customers’ needs in order to contribute to a comfortable society and enriched lifestyles. To this end, we particularly value a customer perspective and innovation.

Since our company was founded, we have been contributing to society by manufacturing and providing high-quality products that satisfy customers. This approach has in turn led to Toyota Industries’ growth. We are engaging in business with a customer perspective by going back to the basics, by keeping in mind who our end users are and what their innate needs are and by having an awareness that all our operations are ultimately connected to customers.

Providing customers with excellent products and services is contingent upon spurring innovation in tandem with the implementation of existing initiatives. One of the Toyoda Precepts states, “Always be studious and creative, striving to stay ahead of the times.” These words literally refer to innovation. Going forward, we aim to raise competitiveness by sparking innovation not only in technology development but also in production, sales, services and all other functions.

As we work to attain our vision, the business environment surrounding Toyota Industries is evolving at an unprecedented speed. Under such conditions, we will further promote the delegation of authority in our efforts to execute swift and agile management while strengthening necessary monitoring and checking functions. While the Head Office will continue to deliberate on major issues that affect the entire Toyota Industries Group, we will promote delegation of authority to speed up the implementation of individual projects in each business.

The environment today is becoming increasingly uncertain in step with the ongoing advance of globalization. Benefitting from a tailwind at the moment doesn’t mean we will never encounter headwinds again. As a matter of course, we must be highly attuned to any risks and keenly sensitive to changes. It will also be crucial that we respond flexibly when changes occur or even when there are signs of change. However, this doesn’t mean we should shift gear every time an occasion demands. We must avoid inflexible approaches and respond swiftly, utilizing methods and channels optimally suited to addressing changes in the environment while firmly keeping an eye on our major objective of realizing our vision.

We will promote management based on the conviction that working toward realizing our vision under the principle of contributing to society will inevitably lead to the growth of Toyota Industries.

Place high value on our corporate culture that encourages employees to take active roles and tackle new challenges.

For a company’s sustainable growth, it is essential that each and every employee takes an active role. Currently, approximately 50,000 employees are working at Toyota Industries worldwide. It is a group blessed with an immense diversity in nationalities, job duties, experiences and ways of thinking. In such an environment, each employee can purposefully carry out his or her work by sharing the same goals and having an awareness that completing each task will ultimately lead to the attainment of those goals. As such, Toyota Industries is striving to instill the importance of sharing Vision 2020 as an overall management direction and of fulfilling their roles at their respective workplace.

We are also strengthening our efforts in such areas as safety and quality to solidify the corporate foundation that will support our sustainable growth. In these areas as well, we are nurturing a corporate culture that encourages respective employees to take proactive actions. In July 2013, we formulated the Safety Vision and have been striving to establish a safety-oriented culture in which employees warn each other when someone is engaging in an unsafe activity, rather than relying solely on rules and systems.

In addition to sharing the same goals and playing respective roles, taking on new challenges is absolutely essential. After observing his own mother struggling with her hand loom, Toyota Industries founder Sakichi Toyoda embarked on research into looms with a determination to “invent a loom that will somehow make my mother’s work easier.” While encountering harsh circumstances of having insufficient capital and lacking the support of the people around him, Sakichi Toyoda overcame this host of difficulties and finally succeeded in developing an automatic loom. In this regard, it is important to proactively and resolutely take on challenges with high objectives.

Needless to say, nurturing human resources who will lead Toyota Industries in the next generation is vital. We have been enhancing the venues where employees can learn, including the establishment of the Technical Learning Center and the Toyota Industries Global Learning Center. In addition, we are providing an expanding array of opportunities for young employees to interact with staff working at subsidiaries outside Japan so that they can practice what they have learned. Successful development of human resources, however, involves more than just the persons educating providing opportunities unilaterally. It is also important that each of the individual educating personally participate in corporate activities with a strong sense of motivation. As opposed to a workplace environment where supervisors must teach everything, we are striving to create a corporate climate in which supervisors will let their subordinates try without fearing the consequences as well as look out for them.

Going forward, we remain committed to accelerating initiatives for realizing our vision to meet the expectations of our stakeholders through our sustainable growth.