

Strengthening Systems and Proper Operations for Winning Society's Trust is an Extremely Important Management Issue

Maintaining and Enhancing Efficient Management and the Fairness and Transparency of Corporate Activities

▶ Fig 1

Toyota Industries believes that enhancing the long-term stability of corporate value and maintaining society's confidence in the company through practicing its corporate philosophy and promoting social responsibility are extremely important management issues. Taking the enrichment of society through business activities as a basic premise, we therefore consider it vital to build good relationships with stakeholders ranging from shareholders and customers to business partners, local communities, and employees.

With this in mind, we are working to maintain and enhance management efficiency and the fairness and transparency of company activities by strengthening corporate governance. We are building a corporate governance system that can respond quickly and flexibly to changes in the business environment, as well as working to strengthen management supervision and to provide timely disclosure of accurate information.

Towards Speedy and Efficient Management

Toyota Industries holds Board of Directors meetings every month to make decisions on important management matters and monitor business operations. A Management Committee has also been established to discuss important matters such as corporate vision, management policies, medium-term business strategies, and major investments.

The company has adopted a divisional organization system and delegated authorities to division in each operation. So, a Business Operation Committee has been set up to enable the President to oversee business operations periodically through the General Managers of each division. At a Management Council

meeting, Directors and Managing Officers share business operations reports every month. The company is striving to increase the efficiency and speed of management as well as facilitate appropriate judgment.

Members of the Respective Committees and Meeting Frequency

- Board of Directors: Sixteen Directors (including one external Director) and Corporate Auditors participate in monthly meetings.
- Management Committee: Meetings are held as needed, and are attended by the Chairman, the President, Directors above the Executive Vice President level, and other relevant Directors and Managing Officers, as specified by the President and according to the matters in question.
- Management Council: Directors and Managing Officers participate in monthly meetings.
- Business Operation Committee: The President, Executive Vice Presidents, and divisional General Managers participate in two regular meetings, before the interim and annual closing of accounts.

Streamlining the Board of Directors and Creating the New Position of Managing Officer

In June 2006, Toyota Industries introduced a new executive management system as part of our efforts to achieve our "2010 Vision", which was established in October 2005 (See page 4). The aim of this was to speed up the company's responses to challenges posed by our accelerating globalization and the expanding scale of our business operations.

Outline

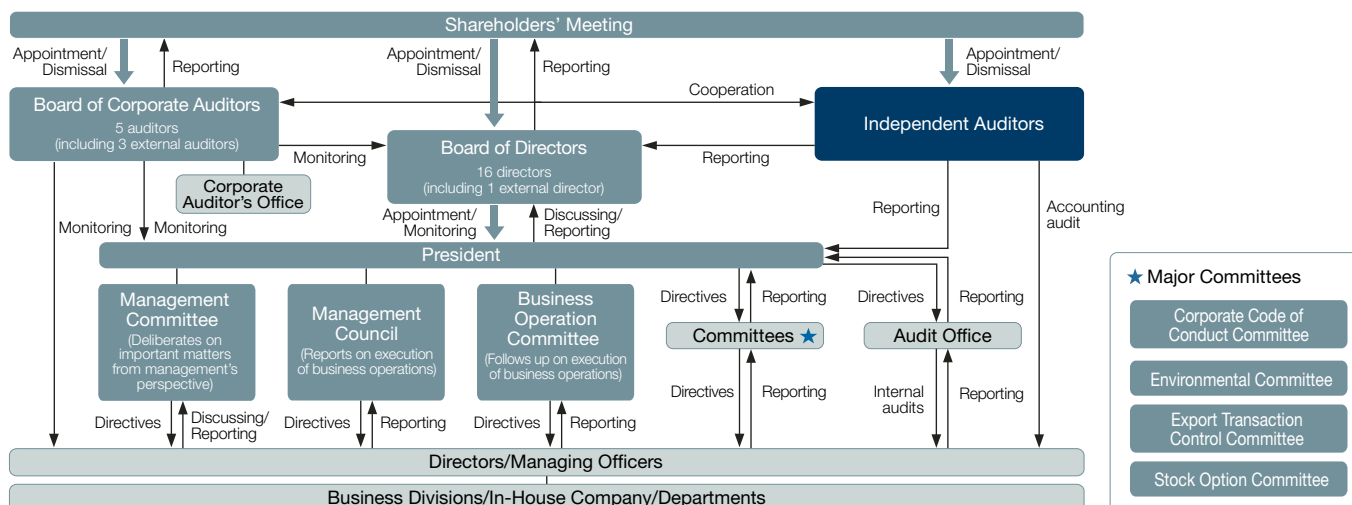
1. Streamlining the Board of Directors

The number of directors has been reduced to speed up decision-making.

2. Creating the New Position of Managing Officer

Managing Officers will be able to apply themselves exclusively to the execution of the respective businesses for which they are responsible.

▶ Fig 1 Corporate Governance Structure



Corporate Auditor's Office Work for Corporate Auditors to Strengthen Monitoring Functions ▶ Table 1

Toyota Industries has chosen to maintain a Corporate Auditor/Board of Corporate Auditors system. The Board of Corporate Auditors consists of five corporate auditors, three of whom are independent auditors who bring an outsider's viewpoint and an auditing perspective combined with professional experiences and careers to our internal monitoring function. The Board of Corporate Auditors meets once a month to discuss and make decisions on important matters, such as auditing policy and reporting.

The Corporate Auditor's Office, which is staffed by five dedicated personnel who work directly for the Corporate Auditors and are not under the authority of the company Directors, has been set up to reinforce the auditing of duties carried out by the Directors.

The Corporate Auditors also cooperate with independent auditors and the Audit Office, which is in charge of internal audits (please refer to the section on "Compliance" on pages 19-20 for further details), receive reports as appropriate and, where necessary, conduct additional surveys.

▶ Table 1 Corporate Audit System, Duties and Methods

Audit	Principal Duties and Methods
Audits by Corporate Auditors	Auditing of duties carried out by Directors (achieved through attendance at meetings, inspection of documents, independent investigations first-hand and interviews, etc.)
Audits by Independent Auditors	The appropriateness of matters associated with financial statements (achieved through surveys of documents, interviews, initial investigation, etc.)
Internal Audits	Prevention of risk in overall business activities (Operational audits, special theme audits, autonomous inspections, audits of subsidiary companies) (achieved through surveys of documents, interviews, first-hand surveys, etc.)

Establishment of an Internal Control Structure

To comply with the Corporations Law that came into effect in Japan in May 2006, the Board of Directors of Toyota Industries decided on a "Basic Policy for the Establishment of an Internal Control Structure" that same month. The company also established a new section, called the Internal Control Office. In 2007, we started a project team in preparation for compliance with the Financial Instruments and Exchange Law, which was enacted in June 2006.

Set Up Committees to Address Important Company-Wide Matters

In order to deal with compliance – both legal and corporate ethics – and environmental conservation as key company-wide issues, Toyota Industries has established the Corporate Code of Conduct Committee, the Environmental Committee, the Export Transaction Control Committee, and the Stock Option Committee to discuss and monitor the state of management and corporate activities.

Further steps to strengthen this framework were taken with the set up of the Compliance Subcommittee, the Crisis Response Subcommittee, the Data Security Subcommittee, and the Regional Society Contribution Subcommittee under the aegis of the Corporate Code of Conduct Committee.

Risk Management

Based on a collection of risk case studies, comprising examples of conceivable risks that could affect the company, together with their countermeasures, each division and department has adopted strict measures to prevent risk from materializing. In addition, risk with the potential to affect business operations is reevaluated and reviewed on a regular basis, and disclosed in financial statements. The Audit Office endeavors to reduce risk by monitoring business processes, enforcing compliance and strengthening control systems to ensure the reliability of financial information. Based on the company's "Crisis Response Manual", countermeasure organizations and procedures have been established to deal with issues or incidents that might arise, while each division and department has set up recovery systems.

The business and other risks disclosed in our financial statements for the year ended March 31, 2007 relate to the following issues:

Principal customers/product development capabilities/intellectual property rights/product defects/price competition/reliance on suppliers of raw materials and components/environmental regulations/alliances with other companies/exchange rate fluctuations/share price fluctuations/ effects of disasters, power blackouts, and other incidents/latent risks associated with international activities/retirement benefit liabilities.

Enhancing Management Transparency ▶ Fig 2

To enhance management transparency, Toyota Industries is working to strengthen its accountability by publishing quarterly financial statements and establishing an Investor Relations Office to provide information to shareholders and investors. In 2005, it also set up an Information Disclosure Committee to ensure the completeness, appropriateness and timeliness of important information disclosed in financial statements and other materials.

▶ Fig 2 Information Disclosure Committee

