

# **Accelerating Our Transformation with the Aim of Realizing a Comfortable Society and Enriched Lifestyles**

**Akira Onishi** | President





## First of all, could you provide an overview of Toyota Industries' business results in fiscal 2015?

During fiscal 2015, although the Chinese economy decelerated, the world economy achieved a moderate recovery on the whole underpinned by solid growth in the U.S. economy. Under these economic conditions, in addition to ongoing activities to strengthen our foundation, Toyota Industries accelerated initiatives for attaining growth during the third year of its Medium-Term Management Plan.

In the core **Materials Handling Equipment Business**, we benefited from favorable markets in such regions as Japan, North America, Europe and China and posted growth in unit sales by introducing new products with enhanced environmental performance and undertaking sales expansion activities utilizing our global sales network.

Additionally, Aichi Corporation, a top manufacturer of aerial work platforms, and Cascade Corporation, a U.S.-based manufacturer of lift truck attachments, also recorded solid business results.

Turning to **automobile-related businesses**, the Vehicle Business maintained strong sales of the RAV4, but overall unit sales declined from the previous fiscal year. The Engine Business posted a decrease in unit sales mainly of KD diesel engines and AR gasoline engines. Alternatively, the Car Air-Conditioning Compressor Business posted growth in sales in North America and China, achieving an all-time high in unit sales. The Car Electronics Business attained an increase in sales, mainly to Toyota Motor Corporation (TMC).

The **Logistics Business** recorded growth in its business results, driven by increases in logistics services and land transportation services for automotive-related parts.

The **Textile Machinery Business** posted lower sales of its mainstay air-jet looms amid continued stagnant demand in China and other markets. Nevertheless, this business achieved higher sales in the field of yarn quality measurement instruments, which have been a new business domain since 2012.

As a result of these developments, in fiscal 2015 Toyota Industries posted net sales of ¥2,166.6 billion and operating income of ¥117.5 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 ¥25 from the previous fiscal year to ¥110.



## Could you explain the future direction of your business operations?

Basically, we will continue executing the same business policies implemented to realize Vision 2020. However, our business activities now span the entire globe, including emerging countries, while our business domains are also expanding. With this in mind, we believe that Toyota Industries must take additional steps to prepare for various risks and further solidify our foundation. On this basis, we plan to accelerate the development of various themes we have implemented for future growth.

Among these themes, we have positioned **human resources development** and **strengthening *monozukuri* (manufacturing)** as crucial elements of efforts to further **solidify our foundation**.

### ■ Human Resources Development

We believe the key word in human resources development is “global.” Presently, more than half the employees in the Toyota Industries Group are non-Japanese, and local employees serve as top management at more than 80% of the Group's 176 overseas consolidated subsidiaries.

As we operate in various countries with different cultures and values, it is absolutely essential that all employees share a source of inspiration as we move in the same direction on a global scale. Acting on this belief, Toyota Industries provides various opportunities to promote a global sharing of the spirit of “respect

for humanity” and “challenge” advocated by the Toyoda Precepts, which embody the spirit of founder Sakichi Toyoda.

As our business activities become increasingly globalized, the diversity of our employees continues to advance. As such, we believe diversity is not something to which we must respond, but something we should naturally embrace and fully utilize.

Besides the number of employees, more than half of the Toyota Industries Group's sales are also generated outside Japan. As a global company, we remain committed to respecting diversity, leveraging this as our strength for growth while linking diversity to initiatives for attaining Vision 2020.



Global human resources conference

### ■ Strengthening *Monozukuri* (Manufacturing)

As a manufacturing-based company, Toyota Industries will further strengthen its manufacturing capabilities in Japan and push forward with initiatives to share them globally.

We will not only work to develop products based on the 3Es (Energy, Environmental protection and Ecological thinking) and raise manufacturing quality and productivity but also promote the development of new production engineering technologies and methods with the overarching aim of differentiating ourselves from competitors in terms of manufacturing.

As part of these efforts, our plants in Japan will strengthen our foundation as mother plants by undertaking a variety of key tasks, including developing human resources, passing on various skills and augmenting the Toyota Production System (TPS) and overall production engineering. Using these areas as our basis, we will make Company-wide efforts to build a structure that can support our plants outside Japan while at the same time working to raise quality and productivity on a global basis. Ultimately, our plan is for each production base to become autonomous, to mutually learn the various good qualities from each other across business divisions and national boundaries and to maximize synergies among these production bases.

As a specific example, in the Car Air-Conditioning Compressor Business a mother plant in Japan is accepting key human resources from production bases outside Japan, continuously providing them with education that not only covers proprietary skills but also places emphasis on instilling the thinking and spirit of manufacturing. Employees who learn at the mother plant then steadily spread the knowledge and skills they acquired in Japan in their own countries.

Through this process, we aim to raise the level of manufacturing at each production base around the world.

Also, in the Materials Handling Equipment Business, when a new plant in Brazil was established and began operations in 2013, a U.S.-based production team that previously learned at another mother plant in Japan in turn played the role of mother plant and provided essential support for the startup.

Going forward, our policy is to have mother plants in Japan continue functioning



Teaching an employee from outside Japan



as the core of each business while promoting initiatives that transcend business divisions and regions as we further increase the level of our manufacturing capabilities globally.

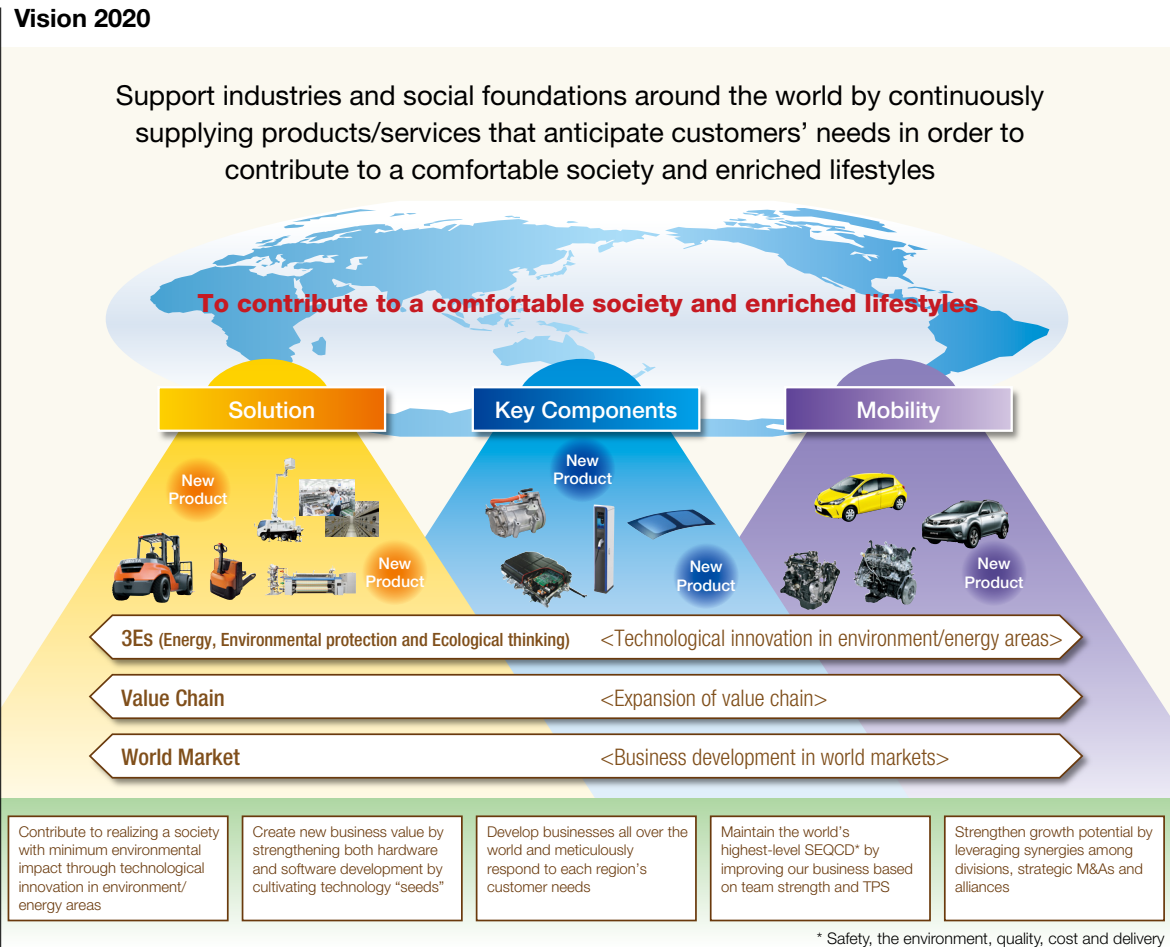
While we firmly solidify our foundation, we will steadily execute **initiatives for further growth.**

#### ■ Growing Each Business Unit Based on Vision 2020

The basis of our efforts will be to **grow each business unit based on Vision 2020**, which articulates Toyota Industries' aspired shape over the medium and long terms.

The first measure in these strategies is spurring technological innovation in environment and energy areas based on the keywords of the 3Es. We aim to contribute to realizing a society with minimum environmental impact by developing products in energy conservation and electrification fields. For the second measure, which is the expansion of our value chain, in businesses such as Materials Handling Equipment, we will not only offer products but also support our customers by providing enhanced after-sales services that allow them to use our products with a sense of reassurance for many years to come. In terms of the third measure of pursuing business development in world markets, we will focus closely on the needs of customers in each region and provide them with products and services they truly need.

By promoting these initiatives, we intend to grow each business unit. At the same time, we will strive to broaden the base of our business domains, focus attention on overlapping areas and utilize our strengths derived from operating diverse businesses to achieve sustained growth and realize Vision 2020.



#### ■ Responding Flexibly to Changes and Accelerating Our Transformation

In recent years, the business environment has become increasingly uncertain and complex while the speed of change is accelerating along with the advance of globalization. To **respond flexibly** to such changes and realize our vision, we must **accelerate our transformation** in addition to further strengthening our foundation.

Since 2000, Toyota Industries has implemented several initiatives for transformation and has strengthened its structure and competitiveness as well as progressed with globalization of business bases, sales regions, employees and other areas of its operations.

#### Principal Initiatives for Transformation to the Present

- Made BT Industries AB, a Europe-based manufacturer of materials handling equipment, into a subsidiary
- Took over TMC's Industrial Equipment Sales Division (integrated manufacturing and sales)
- Created a thoroughly lean business structure following the global recession triggered by the collapse of Lehman Brothers
- Made Cascade Corporation, a U.S.-based manufacturer of lift truck attachments, into a subsidiary
- Made Yantai Shougang TD Automotive Compressor Co., Ltd. (YST), a production base for car air-conditioning compressors in China, into a subsidiary

We also implemented various initiatives for transformation in each business during fiscal 2015. Each of these is based on the three broad strategies of Vision 2020, namely the 3Es, expansion of our value chain and business development in world markets. Some of the main measures we executed are as follows.

#### Principal Initiatives for Transformation Implemented in Fiscal 2015

In the **Materials Handling Equipment Business**, we launched a new lift truck in Japan, Europe and other markets following the introduction of this model in North America in 2013. This lift truck realizes a dramatic increase in environmental performance by incorporating not only an internally developed engine but also our first-ever turbocharger that we developed by leveraging our accumulated technologies in the Engine and Car Air-Conditioning Compressor businesses.

We are also making important strides in the development of fuel cell lift trucks as next-generation products. Currently, we are promoting initiatives for commercializing fuel cell lift trucks such as undertaking a feasibility test at Kansai International Airport. **[3Es]**



New internal-combustion lift truck equipped with turbocharger



Fuel cell lift truck undergoing feasibility test

In sales finance for the Materials Handling Equipment Business, we concluded an agreement with Toyota Motor Credit Corporation (TMCC), a U.S. finance subsidiary of TMC and one of the world's top-class sales finance companies, to acquire its materials handling equipment sales finance operations. By acquiring these operations, we will expand our structure capable of responding to a variety of customer demands with integrated sales, service and finance functions. **[Expansion of value chain]**

An increasingly important task on the sales front is to expand sales in rapidly growing emerging countries. As one measure for attaining this objective, Toyota Industries reached an agreement to acquire the lift truck business of Tailift Co.,



Expanding the value chain by strengthening sales finance

Ltd., a Taiwan-based lift truck manufacturer with noted strengths in undertaking business operations in emerging countries, and made it into a consolidated subsidiary in August 2015. Going forward, we will enhance its lineup of mid- and low-priced lift trucks and strive to realize synergies. **[Business development in world markets]**

In **automobile-related businesses**, we leveraged the technologies nurtured in the Car Air-Conditioning Compressor Business to develop an oxygen-supplying air compressor and a hydrogen circulation pump, both of which are core components of fuel cell vehicles. These have been fitted on TMC's MIRAI, the world's first mass-produced fuel cell vehicles launched in 2014.

As the Japanese government and business community team up to begin full-fledged initiatives toward the building of a hydrogen-oriented society, Toyota Industries will make important contributions to these efforts by fully utilizing its technologies and know-how in this field. **[3Es]**

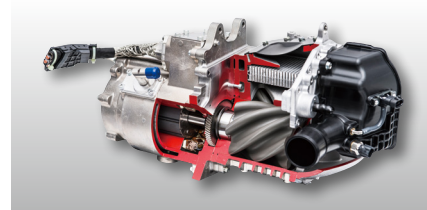
In the Vehicle Business, we are implementing ViRA activities targeting the Vitz (Yaris outside Japan) and RAV4, which are being manufactured by Toyota Industries. The ViRA activities aim at making proactive proposals in anticipation of changes in customer expectations based on the concept of "Taking the Lead in Making Our Cars More Attractive." In fiscal 2015, we commenced production of a special-edition RAV4, which reflects the design created through collaboration with sales companies outside Japan. **[Expansion of value chain]**

In the Engine Business, in June 2015 we began producing a new diesel engine that is being fitted on TMC's Land Cruiser Prado and other vehicles. This engine raises power performance while at the same time significantly improves fuel economy and other environmental performance features. A turbocharger, for which we participated in the development project and commenced production in-house, plays a major role in supporting this engine performance. This turbocharger was developed by drawing on not only the technologies accumulated in the development of engines but also our compression and machining technologies for car air-conditioning compressors. We believe the development of this turbocharger clearly demonstrates one example of how we are able to take advantage of the benefits derived from operating a diversity of businesses.

Diesel engines are widely used in Europe and demand for them is now rising in emerging nations and other countries. In view of this situation, with the aim of strengthening the competitiveness of diesel engines for the entire Toyota Group, Toyota Industries and TMC have agreed to consolidate diesel engine development and production functions, which have been undertaken jointly by both companies, into the operations of Toyota Industries. Through the implementation of these



Lift truck from Tailift Co., Ltd., which is strong in capturing business in emerging countries



Oxygen-supplying air compressor for fuel cell vehicles



New diesel engine



New turbocharger

measures, Toyota Industries aims to further raise the expertise of the Engine Business and develop and produce more competitive diesel engines for automobiles and build an efficient business structure.

Additionally, we will strive to expand the scale of our business and enhance development efficiency by applying technologies for automobile-use diesel engines to engines for Toyota Industries' own lift trucks and industrial machinery products. **[3Es]**

In the **Textile Machinery Business**, we have consolidated production bases for spinning frames in India. This consolidation was decided in keeping with the concept of local production for local consumption given that more than 70% of our customers for spinning frames are concentrated in India as well as neighboring South and Southeast Asian countries. Looking ahead, we will promote cost reductions through such initiatives as undertaking optimal parts procurement and maximizing the benefits of mass production while working to raise quality and productivity. **[Business development in world markets]**

As illustrated by these examples, the various transformations implemented thus far are beginning to achieve results in fiscal 2015. Promoting further efforts to steadily grow these initiatives for transformation will be crucial for achieving sustainable growth toward the realization of Vision 2020. For this reason, we intend to continue to proactively allocate management resources.



**Finally, please give us your message to stakeholders.**

First of all, I would like to thank our stakeholders for their loyal patronage and ongoing support.

Toyota Industries' business activities are based on supporting the industrial and social foundations around the world through our sustainable corporate growth, thereby contributing to a comfortable society and enriched lifestyles. We consider the actual undertaking of business as being integral to taking an important role in society.

In line with this basic stance, we will carry out business activities by keeping in mind that our company is built on the support of all our stakeholders, including customers, business partners, shareholders and investors, members of local and global communities and Toyota Industries Group employees.

Going forward, the Toyota Industries Group will continue to work in unison to meet the expectations of our stakeholders.

