



Tetsuro Toyoda
President

Setting Sail for 2020, with the Compass that Guides Us in an Age of Turmoil

The world is experiencing a succession of serious natural disasters and prevailing uncertainty about the future of the global economy. In an age of turmoil, we have to fight for survival amid ever-intensifying global competition. What is needed is a clear vision, well-defined strategy and the energy to take on challenges. President Tetsuro Toyoda explains Toyota Industries' vision and the course we will follow toward the year 2020.

In fall 2011, Toyota Industries announced its Medium-Term Management Plan that defines the direction we should pursue for the period from fiscal 2013 to fiscal 2016. Before getting into the details of the plan that just began in April 2012, can you sum up the activities undertaken under the previous plan (fiscal 2007 to fiscal 2011)?

Our previous medium-term management plan, which we announced in the fall of 2005, commenced in fiscal 2007. Under the plan, we carried out an array of proactive initiatives in each business segment.

In the Materials Handling Equipment Business, we made Sweden-based lift truck manufacturer BT Industries AB into a subsidiary in 2000. Instead of going ahead with immediate management integration, we set a certain waiting period to absorb the differences in corporate cultures and learn the strengths of each company. Later in 2006, we felt we were ready and moved on to full-scale consolidation of management structures in respective regions across the world. While working to achieve greater agility in management, we reorganized our sales network to enhance our sales and service capabilities.

With regard to car-related businesses, in the Car Air-Conditioning Compressor Business we augmented our structure to produce car air-conditioning compressors by increasing production capacity at plants in North America and establishing new production bases in China. In the Vehicle Business, we flexibly responded to a shift in production volume and a change in vehicle composition. In the Engine Business, we sought to increase our role in the development and production of diesel engines while enhancing our lineup of power source devices and systems primarily for hybrid vehicles in the Car Electronics Business.

In the Logistics Business, we channeled our resources into high value-added logistics services and successfully accelerated business growth.

Finally, in the Textile Machinery Business, we made efforts to expand sales of air-jet looms, which constitute a mainstay product of this business, and build a production structure less vulnerable to market fluctuations.

As a result of these efforts, in fiscal 2008 we achieved the net sales target of over ¥2,000 billion ahead of the medium-term plan and posted an increase in ordinary income to ¥126.4 billion.

At the beginning of fiscal 2009, however, sensing early signs of a global economic downturn, we set out swiftly to implement profit improvement activities and streamline the business structure prior to the financial crisis that started in the United States and triggered a full-blown global recession. Thereafter, we positioned fiscal 2011 as a year to go on the offensive while also strengthening our defenses, with the aim of identifying signs of change in the marketplace and translating these business opportunities into better business performance. We undertook various offensive initiatives, including aggressive sales expansion activities for materials handling equipment.

Unfortunately, the impact of the global recession was too

great and we were unable to attain our numerical targets in fiscal 2011. Nevertheless, we have significantly solidified our corporate structure throughout the Group and added greater profitability to our operations than before the global recession.

What initiatives were undertaken during fiscal 2012?

Because fiscal 2011 was the final year of the previous medium-term management plan, we originally planned to announce a new plan at the beginning of fiscal 2012. The timing almost coincided with the Great East Japan Earthquake that occurred on March 11, 2011. Therefore, we had to postpone the announcement as we dealt with partial suspension of plant operations due mainly to the disruption of parts supply from suppliers. Following all-out efforts to normalize production, we were able to quickly restore our production operations in our mainstay Materials Handling Equipment Business to a level that enabled us to make up for the delay in production by drawing on the agility and resilience of our unique supply chain.

In this manner, the Materials Handling Equipment Business was a major driving force behind our recovery from the unprecedented disaster. This may be counted as yet another strength of Toyota Industries, stemming from our involvement in a wide range of businesses.

The earthquake struck when our Group-wide profit improvement activities implemented after the so-called Lehman Shock were just beginning to pay off. A subsequent series of serious events, including the deepening of the European debt crisis, the flooding in Thailand and the historically strong yen, caused the already difficult business environment to continue. With many Japanese manufacturers posting a decline in profits amid this environment, the Toyota Industries Group worked together against these headwinds and achieved increases in both sales and profits. These recovery efforts undertaken during the period from fiscal 2009



to 2012 made our management platform stronger than ever, and I believe we have forged a solid footing for future growth.

Together with the Medium-Term Management Plan, Toyota Industries also formulated and announced the Vision 2020. What is the basic rationale behind the vision?

Currently, the Japanese manufacturing industry is laden with what is often referred to as the “six burdens,” including the strong yen and high corporate taxes, and thus must compete globally under extremely severe conditions. Given the increasing speed of changes taking place in the business environment, we must recognize that we are in an “age of turmoil” in which major changes and crises are becoming commonplace.

It is essential that we assume a change in the business environment is always inevitable, and seek a higher degree of independence and clear a path on our own. We will enhance our product and technological prowess to proceed from recovery to growth over the next decade. The Vision 2020 is the compass that guides us to this goal.

What is the aspired image laid out in the Vision 2020?

Since its founding by Sakichi Toyoda, Toyota Industries has been operating under the philosophy of “contributing to society and the world through *monozukuri* (manufacturing).”

Many of our products may not be readily visible to customers, but they play a very important role connected to people’s everyday lives. Our lift trucks, for example, are used to convey vegetables, fruits, fish, meat and other foodstuffs as well as convenient home electric appliances along their distribution routes. Towels and shirts, both common in daily life, may use fabrics produced by our textile machinery. Our car air-conditioning compressors are fitted in numerous vehicles across the world and operating to create a comfortable atmosphere within an automobile even at the height of summer. Our lift trucks, car air-conditioning compressors and air-jet looms, for which we enjoy the top share in the global market*, are just a few examples of our products that are directly connected to people’s lives.

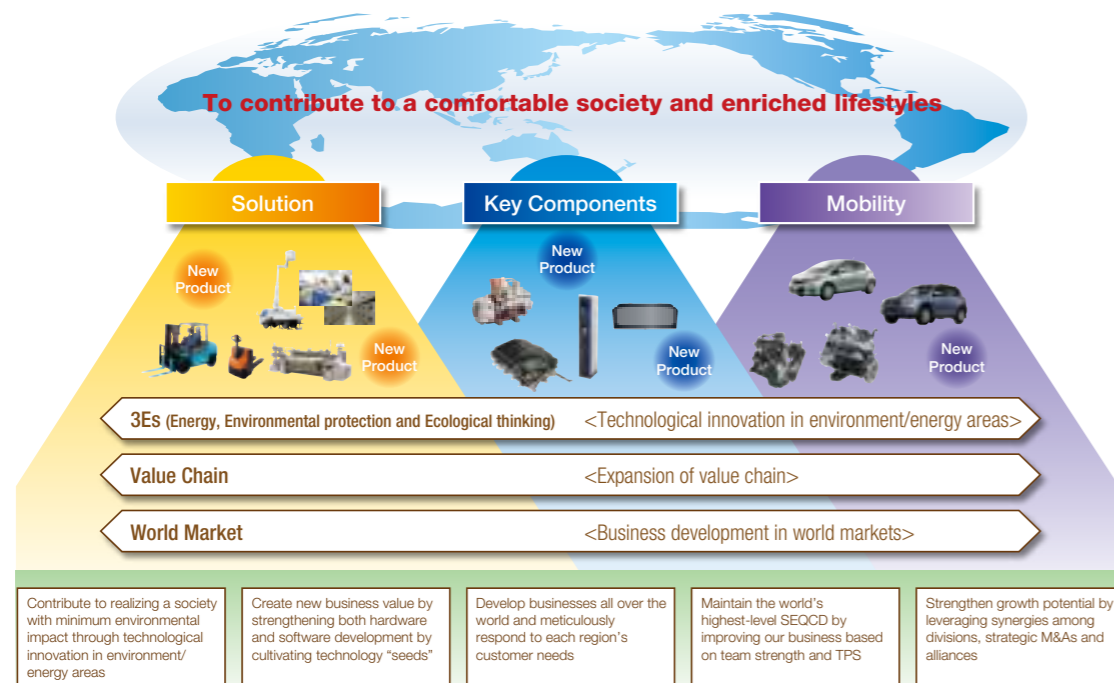
The Vision 2020 reflects our desire to contribute to a comfortable society and enriched lifestyles by offering products and services truly needed in a timely manner.

Each and every one of the over 40,000 employees in the Toyota Industries Group shares these common goals and works toward realizing the vision.

* Surveys by Toyota Industries Corporation for car air-conditioning compressors and lift trucks; statistics from the International Textile Manufacturers Federation (ITMF), 2011 for air-jet looms

Vision 2020

Support industries and social foundations around the world by continuously supplying products/services that anticipate customers’ needs in order to contribute to a comfortable society and enriched lifestyles



How are our business segments categorized under the Vision 2020?

Toyota Industries is like a general store, offering a diverse range of products from textile machinery to materials handling equipment, vehicles and automotive parts.

Based on the business models adopted by each segment, we have divided these domains into three business units.

First, the “**solution**” business unit encompasses the areas of materials handling equipment, logistics and textile machinery. It is a comprehensive business unit in which Toyota Industries handles everything from development and production to sales and after-sales services. We aim to accelerate growth of this unit as our specialty business domain.

The second business unit, “**key components**,” is centered around the fields of car air-conditioning compressors and car electronics. This unit capitalizes on our technological superiority to offer key components for a variety of products to a diverse range of customers worldwide, mainly automakers.

The third business unit is “**mobility**,” producing vehicles and engines for Toyota Motor Corporation (TMC). Through this unit, we will make the most of our production strengths to contribute to significantly improving the competitive edge of TOYOTA cars.

In this manner, we place no particular focus on one business domain. Rather, we engage in a range of diverse business fields to ensure stable management and generate synergies among businesses. That, I believe, is where our strength lies.

What strategies have been formulated to achieve the targets of the Medium-Term Management Plan and realize the Vision 2020?

We have formulated three “muscular” strategies for implementation across the aforementioned three business units. Specifically, these entail the “**3Es**,” “**Value Chain**” and “**World Market**” strategies.

The first strategy focuses on 3Es (energy, environmental protection and ecological thinking), which are the keywords in promoting conservation of the global environment, to facilitate the development of environment-friendly products.

We have accumulated various technologies through our engagement in businesses related to an entire automobile spanning from vehicle assembly to such automotive parts as engines and components. This, coupled with a pool of technologies and expertise accumulated in the field of electric lift trucks, has enabled us to acquire a number of elemental technologies that help us promote the 3Es. We are honing these elemental technologies that contribute to energy savings, electrification and lighter weight and applying these technologies to new products in each field.

The second strategy concentrates on our value chain. In the Materials Handling Equipment Business, for instance, it is imperative that we provide high-quality products. Another



factor that is of equal importance is meticulous customer response, more specifically, the ability to provide fine-tuned after-sales maintenance services and make proposals to help customers improve their logistics operations. We seek to be of service in every aspect of customer relations.

Our third strategy targets the world market. Previously, developed countries played a major role in economic activities. In recent years, however, emerging countries have been driving global economic growth. In response, we aim to extend our geographical coverage to include both developed and emerging countries to deliver our products and services to customers on a truly global scale.

What specific initiatives are planned?

Our specific initiatives focus on the following five points.

Contribute to the realization of a society with minimum environmental impact

This is an important theme, which is also specifically recognized as one of our strategies. From the perspective of protecting the global environment, we will push ahead with technological innovation in the fields of the environment and energy to contribute to the realization of a society with less environmental impact. We will bring together the knowledge and wisdom of the entire Toyota Industries Group to encourage the speedy development of environment-conscious products.



Strengthen our development activities in the software domain

Our key development activities begin with cultivating our own seeds of technology. Although our primary focus has been on the development of hardware, we are now placing more emphasis on the development of software to offer products that are truly satisfactory to our customers. For instance, our air-jet looms, for which we hold the top market share, are used to produce fabrics for the highly esteemed Imabari-brand towels. In addition to hardware, we dedicate considerable efforts to developing software programs that precisely control these looms, and the produced fabrics are highly recognized by our customers for their soft and excellent texture.

Respond to the distinctive needs in each region

In line with continued expansion of the global market, which now includes emerging countries, customers' needs for products and services have become increasingly diverse. We will work to enhance our products and services to accurately satisfy regionally diverse needs, while taking steps to establish an optimum production structure on a global scale and reinforce our sales and service networks.

Remain committed to the highest levels of safety, environment, quality, cost and delivery standards

Under the belief that nurturing people forms the basis of manufacturing operations, we have always emphasized the development of human resources and enhancement of team strength. Based on this team strength and the Toyota Production System (TPS), which we have cultivated through actual manufacturing operations, we strive to maintain the highest levels of safety, environment, quality, cost and delivery (SEQCD) standards. Honing our proprietary production technologies and processes, we intend to overwhelmingly differentiate our products and services in terms of quality and cost. In addition, we will refine the strengths of our domestic production bases that serve as mother plants, continue to transfer these skills and know-how to our overseas production bases and ensure that the idea of nurturing people who support *monozukuri* is firmly rooted in each country.

Maximize synergies and promote strategic M&As/alliances

Taking advantage of our wide range of businesses in the materials handling equipment, automobile and other fields, we will work to maximize synergies among business divisions and

within the Group including our subsidiaries. We will also promote strategic M&As and alliances as necessary to further bolster our strengths and compensate for our weaknesses to accelerate growth in the future.

What are the numerical targets of the Vision 2020 and the Medium-Term Management Plan?

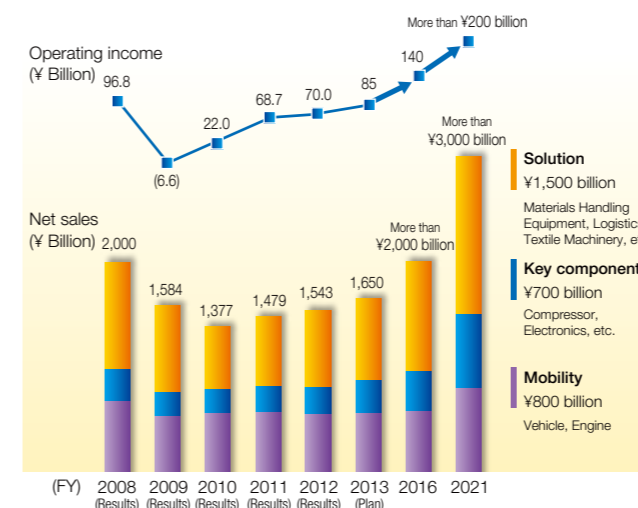
For fiscal 2021, we plan to achieve net sales of more than ¥3,000 billion (¥1,500 billion in the solution business unit, ¥700 billion in the key components business unit and ¥800 billion in the mobility business unit). Our target for operating income is more than ¥200 billion.

Also emphasizing our asset efficiency, the targets for ROA*1 and ROE*1 ratios are set at 5% and 10%, respectively.

Under the Medium-Term Management Plan, we aim to achieve net sales of more than ¥2,000 billion and operating income of ¥140 billion in fiscal 2016. Our plan for capital expenditure for the next four years from fiscal 2013 to fiscal 2016 totals approximately ¥500 billion*2. We will proactively invest in promising businesses that will serve to drive our future growth.

Targets

- Net sales: More than ¥3,000 billion
- Operating income: More than ¥200 billion (7%)
- ROA*1: 5%
- ROE*1: 10%



*1: Investment securities are calculated on the basis of their purchase prices.

*2: Includes M&A investments

*3: Nassim Nicholas Taleb is a best-selling author and trader. Taleb serves as Distinguished Professor of Risk Engineering at Polytechnic Institute of New York University.

*4: The term was introduced by Nassim Nicholas Taleb in his book, *The Black Swan* (U.S. Random House 2007). Hundreds of years ago in the West, there was once an unshakable belief that all swans must be white based on observations of many millions of swans over several centuries. In 1697, however, this conventional belief was turned upside down with the discovery of black swans in Australia. In this manner, a Black Swan refers to the overturning of traditional wisdom by just a single exceptional instance. It also means an extreme event unpredictable by probability theory or previous knowledge and experiences, thereby having a massive impact on people when it occurs.



Lastly, can you tell us about your resolution toward realization of the Vision 2020?

As I mentioned earlier, we have prevailed over the global economic downturn and other serious crises. We have reached the stage of recovery and are now setting sail for further growth. Nevertheless, I do not expect that we will always enjoy smooth sailing. Author Nassim Nicholas Taleb*3 used a term called Black Swan*4 to refer to a virtually unpredictable event that has a massive impact when it occurs. We have experienced a series of Black Swans for the past few years. We are determined to become more independent while working together for the realization of the vision to prevail over any Black Swan that may appear in the future and achieving growth through crises that arise.

Management Targets for Fiscal 2016

	(¥ Billion)		
	FY2012 results	FY2013 plan	FY 2016 targets
Net sales	1,543	1,650	More than 2,000
Operating income (operating income ratio)	70 (4.5%)	85 (5.2%)	140 (7.0%)
ROA*1	3.5%	—	5.0%
ROE*1	10.5%	—	10.0%
Capital expenditure	58	100	Approx. 500*2 in total between FY2013 and FY2016