

# 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 the long-term stability of its corporate value 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 above the executive vice president level as well as relevant directors, 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 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 Director and Audit & Supervisory Board Members

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.

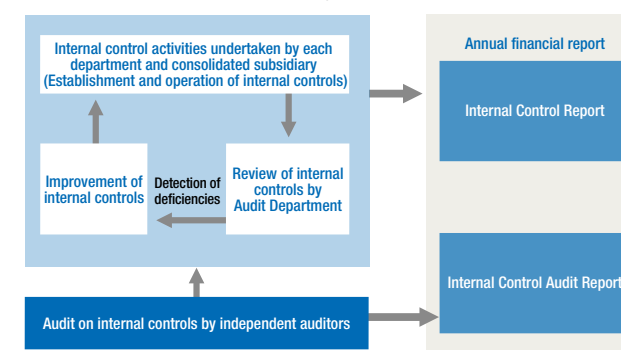
## Internal Control System

In accordance with the Corporation Law of Japan, 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 Corporation Law of Japan in fiscal 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

### Internal Control Assessment System (Based on J-SOX)



(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 2015 were effective, and accordingly, submitted an Internal Control Report in June 2015. The report was reviewed by independent auditors and judged fair in their Independent Auditors' Report.

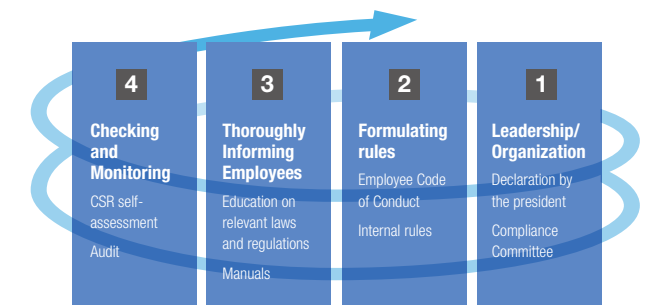
## Compliance

### 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 that each and every employee has an awareness of compliance.

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

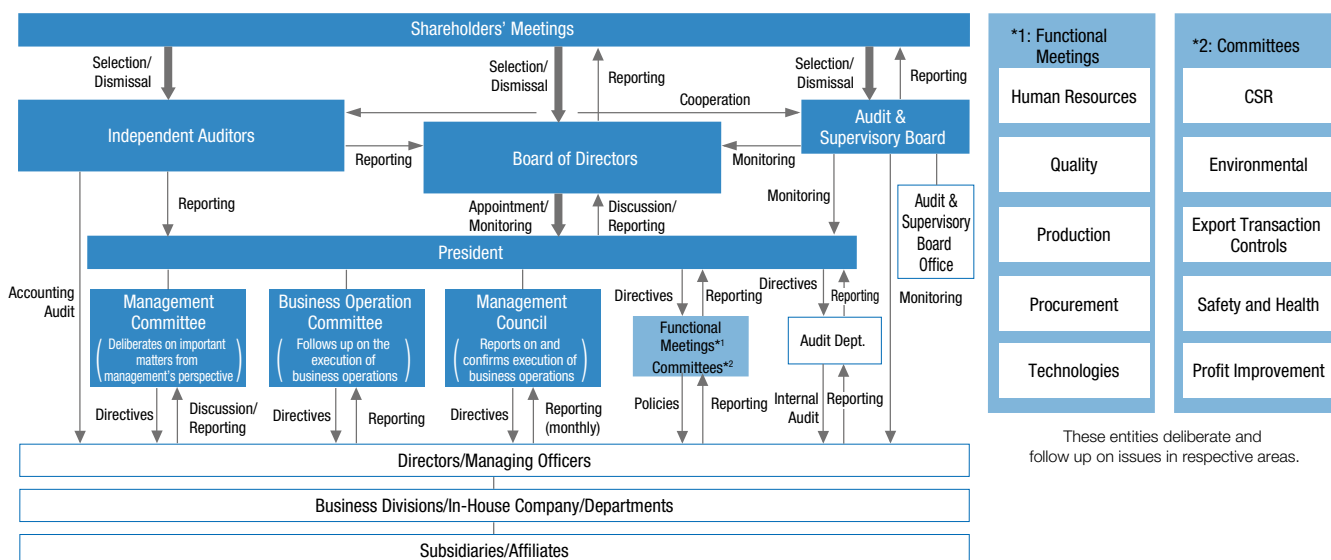


### Establishment and Reinforcement of Implementation Organization

To promote compliance throughout the Toyota Industries Group, we have established the Compliance Subcommittee (led by head manager of the corporate headquarters\*) 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.

In fiscal 2015, we held Compliance Officer Conferences at each region across the world in an effort to further enhance compliance within the Toyota Industries Group.

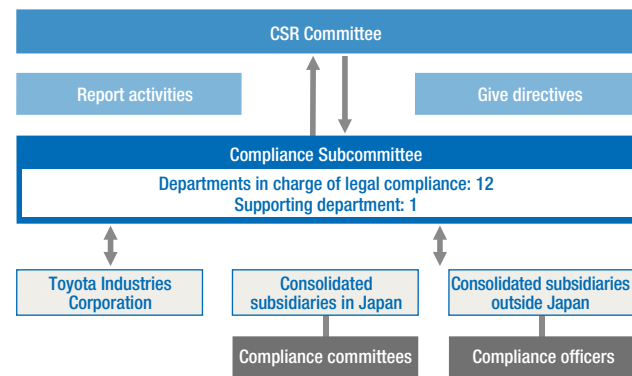
\*As of March 31, 2015



These entities deliberate and follow up on issues in respective areas.

(As of June 11, 2015)  
Toyota Industries' Corporate Governance Reports are available at: <http://toyota-shokki.co.jp> (in Japanese)

■ Organization for Promoting Compliance



■ Activities in North America and Europe

We held Compliance Officer Conferences in North America and Europe, with participation of compliance officers from 18 bases and 32 bases, respectively, in each region. At both conferences, participants deliberated on preventive measures to two significant risks of bribery and cartel formation, as an increasing number of companies have recently been charged with being involved in such practices. They also exchanged opinions on the structure and operation of external hotlines planned to be introduced in North America and Europe, taking into account the actual conditions at respective bases.



Participants of Compliance Officer Conference held in Europe

■ Activities in China

In China, we held a Presidents Conference, in which presidents from all bases in the country attended. They confirmed the anti-bribery regulations and the introduction of the leniency system under antitrust laws.

We also held a Compliance Officer Conference in China, with the participation of compliance officers from five bases. They shared information on the progress of their respective compliance-related activities and exchanged opinions concerning the revision to the Corporate Code of Conduct, which is used as conduct guidelines across all bases in China.

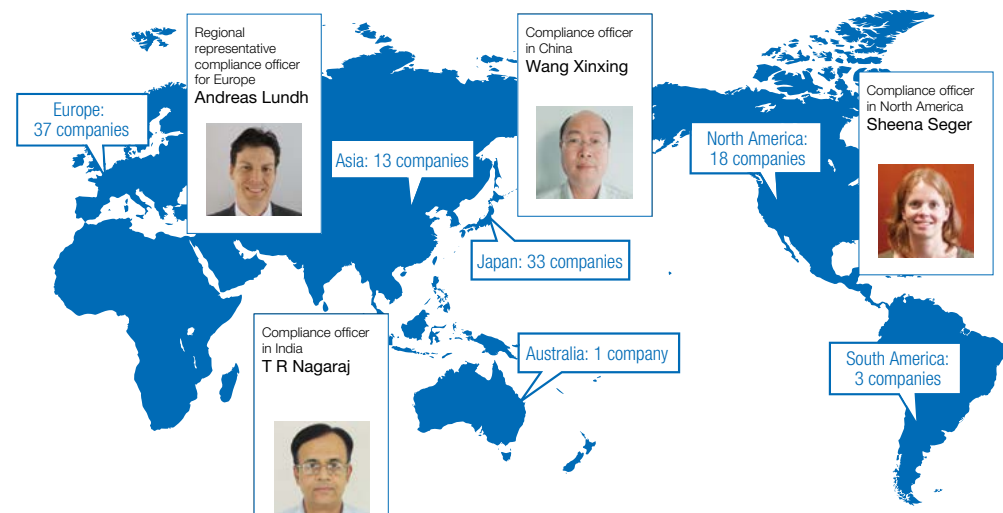


Participants of Presidents Conference in China

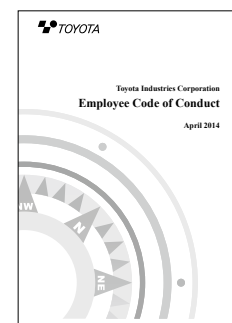
■ Formulation of Code of Conduct and Dissemination

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. At subsidiaries in and outside Japan, compliance officers (outside Japan) and compliance committees (in Japan) are taking a leading role in the formulation of their own Code of Conduct matched to their respective business lines and corporate cultures. Toyota Industries' 33 consolidated subsidiaries in Japan and 71 consolidated subsidiaries outside Japan have already created their own Code of

■ Compliance Officers (outside Japan) and Compliance Committees (in Japan) (As of March 31, 2015)



■ Employee Code of Conduct



Conduct and have been working to instill an awareness among their employees.

Simultaneously, to prevent significant risks of bribery and violations of antitrust laws, we have formulated corresponding regulations and been undertaking activities to familiarize employees with these regulations.

■ Response to bribery risk

In fiscal 2015, Toyota Industries formulated the Global Guidelines on Bribery Prevention applicable to Toyota Industries itself and its Group companies. 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.

■ Response to risk concerning 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 and monitoring employees' awareness and behavior on a periodic basis.

■ 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, in particular, we provide easy-to-understand guidance on "what to do" and "what not to do" in order to improve their compliance awareness based on laws and corporate ethics, using the Toyota Industries Corporation Employee Code of Conduct as an instructional material.

Since fiscal 2014, we have been disseminating e-learning materials on one specific theme every month in order to cultivate a deeper understanding of compliance

among employees and create an environment in which employees foster compliance consciousness on their own.

■ Example Topics of e-Learning Materials

Courses started up to fiscal 2014	Compliance
	Environment (water quality and waste)
	Traffic safety
	Japan's Personal Information Protection Law
Courses established in fiscal 2015	Compliance hotline
	Prevention of bribery
	Insider trading regulations
	Copyrights
	Japan's subcontracting law
	Sexual harassment
Abuse of power in the workplace, etc.	

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

■ Checking and Monitoring Compliance

In order to monitor the status of compliance, we request internal departments and Toyota Industries Group companies in and outside Japan to perform a compliance self-assessment. If any items are found to be insufficient in a self-assessment, Toyota Industries' responsible department in charge of legal compliance will provide support for improvement through auditing and other activities.

We also operate a compliance hotline that allows employees and their families to seek advice 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 also create leaflets and posters to inform our employees of the service.

■ Compliance Education Provided (As of March 31, 2015)

	FY2013	FY2014	FY2015	FY2016
<b>Toyota Industries Executive training</b>	Conducted training for newly appointed executives and legal seminars for executives			<b>Ongoing initiative</b>
<b>Rank-based (clerical, technical) training Training by function</b>	Promoted training on quality, safety, the environment, labor, management of confidential information, export transactions, subcontracting and antitrust laws			<b>Ongoing initiative</b>
	★9,900 employees participated	★12,000 employees participated	★12,000 employees participated	
<b>Training for affiliated companies</b>	Promoted group training via executive training seminars, subcontractor safe work training and public relations division training, and through visits to dealers			<b>Ongoing initiative</b>
	★2,400 employees participated	★2,800 employees participated	★2,400 employees participated	
<b>Consolidated subsidiaries in Japan</b>	Conducted training on the Code of Conduct, safety, etc.			<b>Ongoing initiative</b>
	★16,100 employees participated	★15,400 employees participated	★20,200 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 general administration\*1) as a subordinate organization to the CSR Committee to promote proper management of confidential information, taking appropriate actions against the leakage of confidential information and complying with 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.

#### Activity Examples

##### Activities up to fiscal 2014

##### Activities by Toyota Industries

- Reviewing rules for management of confidential information
- 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 email correspondence

##### 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

##### New activities in fiscal 2015

- Requiring employees to sign a confidentiality agreement upon retirement
- Reinforcing checks on the history of electronic data being taken off the premises upon retirement, 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 and follow up on their activities on a periodic basis.

\*1: As of March 31, 2015

\*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 Corporation Law of Japan, 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 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.

During fiscal 2015, we conducted a review of the manual to enforce more Group-wide efforts. Specifically, the review included clarifying responsibility and authority between Toyota Industries and its Group companies based on the assumption that a problem or crisis occurred at a Group company.

### Response to Possible Major Earthquake

We consider the occurrence of a major earthquake in Japan 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.

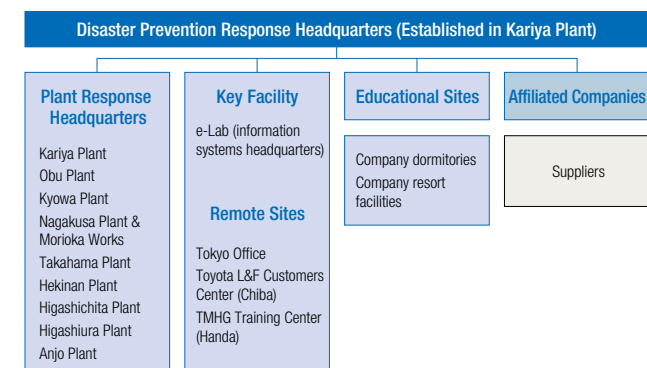
In fiscal 2015, based on the results of a review of our efforts in the previous fiscal year, we conducted disaster drills in more realistic settings. We intend to continuously upgrade our activities.

### 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.

#### Disaster Prevention Structure



### 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.

During fiscal 2015, assuming the occurrence of a disaster during night-time and on a weekend or holiday, we provided training to members selected from the functional departments who live close to the Head Office.



Disaster response meeting

#### 2. Training at Plant Response Headquarters

##### a) Walk-Through Drill

Based on the standard response procedures formulated by

each plant, we conduct *genchi genbutsu* (go and see for yourself) drills to confirm supply storage locations and usage procedures.

Members of each Plant Response Headquarters work to enhance our response to disasters by identifying points that require improvement or particular attention.



Confirming procedures to activate an emergency power generator

##### 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. In fiscal 2015, in addition to drills for enabling quick disaster response, we held discussion sessions on the theme of “thinking on your own” to raise awareness of each member for disaster prevention.



Checking internal disaster damage information

### 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.



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.