

Corporate Governance

With the aim of creating fair and sound management, Toyota Industries strives to enhance the transparency of its management through prompt disclosure of accurate information to its shareholders and other stakeholders.

Following amendments to Japan's Commercial Code, publicly listed Japanese companies are now allowed to select between a "Company with Committees" system — U.S.-style, committee-based corporate governance — and the traditional "Corporate Auditor/Board of Corporate Auditors" system. Toyota Industries has opted to retain the traditional system, as the Company believes this system adequately ensures that the Board of Directors will properly execute their duties.

Decision-Making Structure

Toyota Industries' Board of Directors, Management Committee and Business Operation Committee ensure effective and efficient decision-making with regard to matters deemed to have a

significant impact on shareholders' interests as well as important issues affecting business operations. The Board of Directors generally convenes once a month, and deliberates on and resolves important management matters, such as those required by the law. As of June 22, 2004, the Board of Directors consisted of 30 directors, including one external director.

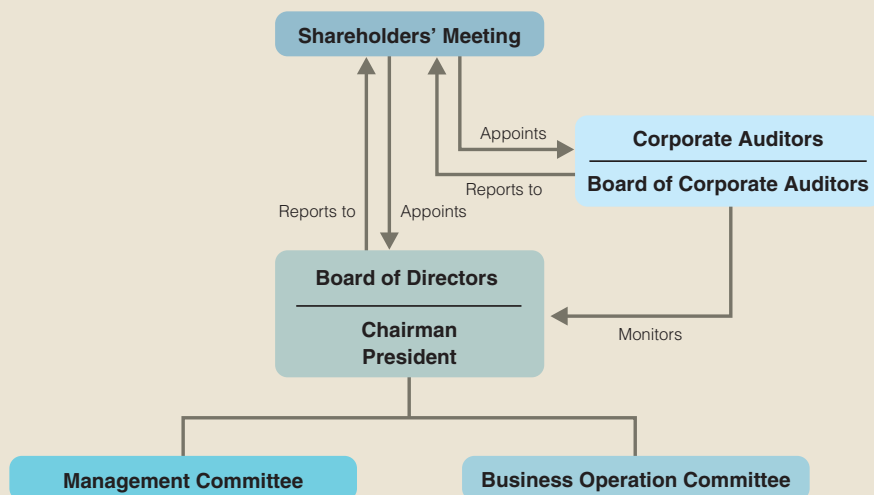
Toyota Industries' corporate auditors strictly monitor the execution of duties by board members by means of attending meetings of the Board of Directors and expressing their opinions when necessary.

Toyota Industries has adopted a divisional system. In principle, authority for the execution of business operations in their respective divisions is delegated to division managers.

Strategic decision-making and the establishment of divisional and corporate targets are discussed and resolved by the Management Committee and other deliberative bodies. When necessary, cases are put before the Board of Directors.

The main decision-making bodies of Toyota Industries are the Board of Directors, Management Committee and Business Operation Committee. The Management Committee and the Business Operation Committee are Toyota Industries' independent creations to raise the efficiency and speed of management and decision-making. Of all the issues deliberated on by the Management

Committee and Business Operation Committee, issues stipulated in Japan's Commercial Code and Board Rules are presented for discussion by the Board of Directors. Barring matters resolved at the Shareholders' Meeting, all important management matters stipulated in the Commercial Code and the Board Rules are discussed and decisions are made by the Board of Directors.



The Management Committee deliberates on important matters concerning all aspects of management, such as company-wide strategy and allocation of management resources. The Committee is composed of directors above the Executive Vice President level. When he deems it necessary, the President calls in certain other directors and managers.

The Business Operation Committee deliberates on important matters regarding each business segment. The Committee is attended by the President, directors in charge of corporate planning and directors assigned to oversee divisional operations (division managers, etc.).

Corporate Auditors (Board of Corporate Auditors)

As of June 22, 2004, the Board of Corporate Auditors was composed of five corporate auditors, including two standing corporate auditors and three outside corporate auditors. Appointed at the Shareholders' Meeting, the corporate auditors monitor execution of duties by board members. Their auditing duties concern mainly business operations and accounting activities. In undertaking operations audits, they investigate whether ordinances and articles of incorporation are strictly observed by the directors in the execution of their duties. The corporate auditors must attend meetings of the Board of Directors and give their opinions if necessary to prevent illegal or improper resolutions from being adopted at these meetings. When any violation of an ordinance or articles of incorporation is made by a director or the prospect of such a violation is identified, the corporate auditors must report this to the Board of Directors. Also, we have set up the Corporate Auditor's Office with specialist staff so that the corporate auditors are able to adequately execute their auditing duties.

Strengthening and Upgrading Compliance Code of Conduct Council

Toyota Industries considers compliance with the law to be the cornerstone of good corporate governance. As a good corporate citizen, Toyota Industries has taken various measures to ensure all employees execute their duties fairly and honestly in the light of the law and corporate ethics. To undertake its corporate activities appropriately and legally, Toyota Industries established the Code of Conduct Council in the early 1990s.

In 1998, the Council published a guide for distribution to all employees. This guide contains specific guidelines on good conduct and compliance with the law. Chaired by an Executive Vice President and attended by standing corporate auditors and those above the rank of Managing Director, the Code of Conduct Council convenes on a regular basis and when necessary. The Council monitors overall corporate activities from the legal and corporate ethics viewpoints, checks that employee conduct conforms to the guidelines and encourages educational activities.

In parallel with these activities, the Legal Department, Global Human Resources Department and Audit Office provide employees with highly focused educational programs as well as conduct internal audits.

For the purpose of early detection and quick handling of important compliance-related information, we established a corporate ethics hotline — in addition to other such existing lines and counseling desks — staffed by outside lawyers in September 2003.

In addition, our “Basic Philosophy” and “Five Values,” which serve as the basis of employee actions, clearly express action guidelines and ensure that the Company is operated with a shared high ethical standard, from top management down.

Establishing an Internal Control System

In addition to the auditing activities performed by corporate auditors, we strive to upgrade our internal control system through measures that include audits of each department by the Audit Office and periodic autonomous audits by individual departments.

Information Disclosure

Toyota Industries strives to adhere to the letter and spirit of the law in Japan and overseas, while conducting its corporate activities fairly and transparently. Our disclosure activities are not limited to providing only legally required information. Rather, we proactively disclose information to fulfill our responsibility for providing clear explanations to our shareholders and other stakeholders, thus raising management transparency. In line with these efforts, we disclose pertinent information to the public in a timely manner through such media as the Investor Relations section of our Web site.

Toyota Industries intends to continue to explore ways of achieving the best possible corporate governance, not only through a legal framework but also through independent efforts.



<http://www.toyota-industries.com/ir/>