

Corporate Governance

As a global company operating in various countries and regions, Toyota Industries seeks efficient management while maintaining and enhancing the fairness and transparency of its corporate activities.

Basic Perspective of Corporate Governance

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 strives 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. 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.

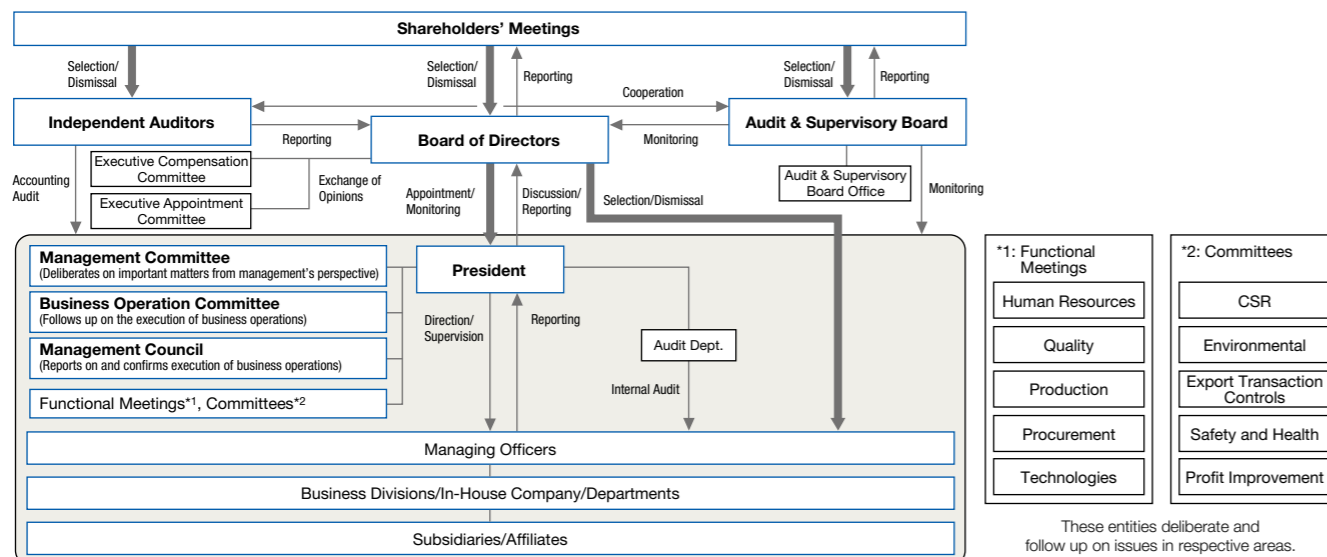
Toyota Industries has a divisional organization system, with significant authority delegated to each business division. For especially crucial matters, however, we have established the Business Operation Committee to enable the president to meet with the heads of each business

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 CSR, the environment and export transaction controls. These functional meetings and committees discuss important matters and action themes in respective areas.

Audit & Supervisory Board System

Toyota Industries has adopted an audit & supervisory board system. Two full-time audit & supervisory board members and three 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



(As of June 10, 2016)
Toyota Industries' Corporate Governance Reports are available at: <https://www.toyota-shokki.co.jp/> (in Japanese)

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.

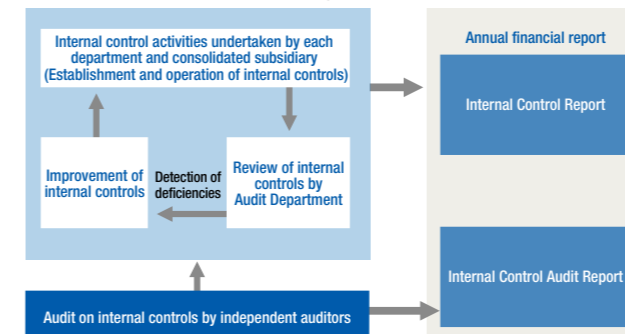
Internal Control System

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.

A revision was made to the Companies Act in April 2015 (enforced in May 2015), further requiring companies to set up and upgrade a system to ensure the fairness of their operations and effectiveness of auditor duties. Accordingly, we reviewed our Basic Policies, and the revised policies have been adopted by the Board of Directors.

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

Internal Control Assessment System (Based on J-SOX)



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 2016 were effective, and accordingly, submitted an Internal Control Report in June 2016. The report was reviewed by independent auditors and judged fair in their Independent Auditors' Report.

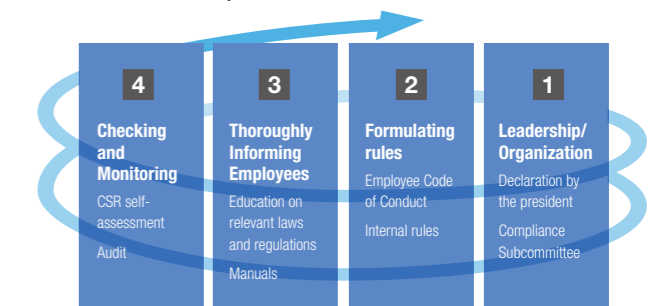
Compliance

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, including consolidated subsidiaries in and outside Japan, by formulating a Code of Conduct and thoroughly informing employees together with checking and monitoring compliance.

Four Pillars of Compliance Activities

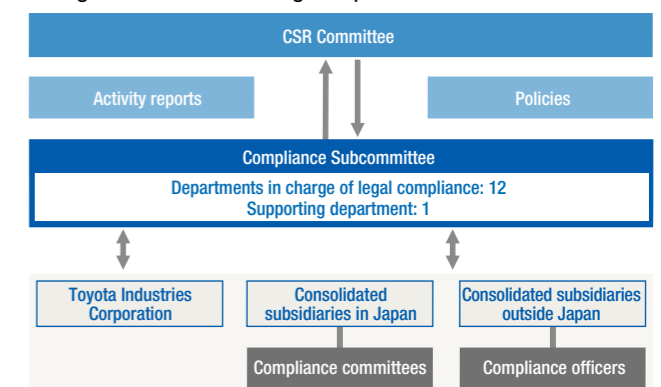


Establishment and Reinforcement of Implementation Organization

To promote compliance throughout the Toyota Industries Group, we have established the Compliance Subcommittee (led by director 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.

*As of March 31, 2016

Organization for Promoting Compliance



In addition, 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 2016, we carried out activities in line with local needs.

Activities in Japan

We held a conference to improve responsiveness of compliance personnel from 31 consolidated subsidiaries in Japan. The conference also included a seminar by external lawyers regarding such topics as proper initial responses when a case of misconduct occurs and measures to prevent recurrence.

Activities in North America

We held the Compliance Officer Conference in North America with participation of compliance officers from 19 bases. In fiscal 2016, we exchanged opinions on safe and secure workplaces compliant with the Code of Conduct, how to engage in communication that gives consideration to cultural diversity and other themes that reflected current U.S. social conditions.

Activities in Europe

In Europe, the regional headquarters introduced an e-learning system to provide effective education on the Code of Conduct at respective bases while identifying and assessing compliance risks and promoting preventive legal measures for selected priority matters.

Activities in China

In China, compliance officers from seven bases attended the Compliance Officer Conference in which they engaged in an exchange of opinions and formulated a standardized Code of Conduct applicable to all bases in the country. In addition, a misconduct prevention seminar regarding bribery, embezzlement, leakage of confidential information and other sensitive themes was held, with supervisors from each



Standardized Code of Conduct

base in attendance. Through these measures, we are striving to raise an awareness of the prevention of misconduct at all bases in China.

Activities in Asia, Oceania and South America

We held a conference in Singapore attended by presidents and compliance officers from nine bases in Asia (excluding China), Oceania and South America, where we haven't established a regional headquarters, to promote compliance activities. In addition to group discussions, the conference also featured a lecture by an external lawyer regarding management of confidential information, bribery prevention and initial response when a case of misconduct occurs, all of which are a matter of concern in emerging countries.



Compliance conference held in Singapore

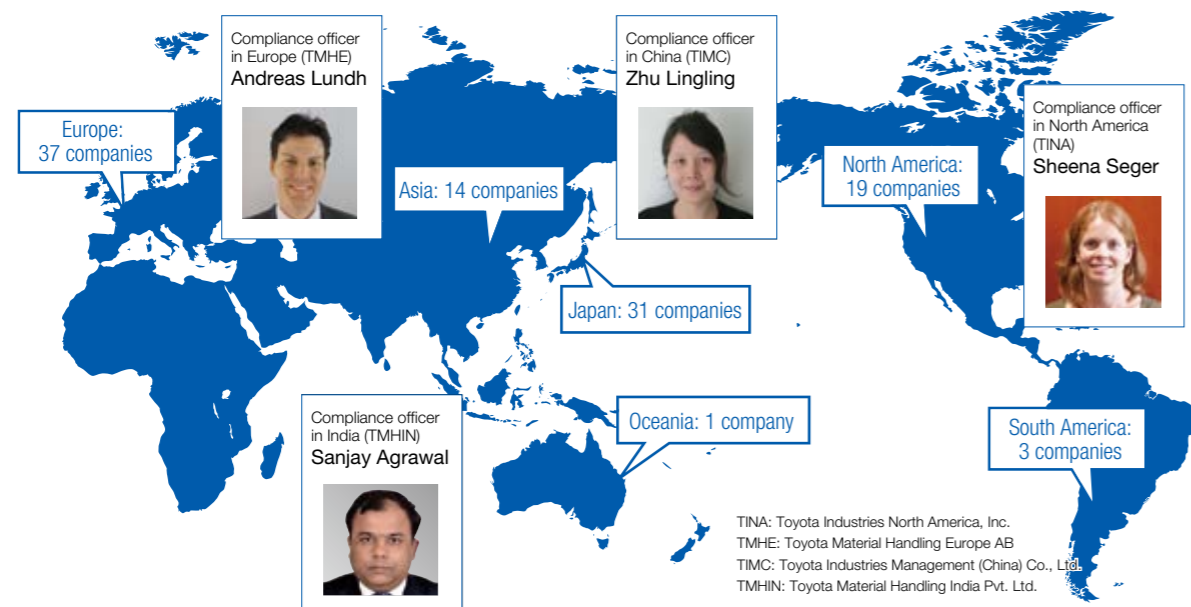
Formulation of Code of Conduct and Dissemination

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' 31 consolidated subsidiaries in Japan and 73 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

Compliance Committees (in Japan) and Compliance Officers (outside Japan) (As of March 31, 2016)



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.

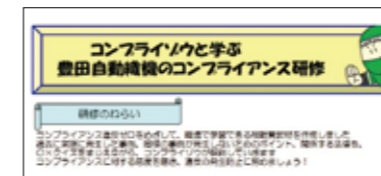
As for antitrust laws, we have put in place a system to conduct a check and review before and after employees of Toyota Industries contact competitors. We are also familiarizing all employees that they are prohibited from any acts that may possibly constitute a violation of antitrust laws. In fiscal 2016, we set up antitrust law compliance month and conducted 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. To new or young employees, 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.

Over the three years since fiscal 2014, we have created and disseminated 27 e-learning materials in order to cultivate a deeper understanding of compliance among employees and create an environment in which employees foster compliance consciousness on their own.

In addition, in fiscal 2016 we invited external lawyers to hold executive legal seminars on "antitrust laws" and "revision of the Companies Act and corporate governance" for directors, audit & supervisory board members and managing officers.



Screen display of e-learning material to promote compliance

Example Topics of e-Learning Materials

Courses started up to fiscal 2015

Compliance, Environment (water quality and waste), Traffic safety, Japan's Personal Information Protection Law, Compliance hotline, Prevention of bribery, Insider trading regulations, Copyrights, Japan's subcontracting law, Sexual harassment, Abuse of power in the workplace, etc.

Courses established in fiscal 2016

Product liability, Basics of contracts, Export/import transaction control, Antitrust laws (cartels), Act on Prohibition of Unauthorized Computer Access, Management of confidential information, Illegal activities, etc.

*Provided to all employees. Additional courses are under consideration.

Checking and Monitoring Compliance

We have been working to strengthen checking and monitoring of compliance through such measures as conducting ongoing compliance self-assessment and promoting prevention activities at consolidated subsidiaries.

Prevention Activities

We have been promoting prevention measures at consolidated subsidiaries in and outside Japan through the Compliance Subcommittees and other entities based on past incidents that occurred at Toyota Industries. Since fiscal 2016, we have started using violations of laws and cases of misconduct at other companies as reference so that similar compliance infringements will not occur at the Toyota Industries Group. Specifically, in view of an insider trading allegation at another company in Japan, we reviewed our internal regulations on insider trading.

Compliance Hotline

We also operate a compliance hotline (helpline) that allows employees and their families to seek advice from external experts on compliance-related matters without being exposed to negative consequences, as well as to ensure early discovery and the prevention of issues. This compliance hotline is cited in the Toyota Industries Corporation Employee Code of Conduct, and we periodically distribute pamphlets to inform our employees of the service. In fiscal 2016, we introduced similar helplines at respective consolidated subsidiaries in China, North America and Europe.

Compliance Education Provided (As of March 31, 2016)

	FY2014	FY2015	FY2016	FY2017
Toyota Industries Executive training	Conducted training for newly appointed executives and legal seminars for executives			Ongoing initiative
Rank-based (clerical, technical) training	Promoted training on quality, safety, the environment, labor, management of confidential information, export transactions, subcontracting and antitrust laws			Ongoing initiative
Training by function	★12,000 employees participated	★12,000 employees participated	★10,900 employees participated	
Consolidated subsidiaries in Japan	Conducted training on the Code of Conduct, safety, etc.			Ongoing initiative
	★15,400 employees participated	★20,200 employees participated	★24,500 employees participated	

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 a director in charge of the General Administration Department*1) 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*2 and information security administrators*3 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 2016, to counter an increase in risk for leakage of confidential information we strengthened the security check of visitors at the gates of the Toyota Industries premises as well as conducted response training at the headquarters based on the assumption that an incident or accident occurred.

Activity Examples

Activities up to fiscal 2015

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
- Stronger monitoring of email correspondence
- 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

- "All Toyota 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 2016

- Strengthening the security check of information devices that visitors bring onto the Toyota Industries premises
- Conducting response training at the headquarters based on the assumption that an incident or accident occurred, etc.

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: As of March 31, 2016

*2: Head of each department

*3: 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.

- Incorporating measures to prevent and reduce potential risks into daily routines and following up on the progress of implementation
- 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 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 occurrence of a major earthquake as one of the most significant risks. Since fiscal 2011, we have been implementing disaster prevention measures that focus on three basic policies, namely placing maximum priority on human life; placing top priority on the recovery of local communities; and ensuring the quickest possible recovery.

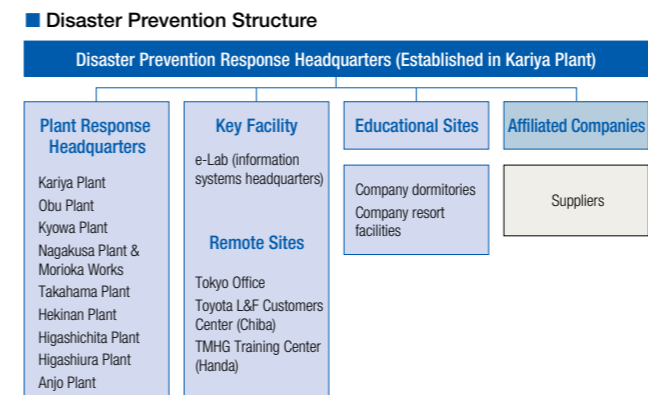
Furthermore, we divide these measures into the three categories of "precautionary, pre-disaster mitigation," "initial response to be followed immediately after the disaster" and "restoration of production," and are respectively making Company-wide efforts.

In fiscal 2016, based on the results of a review of our efforts in the previous fiscal year, we conducted disaster drills in more realistic settings, confirmed procedures and standardized countermeasures. We intend to continuously upgrade our activities.

Disaster Prevention Structure

We have been reinforcing 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.



Efforts to Cultivate Human Resources through Training

1. Training at Disaster Prevention Response Headquarters

We conduct simulation 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.

Since fiscal 2015, assuming the occurrence of a disaster during nighttime and on a weekend or holiday, we have been providing training to members selected 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

a) Workshops

In fiscal 2016, members of the Plant Response

Headquarters discussed the preparation status and inadequacies of items in the standard response procedures formulated by each plant and worked to improve the procedures to better respond to a disaster.



Discussion among members of Plant Response Headquarters



Identifying inadequacies and items to be improved

b) Tabletop Exercise

We provide training to the head (plant manager) and members of each Plant Response Headquarters to ensure that we promptly make an initial response and offer support to local communities in case of a disaster. Since fiscal 2015, in addition to drills for enabling quick disaster response, we have been holding discussion sessions on the theme of "thinking on your own" to raise awareness of each member for disaster prevention.



Checking internal disaster damage information



Confirming how to decide to resume operations

3. Training for Restoration

a) Power Restoration Drill

Each plant has developed procedures to restore power supplies, including electricity and gas, which are essential in restoring production activities. Starting from fiscal 2015, each plant conducts *genchi genbutsu* 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. In fiscal 2016, we selected a model business division and standardized measures.

We will consider the application of the initiatives taken at the model business division throughout the company.



Drill to restore a primary power source

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

Starting from fiscal 2014, we repeatedly conduct drills jointly with our affiliated companies and suppliers in order to familiarize them with the use of IT tools to quickly identify the damage status during a disaster.