

Corporate Governance

- Corporate Governance Structure — P44–45
- Internal Control System — P46
- Compliance — P46–48
- Management of Confidential Information — P49
- Risk Management — P49–50

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

Basic Perspective on Corporate Governance

Toyota Industries regards the most important managerial task is to earn trust broadly from society and enhance our corporate value on a stable, long-term basis. We aim to do this by implementing our Basic Philosophy, which consists of "Respect for the Law," "Respect for Others," "Respect for the Natural Environment," "Respect for Customers" and "Respect for Employees," and by earnestly fulfilling our social responsibilities. Our basic focus is on contributing to the creation of an enriched society through business activities, and we believe it is essential to cultivate good relationships with stakeholders, including shareholders, customers, business partners, creditors, local communities and employees.

Accordingly, we strive to enhance our corporate governance in order to maintain and improve management efficiency, fairness and transparency. For example, we have established a structure to quickly and flexibly respond to changes in the business environment and have been working to augment management oversight and ensure the timely disclosure of information.

More specifically, the following basic policies drive our initiatives.

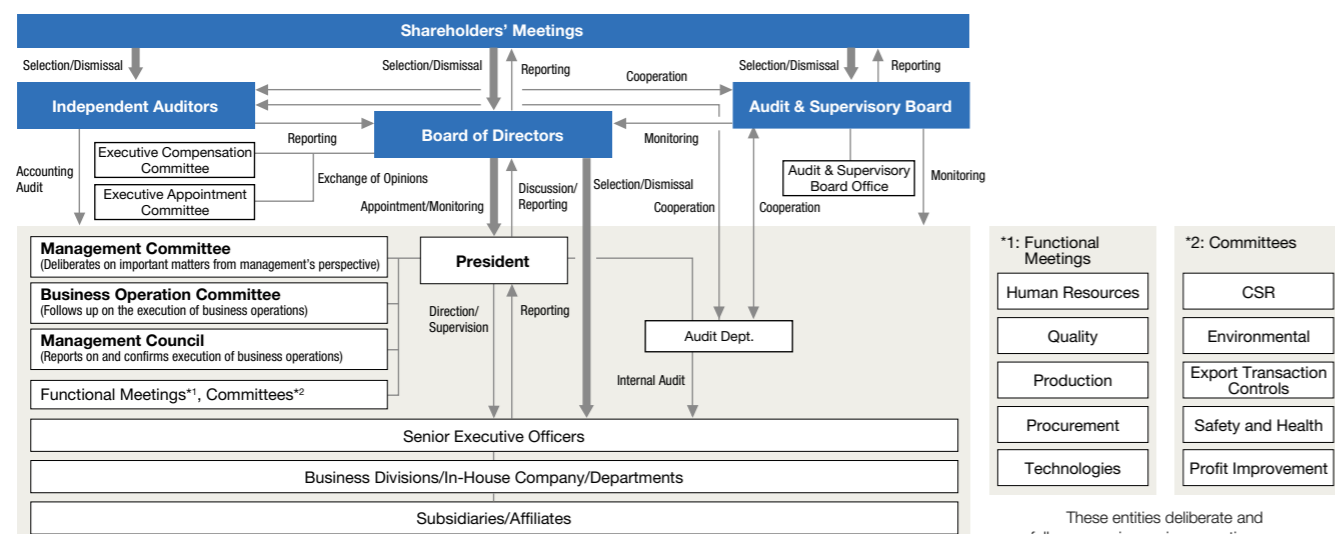
- (1) We seek to ensure shareholders' rights and equality.
- (2) We seek to promote appropriate collaboration with

stakeholders other than shareholders (including customers, business partners, creditors, local communities and employees).

- (3) We seek to conduct appropriate information disclosure and ensure transparency.
- (4) We seek to perform the roles and duties of the Board of Directors appropriately in order to make decisions in a transparent, fair, quick and resolute manner.
- (5) We seek to promote a constructive dialogue with shareholders.

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. The Management Committee, which is composed of directors at the executive vice president level and above as well as senior executive officers and other executives, deliberates on a variety of issues concerning important



(As of June 11, 2019)
Toyota Industries' Corporate Governance Reports are available at: <https://www.toyota-shokki.co.jp/> (in Japanese).



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, audit & supervisory board members and senior executive officers 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. Moreover, we strive to maintain and improve internal controls by establishing the Audit Department and conducting internal audits of Toyota Industries' business divisions and departments as well as our subsidiaries.

Selection and Dismissal of Senior Management and Appointment of Director and Audit & Supervisory Board Member Candidates

As our policies concerning selection (and dismissal) of senior management and appointment of director candidates, we carry out comprehensive evaluations from the viewpoint of placing the right persons in the right positions. We seek a balance between making sound and quick decisions, managing risk appropriately and monitoring execution of business operations and covering a specific function or business division of Toyota Industries.

In appointing audit & supervisory board member candidates, we also perform comprehensive evaluations from the viewpoint of placing the right persons in the right positions, while ensuring a balance among the financial, accounting and legal insights, knowledge on our business fields and the diversity of perspectives on corporate management.

Based on these policies, we review proposals, exchange views and confirm details at the Executive Appointment Committee, which includes independent outside directors, and submit these proposals to the Board of Directors for resolution.

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.

Determination of Compensation for Senior Management and Directors

Compensation for senior management and directors consists of monthly salaries and bonuses. Our policy is to link their compensation with the business performance of Toyota Industries, reflecting their duties and performance in compensation. Bonuses, in particular, are determined based on consolidated operating profit of each fiscal year while comprehensively taking into consideration dividends, employees' bonus level, trends among other companies, medium- to long-term business performance and past records of bonus payments.

As procedures to determine compensation, we review proposals based on this policy, exchange views and confirm details at the Executive Compensation Committee, which includes independent outside directors, and submit these proposals to the Board of Directors for resolution.

Evaluation of the Effectiveness of the Board of Directors

Through interviews with outside directors and audit & supervisory board members, Toyota Industries asks them to evaluate the effectiveness of the Board of Directors and collects their feedback. The results of their evaluation are summarized below.

- (1) Appropriate decision-making and management oversight are ensured by holding several discussions on important matters and following up on the progress after the resolution of these important matters.
- (2) The atmosphere is open, encouraging directors to freely make comments and engage in lively discussion.
- (3) Meeting materials are simple and clear, and explanations are right to the point.

As shown above, Toyota Industries' Board of Directors has been evaluated as effective. We will continue to make efforts for further improvement.

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

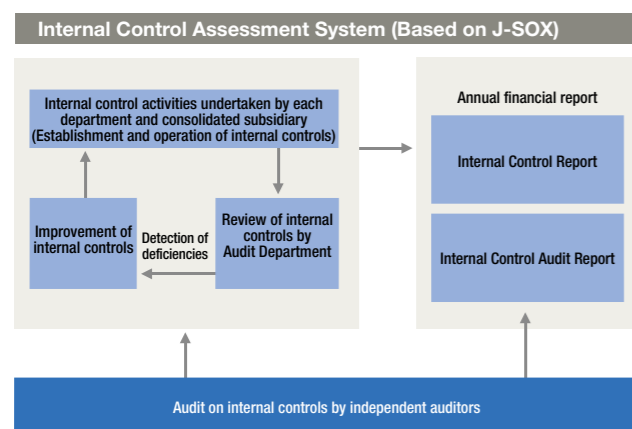
and efficiency of management through collaboration with independent auditors and the Audit Department.

Initiatives for Enhancing Corporate Governance	
1971	Introduced a divisional organization system
2006	Reduced the number of directors (from 30 to 17)
2006	Introduced a managing officer system
2010	Appointed independent members of management
2016	Reduced the number of directors (from 17 to 11)
2017	Conducted an evaluation of the effectiveness of the Board of Directors
2019	Revised executive management structure and reduced the number and rank of executives

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.

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 2019 were effective, and accordingly, submitted an Internal Control Report in June 2019. The report was reviewed by independent auditors and judged fair in their Internal Control Audit Report.



Compliance

Basic Elements of Compliance Activities

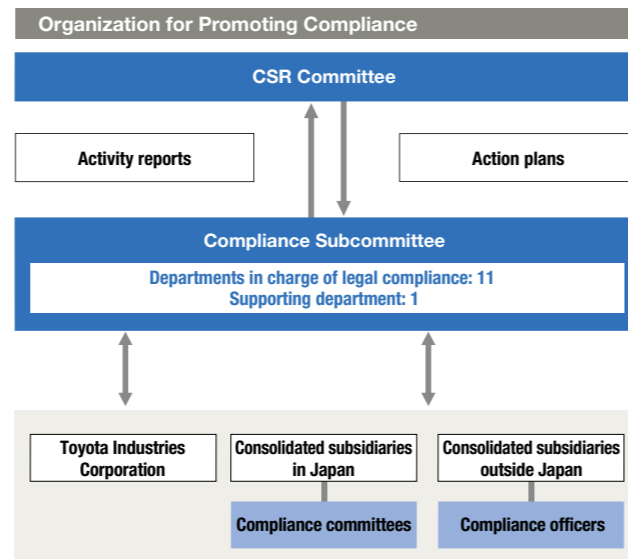
We believe that compliance means both adhering to laws and regulations as well as ethics and social norms. In order to ensure compliance, it is vital to instill an awareness of compliance in each and every employee.

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.

Basic Elements of Compliance Activities		
1	Leadership/ Organization	Declaration by the president Compliance Subcommittee
2	Formulating Rules	Employee Code of Conduct Internal rules
3	Thoroughly Informing Employees	Education on relevant laws and regulations Manuals
4	Checking and Monitoring	CSR self-assessment Audit

Establishment and Reinforcement of Implementation Organization

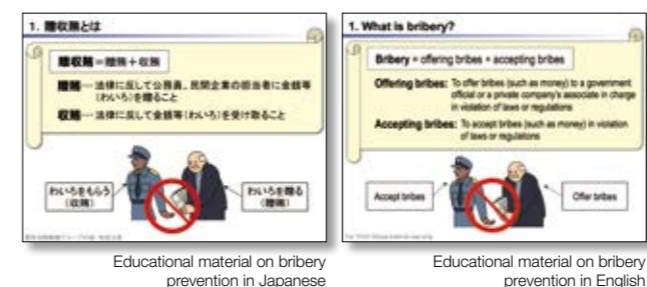
To promote compliance throughout the Toyota Industries Group, we have established the Compliance Subcommittee (led by the head of the Corporate Headquarters) as a subordinate organization to the CSR Committee. Every year, the subcommittee formulates an action plan and conducts a follow-up check on the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



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. Consolidated subsidiaries in and outside Japan (31 in Japan and 79 outside Japan) have formulated their own Code of Conduct appropriate to their respective business lines and corporate cultures 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 company has developed internal rules in accordance with the applicable laws in respective countries and been conducting activities to familiarize employees with them. In fiscal 2019, to support bribery prevention education at our consolidated subsidiaries in and outside Japan, we created a video in Japanese, English, Chinese, Spanish, Portuguese, Indonesian, Vietnamese and Thai.



As for antitrust laws, in fiscal 2019 we reviewed our antitrust law compliance structure, including an emergency response structure and related regulations. Additionally, we continue to operate a system to conduct a check and review before and after employees of Toyota Industries contact competitors and conduct enlightenment activities during our antitrust law compliance month. In this way, we aim to ensure thorough compliance with antitrust laws.

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. To increase compliance awareness, we also provide guidance on the Toyota Industries Corporation Employee Code of Conduct through new employee education, rank-based education and workplace meetings.

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 our consolidated subsidiaries in Japan and to create an environment in which employees foster compliance consciousness on their own.

In fiscal 2019, we invited external lawyers to hold executive legal seminars on "points to be noted in relation with labor issues (work style reforms, various forms of harassment, etc.)" for directors, managing officers and audit & supervisory board members.

Example Topics of e-Learning Materials in Fiscal 2019

Management of confidential information; Import controls; Prevention of misconduct; Safe and correct use of ladders and stepladders; Basics of contracts; Clear communication; Basics of quality; Points to be noted when making money transfers or bank transfers; Commuting accidents; Blocking relationships with antisocial forces

Early Detection and Prevention of Issues via Compliance Hotline

The Toyota Industries Group has in place a whistle-blower system for employees and their families (including suppliers in Japan) 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 2019, we received 86 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.

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

Each company of the Toyota Industries Group has set up a compliance committee (in Japan) and appointed a compliance officer (outside Japan) in an effort to promote autonomous activities in respective communities in collaboration with the Compliance Subcommittee. In fiscal 2019, we continued to carry out activities in line with local needs.

Activities in North America

We held the Compliance Officer Conference in North America with the participation of compliance officers from 19 companies. Topics included cases that provide good examples of our response to reports made by whistle-blowers, response to the leakage of confidential information and reaffirming the need to comply with antitrust laws. After the conference, these 19 companies have been conducting activities in a mutually coordinated manner.

Activities in Europe

In Europe, we held the Compliance Conference with four major companies, including Vanderlande Industries Holding B.V., which became a subsidiary in fiscal 2018, to increase related knowledge and responsiveness by sharing compliance activities of each company and carrying out case studies of initial response to an emergency. As a tool to support compliance officers, we have developed and distributed a new checklist to evaluate the progress in compliance activities and encourage improvements.

Activities in China

In China, compliance officers from 10 companies attended the Compliance Officer Conference. Through the creation and dissemination of educational materials for use at all bases in China as well as by comparing and re-examining the rules of each company, we work to raise compliance awareness of employees and formulate and improve appropriate rules on an ongoing basis.



Compliance Officer Conference in China

Activities in Asia, Oceania and South America

In fiscal 2019, we reaffirmed with compliance officers of eight companies in Asia the roles and abilities required of compliance officers. We strive to raise compliance awareness of employees and deepen their understanding regarding bribery prevention and response to reports made by whistle-blowers.

In India, we held the Compliance Officer Conference with three companies in India to share the progress of and issues in compliance promotion activities of each company and discuss future activities.



Compliance Officer Conference in India

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 2019, 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 Purchasing as well as Engineering and Production Engineering departments
- (2) Strengthen the security of production bases
Enlightenment activities to prepare for cyber attacks against our production bases and implementation of required measures at production lines

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

Activity Examples

Activities up to fiscal 2018

Activities by Toyota Industries

- Rank-based group education
 - Restrictions on taking photographs on company premises
 - Attaching a security cable with a lock to all PCs to prevent unauthorized removal off the premises
 - Restricting the copying of electronic data on recording media
 - Monitoring of email correspondence
 - Requiring employees to sign a confidentiality agreement upon retirement
 - Verifying the status of confidential information management at Engineering and Production Engineering departments
 - Providing training on response to targeted attacks through e-mail
- 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 PCs and recording media, etc.

New activities in fiscal 2019

- Checking the status of confidential information management at Purchasing departments
- Strengthening the security of production bases
- Extending the target group of participants for incident/accident response training from the General Administration Departments of the Head Office and each plant and Engineering, Production Engineering and Purchasing departments to Planning and Sales departments within each business division, etc.



Incident/accident response training

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

Compliance Committees (in Japan) and Compliance Officers (outside Japan) (As of March 31, 2019)

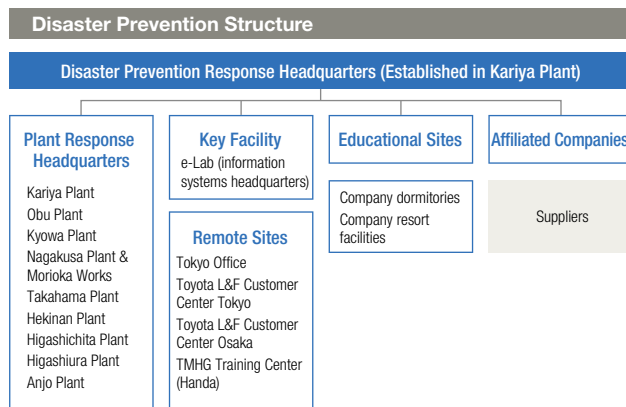


top priority on the recovery of local communities and ensuring the quickest possible recovery, we are making Company-wide efforts in three relevant areas, specifically, “precautionary, pre-disaster mitigation,” “initial response to be followed immediately after the disaster” and “restoration of production.”

Disaster Prevention Structure

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

The Disaster Prevention Response Headquarters, led by the central general safety and health supervisor 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 and securing an evacuation route; deciding how to contact and where to meet with 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.



Collecting information from external sources



Reviewing policies on resumption of operations and how to return home

2. Training at Plant Response Headquarters

In fiscal 2019, we focused on practical training by using predetermined procedures and forms 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.



Analyzing damage information



Confirming initial response actions

3. Training Tailored to the Plant Environment

a) Power Restoration Drill

Based on the 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 Toyota Industries IT Solutions, 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.