

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

▶ Table 1

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 Laws and Regulations under the Jurisdiction of Designated Legal Compliance Departments

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

Towards Timely Information Gathering and Rapid Responses

▶ Table 2 ▶ Table 3

"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.

▶ **Table 2** Report Criteria Examples

Business Area	Example
Quality Assurance	Injury, accident or property damage caused by quality defects
Accounting	Discovery of covered up losses, accidents, criminal activities, information leaks
General Administration	Discovery of illegal payoffs
Safety, Health and Environment	Administrative penalties, serious accidents
Human Resources	Disciplinary actions
Purchasing	Illegal or illicit trade practices
Logistics	Noncompliance with trade control laws
IT	System outage caused by computer virus

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.

▶ **Table 3** Contact Points for Issues that Occur

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

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.