Corporate Governance

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.

Further Promoting Initiatives to Sustain Growth in the Areas of Governance, Society and the Environment

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.
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 issues 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 plans 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.

Compliance

Four Pillars of Compliance Activities

We believe that compliance means both adhering to laws and regulations and observing ethics and social norms. 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.

Audit & Supervisory Board

Audit & Supervisory Board are held once a month to discuss and make decisions on important issues related to auditing. 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.

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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 hotline 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 GDPR 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.

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 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.

Compliance Committees (in Japan) and Compliance Officers (outside Japan)

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:

- Verify the status of confidential information management at each workplace
- On-site inspection and improvement guidance to Engineering and Production Engineering departments
- Implementing incident/accident response training
- New activities in fiscal 2018

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
- Restrictions on taking off company 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 Group companies

- Information Security Awareness Month*2

New activities in fiscal 2018

- Implementing incident/accident response training
- Providing training on response to targeted attacks through e-mail, etc.

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.

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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.

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 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.

2. Training at Plant Response Headquarters

In fiscal 2018, we placed the focus on 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.

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 gendai genbotsu (go and see for yourself) training on a periodic basis. Through the training we are identifying problems and training to the head (plant manager) and members of each plant, thereby enabling smooth transition from the initial response stage to the production restoration stage.

b) System Restoration Drill

The e-Lab, responsible for managing Toyota Industries’ data systems headquarters, has created a procedure to restore critical systems after a disaster. We conduct restoration drills jointly with Toyota Industries Information Systems, Incorporated, a consolidated subsidiary engaged in the management of business software. We also carry out joint restoration drills with Toyoda High Technology Co., Limited, a consolidated subsidiary engaged in the management of business software.

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.

Towards the goal of this vision, we issue the Quality Guidelines, which identify priority quality-related issues to be implemented in each fiscal year, to all production bases in and outside Japan and engage in quality assurance activities accordingly. The implementation status of these guidelines is reviewed by top management at the Quality Functional Meeting chaired by the head of the Production Headquarters for identifying additional issues and devising countermeasures. Issues raised are followed up at meetings of the Company-wide Council of Heads of Quality Assurance Departments chaired by the head of the Quality Control Department. The president also checks on the outcome of these activities through gendai genbotsu inspections. In this way, Toyota Industries is endeavoring to provide customers with excellent products and services that are satisfactory to our customers and form the basis of our approach to CSR.

"A product should never be sold unless it has been carefully manufactured and fully tested in the commercial trial, with complete satisfactionary results."

Carrying on the spirit of founder Sakichi Toyoda, Toyota Industries strongly believes that quality is the lifeblood of a company. Focusing on quality first and ensuring customer safety and reassurance are our most important responsibilities to our customers and form the basis of our approach to CSR. Toyota Industries strives to maintain and improve the total quality of our corporate activities, which encompasses not only “product quality” but also “marketing quality” and “management quality.” “Product quality” is embodied in the safety, eco-friendliness, durability, ease of use and workmanship of our products, while “marketing quality” entails excellent sales and service in addition to these attributes and “management quality” further enhances our overall corporate image and brand strength in terms of all of these attributes.

Types of Quality Sought by Toyota Industries

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<th>Quality Levels</th>
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<td>Relationship</td>
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<tr>
<td>Manufacturing capabilities</td>
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"We should express our gratitude to our customers by providing them our best quality products."

Under our “Customer First” philosophy, Toyota Industries undertakes product development that meets customer expectations by capturing market needs and understanding how our products are actually used by customers. At Toyota Industries, development of a new product entails defining specific goals to incorporate quality in every stage from product planning and design to production preparation, production, sales and after-sales services. We perform a design review (DR), which allows a product to proceed to the next stage only when a responsible business division head examines and approves whether the product has reached the target quality level.

Relationship with Our Stakeholders

All members in the Toyota Industries Group ensure quality first and build in quality with ownership at their own workplaces and positions in an effort to continuously supply attractive products/services that anticipate global customers’ needs.

Relationship with Our Customers

Adhering to a quality first approach, Toyota Industries practices monozukuri (manufacturing) that quickly responds to the diverse, ever-changing needs of customers.

Toyota Industries Report 2018