



# Stepping Up Efforts to Attain Sustainable Growth for the Realization of Vision 2020

**Akira Onishi** | President



## First of all, could you sum up the Medium-Term Management Plan that ended in fiscal 2016?

In 2011, Toyota Industries formulated Vision 2020, along with the Medium-Term Management Plan that articulates a path toward fiscal 2016 for the realization of Vision 2020, and we have since been steadily implementing measures for growth.

During this period, economic growth slowed down in China and emerging countries including markets in Southeast Asia, but the strong U.S. economy served to drive a modest recovery in the global economy as a whole.

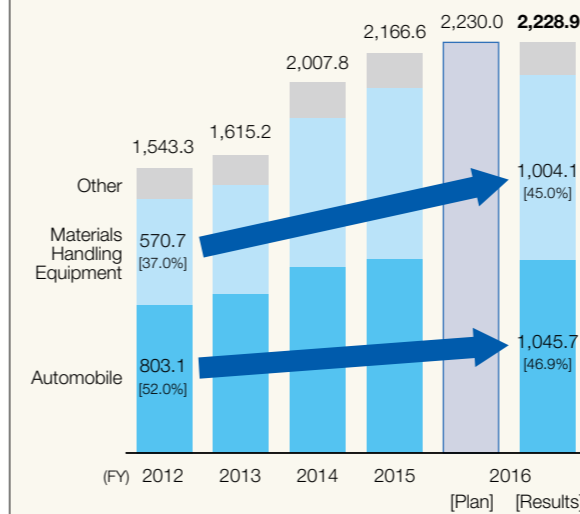
Under these circumstances, we posted growth mainly in the materials handling equipment and automobile-related fields by increasing global unit sales of materials handling equipment and car air-conditioning compressors and by expanding business domains through such measures as enhancement of our value chain of materials handling equipment. Additionally, Toyota Industries and Toyota Motor Corporation (TMC) have agreed to consolidate diesel engine development and production functions into the operations of Toyota Industries. We are currently undertaking preparatory work for the consolidation.

Our proactive forward-looking investment, on the other hand, increased depreciation and other costs, which in turn pushed profits down in the short term. Nevertheless, we have made progress overall, basically as originally planned under the Medium-Term Management Plan, and readied ourselves for a next leap forward.

### Overview of the Medium-Term Management Plan (FY2013–2016)

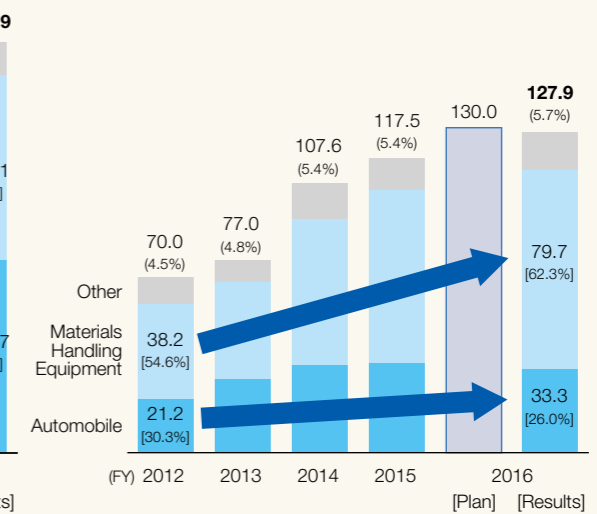
#### 1 Net Sales (¥ Billion)

[ ] = percentage of net sales



#### 2 Operating Profit (¥ Billion)

( ) = profit margin; [ ] = percentage of operating profit



#### 3 Investment

Accumulated total from FY2013 to FY2016:  
**Approx. ¥780.0 billion**

(Of which approx. ¥400.0 billion is invested in tangible assets)

#### 4 ROA and ROE (FY2016)

	Targets	Results
ROA	5.0%	7.3%
ROE	10.0%	20.8%

Notes: • Including gain on sales of shares of Asahi Security Co., Ltd. and Wanbishi Archives Co., Ltd.  
• Investment securities included in calculations based on acquisition cost

- Achieved a continued **expansion of business**, centered around **materials handling equipment and automobiles**
- **Costs increased due to proactive investment** but **net sales and operating profit were virtually as planned.**



## What is the future direction of your business operations?

### Toward the realization of Vision 2020

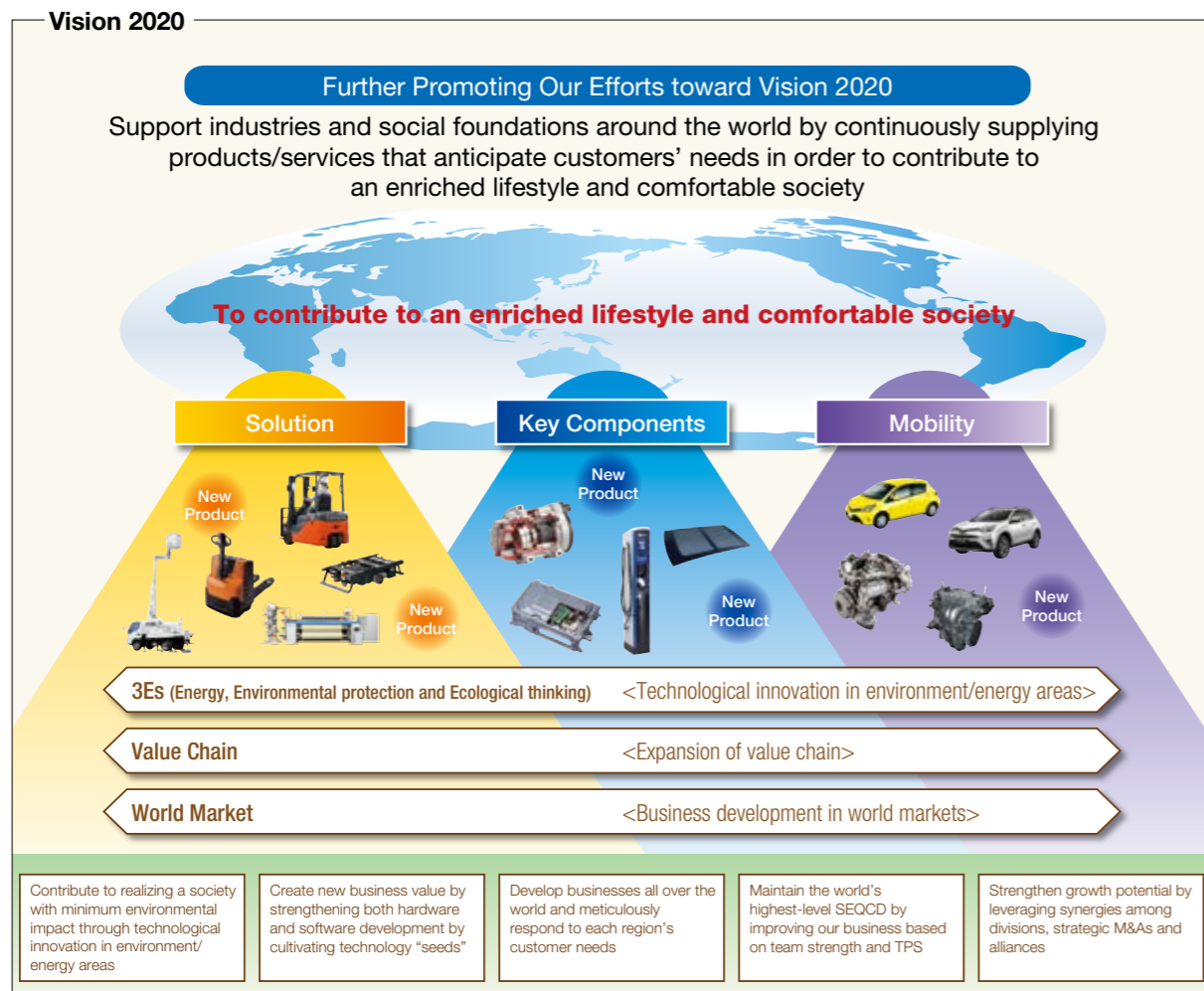
The idea embodied in Vision 2020 is to contribute to an enriched lifestyle of people and comfortable society around the world by continuously supplying products and services that are truly needed by customers, which in turn will allow us to attain growth of our businesses and realize the vision. The Medium-Term Management Plan ended in fiscal 2016, but we will continue to pursue further growth by stepping up our efforts toward the realization of Vision 2020.

Our basic strategy consists of the three action themes shown below. We will apply these themes across our business units in a horizontally aligned manner.

- **Development of eco-friendly, energy-saving products based on the keywords of 3Es (Energy, Environmental protection and Ecological thinking)**
- **Enhancement of our value chain, including after-sales services**
- **Business development in world markets**

### Ongoing “concentration and selection” strategy

In realizing Vision 2020, we have been implementing a strategy of “concentration and selection” of business operations. Specific actions taken since 2007 include withdrawal from the consumer electronics field and consolidation and restructuring of the Logistics Business. In December 2015, we sold our stakes in two logistics-related consolidated subsidiaries, Asahi Security Co., Ltd. and Wanbishi Archives Co., Ltd.



We had made these companies into our subsidiaries with the aim of expanding consigned logistics services. We have subsequently provided operational improvement support to both companies, which in turn attained a certain level of growth. Nevertheless, we decided to sell off our stakes based on the belief that it will be beneficial for them to work with companies that can generate greater business synergies and make greater steps forward.

We will continue to implement a “concentration and selection” strategy to focus on businesses that are closely linked to our core businesses in the materials handling equipment and automobile-related fields.



## Could you explain your policies concerning initiatives to be made in each business?

### In the **Materials Handling Equipment Business**,

we will focus more on the development of products with high environmental performance, for which needs are growing. In order to improve the fuel efficiency of internal-combustion lift trucks and deliver longer uptime for electric lift trucks, we will increase the use of engines and motors developed and manufactured in-house. On top of providing equipment such as lift trucks, we will improve the quality of our after-sales services, for which we are already renowned, and offer a range of logistics solutions based on our accumulated know-how in operational improvements to assist customers in achieving total logistics efficiency and reducing environmental impact.



GENEO-Ecore electric lift truck



Service Skills Contest

To satisfy diverse needs of customers in a more precise manner, we made Cascade Corporation, one of the world's leading manufacturers of lift truck attachments based in the United States, into a subsidiary in 2013. As part of efforts to increase our presence in emerging countries, we acquired the lift truck business of Taiwan-based Tailift Co., Ltd. in 2015. In the same year, we also acquired the materials handling equipment division of TMC's financial subsidiary in the United States to strengthen our sales financing operations. Through these endeavors, we have created a foundation on which to expand our value chain. In the future, we plan to pursue synergistic effects and consistently yield successful results.

In automobile-related businesses, we regard the increasingly stringent fuel efficiency standards across the world as a driver of our growth and will push ahead with development of products with high fuel efficiency in the **Car Air-Conditioning Compressor Business**. Besides fuel-efficient compressors for internal-combustion vehicles, we plan to increase the competitiveness of our compressors for electric-powered vehicles, keeping pace with the growth of vehicle electrification.

On the production front, we have already established a structure needed to swiftly respond to an increase in orders from automakers by augmenting production capacities of our production bases outside Japan and increasing the ratio of locally procured parts. To fully leverage the established structure, we will strive for quality improvement at these bases and help them become self-reliant and grow sustainably on their own. We will make meticulous efforts, such as passing on our proprietary skills and the thinking behind *monozukuri* (manufacturing) to key human resources, to ensure higher quality and more stable mass production operations anywhere in the world.

In the **Vehicle Business**, we expect vehicle production in Japan to remain flat for the medium to long term. Even so, we intend to hone our already superior level of safety, the environment, quality, cost and delivery (SEQCD) and create plants that integrate our latest knowledge and ingenuity. Besides



Ceremony to commemorate cumulative production of 100 million units at a U.S. compressor production base



Teaching employees from outside Japan

assembly of vehicles, we plan to proactively engage in vehicle development by conducting planning activities and making proposals to TMC.

In the **Engine Business**, we will proceed with a plan, as agreed with TMC, to shift and consolidate diesel engine development and production functions to Toyota Industries. Although electrification of vehicles is expected to make gradual progress, we anticipate sustained needs for diesel engines that are inherently fuel efficient and generate less CO<sub>2</sub> emissions. Thus, our policy to concentrate harder on the development of clean diesel engines remains intact. We will enhance the competitive edge of diesel engines, including those fitted with our first vehicle-use turbocharger that was internally developed in 2015 and manufactured. At the same time, we will also strive to expand the use of our internally manufactured engines in our own lift trucks and other industrial machinery. By doing so, we plan to increase the scale and efficiency of our business.

In March 2016, Toyota Industries Engine India Private Limited (TIEI), a consolidated subsidiary in India, initiated production of GD diesel engines for TMC's Innovative International Multi-purpose Vehicle (IMV) series. We will nurture the company into an important production base of diesel engines, for which demand is expected to grow in emerging and other countries for use in commercial vehicles.



Toyota Industries Engine India Private Limited

In the **Electronics Business**, needs for greater fuel economy and environmental performance are growing not only in the automobile field but also in materials handling equipment and other non-automotive fields. These growing needs are expected to facilitate a trend toward electrification. In response, we will reinforce activities to plan and develop new products based on our power source technologies and will expand sales to TMC and other automakers in the world. We will also work more closely with the Materials Handling Equipment Division and other business divisions to increase our role in non-automotive fields.

Our efforts in the **Textile Machinery Business** will include promotion of proactive sales activities and establishment of a meticulous after-sales service structure. Moreover, we plan to collaborate with Uster Technologies AG, a Swiss-based consolidated subsidiary, to develop next-generation products with greater energy-saving performance and even higher added value.



### What will be the focus of management in achieving sustainable corporate growth?

The business environment in the world market is changing at an increasingly rapid pace while the global economy is becoming ever more interdependent. An event in one region could now affect the rest of the world, causing unstable conditions to linger and making economic fluctuations larger. More imminently, continued economic growth in China and other emerging countries is slowing, and there is a persistent economic fluctuation risk linked to national financial policies. In order for us to flexibly adapt to the economic fluctuation risk and changes in the market environment, it is essential that we **strengthen our business platform further** through cost reductions and productivity improvements and always **maintain a lean business structure** to prepare for changes.

Our expanding business operations also entail greater risks. We need to prevent these risks from occurring and make a quick and appropriate response should they occur. We have approximately 50,000 employees working around the world, and corporate culture and ethics are not enough to bring all of us together. As such, we will base our actions on the Toyoda Precepts, which carry the spirit of founder Sakichi Toyoda to respect humanity and take on challenges; use various systems and rules as a means to avoid misconduct; and work to **fully observe corporate ethics and ensure compliance**.

After strengthening our platform and preparing ourselves for the future, we will take steady steps forward for **future growth**. Cost reduction and structural reinforcement are essential in attaining sustainable growth, but these alone will not be effective in preventing our products from becoming commoditized and getting us dragged into price competition. To avoid such a situation, what we need are innovative and appealing products and services. We will enhance our R&D operations and manufacturing capability further while seeking to **encourage innovations**.

Recently, we have entered a new business field of fuel cells and have developed several products by leveraging a pool of technologies accumulated in the field of car air-conditioning compressors. One example is an oxygen-supplying air compressor. It is a key component of the power generation system of fuel cell vehicles (FCVs) and has been installed in TMC's MIRAI FCV. In the materials handling equipment field, which forms one of our core businesses, we have been conducting a feasibility test of our fuel cell (FC) lift truck for possible release during fiscal 2017.

As described above, we aim to encourage innovations by capitalizing on our strengths derived from our diverse businesses and focusing on overlaps and synergies among business domains.

To contribute to realizing a society with zero CO<sub>2</sub> emissions by 2050 with the ultimate goal of enriching the lives of people in harmony with the natural environment, Toyota Industries formulated the Sixth Environmental Action Plan. This is a five-year activity plan covering the period from fiscal 2017 to fiscal 2021. Since the First Environmental Action Plan launched in 1993, our focus of activity had been on environmental conservation. However, as external circumstances have changed, we have decided to place greater emphasis on "Establishing a Low-Carbon Emission Society" in our sixth plan.

We will foster the development of energy-saving, electrification and other technologies and continue to provide eco-friendly products mainly in the business fields of materials handling equipment and automobiles, thereby contributing to the realization of a society that has less impact on the environment.

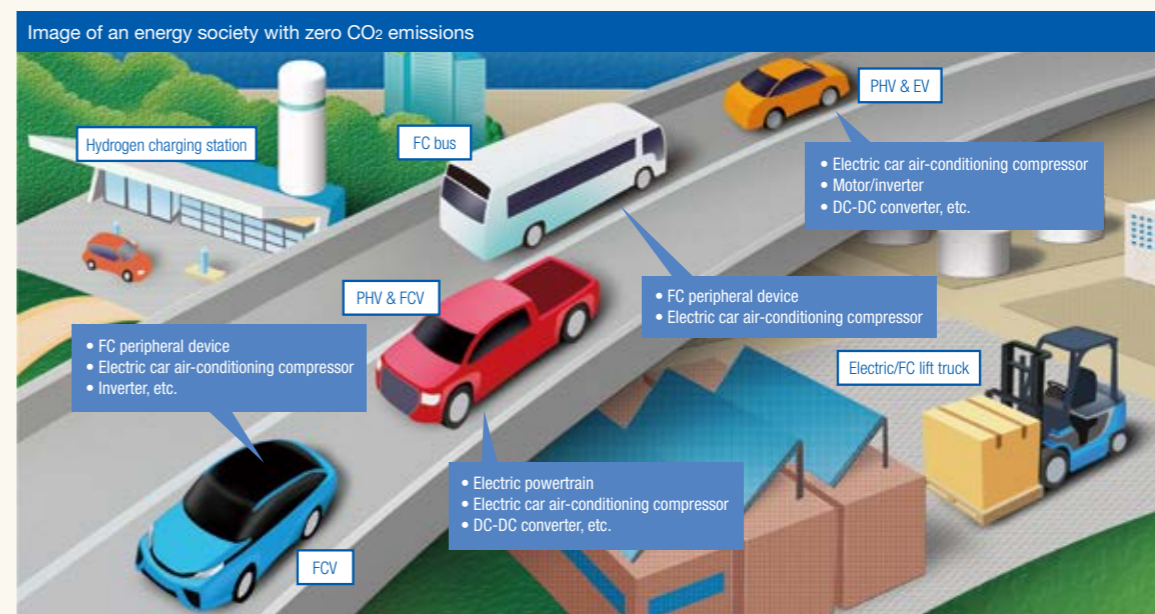


Feasibility test of FC lift truck

### Society Envisioned in 2050

—Example initiative for the creation of a zero CO<sub>2</sub> emission society—

#### Taking on a challenge of achieving zero CO<sub>2</sub> emissions from use of our products or vehicles equipped with our products



\* Excerpt from the Sixth Environmental Action Plan material presented by Toyota Industries Corporation

Companies have a public presence in society. As such, we need to achieve sustainable growth for all our stakeholders, including customers, business partners, shareholders and investors, members of local communities and Toyota Industries Group employees and their families.

The Toyota Industries Group will continue our efforts to contribute to the growth of society through our businesses.

