

Promotion of ESG Initiatives

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

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

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 task based on our Basic Philosophy and 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

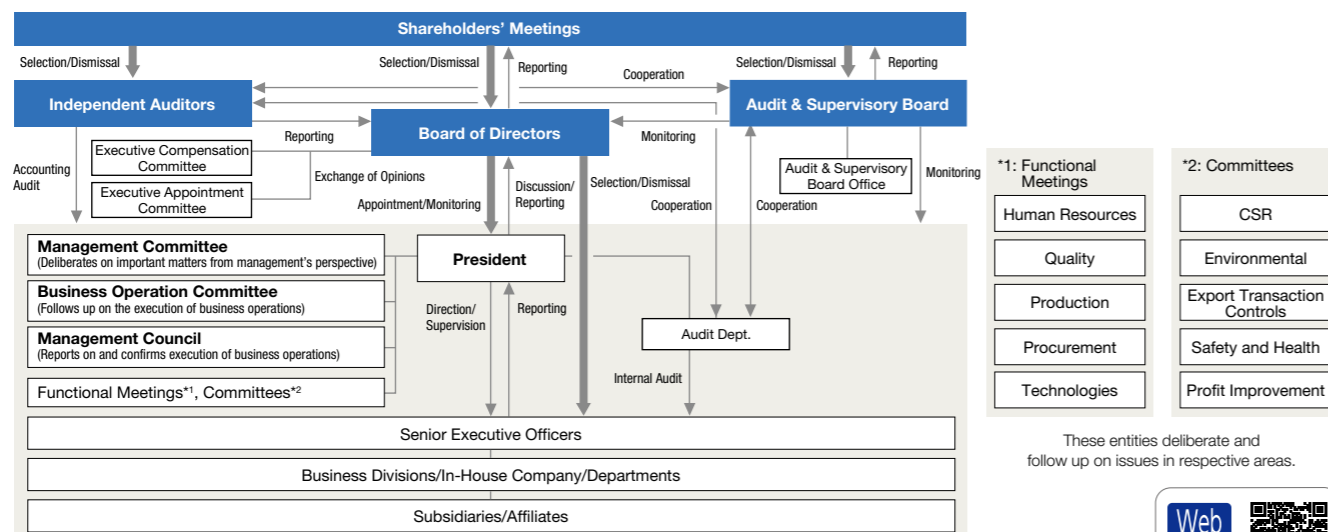
disclosure of information.

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



(As of June 9, 2020)

Toyota Industries' Corporate Governance Reports are available at its Website (in Japanese).



of Directors to resolve important management matters and monitor the execution of duties by directors. We 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 based on their individual, wide-ranging experience and insights related to the management of globally operating companies and *monozukuri* (manufacturing). 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 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.

Effectiveness of the Board of Directors and Its Evaluation

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) Opportunities are provided to share information and hold discussions about management issues and other matters.
- (2) Appropriate decision-making and management oversight are ensured by holding several discussions on important matters prior to the resolution and by reporting and following up on the progress after the resolution of these important matters.
- (3) The atmosphere is open, encouraging directors to freely make comments and engage in lively discussion.
- (4) 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. In response to certain feedback calling for further improvement, we will undertake improvement efforts on a continuous basis.

Audit & Supervisory Board System

Toyota Industries has four audit & supervisory board members, two of whom are full-time members and two of whom are outside members.

The four members attend meetings of the Board of Directors and provide their opinions as appropriate. The full-time members also attend other important meetings to receive reports on the execution of duties by directors and

other responsible persons. They also carry out on-site audits at the Head Office, major business sites and subsidiaries as necessary and collaborate with independent auditors and the Audit Department for overall audits.

Meetings of the Audit & Supervisory Board are held every month to share information on audits conducted by the full-time members with the outside members and to receive reports from directors, responsible persons and independent auditors. At these meetings, the members also discuss and make decisions on important matters, such as audit policies and plans, the audit method used by independent auditors and the appropriateness of their audit results.

Initiatives for Enhancing Corporate Governance

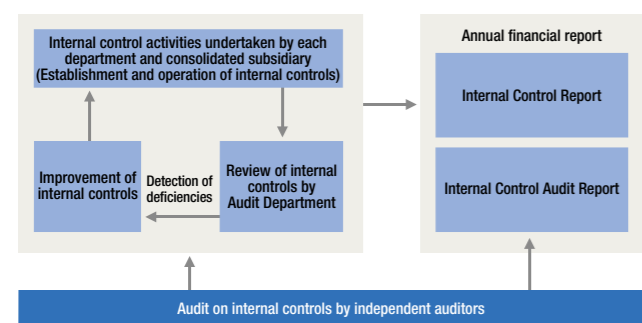
1971	Introduced a divisional organization system
2006	Reduced the number of directors (from 30 to 17)
2006	Introduced a managing officer system
2010	Appointed independent members of management
2016	Reduced the number of directors (from 17 to 11)
2017	Conducted an evaluation of the effectiveness of the 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 2020 were effective, and accordingly, submitted an Internal Control Report in June 2020. The report was reviewed by

Internal Control Assessment System (Based on J-SOX)



independent auditors and judged fair in their Internal Control Audit Report.

Compliance Basic Perspective and Implementation Structure

We believe that compliance means both adhering to laws and regulations as well as ethics and social norms. As such, it is vital to promote compliance throughout the Toyota Industries Group under the leadership of top management.

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

Formulating and Thoroughly Instilling the Code of Conduct

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. Accordingly, we have been working to instill the Code through group training and other means. Consolidated subsidiaries in and outside Japan have formulated their own Code of Conduct appropriate to their respective business lines and corporate cultures and have been providing Company-wide education once a year.

Regarding bribery, which could have a significant impact on management, Toyota Industries has formulated the Global Guidelines for Bribery Prevention. Particularly, in countries high on the Corruption Perceptions Index, each company 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 operate a system to conduct a check and review before and after employees of Toyota Industries contact competitors and have been cultivating awareness among employees for not acting in a manner that may possibly constitute a violation of antitrust laws. Moreover, we have designated a particular month as "Antitrust Law Compliance Month" since fiscal 2016 to carry out enlightenment activities at relevant departments.

In addition, we have created and disseminated e-learning materials on 49 topics 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.

Example Topics of e-Learning Materials

Compliance; Antitrust laws; Prevention of bribery; Human rights; Various types of harassment; Safety behavior; Occupational accidents; Mental health; Environmental protection; Management of confidential information; Traffic safety; Product liability; Accounting process

Early Detection and Prevention of Issues via Compliance Hotline

The Toyota Industries Group has in place a whistle-blower

system 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 other relevant parties to seek advice from external experts on compliance-related matters without being exposed to negative consequences. In fiscal 2020, 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.

In fiscal 2017, we also set up a hotline for our major business partners to report and inquire about possible compliance violations by Toyota Industries employees.

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 consolidated subsidiary of the Toyota Industries Group has set up a compliance committee (in Japan) and appointed

Main Compliance Officers

	Europe Toyota Material Handling Europe AB Andreas Lundh
	United States Toyota Industries North America, Inc. Sheena Seger
	China Toyota Industries Management (China) Co., Ltd. Zhu Lingling
	India Toyota Material Handling India Pvt. Ltd. Pragma Sharma
	Vanderlande Group Vanderlande Industries Holding B.V. Carl Messemaeckers

a compliance officer (outside Japan) to lead and promote autonomous activities in respective communities. In North America, Europe, China and Asia/Oceania, compliance officers regularly hold conferences and facilitate collaborative activities within each region.

In fiscal 2020, we held the second Compliance Officer Meeting in India with compliance officers from four companies to share information on the Code of Conduct of each company, best practices of compliance activities and updates to relevant laws.

Through these efforts, they work together to increase the level of compliance throughout their business in India.



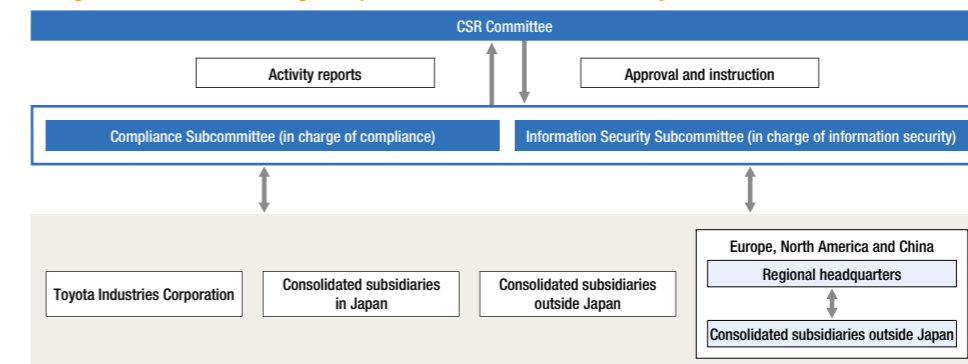
Information Security Basic Perspective

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, with the aim of safeguarding our information assets and strengthening their management, we have formulated the Basic Policies for Information Security.

Basic Policies for Information Security

- (1) Legal compliance**
We comply with laws and regulations related to information security while fostering awareness of them among employees.
- (2) Maintaining a stable business foundation**
We safeguard and manage information assets appropriately, carry out information security-related education and enlightenment activities on an ongoing basis and seek to maintain a stable business foundation.
- (3) Providing safe products and services**
We provide safe products and services to customers and society by implementing information security measures in our business activities, including development, design and manufacture of products and services.
- (4) Information security management**
We build a governance structure to enforce and manage information security and continue to promote and refine the structure.

Organization for Promoting Compliance and Information Security under the CSR Committee



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 reduce information security risks.

To thoroughly implement the initiatives adopted by the subcommittee, we appoint information security managers*1 and information security administrators*2 at each department of Toyota Industries.

For consolidated subsidiaries around the world, we regularly hold meetings of information technology (IT) managers in each region to share information on security incidents and countermeasures both in and outside the Toyota Industries Group and to disseminate relevant policies. Through these and other measures, we are increasing the levels of security and security awareness throughout the Group.

*1: Head of each department

*2: A person within the department, appointed by the head

Information Security Management

Information Security Monitoring and Incident Response

To ensure the early detection of and prompt action against cyberattacks, we have in place systems to monitor the security of PCs and all other terminals used within the Toyota Industries Group and to respond to incidents 24 hours a day, 7 days a week. Upon the occurrence of an incident, we immediately report it to the president and senior management and share relevant information within Toyota Industries. We also share threat information with our consolidated subsidiaries in and outside Japan to swiftly alert each company.

Providing Education on Information Security

We believe that awareness among all executives, employees and contract employees is crucial in preventing information security incidents. Based on this belief, we provide training on targeted attacks via e-mail and after-action education more than four times a year per person. We also send periodic reminders internally using incidents that have occurred elsewhere as examples.

Preventing Leakage of Confidential Information

We strive to raise the level of information security by holding workplace meetings and conducting self-checks regarding our information security practices. In terms of technological measures, we implement a multi-layer defense that includes encrypting PCs, restricting and monitoring the copying of files on recording media and preventing malware penetration and data leakage caused by cyberattacks.

Conducting Information Security Audits

In accordance with the All Toyota Security Guidelines (ATSG)*3, we biannually inspect the implementation status of information security at Toyota Industries and our consolidated subsidiaries around the world in order to maintain and improve the level of information security on a continuous basis.

Primary Activity Examples

Activities in fiscal 2020

- Enhancing security services for consolidated subsidiaries in Japan
- Facilitating tools (measures) to support actions against leakage of confidential information
- Extending the target group of participants for information leakage response training
- Increasing the frequency of e-mail security training (once a year/person to four times a year/person)
- Conducting information security audits at consolidated subsidiaries outside Japan
- Performing a more stringent check on information devices brought into the plant premises from outside
- Providing information security education to on-site plant workers

*3: Security guidelines of the Toyota Group, which conform to the Cyber Security Framework of the National Institute of Standards and Technology (NIST CSF) and ISO 27000 series of standards for information security management systems

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 Risk Response Manual, which defines our initial response to an emergency. This manual lays out basic rules to be followed when a risk becomes evident. 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. As a countermeasure to the ongoing COVID-19 pandemic, we are making an appropriate response based on this manual. The content of the manual 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 a smooth transition from the initial response stage to the production restoration stage.

The Disaster Prevention Response Headquarters, led by an 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 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.

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. In fiscal 2020, we conducted a drill assuming an earthquake occurring in the early hours of the morning as an effort to strengthen our readiness against earthquakes around the clock.



Aggregating information within a plant | Reviewing policies on how to return home

2. Initial Response Training at Plant Response Headquarters

In fiscal 2020, we continued to focus on practical training by using predetermined procedures and forms. Each Plant Response Headquarters planned a drill, created a scenario and served as a moderator to confirm the actions that should be taken by its head (plant manager) and members. 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. Individual Training at Each Plant

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

We conduct system 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.

Future Activities

Preparing for floods and other natural disasters in addition to earthquakes has been gaining significance. Accordingly, we will draw on our response measures that have been implemented mainly for earthquakes and extend our efforts to other disasters in order to increase our overall disaster readiness.