



Ensuring a Workplace Where Each Employee Can Work Safely with Enthusiasm

Creating Comfortable Workplaces Based on Respect for Human Rights

Toyota Industries' basic philosophy with regarding to its employees is to "nurture the individuality and capability of each employee based on employee-management, mutual trust and self-responsibility, in order to create a dynamic corporate climate where collective strength is exercised in full." With this in mind, Toyota Industries is endeavoring to create a healthy and habitable workplace, as well as ensuring employment and maintaining/improving the long-lasting stability of working conditions.

(In creating a healthy and habitable workplace, it is essential to achieve a working environment where the human rights of each individual are respected, and everyone has a rewarding job and can work at ease.)

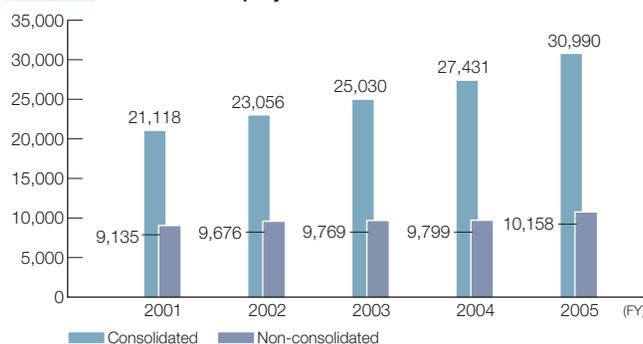
Toyota Industries believes the most important things for making our offices comfortable are to respect human rights and to provide job satisfaction for employees. Above all, respect for human rights is a fundamental element, and Toyota Industries stipulates in its action guidelines that privacy of individuals is respected, and discrimination or harassment on the basis of race, religion, belief, gender, nationality, disability, illness or any other reason are not tolerated. (In addition, as the globalization of our business operations continues, Toyota Industries endeavors to eliminate global issues such as child labor and forced labor within the group, as well as complying with laws and social norms in each country.)

Employee-Management Relations Based on Mutual Trust

Toyota Industries aims to achieve both the well-being of individuals and development of the company through active discussions between employees and management. This is only possible if mutual trust between these two parties exists. Overseas affiliated companies also adopt a similar approach to employee-management relations, with both groups cooperatively engaging in the business.

Toyota Industries provides many opportunities for interaction with management, such as employee-management discussion sessions and sectional meetings to promote active and varied discussion between employees and management.

Graph 1 Number of Employees



Employment Security ▶Graph 1

Toyota Industries places high value on stable employment. The number of people employed by Toyota Industries has been steadily increasing from year to year as a result of business expansion. We currently employ 30,990 people, as at the end of March 2005, with approximately half of these personnel employed at overseas affiliated companies. Overseas affiliated companies actively recruit local staff, thereby contributing to the local economy.

Diversification of Employment and Equal Opportunity

With the expansion of our business operations and increased globalization, the employees of Toyota Industries have become more diversified over time. It is the company's belief that provision of a fair and just working environment is of the utmost importance, where diversity of individuals is respected regardless of gender, age, nationality, disability or otherwise.

Toyota Industries is promoting equal opportunity and creating workplaces where all the employees can fully engage their talents.

Employment of Disabled Persons

Toyota Industries employs people with disabilities every year on a continual basis and assigns them to various workplaces. It is our view that disabled people and others should work together and share job satisfaction and the purpose of life. The employment rate of people with disabilities was 1.83% as at the end of March 2005 (legal requirement is 1.8%).

Toyota Industries is endeavoring to improve the work environment by organizing a Settlement Promotion Team within the company and by holding informal discussions with disabled persons to hear their opinions on a regular basis. These steps are intended to ensure a workplace where disabled people can work at ease.

Re-Hiring After Retirement

Toyota Industries has the Super Career Program, a post-retirement re-hiring program. The purpose of this program is to address the issues of falling birthrate and aging population, as well as to pass down skills and expertise from experienced to less-experienced employees.

Retiring employees who wish to be re-hired are selected through this program to work a maximum of three years as highly skilled technical workers or mentors for junior employees.

We also have a system in place whereby retired employees can register with our affiliated company, Sun Staff, Inc., as dispatch workers.

The Law concerning the Stabilization of Employment of Older Persons is expected to be revised in FY 2007 when introduction of continuous employment until 65 years of age will become obligatory and the company is reviewing the way to enhance its re-hiring program.

Ensuring Equal Opportunities

In order to promote equal opportunities at the workplace, Toyota Industries is striving to create a transparent and satisfying human resources system, as well as a workplace where employees can exercise their capabilities to the full, regardless of gender. Measures implemented so far include active recruitment of women on professional-track jobs, abolition of job classification of main career track and general level, and various other schemes to support balancing work and family life.

The Equal Opportunity Manual clearly stipulates guidelines that explain the purpose of the law and the content for compliance for employees. In addition, the company provides consultation services concerning equal employment opportunities for both sexes, to ensure prompt responses to issues.

Case Study Efforts at an Affiliated Company in North America to Promote Diversification

— Toyota Industrial Equipment Manufacturing, Inc. (TIEM) [U.S.A.]
Toyota Industrial Equipment Manufacturing, Inc., (TIEM) implements an affirmative action (proactive discrimination dissolution program) to ensure equal opportunities for females, minority groups, and the disabled, etc. TIEM has Affirmative Action Programs and checks its employment procedures, promotions and transfers every year. It also analyses various data (regarding gender, ethnic groups, race, religion, and nationality) of job applicants and employees.

The ratio of minority groups to total employees was 6% as of 2005 (the ratio of the minority group living in the surrounding area was less than 5%).

TIEM intends to continue its efforts toward enhancing the program.

Case Study Global HR Conference

During the year, the Global HR Department invited executives and managers in charge of personnel from overseas affiliated companies (25 persons from 10 countries) to Japan and held a Global HR Conference.

Participants gave presentations and had panel discussions on Labor Management and HR Development. They visited the company's plants and Technical Training Center, and enjoyed hands-on activities relating to the Toyota Production System.

The conference promoted the participants' understanding of Toyota Industries Corporation's and Japanese corporate systems, as well as fostering a strong sense of unity between the various HR departments.

Increasing Workplace Strengths by Nurturing a Sense of Unity and Teamwork through Human Resource Development ▶Chart 1

In order for each employee to be enthusiastic about their work, and for the company to continue developing, increasing workplace strengths (organizational ability) is essential.

Toyota Industries interprets “workplace strengths” as being the power to identify the company’s mission and role, to pursue improvements without giving up until the final goal is achieved, and with which employees develop and results are achieved on a continuous basis. In order to increase workplace strengths, specialized techniques (such as expertise, skills and know-how) need to be raised, as these techniques provide the starting point in manufacturing. In addition, management techniques such as TPS (Toyota Production System), QC, and SQC need to be employed to take full advantage of these techniques by uncovering problem areas and resolving them. When a spirit of harmony, such as motivation, teamwork and well-rounded humanity is secured as a foundation, and specialized techniques and management techniques are added to it, only then will workplace strengths be increased. Furthermore, when the workplace leader exercises leadership at the center of these three rings, workplace strengths can be improved and increased on a continuous basis.

Chart 1 Workplace Strengths



Nurturing a Sense of Unity and Teamwork to Strengthen the “Spirit of Harmony”

Toyota Industries believes that well-rounded humanity and teamwork evolve from human relationships and communication, which lead to a strong workplace with a lively and fresh atmosphere. This is why the company actively promotes the PT (personal touch) movement—to nurture a sense of unity and teamwork in the workplace. Specific activities implemented as part of this PT movement include the ST system (steward system, which is provided by the seniors in the workplace) for new employees, the fosterer system (by superiors in the workplace), recreational activities, sports day, summer festival, and relay road race.

In addition, a variety of informal discussion sessions are held to listen to opinions, requests and concerns of employees appropriately and to deal with them without delay.

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ST System and Fosterer System

The ST system aims to help new recruits settle into the workplace smoothly and to build relationships of mutual trust. A senior employee at the workplace acts as a steward for the new recruit, and provides appropriate advice and guidance on a one to one basis for the first 6 months after posting to ensure a smooth start free of any difficulties. There is also the fosterer system where a superior in the workplace acts as a parent figure for another employee.

Workplace Communication Activities

In order to promote communication activities in the workplace, each Head of Department is appointed as a recreation promotion committee member. Caretakers and recreational leaders are then appointed, and organizational efforts are made to promote communication activities. Toyota Industries subsidizes and promotes social get-togethers by members of the workplace, as well as recreational sessions and activities to nurture a sense of unity and teamwork among all employees and their families. In addition, various events are held at plants, for example, sports days, summer festivals and a company-wide relay road race, etc., to actively promote communication. Participation in supporting company sports, such as softball, rugby and marathon, is also encouraged as a way to raise a sense of unity through support in unison.

Discussion Sessions

A variety of discussion sessions are held throughout the year, including President-Manager discussions, discussion sessions with career-track recruits, discussion sessions between workplaces and the HR department. Efforts are made to adopt constructive opinions, requests, and to address the concerns of each employee through these communication sessions, as well as to resolve any issues that may present themselves.

Case Study A Forum Concerning the Value of the Toyota Group Was Held at an Affiliated Company in Europe

— Toyota Industrial Equipment, S.A. (TIESA) [France]

Toyota Industrial Equipment, S.A. (TIESA) in France held "Forum TIESA" in 2004 to share the Toyota Group's philosophy and values as well as the company's achievements with all its employees. This forum provided the first opportunity for all the employees at TIESA to communicate directly with general managers. The forum was received very favorably by the employees as an opportunity to think afresh about the Toyota Group's philosophy and values. The forum is scheduled to be held every 6 months.



"Forum TIESA"

Human Resource Development to Strengthen Specialized Techniques and Management Skills

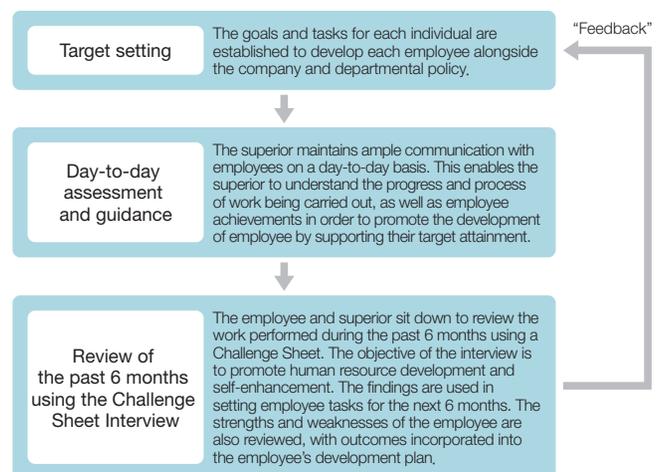
Toyota Industries endeavors to develop human resources so that each employee can exercise their ability in full in a variety of fields, while maintaining their independence and understanding the management philosophy and company policy. The company provides guidance and nurturing on an individual basis through the Challenge Sheet Interview to promote individual development, as well as providing an array of educational programs.

Human Resources Development Management ▶Chart 2

Toyota Industries employs the Challenge Sheet Interview system for its human resource development management, where guidance and nurturing are provided on an individual basis through communication between the employees and their superiors. Under this Challenge Sheet Interview system, the employee and the superior meet on a one-to-one basis once every 6 months to discuss the role of the individual in achieving the targets of the company or the department and the development plan until both sides are satisfied, while also reflecting on past achievements and processes. The result is used to set targets for the next period as well as to form a development plan for the individual. The employees' own preferences regarding transfers and suggestions for the workplace are also discussed at the meeting.

As for managers, the company strives to promote human resource development by setting tasks and targets in terms of development and guidance of the employees, and by assessment that focuses on personnel development.

Chart 2 Challenge Sheet Interview



Education and Training Programs

Toyota Industries provides multi-layered and specialized area education and training to employees in technical positions and those in office and engineering positions, as well as a range of other programs.

In multi-layered education, knowledge and skills required for each layer is clearly defined according to the length of service and qualification of the employee. Then education and training are provided to suit each level. Specialized area education promotes the attainment of highly specialized knowledge and skills with the help of internal and external instructors who have extensive knowledge in their respective fields.

In addition, Toyota Industries provides a range of programs. These include a global human resource development program, the License Power Qualification Attainment Support Program for acquiring official certifications, and the Trade Certificate Attainment Support Program for acquiring both national and company trade certificates.

The training structure and all education and training are explained to all employees in the Guide to Education and Training.

Development of TPS (Toyota Production System) Human Resources

Since the establishment of Toyota Industries by Sakichi Toyoda and subsequent management by Kiichiro Toyoda, manufacturing processes have incorporated the concepts of jidoka*¹, or “automation”, and Just In Time*². These concepts are fundamental to the Toyota Production System (TPS), which the company employs to ensure efficient production through continuous improvement. The development of human resources that will lead the company into the next generation is promoted by adhering to these concepts. There is also the TPS School, where fundamental education and practical experience are provided to strengthen human resource development.

*1 Jidoka is a feature of the manufacturing process where machines and lines stop automatically when machine trouble or a defect occurs.

*2 Just-In-Time is an original Toyota Production System concept whereby only the necessary quantity of products is manufactured when required

Development of Young Technicians

“Manufacturing is about developing people.” Based on this idea, Toyota Industries has long been addressing the development of young technicians who have both highly advanced and practical skills. The company established the “Gino Senshu Gakuen (Technical Training School)” in 1982 where training is provided in three areas, namely the academic training to acquire knowledge, practical training to acquire skills, and mental training for character building. 1,267 employees have completed the course as of the end of FY 2005, which accounts for approximately 20% of technically oriented employees.

Case Study Technical Training Center is Newly Opened

In April 2004, the “Technical Training Center” was newly opened in order to provide a better educational base for technicians who support manufacturing. A wide range of skills training and courses for obtaining safety certifications are provided at the center. The center plans to develop technicians for the entire Toyota group in the future.



Technical Training Center
(in the grounds of the Obu Plant)

Development of Global Human Resources

Aiming to develop global human resources, Toyota Industries has introduced two programs. One is the Global Human Resources Registration and Development Program, which implements planned human resource development to realize the overseas corporate strategy. The other is the Global Challenge Registration Program, which supports the self-development of employees who aspire to take an active part in our global operations.

The Global Challenge Registration Program is for employees who are voluntarily improving their language ability and basic international understanding. Any employee can register for this program with the approval of their superior. Once registered, the employee can receive financial support to attend a language school or to take part in distance learning, and participate in study sessions to promote understanding of different cultures.

Business Manner Follow-ups

As the number of opportunities to be in direct contact with clients increases, and corporate ethics responsibility becomes more important, Toyota Industries is providing follow-ups concerning business manners. Employees who have attended business manner training act as manner leaders to improve manners at each workplace.

We are also promoting mutual communication by introducing many activities.

Case Study Management Training

Toyota Industries has been providing Management Training once a year since FY 2004, for our 1,500 executives and managers to ensure that they are fully familiar with and understand the details of issues they should be aware of as a manager concerning human resources development, industrial relations, and compliance. Similar training is also provided to approximately 40 agents and 40 affiliated companies in Japan.

Review of the System of Invention by a Corporate Researcher Following the Amendment of the Patent Law

Article 35 of the Patent Law (concerning the system of invention by a corporate researcher) was amended and came into force in April 2005. The amendment aimed to clarify the determining criterion for the value of invention. The new law specifies that the value of the invention by a corporate researcher should flexibly reflect the situation of the company and the inventor, and that it is appropriate to leave the decision to the voluntary agreement between the company and the inventor.

Toyota Industries has reviewed this system of invention by a corporate researcher to encourage the willingness to invent and for the further development of the company.

Details of review:

- Establishment of internal regulations regarding discussions between the company and the inventor (employee)
- Inform inventors (employees) of regulations established
- Established system for submitting opinions and comments regarding determining value of inventions

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Supporting Balance between Family and Work

Declining birth rates, an aging society, and the increasing prevalence of nuclear families have led to an increasing number of cases where the company's employees are the supporter of children and care provider for an aged person. An increasing number of employees have to engage in child raising and nursing care for the elderly due to the declining birth rate, aging society and spread of nuclear families. Toyota Industries is actively involved in creating programs and encouraging a workplace culture that enables employees to balance their family and workplace commitments, without having to sacrifice one for the other.

Furthermore, in response to the implementation of Policies and Measures to Support Fostering Next-Generation Youth (effective from April 1, 2004), which clarifies the responsibility of the central and local authorities, business proprietors, and citizens to ensure an environment where the next generation of youth can be born and grow up in good health, Toyota Industries has formulated the Action Plan (2005 – 2007) in accordance with the guidelines stipulated in the law to further improve the employment environment to ensure balance between child-rearing and work.

Family-Work Balance Programs ▶Table 1

As part of the Family-Work Balance Programs, Toyota Industries introduced the Child Care Leave Program in 1991. A total of 347 employees have utilized this program as of August 2005.

The period for child care leave was extended in 2003 until the child reaches two years of age. After this change, the number of employees on leave for more than 1 year accounts for approximately 40% of employees on leave. In principle, employees coming back from leave go back to their original workplaces. Male employees are also encouraged to take child care leave via participation in a training program.

In addition to the child care leave program, Toyota Industries has introduced the Emergency Child Care Leave program in 2003 to enable employees to take a leave of absence in case a child is ill or injured in an accident.

Encouraging a Workplace Culture that Supports the Family-Work Balance

In order for the various support programs to balance family and work to function effectively, a workplace culture is needed that makes the utilization of these programs easier. For example, in order to promote utilization of the child care leave program, employee concerns regarding returning to work need to be resolved as well as ensuring the superior's understanding. Hence, Toyota Industries ensures that the details of the programs and the application process are well understood through information provided on the intranet and handbooks. In addition, when the application for child care leave is made, the employee who is applying for the program, and his/her superior, and HR Division staff meet and talk in order to improve the workplace awareness of the support programs.

Furthermore, regular communication is maintained with employees on leave through invitations to workplace recreational events, informal get-togethers, company newsletter, and other information provided concerning the workplace, in order to provide an environment that makes the employee's return to the workplace trouble-free. When an employee returns to the workplace after a period of leave, the superior adjusts the employee's workload to ensure a smooth return.

Toyota Industries also has other measures, such as a Flexible Time Program, No Overtime Day, Family Day, and a Half Day Paid Holiday program, in order to encourage an environment that supports balance through modulated working patterns.

Table 1 Family-Work Balance Programs

Program	Contents
1. Child care leave	Until the child reached two years of age
2. Emergency child care leave	Up to five days of leave per year to care for an ill pre-school child or an infant.
3. Overtime restriction	Restrictions available for a minimum of one month and a maximum of one year. Overtime restricted to 24 hours per month or 150 hours per year. (No limit on the number of applications accepted)
4. Late-night shift exemption	Exemption available for a minimum of one month and a maximum of six months. (No limit on the number of applications accepted)
5. Reduced working hours	Until the child reaches three years of age. Exemption from overtime and weekend work. Application for staggered hours and flex-time work schedule
6. Employer-owned day care facility	Access to day care facility operated by Sun Staff, Inc., (100% subsidiary)

Benefits

Toyota Industries offers a wide range of programs in order to promote a sense of reassurance and the confidence of employees and their families through effective benefit packages. The company endeavors to provide opportunities to interact at workplaces and with families and support life plans.

Table 2 A List of Main Benefit Packages

Program	Contents
Refresh Support	Recreational facilities, employee club, employee travel subsidy, corporate sports club membership
Life Design Support	Company accommodation, dormitory, employees' savings scheme, employee share-holding, comprehensive insurance, life design training, etc.

Focus on Safety and Health Management

High standards of health and safety at all workplaces and the health of all employees are essential for a healthy and habitable work environment. Toyota Industries is addressing health and safety management with an emphasis on the prevention of industrial accidents and illnesses.

Improvement in Health and Safety Standards ▶Graph 2, 3

Toyota Industries is continually implementing activities for the prevention of industrial accidents and creation of a pleasant work environment led by the Health and Safety Committee, according to the policy to improve the health and safety standard based on the Occupational Safety and Health Management System (OSHMS)*.

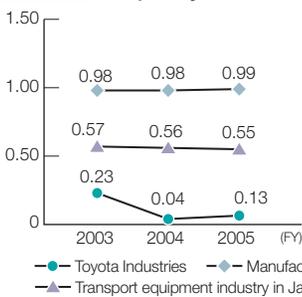
In FY 2005, the company proceeded with its effort to improve the health and safety management standard by establishing the OSHMS and to promote activities to build OSHMS at affiliated companies. Each department was assessed and progress status verified in terms of the OSHMS establishment. Emphasis was placed on core

safety activities which reduce risk factors existing in operations and facilities, rather than relying on the attention of the operator, and on improvement to the work environment by addressing the issues of dust and noise. For affiliated companies, training and guidance are provided for the establishment of OSHMS.

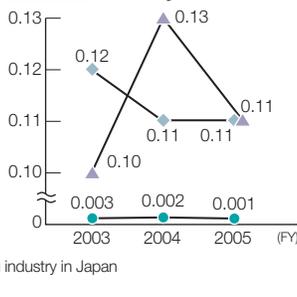
As a result of these activities, Toyota Industries is maintaining a lower rate of industrial accident occurrence than the industry average.

* The Occupational Safety and Health Management System is a safety and health management framework that aims to reduce latent dangers that exist in the workplace and improve the standard of workplace safety.

Graph 2 Frequency Rate



Graph 3 Severity Rate



Frequency rate
 $\frac{\text{the number of accident sufferers resulting in lost workdays}}{\text{total working hours}} \times 1,000,000$
 (Value indicates the frequency of occurrence of accident sufferers per 1 million working hours.)

Severity rate
 $\frac{\text{work-days lost}}{\text{total working hours}} \times 1,000$
 (Value indicates the severity of the accident per 1,000 working hours.)

Case Study Supporting Health and Safety Activities at Affiliated Companies

Toyota Industries provides site checks and guidance for affiliated companies both in Japan and overseas (13 companies in Japan and 9 overseas) in order to improve their health and safety standards. A compliance workshop was provided to the domestic sales agent of TOYOTA Material Handling Company (industrial vehicle business). In addition, study sessions were provided for 13 affiliated companies in Japan with a view to introduce the Occupational Safety and Health Management System (OSHMS) at affiliated companies. Toyota Industries will provide support on a continuous basis for the establishment of the system. The company will also provide guidance to affiliated companies overseas to introduce the system.

Employee Health

Toyota Industries aims to better equip its employees and workplaces to cope with risks such as aging and increased stress, and is promoting health activities that include prevention of lifestyle-related illnesses and mental health care.

Prevention of Lifestyle-Related Illnesses

Toyota Industries is implementing a broad range of programs aimed at preventing lifestyle-related illnesses among employees. These include health education such as health improvement seminars and backache prevention classes, as well as various events such as hiking and non-smoking campaigns.

In FY 2004, the company established the Employee Health Promotion Committee in collaboration with the corporate

health insurance society and the labor union to actively promote educational activities. Toyota Industries is committed to promoting employee health across the board.

Promoting Mental Health

As for mental health care, Toyota Industries focuses on prevention, early detection and care.

Mental health education is included in the layered education for newly-appointed managers, and workplace counselors are appointed at 19 model workplaces, achieving steady results. Specialist consultation services are provided both internally and externally so that employees can talk freely to someone about their problems.

In addition, a company-wide meeting was held concerning mental health during the industrial health week to help each employee detect stress and take early action to resolve the situation. Educational articles were also published in the Monthly News section on the intranet as a 12-part series.

In parallel with these activities, efforts are also made to provide an environment where employees who have been away from work find it easier to return to the workplace. As part of this effort, the Preparatory Work System was introduced on a trial basis in September 2004.

This system allows for shortened working hours (i.e., work in the morning only) for a specified period (based on the judgment of an industrial physician) to reduce the psychological burden on employees when they return to the workplace after a long absence, by gradually re-acclimatizing them to the normal working pace.

Management of Working Hours and Encouragement to Take Paid Annual Holidays

Toyota Industries is endeavoring to manage working hours and encouraging the taking of paid annual holidays for the continued health of employees and to ensure efficient business operations.

With regards to working hours, excessive working is prevented by maintaining close communication about work matters with superiors and by reserving a day to leave work on time.

When overtime worked exceeds 40 hours in a month, the employee concerned is encouraged to fill in a questionnaire and consult an industrial physician for advice and guidance. When overtime exceeds 60 hours a month, or overtime exceeding 40 hours a month continues for 4 consecutive months or more, a health check and consultation with the industrial physician is given to check the mental and physical health of the employee.

Toyota Industries also encourages employees to take paid annual holidays in a planned manner. The average number of days taken in FY 2005 was 18.3 days.

Support for Employees on Overseas Assignment

As the globalization of workplaces progresses, the importance has grown of managing the health of employees on overseas assignment. Toyota Industries provides medical examinations before, during and after the overseas assignment for employees as well as their families. In addition, industrial physicians of Toyota Industries visit overseas workplaces on a regular basis to provide health consultation.