

Corporate Governance

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Toyota Industries strives to enhance its corporate value in a stable manner over the long term and maintains society's trust by earnestly fulfilling its social responsibilities in accordance with its Basic Philosophy. To that end, Toyota Industries endeavors to further enhance its corporate governance in its efforts to maintain and improve management efficiency and the fairness and transparency of its corporate activities.

Corporate Governance Structure

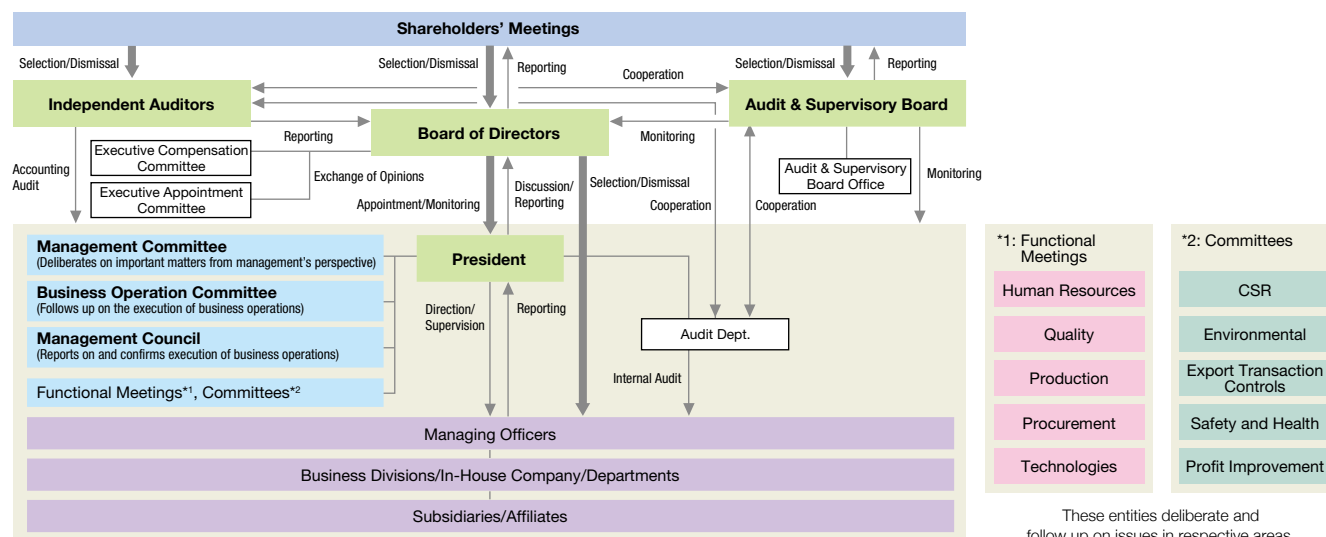
Implementation Structure

Toyota Industries convenes monthly meetings of the Board of Directors to resolve important management matters and monitor the execution of duties by directors. We also appoint outside directors who have a wealth of experience and knowledge concerning business management. They attend meetings of the Board of Directors and give opinions and ask questions as deemed necessary. Through this supervisory function of outside directors, we ensure the legality and validity of the Board's decisions as well as directors' execution of duties from an objective perspective. In addition, to evaluate the effectiveness of the Board of Directors we conduct interviews with outside directors and audit & supervisory board members every year and implement measures for improvement as necessary based on their evaluation and feedback. The Management Committee, which is composed of directors at the executive vice president level and above as well as relevant managing officers and audit & supervisory board members, deliberates on a variety of issues concerning

important management matters such as our corporate vision, management policies, medium-term business strategies and major investments.

Toyota Industries has a divisional organization system, with significant authority delegated to each business division. For especially crucial matters, however, we have established the Business Operation Committee to enable the president to meet with the heads of each business division regularly to monitor and follow the status of their business execution. At meetings of the Management Council, directors, managing officers and audit & supervisory board members convene to report and confirm the monthly status of business operations and share overall deliberations at Board of Directors meetings and other management-related information.

In addition, issues pertaining to human resources, quality, production, procurement and technologies are discussed at the corresponding functional meetings. We have also put in place committees to deliberate on more specific matters, such as corporate social responsibility (CSR), the environment and export transaction controls. These functional meetings and committees discuss important matters and action themes in respective areas.



(As of June 12, 2018)
 Toyota Industries' Corporate Governance Reports are available at: <https://www.toyota-shokki.co.jp/> (in Japanese).

Company Introduction

Strategies and Businesses

Promotion of ESG Initiatives

Financial Section / Corporate Information

Audit & Supervisory Board System

Toyota Industries has adopted an audit & supervisory board system. Two full-time audit & supervisory board members and two outside audit & supervisory board members attend meetings of the Board of Directors to monitor the execution of duties by directors. At the same time, meetings of the Audit & Supervisory Board are held once a month to discuss and make decisions on important matters related to auditing. The full-time audit & supervisory board members carry out auditing by attending primary meetings and receiving reports directly from directors. Additionally, we have assigned dedicated personnel, while audit & supervisory board members monitor the legality and efficiency of management through collaboration with independent auditors and the Audit Department.

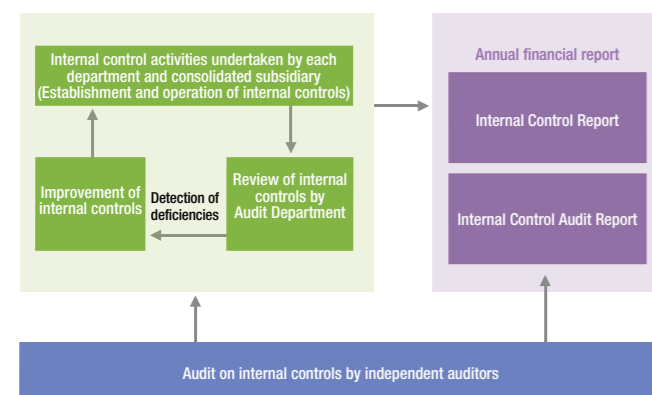
Appointment of Independent Members of Management

As a publicly listed company, Toyota Industries strives to ensure the fairness and transparency of management. Following the Securities Listing Regulations stipulated by the Tokyo Stock Exchange and Nagoya Stock Exchange, respectively, to further enhance our corporate governance Toyota Industries has appointed as independent members of management two outside directors and two outside audit & supervisory board members who are deemed to have no conflicts of interest with our shareholders.

Internal Control System

In accordance with the Companies Act, in May 2006 Toyota Industries' Board of Directors adopted the Basic Policies for the Establishment of an Internal Control System (Basic Policies) to ensure compliance, risk management as well as the effectiveness and efficiency of business operations by incorporating these policies into each business segment's annual policies and day-to-day routine management. The CSR Committee, at its meeting held in March, assesses the progress made in implementing the Basic Policies in the year under review and determines actions for the coming year, including reviewing the implementation structure and enhancing day-to-day operational management.

Internal Control Assessment System (Based on J-SOX)



Furthermore, based on the Financial Instruments and Exchange Law (so-called Japanese Sarbanes-Oxley Act (J-SOX)), we have established and appropriately operated an internal control system to maintain the reliability of financial reporting. The system's status and progress are reviewed by the Audit Department and audited by independent auditors. We determine which Toyota Industries Group companies fall within the scope of J-SOX based on the degree of impact on the reliability of financial reporting. We determined that our internal controls over financial reporting as of the end of fiscal 2018 were effective, and accordingly, submitted an Internal Control Report in June 2018. The report was reviewed by independent auditors and judged fair in their Internal Control Audit Report.

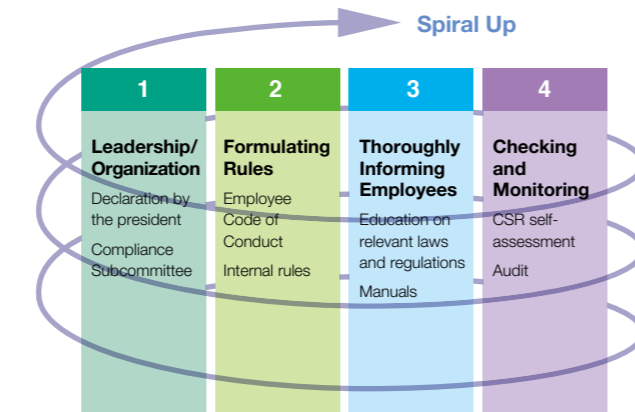
Compliance

Four Pillars of Compliance Activities

We believe that compliance means both adhering to laws and regulations and observing ethics and social norms. In order to ensure compliance, it is vital to instill an awareness of compliance in each and every employee.

Under the strong leadership of top management, we promote compliance throughout the Toyota Industries Group by formulating a Code of Conduct and thoroughly informing employees together with checking and monitoring compliance.

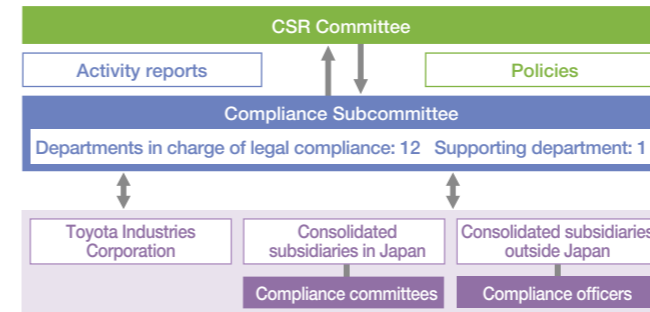
Four Pillars of Compliance Activities



Establishment and Reinforcement of Implementation Organization

To promote compliance throughout the Toyota Industries Group, we have established the Compliance Subcommittee (led by an executive in charge of the Legal Department) as a subordinate organization to the CSR Committee. Every year, the subcommittee formulates an action policy and conducts a follow-up check on the progress of corresponding activities twice during that year.

Organization for Promoting Compliance



Formulation of Code of Conduct and Dissemination

Toyota Industries has formulated and distributed to executives and all employees the Toyota Industries Corporation Employee Code of Conduct, which serves as conduct guidelines that should be observed by employees, and has been providing familiarization training. Subsidiaries in and outside Japan have formulated their own Code of Conduct appropriate to their respective business lines and corporate cultures. Toyota Industries' 30 consolidated subsidiaries in Japan and 75 consolidated subsidiaries outside Japan have already created their own Code of Conduct and have been working to instill an awareness among their employees.

Simultaneously, to prevent significant risks of bribery and violations of antitrust laws, in addition to the Code of Conduct we have formulated corresponding regulations and been undertaking activities to familiarize employees with these regulations. Regarding bribery, Toyota Industries formulated the Global Guidelines for Bribery Prevention. Particularly, in countries with a high risk of bribery, each base has developed internal rules in accordance with the applicable laws in respective countries and been conducting activities to familiarize employees with them. As for antitrust laws, we have put in place a system to conduct a check and review before and after employees of Toyota Industries contact competitors. We are also familiarizing all employees that they are prohibited from any acts that may possibly constitute a violation of antitrust laws. Since fiscal 2016, we have set up antitrust law compliance month and have been conducting enlightenment activities at relevant departments.

Thoroughly Informing Employees about Applicable Laws and Regulations

Toyota Industries provides required legal knowledge to employees according to their job ranks or positions, familiarizing them with the initial responses that should be followed upon the occurrence of a problem and educating them on risk management. Through new employee education, rank-based education and workplace meetings, we provide easy-to-understand guidance on "what to do" and "what not to do" in order to improve their compliance awareness based on laws and corporate ethics, using the Toyota Industries Corporation Employee Code of Conduct as an instructional material.

Since fiscal 2014, we have created and disseminated e-learning material on one specific topic every month in order to cultivate a deeper understanding of compliance

among employees of Toyota Industries Corporation and its consolidated subsidiaries in Japan and to create an environment in which employees foster compliance consciousness on their own.

In fiscal 2018, we invited external lawyers to hold executive legal seminars on the "latest trends in information technology-related laws" and "points to be noted when conducting corporate public relations and disclosing information" for directors, managing officers and audit & supervisory board members.

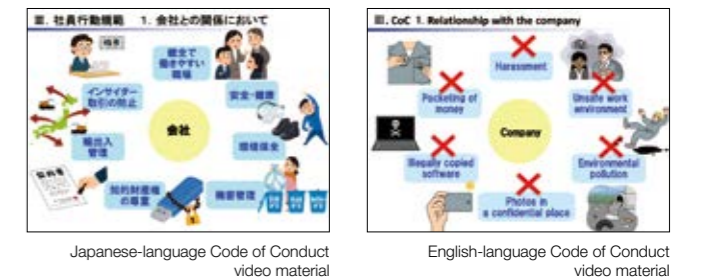
Example Topics of e-Learning Materials

Courses distributed in fiscal 2018

- Proper use of software programs
- Amendments to Japan's Act on the Protection of Personal Information
- Copyrights
- Prevention of insider trading
- Product liability
- Processing of the consumption tax
- Japan's Building Standards Act
- Japan's subcontracting law (prevention of delay in payment)
- Achieving the Safety Vision
- Antitrust laws (cartels)
- Export transaction controls
- Japan's Act on Prohibition of Unauthorized Computer Access

*Provided to all employees of Toyota Industries Corporation and its consolidated subsidiaries in Japan. Additional and revised courses are under consideration.

In addition, we utilize a video material describing the Code of Conduct, which employees of the Toyota Industries Group should observe, to assist relevant education in our consolidated subsidiaries in and outside Japan.



Compliance Hotlines

The Toyota Industries Group has in place a whistle-blower system for employees to report and seek consultation on compliance-related issues. In Japan, North America, Europe and China, in particular, we operate a compliance hotline (external helpline) that allows employees and their families to seek advice from external experts on compliance-related matters without being exposed to negative consequences. In fiscal 2018, we received 60 reports and inquiries from within Toyota Industries and from its consolidated subsidiaries in Japan on such matters as labor management, working environment and ethics. After verifying each report and inquiry, we have taken appropriate action regarding each case. Our responses have been reviewed and judged appropriate by external lawyers.

In fiscal 2017, we also started operating a hotline for our major business partners to report and inquire about possible compliance violations by Toyota Industries employees. This hotline is now made available to approximately 120 business partners.

Through these initiatives, we ensure the early discovery and prevention of issues and intend to become a "company on which society places greater trust."

Activities in the Toyota Industries Group

We have set up compliance committees at subsidiaries in Japan and appointed compliance officers at subsidiaries outside Japan in our efforts to promote autonomous activities in respective communities in collaboration with the Compliance Subcommittee. In fiscal 2018, we continued to carry out activities in line with local needs.

Activities in Japan

We held a conference of compliance personnel from 31 consolidated subsidiaries in Japan to share the latest information on applicable laws and conducted a case study of responses to reports made through our compliance hotlines as an effort to expand relevant knowledge and response capabilities.

Activities in North America

We held the Compliance Officer Conference in North America with the participation of compliance officers from 21 bases to share information on the latest topics, including response to LGBTs* and unlawful possession of controlled substances, and discuss action items for the fiscal year. After the conference, these 21 bases have been conducting activities in a coordinated manner.

* Lesbian, gay, bisexual and transgender: Individuals having different sexual orientation or gender identity

Activities in Europe

In Europe, we held the Compliance Conference with 30 companies to share the progress of and issues in compliance promotion activities of each company and discuss future activities. In response to the EU General Data Protection Regulation (GDPR) enforced on May 25, 2018, these companies are accelerating their efforts to protect personal information.

Activities in China

In China, compliance officers from seven bases attended the Compliance Officer Conference to promote the creation and dissemination of educational materials for use at all bases in China and to share the progress in educational activities of each company. We also held labor management seminars for managers of each company as an ongoing effort to increase legal knowledge and compliance awareness of employees.

Activities in Asia, Oceania and South America

We have been providing compliance officer training with the aim of upgrading compliance activities. In fiscal 2018, we held the Asia Oceania Compliance Conference with the participation of top managers and compliance officers from seven bases within the region. Through the conference, we work to deepen an understanding regarding the leakage of confidential information, prevention of bribery and response to reports made by whistle-blowers.



Asia Oceania Compliance Conference

Compliance Committees (in Japan) and Compliance Officers (outside Japan) (As of March 31, 2018)



TINA: Toyota Industries North America, Inc.
 TMHE: Toyota Material Handling Europe AB
 TIMC: Toyota Industries Management (China) Co., Ltd.
 TIEI: Toyota Industries Engine India Private Limited

Management of Confidential Information

Basic Perspective

We recognize that the personal information of customers, employees and business partners as well as information concerning our technologies and sales activities are assets that need to be protected. Accordingly, we are making our utmost efforts to safeguard confidential information and strengthen its management as one of the CSR areas.

Implementation Structure

Toyota Industries has set up the Information Security Subcommittee (led by an executive in charge of the General Administration Department) as a subordinate organization to the CSR Committee to promote proper management of confidential information, taking appropriate actions against the risk of leakage of confidential information and complying with laws such as the Unfair Competition Prevention Act and the Act on the Protection of Personal Information.

To thoroughly implement the initiatives adopted by the subcommittee, we appoint information security managers*1 and information security administrators*2 at each department. We strive to raise awareness about information security among their staff by holding workplace meetings and conducting self-checks regarding their information security practices.

In fiscal 2018, to counter risk for leakage of confidential information we implemented the following initiatives.

- (1) **Verify the status of confidential information management at each workplace**
 On-site inspection at and improvement guidance to Engineering and Production Engineering departments



Incident/accident response training

Activity Examples

Activities up to fiscal 2017

Activities by Toyota Industries

- Rank-based group education
- Restrictions on taking photographs on company premises
- Monitoring of email correspondence
- Restricting the copying of electronic data on recording media
- Attaching a security cable with a lock to all PCs to prevent unauthorized removal off the premises
- Requiring employees to sign a confidentiality agreement and checking the history of electronic data being taken off the premises upon retirement

Activities in collaboration with other Toyota Group companies

- "Information Security Awareness Month" activities in May and October to raise employee awareness and conduct auditing by checking off-the-premises removal of personal computers and recording media, etc.

New activities in fiscal 2018

- Verifying the status of confidential information management at Engineering and Production Engineering departments
- Extending the target group of participants for incident/accident response training
- Providing training on response to targeted attacks through e-mail, etc.

(2) Incident/accident response training

Increasing practical response capabilities by extending the scope of the training from the General Administration Departments of the Head Office and each plant to Engineering, Production Engineering and Purchasing departments

Our consolidated subsidiaries in and outside Japan also appoint respective information security managers and information security administrators. We have also developed common guidelines concerning management of confidential information, which have been distributed among these subsidiaries, and follow up on their activities on a periodic basis in our efforts to raise the level of confidential information management throughout the Toyota Industries Group.

*1: Head of each department
 *2: A person within the department, appointed by the head

Risk Management

Basic Perspective

Based on the Basic Policies for the Establishment of an Internal Control System in compliance with the Companies Act, Toyota Industries is working to strengthen regulations and a structure to promote risk management. We regard the following aspects as the basics of risk management and implement initiatives accordingly.

- (1) Incorporating measures to prevent and reduce potential risks into daily routines and following up on the progress of implementation
- (2) Ensuring quick and precise actions to minimize the impact on business and society when a risk becomes apparent

Implementation Structure

Business divisions and other departments at the Head Office develop and promote annual action policies that integrate measures to prevent and control risks related to quality, safety, the environment, personnel, export transactions, disasters and information security. Progress is assessed and followed up by each functional management entity such as the CSR Committee and the Environmental Committee. At the same time, functional departments at the Head Office such as those responsible for quality, safety and the environment formulate rules and regulations and create manuals from a Group-wide perspective, including consolidated subsidiaries. By confirming and following up on the progress through operational audits and workplace inspections, they provide support for raising the level of risk management at each business division and consolidated subsidiary.

We have also formulated the Crisis Response Manual, which defines our initial response to a problem or a crisis. This manual lays out basic rules to be followed when a risk becomes evident and a problem or crisis occurs. The aim is to ensure quick reporting to top management, perform an accurate assessment of the impact on society and business activities and minimize damage through appropriate actions. The content is reviewed and revised as deemed necessary in response to changes in businesses and the surrounding environment.

Response to Possible Major Earthquake

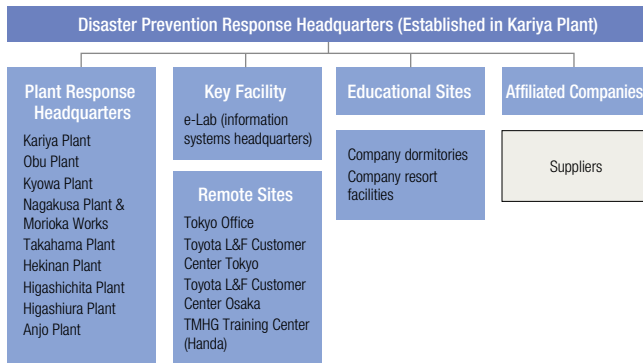
We consider the impact of a major earthquake as one of the most significant risks and have accordingly formulated a business continuity plan. Based on the three basic policies of placing maximum priority on human life, placing top priority on the recovery of local communities and ensuring the quickest possible recovery, we are making Company-wide efforts in three relevant areas, specifically, “precautionary, pre-disaster mitigation,” “initial response to be followed immediately after the disaster” and “restoration of production.”

Disaster Prevention Structure

We strive to reinforce our disaster prevention structure to enable smooth transition from the initial response stage to the production restoration stage.

The Disaster Prevention Response Headquarters, led by the executive vice president and consisting of representatives from the functional departments at the Head Office, is responsible for collecting information from plants and other relevant parties and making Company-wide decisions based on the information collected.

Disaster Prevention Structure



Promoting Disaster Prevention at Home and Related Enlightenment Activities

Starting from fiscal 2017, we have been undertaking enlightenment activities for employees and their families as a measure to promote disaster prevention and avoid disaster-inflicted damage at home. Specifically, we encourage them to take three actions: preventing the overturning of furniture; deciding a way to account for family members in a disaster; and stockpiling emergency goods, food and other necessities. Up until fiscal 2018, our activities had targeted personnel in charge of promoting disaster prevention and members of initial response and production restoration teams. The scope was extended to all employees in fiscal 2019.

Efforts to Cultivate Personnel to Engage in Disaster Prevention Activities

1. Training at Disaster Prevention Response Headquarters

As one important role assigned to the Disaster Prevention Response Headquarters that oversees Company-wide

disaster response, we conduct training in which employees collect information on damages to both inside and outside the company premises, swiftly make decisions and disseminate these decisions throughout Toyota Industries.

We are setting up a system to ensure prompt response even during nighttime or on a weekend or holiday by selecting members from the functional departments who live close to the Head Office.



Reviewing policies on resumption of operations and how to return home



Disaster response meeting

2. Training at Plant Response Headquarters

In fiscal 2018, we placed the focus of training on “cultivating personnel capable of responding to an emergency and reinforcing the response structure” and provided appropriate training to the head (plant manager) and members of each Plant Response Headquarters. By conducting training repeatedly, we intend to create a structure under which every member understands his or her role and responds to the situation flexibly.



Determining whether to stop operations and how to provide support activities



Discussing a restoration plan

3. Training for Restoring Plant Operations

a) Power Restoration Drill

Each plant has developed procedures to restore power supplies, including electricity and gas, which are essential in restoring production activities. Each plant conducts *genchi genbutsu* (go and see for yourself) training on a periodic basis. Through the training we are identifying problems and making improvements to step up our efforts to ensure quick restoration activities.

b) System Restoration Drill

The e-Lab, responsible for managing Toyota Industries’ data servers, has created procedures to restore critical data after a disaster. We conduct restoration drills jointly with Toyoda High System, Incorporated, a consolidated subsidiary engaged in development and operation of information infrastructures and systems, and work to improve our readiness for quick restoration.

4. Training for Identifying Disaster Damage

We repeatedly conduct drills jointly with our affiliated companies and business partners in order to familiarize them with the use of IT tools to quickly identify the damage status during a disaster.