



Introduction of New Personnel System

Flatter Organizational Structure

We have in the last few years carried out a number of reforms to our organizational and personnel systems. For example, in January 1995, we replaced our vertical management structure with a horizontal system containing fewer layers of management and based on smaller, flexible groups with considerable autonomy. As intended, the effect was to give each staff member greater responsibilities and authority together with a good sense of how his or her activities fitted into the whole, and speed up the decision-making process. With staff members able to take the initiative in making proactive proposals on business transactions, sales activities and other matters, the result was greater energy, flexibility and dynamism.

New Assessment/Remuneration System

In April 1995, we introduced a performance-based remuneration system for managers, downgrading the traditional importance of seniority. In April 2001, we introduced a new merit-based system for all “white-collar” employees below assistant manager level. At the same time, we simplified the qualification steps required for promotion to positions of greater responsibility, allowing high-quality personnel to progress up the ranks more quickly.

Staff are not judged solely according to the results of their performance. An employee’s efforts to reach his or her goals are also appraised. This encourages employees to aim high, unafraid of failure. The feedback, given openly, is comprehensive and serves to motivate staff.

Introduction of Stock Option Incentive Plan

The introduction of an incentive plan involving the granting of stock options in accordance with the Japanese Commercial Code was approved at the Ordinary General Meeting of Shareholders on June 28, 2001. Under this plan, designed to sharpen the motivation of senior management in enhancing shareholder value, a maximum of 500,000 shares in total are to be granted at a predetermined price to 141 people (28 directors, and 113 associate directors and general managers). Recipients may not exercise the option within the first two years. Subsequent to that initial period, the option must be exercised or waived within the next two years. The following is an outline of the plan.

1. Method

Granting of stock options by way of repurchase of shares of Toyota Industries Corporation in accordance with Article 210-2 of the Commercial Code

2. Recipients

Twenty-eight directors and 113 employees (associate directors, general/grade 1 managers) of Toyota Industries Corporation

3. Number of shares to be granted

Each director and qualifying employee will be granted a maximum of 15,000 and a minimum of 2,000 shares.

4. Grant price

The higher of the closing price on Tokyo Stock Exchange on the date of grant and 1.05 times the average closing price in the full calendar month prior to the month of the grant date

5. Exercise period of options

July 1, 2003 to June 30, 2005