



Corporate Governance

Toyota Industries Corporation is determined to act within both the letter and the spirit of the law, in Japan and overseas. It seeks to pursue its business activities in a fair manner, and to do so in a transparent way. In accordance with this principle, we attempt to provide the highest possible levels of disclosure and accountability to shareholders and others concerned.

We have adopted the divisional organization system; as a rule, the day-to-day operations of each business have been entrusted to the authority of the division manager. Matters concerning strategic decision-making and the establishment of divisional and company-wide business goals are discussed and decided in the management committees and meetings described below. Necessary issues, when appropriate, are presented and discussed at meetings of the Board of Directors.

Board of Directors

The Board of Directors, the highest body for making corporate decisions related to business and affairs throughout the entire operation, is composed of 32 members, including corporate auditors. The Board of Directors makes decisions about important matters concerning corporate management, except for those matters that come within the authority of the general meeting of shareholders. The Board is chaired by either the Chairman or the President. The Board deliberates upon matters specified in commercial law, articles of incorporation and regulations of the Board of Directors. Meetings are held once a month as a rule.

Board of Auditors

The Board of Auditors is composed of four corporate

auditors, including two standing auditors. The corporate auditors, appointed at the general meeting of shareholders, conduct an operations audit as well as an accounting audit. For this purpose, the auditors are granted a great deal of authority. In the operations audit, they investigate whether ordinances and articles of incorporation are being observed in the execution of the duties of the directors. In order to prevent illegal or improper resolutions from being made at the Board meeting, the auditors attend the meeting and are able to give their opinions if necessary. If any violation of an ordinance or articles of incorporation is made by a director or the prospect of such a violation is identified, it is reported to the Board of Directors.

In the accounting audit, the consistency of the accounting auditor's auditing method and results is assessed. If the accounting auditor's auditing method or results are identified as inconsistent, the auditors include the matter and the reason for it in the audit report.

Management Committee

The Management Committee deliberates upon important matters concerning all aspects of management. The Committee is composed of most of the directors and standing auditors. It is chaired by the President. Necessary issues are presented to the Board of Directors for discussion and decision.

Expanded Executive Vice President's Committee

As a rule, the Expanded Executive Vice President's Committee, composed of the eight directors at and above the level of Senior Managing Director, deliberates upon

the company's important management issues such as business operations, new products, overseas matters, and IT. The Committee is chaired by the President. Compared to the Management Committee and others, the Expanded Executive Vice President's Committee can deliberate with relatively few members, allowing swift, flexible and rapid decision-making. Necessary issues are presented to the Board of Directors for discussion and decision.

Divisional System and In-House Company System

In order to respond rapidly to changes in the business environment, the divisional system organization was adopted in 1971. Based on the divisional system, diversification has been proceeding efficiently in the vehicle, engine, car air-conditioning compressor, textile machinery and electronics businesses. Also, operational management authority has been vested in division managers, who have responsibility for their divisions' sales volume, profits and losses. Because management responsibility has been clarified, rapid decision-making is possible, which has contributed to the improvement and expansion of business performance.

Taking advantage of the opportunity presented by the transfer of the industrial equipment sales division from Toyota Motor Corporation, an in-house company system was established for the Industrial Vehicle Division and Materials Handling System Division, and we created an "in-house company," TOYOTA Material Handling Company, in April 2001. The purpose of this arrangement is to give TOYOTA Material Handling Company a greater degree of autonomy than other divisions. If this "in-house company" system proves successful in terms of net sales, operating income, return on assets (ROA) and cash flows, we will consider extending it to other divisions.

Corporate Code of Conduct Council

In 1991, we established a Code of Conduct Council for the purpose of promoting awareness of ethical, legal, social and environmental issues. The Council is chaired by a Senior Managing Director. In 1998, the Council published a guide for employees containing specific guidelines on good conduct.

The Council liaises closely with the Legal

Toyota Industries' Basic Philosophy

Respect for the Law

Toyota Industries is determined to comply with the letter and the spirit of the law, in Japan and overseas, and to be fair and transparent in all its dealings.

Respect for Others

Toyota Industries is respectful of the people, culture and tradition of each country and region in which it operates. It also works to promote economic growth and prosperity in those countries.

Respect for the Natural Environment

Toyota Industries believes that economic growth and conservation of the natural environment are compatible. It strives to offer products and services that are clean, safe and of high quality.

Respect for Customers

Toyota Industries conducts intensive product research and forward-looking development activities to create new value for its customers.

Respect for Employees

Toyota Industries nurtures the inventiveness and other abilities of its employees. It seeks to create a climate of cooperation, so that employees and the company can realize their full potential.

Department, the Personnel Affairs and Labor Relations Department, and the Corporate Audit Office, among others. It also conducts regular checks of each department and promotes educational activities.

Goals and Objectives Management

Each fiscal year, the President sets corporate objectives and business targets for each division. In order to attain these targets and objectives, action items are broken down, clarified and expanded not only at the departmental and group level, but also at the individual level. According to this fiscal-year goals and objectives management system, corporate targets, business objectives and action items penetrate all the way to the bottom of the organization, and fiscal-year corporate goals and business objectives can be attained. Thanks to the system, goals, objectives and action items become clear at the individual level.

Furthermore, in April 2001, the new assessment/remuneration system for white-collar employees below the level of senior staff was revised. Goals and objectives management has become closely tied to our objective attainment assessment, the backbone of which is the new assessment/remuneration system, and interrelated with the salary of all white-collar employees.