

Toyota Industries Recognizes that Strengthening Systems for Winning Society's Trust Is an Extremely Important Management Issue

Maintaining and Enhancing Efficient Management and the Fairness and Transparency of Corporate Activities ▶Chart 1

Toyota Industries believes that enhancing the long-term stability of corporate value and maintaining society's confidence in the company 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 (to shareholders and other stakeholders).

Towards Accurate, Speedy and Efficient Management

Toyota Industries holds Board of Directors meetings every month to make decisions on important management matters and monitor business operations. The company has adopted a division system and set up a Business Operation Committee to enable the President to oversee business operations through General Managers (Directors) of each division. A Management Committee has also been established to discuss important matters such as

corporate vision, management policies, medium-term business strategies and major investments. It consists of directors above the Executive Vice President level. When the President considers it necessary, other relevant directors also attend meetings. The company is striving to increase the efficiency and speed of management as well as facilitate appropriate judgment.

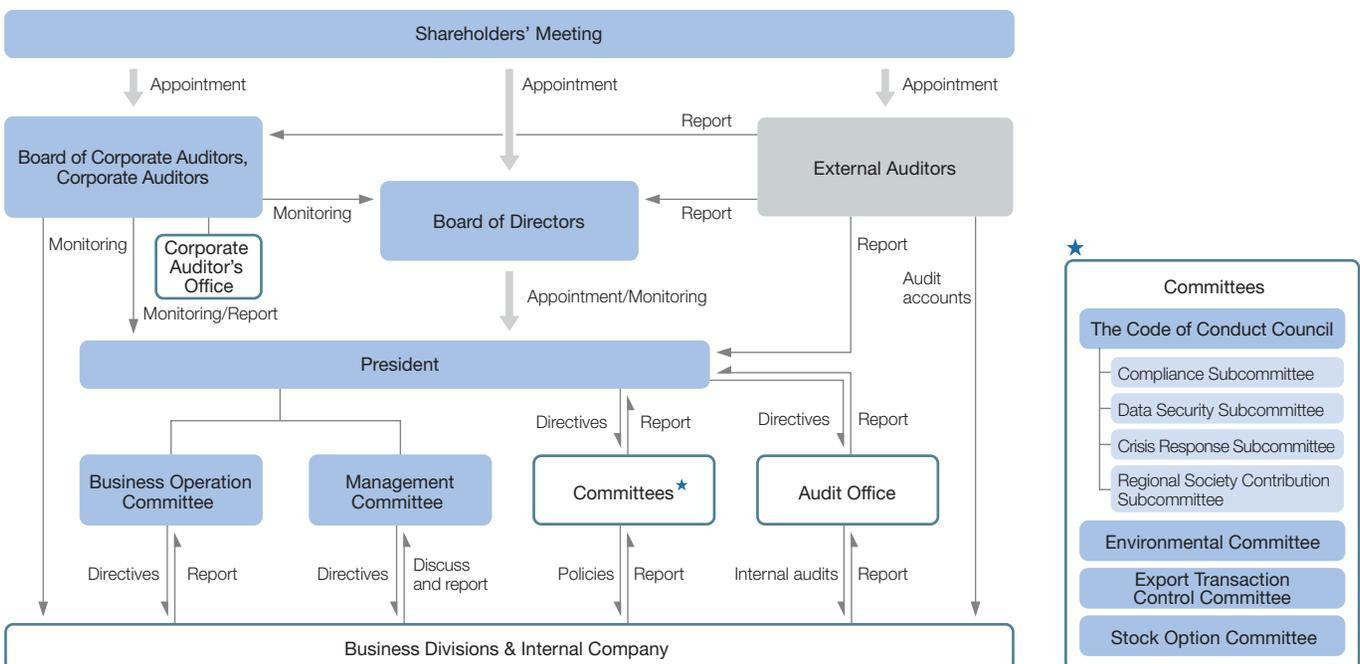
Members of the Respective Committees and Meeting Frequency

- Board of Directors:** Thirty Directors (including one outside Director) participate in monthly meetings.
- Business Operation Committee:** The President and divisional General Managers participate in two regular meetings, before the interim and annual closing of accounts while irregular meetings are also held as required.
- Management Committee:** Meetings are held whenever important matters arise, and are attended by the President, Directors above the Executive Vice President level and other relevant directors and managers, as specified by the President and according to the matters in question.

Corporate Auditor's Office: Corporate Auditors Working 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, with three outside corporate auditors and monthly meetings. The board discusses and determines accounting matters, auditing policy and the audit of company reports. At Toyota Industries Corporation, the Corporate Auditor's Office, staffed by five specialist personnel,

Chart 1 Corporate Governance Structure



has been set up to facilitate the proper execution of the corporate auditors' duties.

To carry out audits efficiently, the corporate auditors cooperate with the Audit Office, which is in charge of internal audits (please refer to the section on "Compliance" for details), and external auditors, receiving reports as appropriate and, where necessary, conducting additional surveys.

Table 1 Corporate Audit System, Duties and Methods

Audit	Principal Duties and Methods
Audits by Corporate Auditors	Execution of business operation by Directors (achieved through attendance at meetings, inspection of documents, investigations first-hand and interviews, etc.)
Audits by External 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.)

Set up Committees to Address Important Company-Wide Matters ▶Chart 1

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 Council, 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 in April 2005 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 Code of Conduct Council.

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 the financial report for the year ended March 31, 2005 relate to the following issues:

Principal customers/Product development/Intellectual property rights/Product defect/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.

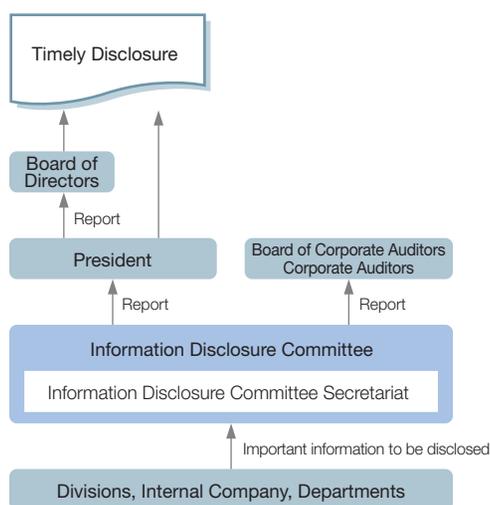
Case Study Preparing for the Occurrence of an Earthquake in the Tokai Region

Toyota Industries considers measures to restore production in the wake of a disaster to be an important issue from the viewpoint of fulfilling its responsibility to ensure stable product supplies. In January 2004, the company revised its "Earthquake Response Manual" on the hypothesis that an earthquake occurred in the Tokai region (the area of Japan where our operations are focused). We are endeavoring to ensure that all employees are well-versed in response activities designed to minimize the impact of such an earthquake, in areas such as confirming the safety of employees, gathering information on the disaster, recovery responses and support for affiliates and suppliers affected by the disaster.

Enhancing Management Transparency ▶Chart 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.

Chart 2 Information Disclosure Committee



Timing of meetings:

Submission of financial statements (June and December)

Submission of preliminary financial results (April, July, October and January)

As required in the event that other important matters are determined or arise.