Responsibility to the Stakeholders of the Toyota Industries Group

Developing Our Business Operations while Remaining Conscious of Our Responsibilities

Management

- Strengthen corporate governance and enhance compliance

Our Customers

- Provide products and services that satisfy our customers’ needs
  - Maintain and improve quality
  - Offer better sales and services
  - Reflect customer needs in product development proactively
  - Promote communication with customers
  - Disclose product information honestly and properly
  - Protect customers’ confidential information and personal data
  - Improve quality throughout the supply chain

Our Shareholders

- Boost corporate value and enhance communication with shareholders
  - Distribute returns to shareholders
  - Develop businesses proactively
  - Disclose information that is complete, accurate, and in a timely manner
  - Improve our evaluations made by outside organizations
  - Promote investor relations

The Global Environment

- Consider the environment in product and service
  - Reduce the amount of substances of concern used
  - Reduce the environmental impacts associated with product use
  - Disclose environmental data honestly and properly

- Realize compatibility between environmental conservation and profit generation
  - Prevent environmental accidents, etc.
  - Improve our environmental evaluations by outside organizations
  - Disclose environmental data honestly and properly

Graph 1: Breakdown of Sales by Customer (Consolidated) FY 2007

- Toyota Motor Corporation: 35.5%
- DENSO Corporation: 6.7%
- Other: 57.8%

Graph 2: Breakdown of Shareholders FY 2007

- Financial Institutions: 21.1%
- Other Corporate Entities: 46.0%
- Brokages: 0.5%
- Foreign Corporate Entities and others: 20.8%
- Individuals, etc.: 11.6%
- Total: 325,840,640 shares
Our Business Partners (Suppliers)

Construct cooperative relationships based on mutual trust and prosperous co-existence

- Procure supplies through open and fair processes
- Comply with laws and regulations to facilitate fair trade
- Take care of and support business partners
- Promote close communication with business partners

Our Local Communities

Ensure symbiosis with communities

Promote and support:

- Traffic safety
- Youth development
- Conservation of historic sites and traditional culture
- Arts and culture
- Social welfare activities
- Health and medical science
- Aid to disaster areas
- International exchanges

Our Employees

Ensure a workplace where each employee can work safely and enthusiastically

- Improve occupational health and safety
- Support employee health management
- Respect human rights
- Maintain employee-management relations based on mutual trust
- Provide secure employment opportunities
- Respect diversity and promote equal opportunities
- Facilitate human resource development and create a motivating work climate
- Support employees in balancing their family and work commitments

Consider the environment in procurement processes

- Control hazardous substances contained in procured raw materials and parts
- Support environmental conservation activities

Promote environmental conservation and environmental education in local communities

- Support nature protection activities and environmental conservation activities in local communities
- Prevent atmospheric, water, and soil pollution
- Respect biodiversity
- Prevent environmental accidents, etc.
- Promote environmental education and raise awareness among local residents
- Disclose environmental data honestly and properly

Raise employee awareness about the environment and promote their involvement in environmental activities

- Promote job performance that considers the environment
- Implement environmental education and awareness-raising activities
- Support voluntary actions of employees to conserve the environment

Graph 3: Percentage of Suppliers Subject to the Subcontract Act (Non-consolidated) FY 2007

- Approximately 1,500 Companies

Graph 4: Social Contribution Activities FY 2007

- Total ¥822 million

Graph 5: Number of Employees (Consolidated)


(Other 4%; Total 53%)
Maintaining and Enhancing Efficient Management and the Fairness and Transparency of Corporate Activities

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.
Corporate Auditor’s Office Work for Corporate Auditors to Strengthen Monitoring Functions

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>
<thead>
<tr>
<th>Audit</th>
<th>Principal Duties and Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audits by Corporate Auditors</td>
<td>Auditing of duties carried out by Directors (achieved through attendance at meetings, inspection of documents, independent investigations first-hand and interviews, etc.)</td>
</tr>
<tr>
<td>Audits by Independent Auditors</td>
<td>The appropriateness of matters associated with financial statements (achieved through surveys of documents, interviews, initial investigation, etc.)</td>
</tr>
<tr>
<td>Internal Audits</td>
<td>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.)</td>
</tr>
</tbody>
</table>

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

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.
Compliance

Not Just Complying with the Laws and Regulations, but also Respecting Local Culture and Customs

The Corporate Code of Conduct Committee Leads the Way in Enforcing Compliance

Toyota Industries perceives compliance to be observing laws and regulations in addition to respecting local culture and customs in a manner that is in tune with the changing times. The Corporate Code of Conduct Committee plays a central role in strengthening the company's systems and mechanisms, stipulating conduct guidelines, and making every effort to ensure that all employees are informed through education and enlightenment activities. Toyota Industries is also tackling the issue of enhancing compliance at domestic and overseas affiliates. In addition, the Purchasing Department carries out compliance checks of our business partners.

The Corporate Code of Conduct Committee is in charge of controlling the group's overall corporate activities regarding compliance and responses to crises. Consisting of Directors, as well as Managing Officers and Corporate Auditors, the Committee meets at appropriate times to confirm the status of any important incidents that may have occurred, along with the countermeasures and responses that were adopted. They then draw on these outcomes when deliberating the matters to be dealt with in the coming fiscal year.

Under the aegis of the Corporate Code of Conduct Committee, the company designated a number of departments as legal compliance departments to provide thorough instructions to other divisions and departments on legal compliance, while the company as a whole is currently undertaking further efforts to strengthen our compliance system. The company also established the Compliance Subcommittee and the Data Security Subcommittee. These Subcommittees are comprised of Chairmen who are nominated from among the directors and members of relevant divisions and departments, and meet each month to consider concrete measures aimed at boosting compliance based on individual action plans. The Audit Office and designated legal compliance departments cooperate in supervising the compliance of individual divisions, departments, and affiliates at home and overseas.

The designated legal compliance departments are also responsible for company-wide employee education programs centering on individual positions and specialties. The company also carries out various educational activities to enhance employee awareness.

In addition, lawyers from outside of the company are being invited to give regularly scheduled legal workshops for our Directors and Managing Officers.

Conduct Guidelines: “Handbook for Corporate and Employee Conduct”

To ensure thorough compliance throughout the company and among all employees, Toyota Industries compiled concrete conduct guidelines into the “Handbook for Corporate and Employee Conduct” (first edition 1988, revised in November 2006), and requires all employees to observe ethical and sensible behavior. The handbook declares that the company and all employees must, as a matter of course, be law-abiding, and clearly describes what is considered acceptable and unacceptable behavior from the viewpoint of corporate ethics. These conduct guidelines are the basis of our group's corporate activities and are further spread through ongoing education and training.

Designated Legal Compliance Departments Enforcing Compliance with Laws and Regulations

To ensure thorough compliance with the spirit and the letter of the law, eleven departments in our Corporate Center, including the Legal Department, serve as designated legal compliance departments that work to ensure compliance with relevant laws and regulations throughout the company. The individual departments draw up activity plans each fiscal year and maintain their familiarity with new legislation and revisions of laws and regulations. They also consider responses to revisions of existing mechanisms, streamline rules and manuals, ensure that the entire company is well-informed through in-house education programs, and confirm and direct compliance in related departments through compliance audits. The Corporate Code of Conduct Committee monitors these activities and, where necessary, puts forward proposals to the President in order to reinforce them.

Table 1: Designated Legal Compliance Departments

<table>
<thead>
<tr>
<th>Division/Department</th>
<th>Laws and Ordinances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal</td>
<td>Corporations Law, Product Liability Law, Anti-Monopoly Law, Personal Information Protection Law, Securities and Exchange Law, etc.</td>
</tr>
<tr>
<td>Human Resources</td>
<td>Labor Standards Law and other labor-related legislation</td>
</tr>
<tr>
<td>General Administration</td>
<td>Traffic Laws, etc.</td>
</tr>
<tr>
<td>Accounting</td>
<td>Corporations Law, Securities and Exchange Law, Corporation Tax Law, Consumption Tax Law, etc.</td>
</tr>
<tr>
<td>IT</td>
<td>Unauthorized Computer Access Law, etc.</td>
</tr>
<tr>
<td>Purchasing</td>
<td>Subcontract Act, etc.</td>
</tr>
<tr>
<td>Safety, Health &amp; Environment</td>
<td>Industrial Safety and Health Law, Environment-related laws, etc.</td>
</tr>
<tr>
<td>Plant Engineering</td>
<td>Energy-related laws, Construction-related laws</td>
</tr>
<tr>
<td>Intellectual Property</td>
<td>Unfair Competition Prevention Law, Patent Law, Copyright Law, etc.</td>
</tr>
<tr>
<td>Logistics</td>
<td>Foreign Exchange and Foreign Trade Control Law</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>PRTR (Pollutant Release and Transfer Register) Law</td>
</tr>
</tbody>
</table>

Towards Timely Information Gathering and Rapid Responses

“Report Criteria” Have Been Established to Speed up Identification of Serious Problems and Incidents

A “report criteria” scheme has been set up to facilitate rapid understanding of the situation and appropriate responses in cases...
where serious problems and incidents that may be in breach of compliance rules occur. The scheme establishes a mechanism whereby reports are submitted immediately to top management by Directors in charge of divisions and Corporate Center’s departments.

Report criteria provide concrete standards for making judgments on whether reports are necessary or not, and are linked with the problem-solving rules and manuals of each department.

Various other consultation desks have been set up to create a system that offers appropriate responses to the opinions and requests of customers and local residents, and to the troubles and questions raised by employees and their families.

### The Compliance Monitoring System

The Audit Office, under the direct jurisdiction of the President, takes the lead in monitoring compliance and cooperates with the internal compliance audits carried out by designated legal compliance departments. Toyota Industries believes it is necessary to strengthen the system on an ongoing basis as internal compliance audits are playing an even greater role in compliance activities as the business expands and globalizes.

Toyota Industries carries out compliance audits at all its domestic affiliates - some 40 companies in total - including non-manufacturing affiliates of materials handling equipment business on a three year cycle. We have also set up a compliance auditing framework for our overseas affiliates, separated into three regions – North America, Europe, and Australia/Asia. Since fiscal year 2004, Toyota Industries North America, Inc. (a holding company in the U.S.) and the Audit Office have carried out compliance audits of operations in three-year cycles in North America and the Australia/Asian region respectively.

The results of compliance audits are communicated to the affiliates’ President and management, as well as to the General Manager of the responsible division. Both cooperate in making improvements to the relevant activities, and the Audit Office confirms the status and results at appropriate times.

With regard to our business partners, the Purchasing Department carries out compliance checks of Hoeikai, Toyota Industries suppliers’ association, with special emphasis on safety and the environment.

### Consultation Desks Set Up to Deal with Corporate Ethics Matters and Similar Issues

Toyota Industries has set up a Corporate Ethics Consultation Desk staffed by an outside attorney to provide employees with consultation services pertaining to compliance. As every consideration has been given to protecting privacy and preserving confidentiality, any employee may approach the consultants in full confidence that their interests will not be jeopardized in any way.

### Contact Points for Issues that Occur

<table>
<thead>
<tr>
<th>Issue Type</th>
<th>Issues Handled</th>
<th>Contact Point/Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Ethics</td>
<td>Consultations on doubts and issues concerning ethics, unlawful behavior and illegals</td>
<td>Outside attorneys</td>
</tr>
<tr>
<td>General Administration</td>
<td>Interface for various opinions, requests and information from people outside the company, such as local residents, and employees</td>
<td>General Administration Department</td>
</tr>
<tr>
<td>Physical and Mental Health</td>
<td>Health counseling from company doctors and nurses</td>
<td>Health Care Administration Office</td>
</tr>
<tr>
<td>Mental Health Counseling</td>
<td>Telephone consultations and interview counseling with external counselors</td>
<td>Health Insurance Association</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>Consultation on problems relating to work and private life, financial problems, educational problems, nursing care problems</td>
<td>Toyota Industries Well Support Corporation</td>
</tr>
<tr>
<td>Equal Opportunity Employment for Men and Women</td>
<td>Consultation concerning equality of employment opportunities, support for workers with childcare responsibilities, rules of employment, etc.</td>
<td>Global Human Resources Department</td>
</tr>
<tr>
<td>Customer Consultation</td>
<td>Inquiries concerning products, quality, servicing, safety, etc.</td>
<td>Domestic Sales and Marketing Department, TOYOTA Material Handling Company</td>
</tr>
<tr>
<td>Law and Contract</td>
<td>Consultation on legal and contractual matters pertaining to operations</td>
<td>Legal Department</td>
</tr>
<tr>
<td>Subcontracting</td>
<td>Consultation on legal matters relating to the Law on the Prevention of Delay in the Payment of Subcontracting</td>
<td>Purchasing Department</td>
</tr>
</tbody>
</table>

### Response to Personal Data Protection

From fiscal year 2005, the Legal Department initiated an in-house education program for matters pertaining to personal information protection in response to the enforcement of Japan’s Personal Information Protection Law in April 2005. It also worked to disseminate information about the purpose of this law and an overview of the law and its corresponding matters throughout the company via our intranet and workplace meetings. It also strove to secure customers’ information by setting organizations and assigning managers to protect personal data.

### Table 2 Report Criteria Examples

<table>
<thead>
<tr>
<th>Business Area</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality Assurance</td>
<td>Injury, accident or property damage caused by quality defects</td>
</tr>
<tr>
<td>Accounting</td>
<td>Discovery of covered up losses, accidents, criminal activities, information leaks</td>
</tr>
<tr>
<td>General Administration</td>
<td>Discovery of illegal payoffs</td>
</tr>
<tr>
<td>Safety, Health and Environment</td>
<td>Administrative penalties, serious accidents</td>
</tr>
<tr>
<td>Human Resources</td>
<td>Disciplinary actions</td>
</tr>
<tr>
<td>Purchasing</td>
<td>Illegal or illicit trade practices</td>
</tr>
<tr>
<td>Logistics</td>
<td>Noncompliance with trade control laws</td>
</tr>
<tr>
<td>IT</td>
<td>System outage caused by computer virus</td>
</tr>
</tbody>
</table>
On December 18th, 2006, CESAB was awarded the 2006 “International Best Factory Award (IBFA)” in recognition of the excellent performance of their factory in the Italian city of Bologna that produces industrial vehicles. The award is sponsored by the prestigious Bocconi University Business School, “SDA Bocconi”, which is a world authority in economics and management, and the leading Italian business newspaper, “Sole 24 Ore”. CESAB’s extraordinary flexibility, quality, innovation, and exceptionally efficient supply chain, were evaluated highly overall.

Case Study
“International Best Factory Award”
Cesab (Italy)

On December 18th, 2006, CESAB was awarded the 2006 “International Best Factory Award (IBFA)” in recognition of the excellent performance of their factory in the Italian city of Bologna that produces industrial vehicles. The award is sponsored by the prestigious Bocconi University Business School, “SDA Bocconi”, which is a world authority in economics and management, and the leading Italian business newspaper, “Sole 24 Ore”. CESAB’s extraordinary flexibility, quality, innovation, and exceptionally efficient supply chain, were evaluated highly overall.

Establishing Day to Day Quality Assurance Systems
To develop and supply products from the customer’s viewpoint – this philosophy summarizes Toyota Industries’ comprehensive “market-in” approach.

In all processes, predetermined procedures must be carried out according to instructions in order to ensure that no defective items proceed to the next stage. In this way we are aiming to achieve manufacturing with own-process completion. This is vital for ensuring that the company only manufactures high quality products.

Whenever any of Toyota Industries’ business divisions develops a new product, it uses a design review (DR) system to evaluate quality at all stages until customer satisfaction is achieved. This ensures that no product progresses to the next stage unless established target levels have been achieved.

Once new products are launched and important customer information reaches the quality assurance department of each division, it is fed back to the responsible department (such as design and manufacturing) and countermeasures are quickly developed. At the same time, the DR system is reviewed to prevent a recurrence of any problems in subsequent models.

While everything is done in the production process to prevent defective products from proceeding to the next stage of the production process or leaving the factory, we also proactively tackle quality improvements on five levels, including cleanliness and neatness.

In 2006, we started a new “Thank-you-for-finding-the-problem award” at Toyota Industries to honor associates who sensed something unusual or different in their work and thereby detected a defect in the early stages, as well as to honor their superiors who took the necessary actions to help solve the problem.

Reflecting Customers’ Opinions Directly in Quality Improvements
In manufacturing, Toyota Industries devotes enormous efforts to the research and development of new functions and other features, endeavoring to develop products that are ahead of the curve. Using the design review (DR) system, General Managers of divisions evaluate every step of the production process, from product planning to design, production preparations, production, initial quality, and customer satisfaction levels.

For example, in the textile machinery business, when we deliver new machines to textile manufacturers in various parts of the world, we ask them to evaluate the product for us. These comments not
only help us in the development of new products, but also enable us to enhance our after-sales service.

In the materials handling equipment business, in which distributors and dealers handle sales and after-sales service, we attempt to ensure that customers can use our products in an excellent condition and that they are free of material defects. Distributors and dealers work together to optimize their response to customers while Toyota Industries has established customer consultation desks that enable us to interface with customers directly. The distributors, dealers, and Toyota Industries marketing staff also visit customers to conduct actual usage fact-finding surveys.

Individual comments and requests received from customers in this way are promptly fed back to the relevant section, such as design, and a response is then given to the customer through the dealers.

In addition to these day-to-day activities, since fiscal year 2006, TOYOTA Material Handling Company’s Global Quality Assurance Department has acted as a secretariat for the distribution via product delivery trucks of customer questionnaires about our products and services, a scheme that is initially being limited to Japan. The secretariat collects the results of these surveys every three months and posts them on the company intranet.
Quality Assurance across the Entire Global Supply Chain
As a company that supplies products to the global market, we believe that customer confidence in our quality is synonymous with the Toyota Industries brand, and is a precious element of our corporate value that must be preserved. We therefore aim to implement quality assurance activities that cover our entire global supply chain, including affiliates and business partners in Japan and overseas. (See the section on Responsibility to Our Business Partners on pages 25-26.)

All of Toyota Industries' plants are certified in international standards for quality management systems (ISO 9001, etc) and we are making efforts to encourage our affiliates to obtain similar certifications.

We see certification in international standards such as these as a springboard towards the establishment of our own more advanced systems. If, after certification is obtained, our own systems exceed an international standard, making renewal of that certification unnecessary, then we may decide not to renew it at that time.

Dealing with Significant Quality Issues
In cases where serious quality issues arise, such as “accidents due to quality that result in personal injury, or property damage”, the Quality Assurance Department of the responsible division must, in accordance with our Rules for Dealing with Significant Quality Issues, minimize the trouble to customers by promptly devising countermeasures, while at the same time having the General Manager of the division report the issue to the President and the Executive Vice President in charge of quality. In addition, based on information provided to the Global Quality Control Department at the Corporate Center through the “Significant Quality Issues Notification Form”, the Director in charge of quality will carry out quality audits as necessary to prevent recurrence of the problem and ensure deployment of countermeasures in similar areas. This mechanism is also incorporated into our report criteria system used for collecting information pertaining to compliance, and functions in conjunction with that system.

For significant quality issues that require recalls, the division sets up Recall Preparation Conferences within divisions to devise countermeasures. Once the General Manager of the division submits a report to the President and the Executive Vice President in charge of quality, a report is filed with the relevant regulatory authority. The company also informs customers by direct mail, and carries out repairs and other measures free of charge as soon as possible. After confirming the actual progress of the recall, the President then submits a recall report and an implementation report to the relevant regulatory authority. The Audit Office at the Corporate Center also monitors whether these integrated mechanisms for dealing with market quality issues are functioning properly.

Quality Guidelines
Bearing these results in mind, we confirm significant quality issues that reflect last year’s quality problems and the President issues the President’s Guidelines (Quality Guidelines) to the entire company at the beginning of each fiscal year. The Executive Vice President in charge of Quality confirms the implementation of the Guidelines through the Quality Functional Committee, including special shop quality inspections held at the divisions each year.

In fiscal year 2008, in order to achieve “zero inconvenience”, every division and department will go back to the basics of “customer first”, fulfill each role, promote own-process completion activities, and never allow the outflow of defects from their own process.

Toward “Zero Inconvenience” to Our Customers, Regarding Our Customers as the Next Step in the Production Process
Production has continued to expand in fiscal year 2006 and fiscal year 2007, and the percentage of temporary workers, particularly seasonal contract workers, has also risen steadily. In response, “Customer First”, “Zero Inconvenience” to our customers and, “Creation of a Workplace in which Every Worker Continually Pursues Quality First under Strong Leaders” were the slogans contained in the fiscal year 2008 Quality Guidelines.

Under this approach, it’s necessary for every leader in all of our workplaces to display leadership and encourage everyone to be properly aware of their roles. Therefore, we promote QC circle activities in which everyone participates, including seasonal contract workers. In the past, permanent employees in the engineering departments (design and manufacturing) of all divisions and some indirect administrative departments in the Corporate Center have participated in these kinds of QC circle activities, but today, seasonal contract workers also participate in these QC circles as much as possible during their working hours.
Toyota Industries sees the benefits of shareholders as one of its most important management policies, and seeks to enhance corporate value by pursuing proactive business development while working to expand and strengthen its business structure.

Based on this policy, we try to meet shareholder expectations by focusing on consolidated dividend payout ratios while giving due consideration to performance and funding demands.

The full-year dividend was ¥50 per share in fiscal year 2007, compared with ¥38 in fiscal year 2006. The dividend payout ratio has continued to rise for the past three years, and the consolidated dividend payout ratio was 26.3%, 0.3 percentage points higher than the previous fiscal year. In order to secure profits for shareholders in the future, retained earnings are due to be applied in order to enhance product marketability, streamline and strengthen domestic and overseas production and sales structures, develop new business sectors, and acquire treasury stock.

There has also been an increase in the number of occasions when the company has received strong appraisals regarding its corporate social responsibility from external organizations.

Toyota Industries has been evaluated by the stock market as a company that is proactively fulfilling its social responsibilities, and its shares have been incorporated into the FTSE4Good and other world-standard SRI indexes, as well as various SRI fund (investment trust) portfolios. (SRI: Socially Responsible Investment.) In addition to evaluations that use financial analyses, investors use this method of investment for evaluating activities that take into consideration the environment and society with a view to selecting specific issues for investment or for using SRI funds.

As a result of its proactive efforts to promote its business and stabilize its financial position, Toyota Industries earned bond ratings of AA from S&P and AA+ from R&I in fiscal year 2007.

In order to fulfill its responsibilities to its shareholders, Toyota Industries must not only work on disseminating information about itself, but also constantly endeavor to identify the sort of information shareholders want, as well as what they expect of the company.

To ensure this occurs, we have established a contact point for shareholders and investors on our IR website where we can respond to shareholder and investor opinions and questions.
Responsibility to Our Business Partners

Toward Co-Existence and Co-Prosperity with Our Business Partners

Working to Realize Co-Existence and Co-Prosperity with Our Business Partners, Based on Fair Trade and Transactions

Toyota Industries conducts a wide range of business operations and procures components, materials, and equipment in a variety of areas from business partners all over the world.

We work toward the realization of co-existence and co-prosperity with our business partners from a long term perspective. In addition to purchasing goods at lower costs and with better quality at the time they are needed based on fair trading practices, we cooperate with our business partners in responding to social demands, including environmental conservation.

Procurement Policy

Fair Competition Based on an Open Door Policy
We have an open and fair entry process that allows all potential suppliers, regardless of nationality, size, and experience, the same chance to offer us their products or services. We select our business partners based on economic reasons such as the quality, price, and volume of their products, as well as on their adherence to delivery times. In addition, we also consider comprehensively things like environmental awareness, company stability, and technological development ability.

Amicable Relationship of Mutual Benefit Based on Mutual Trust
At Toyota Industries Corporation we work hard to realize an amicable relation of mutual benefit with our suppliers based on mutual trust.

We also believe that it is important to promote friendly communication with our suppliers by means of our procurement activities.

Environmentally-Friendly Products Based on "Green Procurement"
In order to create environmentally-friendly products we aim to procure parts, materials, and equipment that have low environmental impact from suppliers that always give sufficient consideration to the environment.

Localization of Business Based on Good Corporate Citizenship
As a company that undertakes local production overseas, we promote procurement from local suppliers in order to contribute to the local community.

Compliance with the Law
It is Toyota Industries’ policy to strictly abide by both the letter and spirit of laws and regulations and to also carefully handle and protect our partner’s secret corporate information.

Conducting Procurement Policy Explanatory Meetings
Toyota Industries strives for communication with business partners in various forms in order to enhance mutual trust. The company holds procurement policy explanatory meetings for major business partners in order to explain annual procurement policies and to gain their understanding and cooperation with our efforts.

Furthermore, we hold individual explanatory meetings for important matters, such as our response to social responsibilities and other issues, in order to share information about our respective needs and reinforce our relationships with our business partners.

In March 2005, we held an Environmental Response Explanatory Meeting for most of our business partners, seeking their cooperation in the reduction of substances of concern. In fiscal year 2007, we worked on the training and strengthening of personnel with TPS skills by encouraging our key business partners to take part in the TPS (Toyota Production System) Dojo and received 9 personnel from 8 suppliers.

* TPS Dojo: A training program established in January 2000 for workers to experience for themselves a basic education in the Toyota Production System, in order to develop “thoughts and actions” and acquire kaizen (continuous improvement) skills.

Offering Marketing Opportunities through Open Procurement
Toyota Industries continuously offers open procurement opportunities on our website to achieve broad and open procurement. Together with offering a marketing opportunity for business partners all over the world, we facilitate fairness and equity by ensuring that business partners understand this process through public notification of our standard procurement procedures, from marketing to the conclusion of contracts. To apply, potential business partners must register the status of their environmental certifications, such as ISO 14001, as well as some other basic items such as the scale of their business and financial results.

Establishing a Consultation Center for Business Partners
Toyota Industries has established a consultation center to enhance communication with its business partners in fiscal year 2006. We mainly handle complaints and consultations from business partners regarding subcontracting laws, and make use of this information to maintain mutual trust and improve our procurement activities.

Personnel in a neutral position who are not responsible for the business transactions manage the consultation center within the Purchasing Department.

In fiscal year 2007, the Consultation Center received several requests from Toyota Industries affiliates for consultation about interpretation of subcontracting laws, but there were no consultations regarding problems in transactions with Toyota Industries.

Thorough Checking for Uninspected Items to Prevent Payment Delays
Of our approximately 1,500 business partners in Japan and overseas, about 800 companies (as of the end of March, 2007) are subject to laws concerning subcontracting, which account for more than half the total number. Our focus is, therefore, on compliance with the Japanese law (the Act Against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors), while also working to ensure that trade is conducted on an entirely fair basis.

Whenever an item is delivered by a supplier, it must undergo an acceptance inspection to check whether or not it satisfies the...
required specifications. If the item passes this inspection it is then accepted, and it is only after this process has been completed that payment can be made. Consequently, if we are to prevent delays in payment, it is vital that we make sure that no items slip through the cracks and miss out on acceptance inspections, so the departments responsible undertake thorough checks for any uninspected items at the end of each month. If an uninspected item is discovered the following month, not only must payment be made by the correct date, but the department responsible is instructed to submit a countermeasures report to prevent it from happening again. The Purchasing Department, which is the department responsible for ensuring compliance with subcontracting laws, held in-house training seminars on these laws on 22 occasions in fiscal year 2007, training a total of 700 employees involved in procurement in their respective divisions. This Department also publishes a monthly newsletter entitled “News Concerning Subcontracting Laws” on our Intranet and keeps employees up-to-date as to legislative amendments and important notices.

Supporting Business Partner Reforms
Toyota Industries supports business partners’ efforts to improve their financial standing in order to consistently procure better products. For Hoeikai, which is comprised of 67 business partners working with Toyota Industries, we proactively support quality and cost improvements, safety and health management, and environmental conservation.

We held quality training programs for our business partners on 34 occasions in fiscal year 2007, reaching 466 people. We also provided guidance and cooperation with the improvement of manufacturing processes at production sites on 38 occasions and held a Safety, Health, and Environment Convention. We plan to continue these programs, and will provide an annual schedule.

Promoting Environmentally Friendly Procurement
In order to meet the regulations regarding the use of substances of concern we require the suspension of use, reduction of use, and the management of usage of these substances if they are included in our products or manufacturing processes based on our Environmentally Preferable Purchasing Guidelines.

Our procurement system requires our business partners to submit a banned substances declaration and environmental data including a report on the substances contained in components and other facts. Before purchasing products that will become part of Toyota Industries’ products, the information in these reports is confirmed by our various Quality Assurance Departments. For products that will be used in our production processes, confirmation is carried out by the Safety, Health, and Environment Department of Toyota Industries before purchasing.

In addition, we visit our business partners’ production plants as necessary in order to carry out process inspections. Furthermore, analysis equipment was introduced in fiscal year 2005 in an effort to strengthen management of substances of concern. Random inspections of supplied products are also carried out.

Establishing an Environmental Management System
Toyota Industries recognizes that it is essential to acquire an environmental management system certified by external authorities, such as ISO 14001.

We require business partners who are having difficulties in acquiring certification from external authorities in the interim to implement the Toyota Industries Environmental Management System, which is regulated by Toyota Industries. We fully support our business partners in their efforts to implement this system.

Toyota Industries Substances of Concern Management System

Corporate Governance
Our Customers
Our Shareholders
Our Business Partners
Our Local Communities
Our Employees

Case Study
Meeting to Explain the Revised Environmentally Preferable Purchasing Guidelines

Toyota Industries held a meeting for suppliers to explain our “Environmentally Preferable Purchasing Guidelines (4th Edition)” at Nagoya City Hall on October 13, 2006. This was done in response to the rising need for greater corporate social responsibility, and the expansion in the types of businesses which need to consider this issue. We requested our suppliers to promote environmental conservation activities from the standpoint of thorough compliance with the laws, the prevention of global warming, and the management of environmental risk, etc.
Achieving Co-Existence with Local Communities

Committed to a Wide Range of Corporate Citizenship Activities that Benefit Local Communities

Based on the Guiding Principles for Corporate Citizenship, Toyota Industries is committed to a wide range of social contribution activities that benefit local communities, mainly in the areas of social welfare, education of young people, and environmental conservation. These activities include the provision of human resources to welfare facilities and traffic safety activities, donations to welfare events, community programs for the education of young people, community events, sports events, environmental conservation activities, and provision of company facilities for use in various community activities.

Toyota Industries also continues to support the Toyota Commemorative Museum of Industry and Technology, Sculpture d’Esaka (art museum), and KARIYA TOYOTA General Hospital and is also involved in the management of these establishments.

The total amount of Toyota Industries’ corporate citizenship activities in fiscal year 2007 was 622 million yen.

Guiding Principles for Corporate Citizenship

Basic Philosophy

Toyota Industries is respectful of the people, culture, and traditions of each region and country in which it operates. It also works to promote economic growth and social development in these regions and countries.

Basic Perspective

While achieving corporate development and longevity, Toyota Industries strives to fulfill its role as a good corporate citizen so that the regions that provide a foundation for its corporate activities and the life of its employees become more prosperous and more comfortable to live in. To accomplish this, Toyota Industries actively promotes cooperative support activities with the objective of contributing to local communities through the provision of human resources, facilities, and funds. Toyota Industries’ employees also endeavor to be of service to the community through such means as volunteer activities.

Social Contribution Activity System

Toyota Industries and its affiliates at home and abroad are promoting social contribution activities at each location in accordance with local circumstances. For example, Heartful Group, a volunteer unit established in Toyota Industries’ General Administration Department, drafts annual plans that aim to enhance voluntary activity planning, communication with local communities, and in-house education and enlightenment activities, among other initiatives.

In addition, Toyota Industries has been holding the Inter-affiliates Meeting on Corporate Citizenship twice a year since fiscal year 2005. This event provides us with an opportunity to examine and offer support for the action plans of our domestic affiliates while inviting their participation and collaboration in activities sponsored by Toyota Industries.

In order to promote social contribution activities throughout the Toyota Industries Group, including at our overseas affiliates, Toyota Industries established the Regional Society Contribution Subcommittee under the Corporate Code of Conduct Committee, the committee directly controlled by the President, in fiscal year 2006.

Toyota Industries Heartful Club – A Volunteer Organization Composed of the Toyota Industries Group’s Current and Retired Employees and Their Families

The Toyota Industries Heartful Club is a volunteer organization established by the company in 1997. Its members are current and retired employees (and their families) of Toyota Industries and its affiliates. The aim of the club is to spread the cause of volunteerism and to contribute to the building of a more prosperous society. The Club plans and organizes a variety of volunteer activities, such as taking residents of local welfare facilities out on clam digging expeditions, and a Social Welfare Festival at Toyota Industries’ employee leisure and entertainment facility.

The Heartful Group in the General Administration Office, which is within the General Administration Department of Toyota Industries’ Corporate Center, acts as the secretariat for the Heartful Club, assisting it with the administrative procedures necessary for the organization of these events. The company also subsidizes the costs of the activities. Details of the Heartful Club’s activities can be found on the Toyota Industries website (http://www.toyota-industries.com/csr/social/).

The Regional Society Contribution Subcommittee Starts Working towards the Promotion of Global Activities

Toyota Industries’ Regional Society Contribution Subcommittee is studying medium-term actions that the entire Toyota Industries Group can take to promote corporate citizenship on a global scale and is also considering key activities that will improve our corporate value. In fiscal year 2007, the Subcommittee began a survey of the status of corporate citizenship activities at our affiliates throughout Japan and around the world and also conducted interviews with employees who had worked overseas to develop a Group Social Contribution Action Plan. It has also worked on exchange and
collaboration with non-governmental organizations (NGOs) and
non-profit organizations (NPOs), as well as local community groups
in Japan and overseas to expand the circle of its activities.

So far, Toyota Industries and the eight affiliates involved in the
annual Inter-affiliates Meeting on Corporate Citizenship have
collected ruined postcards and donated them to the Kariya City
They also collect spent prepaid cards, unused stamps, and foreign
currency notes to support Hunger-Free World*2.

In addition to these activities, a new activity adopted by Toyota
Industries in fiscal year 2006 was its participation in the Present from
the Forest Program: A program to preserve Japan's forests
by using lumber from forest thinnings, thus limiting the use of imported
wood and helping to preserve the world's forest resources.

Social Welfare Activities

Participation in the Management of KARIYA TOYOTA General
Hospital*

Toyota Industries and six other Toyota Group companies located in
Kariya City established the TOYOTA-KAI Medical Corporation.
KARIYA TOYOTA General Hospital, which is operated by
TOYOTA-KAI Medical Corporation, opened in 1963. Since then, the
hospital has played a leading public role in providing emergency
medical and other services, and has worked to become a central
hospital for the area that is trusted by and well-loved by the local
community. In a national ranking of hospitals (overall evaluation,
published in March 2004) by Japan's foremost business daily
newspaper, Nihon Keizai Shimbun, Kariya General Hospital was
ranked 8th nationally.

Toyota Industries provides 69 million yen in donations to the
hospital every year and also seconds two employees to work in the
hospital.

*1 World Terakoya Movement: A movement that aims to create the best
environment to teach illiterate people around the world how to read and
write.

*2 Hunger-Free World: An NGO dedicated to eradicating starvation and
poverty around the world.

*3 Present from the Forest Program: A program to preserve Japan's forests
by using lumber from forest thinnings, thus limiting the use of imported
wood and helping to preserve the world's forest resources.

In-House Employee Education and
Enlightenment Activities

To increase employee awareness of social contribution activities and
to encourage their positive participation in volunteer programs,
Toyota Industries provides employees with education aimed at
increasing their understanding of a company's social responsibilities
and the meaning of activities for social responsibility.

Information about volunteer activities and recruitment is provided
to all employees through Toyota Industries' intranet.

Communication with Local Communities

To realize a harmonious co-existence with local residents and
communities, Toyota Industries holds regular meetings with the
members of the local community for the purpose of exchanging
opinions and sharing information and solutions to various problems.
The participants in the meetings are representatives of the local
communities and people from the related departments at Toyota
Industries, such as General Administration, Environment, Public
Affairs, and Human
Resources. Administrators
and legislators also attend the
meetings whenever
necessary. The subjects
discussed include Toyota
Industries' business activities,
environmental risks,
community events, crime and
disaster prevention, and traffic safety.

In addition, Toyota Industries participates in an annual event
entitled “Let's visit production sites”. This event offers people in local
communities the opportunity to tour the factories of the seven
companies comprising the Toyota Group, including Toyota
Industries, based in Kariya City, Aichi Prefecture.
Community Activities

Traffic Safety Activities Aiming to Achieve the Goal of Zero Traffic Accidents

As an automotive-related manufacturer, Toyota Industries is working to set a positive example and achieve the goal of zero traffic accidents by pouring efforts into providing its employees with traffic safety-related educational programs and cooperating with local traffic safety activities.

Toyota Industries’ Central Traffic Safety Committee, comprised of both labor union and management representatives, outlines a safety action policy each fiscal year while working to familiarize every workplace with their plant’s traffic safety committee. Monthly meetings, attended primarily by members of traffic safety promotion committees, are held at each workplace in order to check activity progress and advance countermeasures. Activities in fiscal year 2007 were based on two policies: elimination of traffic accidents and promotion of the Yellow Stop Campaign. Workshops were held to re-familiarize participants with the things to be aware of while driving or commuting, and also the necessity of wearing seatbelts in all seats. Inspections and other measures are also implemented to ensure that the above cautions are being properly carried out at each workplace.

In addition to the Yellow Stop Campaign, which is carried out in cooperation with the Toyota Group and local governments, we conducted a traffic safety campaign with all 14,000 employees from November 2006 to March 2007. During the morning commute time, participants stood in areas around the factories and raised awareness of traffic safety by making appeals such as, “Yellow Stop” and “Use seatbelts” to employees and also ordinary passersby.

Providing Facilities for Community Activities

Toyota Industries volunteers the use of its athletic grounds, gymnasium facilities, tennis courts, judo halls, and training rooms for various sports activities, school club activities, and other community activities. We also offer our corporate buses for social welfare programs and lend trucks for environmental conservation activities to support these community activities.

Educational and Cultural Activities

Supporting Invention Clubs for Boys and Girls to Help Youth Education

To help foster the healthy education of our youth, Toyota Industries utilizes a variety of means to support invention clubs for boys and girls in Kariya, Obu, Takahama, Handa, Anjo, and Hekinan, where our plants are located. For example, we provide donations to the Obu Invention Club for Boys and Girls to assist with administrative expenses, as well as providing financial assistance, volunteer helpers (Toyota Industries employees), and the loan of buses for the various events organized by the Club. The Kariya Invention Club for Boys is operated by the Toyota Institute of Physics and Chemistry, which is supported by Toyota Industries and ten other companies in the Toyota Group.

* Invention Clubs for Boys and Girls: A program launched by the Japan Institute of Invention and Innovation in 1974. Clubs have been formed in various parts of Japan with the cooperation of local governments, boards of education, schools, and companies.

Contributing to the Development and Promotion of Amateur Sports

Toyota Industries continues to contribute to the development and promotion of sports activities through donations to and sponsorship of sports promotion organizations and sports meets that are mainly in the local area. The Kariya Club, a local rugby club team consisting primarily of former members of the Toyota Industries Rugby Team, runs a rugby school for local children at the Toyota Industries Rugby Ground every year.

Table 1: Major Sponsorships in FY 2007

<table>
<thead>
<tr>
<th>Sponsorship of Events</th>
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</thead>
<tbody>
<tr>
<td>2006 FEMALE WRESTLING TOYOTA WORLD CUP NAGOYA</td>
</tr>
<tr>
<td>Toyota International Youth Football Championship</td>
</tr>
<tr>
<td>National Invitational University and Business Sumo Tournament in kariya</td>
</tr>
<tr>
<td>Higashiura Marathon Race</td>
</tr>
<tr>
<td>All Japan Pro-Am Windsurfing Events 12th OKINAWA CUP</td>
</tr>
</tbody>
</table>

Participation in Program for School Teacher Training at Private-Sector Companies

In fiscal year 2006, Toyota Industries began participating in a program run by the Keizai Koho Center (Japan Institute for Social and Economic Affairs) for school teachers to receive training at private-sector companies.

In this program, teachers from elementary, junior high, and senior high schools are invited to attend training during the school summer holidays to increase their awareness of industry and corporate activities by experiencing them for themselves. 88 companies around Japan participate in the program. From August 23 to 25, Toyota Industries welcomed four teachers from the Takacho Board of Education in Hyogo Prefecture and helped them to increase their understanding of issues such as health and safety education, environmental conservation activities, and personnel and human resources development systems.

School Teacher Training
Social and Environmental Report 2007

Participating in the Management of the Toyota Commemorative Museum of Industry and Technology
The Toyota Commemorative Museum of Industry and Technology was jointly founded by 13 companies of the Toyota Group.

The museum utilizes the building of the former Toyoda Automatic Weaving Co., which has been designated as an important building of the cityscape by Nagoya City.

Its purpose is to increase the understanding of young people about the “spirit of being studious and creative”, and the importance and wonder of “making things”. Since January 2007, the museum has put a steam engine, which was the driving force of the industrial modernization, on permanent exhibition.

Toyota Industries provides the museum with personnel, funds for covering management costs and exhibits, and also participates in its management.

Environmental Conservation Activities

Community Cleanup Events
Every year in September, Toyota Industries conducts a company-wide environment beautification campaign to clean the areas surrounding its plants. Group companies are also encouraged to participate, and in fiscal year 2007, about 4,200 employees, including those from sixteen affiliates, volunteered.

The company’s Managers’ Councils also conduct environmental beautification activities, while the Toyota Industries Council of Retired Employees (an organization comprising retired Toyota Industries employees) takes part in cleanup events in the areas around public facilities, such as parks and train stations.

Managers’ Councils: Groups of employees arranged by work position and funded by membership fees with the aim of self-development and exchange. They include groups such as the “General Managers Council” and “Team Leaders Council”. Membership is voluntary for employees and their families.

Participation in the Adopt-an-Area Program
The Adopt-an-Area Program is a new type of town beautification program implemented by citizens, businesses, and the local government. Under this program, citizens and businesses “adopt” a certain public area and clean and beautify that area as its “foster parents”. The local government supports the program by, among other means, providing cleaning equipment and taking away the rubbish collected. At each area selected for “adoption”, a signboard showing the name of the “foster parents” is displayed, helping to inform citizens about the program.

Toyota Industries has four “adopted areas” in Handa and Obu, where Managers’ Councils and other groups of employee volunteers carry out cleanup and beautification activities during their lunch hours and at other times. This activity was extended to the Kariya area from June 2006.

Aid to Disaster-Stricken Areas

Disaster Volunteer Net
Thirteen companies in the Toyota Group have formed the Toyota Group Disaster V (Volunteer) Net to help the victims of natural disasters and disaster-stricken areas get back on their feet and restore and rebuild their communities themselves. Toyota Industries currently has 96 employees registered with the Disaster V Net.

The Disaster V Net has set up an information network to enable appropriate action to be taken to assist restoration and rebuilding efforts, and it also conducts regular seminars. At times of disaster, the organization liaises with the regional volunteer headquarters set up by local governments and assists them by advertising for volunteers and in other ways.

Steam Engine on Permanent Exhibition

Community Cleanup

Disaster Volunteer Seminar
Ensuring a Workplace Where Each Employee Can Work Safely with Enthusiasm

Improving Occupational Health and Safety

Toyota Industries is continually implementing activities for the prevention of industrial accidents and the creation of a pleasant work environment, underpinned by its fundamental policy of “Establishing a Occupational Health and Safety System to build strong workplaces which are able to recognize, think, and act on their own”. We are also promoting activities to achieve “Improvement from zero accidents to zero danger”.

In fiscal year 2007, activities in this area were carried out under the auspices of three major policies – the maintenance and improvement of the occupational health and safety management system to enhance workplace strength, the pursuit of equipment safety, and the creation of a pleasant work environment.

The focus of the Occupational Health and Safety Management System to date has been on operational areas of the company, such as manufacturing and inspection processes, but we conducted a study to extend it to all areas of the company, starting with our administrative departments. After completing trials and providing guidance to the designated departments, we will extend this system to be used company-wide starting from fiscal year 2008.

An analysis of the cause of industrial accidents showed that many of those accidents were caused because workers did not observe the ground rules, even when they knew what those rules were. In fiscal year 2006, we rolled out a work ethic-raising campaign and promoted it with great energy. Each Division inserted this campaign in its guiding principles and developed activities, such as a morning greeting, not using mobile phones while walking, and not walking with your hands in your pockets. This campaign was simple, but proceeded to steadily and diligently.

In June 2006, the All-Toyota Safety and Health Association, which is composed of 14 Toyota Group companies, decided on the major subjects for the group to promote. As a result, the “full implementation of the lock-down system”, was introduced for high-risk equipment in all factories in fiscal year 2007 and we are extending it to all designated equipment in fiscal year 2008. In this way we intend to thoroughly prevent industrial accidents caused by the erroneous operation of machinery by others. In addition, we plan to carry out “enhanced management of external work”. In fiscal year 2007 there were accidents at construction sites outside the company. Therefore, we established a new framework for the departments in charge of construction, carried out additional training for on-site supervisors and workers, and also had top-level management involved in in-house inspections. Thanks to these efforts we have improved the level of Safety and Health management at our construction sites.

Supporting the Improvement of Health and Safety Activities at Affiliates

In conjunction with the relevant departments in our company, Toyota Industries provides study sessions and on-site checks and guidance for our affiliates in Japan, with a focus on compliance. However, in the second half of fiscal year 2007, industrial accidents occurred. In analyzing these accidents, it became clear that the same kinds of accidents reoccurred at the same company or that another accident that was very similar to one of the most recent industrial accidents occurred at another company. Therefore, we promoted activities to prevent accidents by deploying information and safety features to our affiliates and checking the status regularly. We also host repeated workshops for top management or other persons in charge to improve the level of their Occupational Health and Safety Management Activities.

Focus on Health Management

Toyota Industries conducts a number of activities to support and maintain the health of our employees as we strive to build people and workplaces that can respond to risks such as aging and increased stress.

### Frequency Rate / Severity Rate

<table>
<thead>
<tr>
<th>Frequency Rate</th>
<th>Severity Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.99 0.01 1.02</td>
<td>0.11 0.09 0.11</td>
</tr>
<tr>
<td>0.55 0.05 0.55</td>
<td>0.07 0.08 0.12</td>
</tr>
</tbody>
</table>

- Toyota Industries
- Manufacturing industry in Japan
- Transport equipment industry in Japan

**Frequency rate**
The number of accident sufferers resulting in lost working days / total working hours x 1,000,000

**Severity rate**
work-days lost / total working hours x 1,000

**Table 1** Health Creation Programs Conducted in FY 2007

<table>
<thead>
<tr>
<th>Program</th>
<th>Details</th>
</tr>
</thead>
</table>
| **Lifestyle disease prevention**| ★ Additional confirmation items during the health checkup to prevent metabolic syndrome  
★ Initiatives to improve the consultation rate for detailed examinations (large intestine and stomach)  
• Non-smoking marathon (126 participants, 64 successful)  
• Walk/Hike (151 participants)  
• Age-based health education (held 12 times, 226 participants) |
| **Occupational disease prevention**| ★ Support for employees with long work hours on overseas assignment  
• Development of frameworks for advance management of appropriate assignments through liaison between the health management and personnel systems' information system. (limits on overseas travel, nighttime, or overtime work)  
• Back pain prevention clinic (271 participants, 65% improvement) |

★ New initiatives
Toyota Industries also includes the issue of mental health in its multilayered education and strives for the prevention of mental health problems and the early detection and management of problems when they do arise. We give employees the opportunity to seek health advice from health nurses.

Management of Working Hours and Encouragement to Take Paid Annual Holidays
Toyota Industries endeavours to manage working hours to prevent employees from working excessively. At each workplace, supervisors monitor the work of their subordinates and, where necessary, give advice and guidance on sharing work loads. Each workplace also reserves one day for everyone to leave work at the prescribed time, thus cutting down on overtime. Toyota Industries also encourages employees to take their paid annual holidays. In fiscal year 2007, however, increased production led to employees becoming busier, which affected the taking of annual leave. The average number of days off taken in fiscal year 2007 fell by 1.0 days from the previous year to 17.0 days.

Support for Employees on Overseas Assignment
As our business becomes increasingly globalized, the number of employees posted on overseas assignments is also increasing. Toyota Industries provides for medical examinations before, during, and after the overseas assignment for these employees and their families. Our industrial physicians also visit overseas workplaces on a regular basis to provide health consultations to our employees working overseas. In fiscal year 2007, Toyota Industries’ industrial physicians visited seven workplaces in five countries.

Creating Comfortable Workplaces Based on Respect for Human Rights
Toyota Industries and its affiliates at home and abroad are working to achieve both corporate development and the well-being of each and every member through the mutual fulfillment of responsibilities by both employees and management.

Employee-Management Relations Based on Mutual Trust
One of Toyota Industries’ basic principles is to “nurture the inventiveness and other abilities of its employees while seeking to create a climate of cooperation, so that employees and the company can realize their full potential.” Based on this principle, Toyota Industries is working to maintain and improve working conditions that ensure secure employment and long term stability, in addition to creating workplaces that are healthy and easy to work in. This is fundamentally based on a respect for human rights, as established in our conduct guidelines: “Respect the personality of individuals, prevent sexual harassment and abuse in the workplace, and refrain from discrimination based on race, religion, gender, nationality, disability, or any other factor not related to an individual’s work performance.” In addition, as our business becomes increasingly global, the Toyota Industries Group will reject the use of child and forced labor, as well as comply with the laws and social norms in each country where we operate.

Every year, human rights issues are included in the education program for our new employees.

Security and Diversity of Employment
Toyota Industries places a high value on maintaining and ensuring stable employment. The number of people employed by Toyota Industries has been steadily increasing from year to year as our business has expanded. Moreover, as our business operations have become increasingly globalized, our workforce has become increasingly diverse. It is our belief that the provision of a fair and just working environment is of the utmost importance, where diversity of individuals is respected regardless of gender, age, nationality, or disability or otherwise.

As of the end of March 2007, the consolidated workforce of Toyota Industries numbered 36,096 employees, approximately half of whom are employed at overseas affiliates. The number of part-time workers, including temporary contract workers, climbed to 8,883 (8,007 in the previous fiscal year).

We recruit new graduates every year based on the requirements of each business division. In April 2007, 523 new graduates commenced work at Toyota Industries. We plan to recruit 525 new graduates in fiscal year 2009.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>25,030</td>
</tr>
<tr>
<td>2004</td>
<td>27,431</td>
</tr>
<tr>
<td>2005</td>
<td>30,990</td>
</tr>
<tr>
<td>2006</td>
<td>32,977</td>
</tr>
<tr>
<td>2007</td>
<td>36,096</td>
</tr>
</tbody>
</table>

- **Self-care education and enlightenment**: Including a half day seminar, how to cope with stress for middle management (205 participants)
- **Reinforcement of health checks for manager class employees**: For managers who work late at night for more than 10 hours a month, same health checks and follow-up as those provided to union members
- **Preparatory work system**: System started (18 applied)
- **Health consultations**: Individual counseling by health nurses for high-stress and mentally unwell employees

- **Table 2**: Mental Health Programs Conducted in FY 2007

- **New initiatives**

<table>
<thead>
<tr>
<th>Program</th>
<th>Details</th>
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<tbody>
<tr>
<td>Self-care education and enlightenment</td>
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<tr>
<td>Health consultations</td>
<td>Individual counseling by health nurses for high-stress and mentally unwell employees</td>
</tr>
</tbody>
</table>

- **Graph 2**: Number of Employees
Employment of People with Disabilities
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. 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.

As of the end of March 2007, Toyota Industries had 155 people with disabilities employed in its workforce (142 in fiscal year 2006), meaning that they made up 1.80% of the total workforce (the legal requirement in Japan is 1.8%).

Re-Hiring after Retirement
Toyota Industries has conducted a post-retirement re-hiring program called the Super Career Program since April 2003. The aims of the program are to address the issues of the falling birthrate and aging population in Japan and to pass on the skills and expertise of our more experienced workers to younger employees. Retiring employees who wish to be re-hired and who satisfy certain requirements in terms of work skills are selected through this program to work for a maximum of three years. In April 2006, in response to the revision of the Law Concerning the Stabilization of Employment of Older Persons, the Super Career Program was expanded to form the basis of a new program, the Post-Retirement Re-Hiring Program. Whereas the Super Career Program was available only to union members, the new program has been extended to all employees, including manager-class employees.

Also, in line with the intent behind the revised law, we have made the program into a continuous employment program based on selection criteria agreed upon with the union. In addition to this program, retired employees can also register with our subsidiary, Sun Staff, Inc. to obtain work as temporary dispatch workers.

Ensuring Equal Opportunities
In order to promote equal opportunities in the workplace, Toyota Industries is striving to create a transparent and fair human resources system, as well as a workplace where employees can exercise their capabilities to the full, regardless of gender.

The Equal Opportunity Manual has clear guidelines that explain the purpose and content that must be complied with of the law for our employees. In addition, the company provides consultation services concerning equal employment opportunities for both sexes, to ensure prompt responses to issues.

Supporting the Balance between Family and Work
Toyota Industries is actively working to enhance programs that enable employees to balance their family and workplace commitments, as well as to encourage a workplace culture that understands the need for a variety of work options that address individual family circumstances.

As part of the Family-Work Balance Programs, Toyota Industries launched the Child Care Leave Program in 1991. From fiscal year 1992 through the end of fiscal year 2007, a total 428 employees (43 in fiscal year 2007), made up mostly of women, have taken advantage of Toyota Industries’ child care leave programs. We will continue to encourage this practice in the future.

In March 20, 2007, Toyota Industries introduced the “Welcome back program”, which offers an opportunity for reemployment to employees who retired in order to raise children, care for the elderly, or due to the transfer of their spouse. This program applies to employees who completed a service period of at least three years, and does not depend on their previous job, qualifications, or gender.

Basically, an applicant submits an application at the time of retirement and then in principle comes back to work for the same department when they are able.

Based on the Child Allowance System, we have revised an action plan covering fiscal year 2008 to 2009. According this plan, we are going to carry out various measures, including establishment of a day care center operated by five Toyota Group companies, starting in October 2007.

Nurturing a Sense of Unity and Teamwork through Human Resource Development
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 the drive 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 (Quality Control), and SQC (Statistical Quality Control) 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.

Nurturing a Sense of Unity and Teamwork to Strengthen the “Spirit of Harmony”
We believe that well-rounded humanity and a sense of unity and teamwork in the workplace, which are needed to create a strong workplace, evolve naturally from human relationships and communication. Based on this belief, Toyota Industries actively promotes the Personal Touch (PT) movement. Through the ST (steward) program (provided by senior employees in the workplace), the fostering program* (provided by supervisors in the workplace) and a variety of recreational activities, we encourage close communication between our employees.

For example, in the ST program, senior employees in a workplace become “STs” or a steward for that workplace, providing new employees with one-on-one guidance over a period of six months. We believe that stewards help new recruits to become accustomed to their work and their workplace more quickly by giving them what we believe to be careful and appropriate advice.

Human Resources Development Management
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.

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.

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 addition, voluntary education and training programs provided by Toyota Industries for its employees include the Global Human Resources Registration and Development Program, the Global Challenge Registration Program, which helps employees wanting to be active in a global arena to improve themselves, the License Power Qualification Attainment Support Program, which assists employees in obtaining various official certifications (42 employees certificated in fiscal year 2007), and the Trade Certificate Attainment Support Program, to help employees obtain both government and company trade certificates (309 employees certificated in fiscal year 2007).

For new employees, “training of manufacturing” encourages them to acquire very basics of manufacturing. They touch the real Type G automatic loom, the origin of Toyota Industries and learning the ingenuity behind its mechanism. They also complete drawings with drafting table, using their own head and hands.

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, 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 Dojo, where fundamental education and practical experience are provided to strengthen human resource development.

*1 Jidoka: The concept of preventing defective products from being produced. If a defective part or equipment malfunction is discovered, the machine concerned automatically stops and operators stop work and correct the problem.

*2 Just-in-Time: The concept of making and supplying only “what is needed, when it is needed, and in the amount needed”

Development of Young Technicians
“Manufacturing starts with developing our human resources.” 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. 96 employees completed the course in fiscal year 2007.