FOCUS 6

Corporate Governance

At Toyota Industries, we are making independent efforts to make corporate governance function effectively. These independent efforts are in addition to those legally required such as the shareholders' meeting and the formation of bodies for oversight purposes, including the board of directors, board of corporate auditors and others.

Although amendments to Japan's Commercial Code (effective as of April 1, 2003) allow selective introduction of U.S.-style, committee-based corporate governance, we opted to retain the Japanese conventional auditing system because we deemed it fully capable of doing the job. Aside from what is required by the law, Toyota Industries is constantly exploring the best possible way of practicing good corporate governance, and reviewing its internal systems as needs arise.

This section covers the corporate governance system of Toyota Industries as of July 1, 2003.

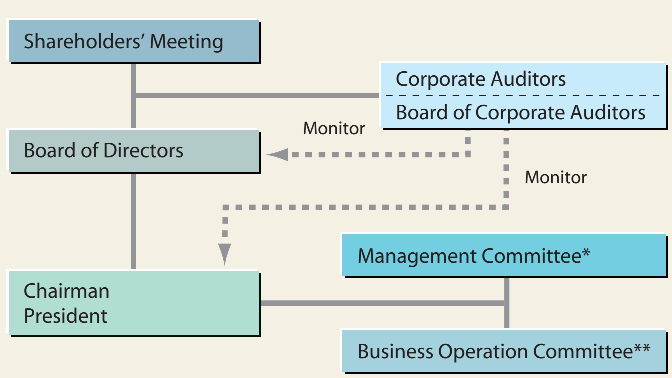
Decision-Making and Supervision

Other than matters that come under the authority of the Shareholders' Meeting, all management decisions are basically made by the Board of Directors. In order to raise management efficiency, however, day-to-day operations are entrusted to division managers or an in-house company president. The establishment of divisional and company-wide business goals and strategic management matters regarding overall and individual businesses are discussed by the Management Committee and the Business Operation Committee. Issues arising, when necessary and appropriate, are presented for discussion by the Board of Directors, which is charged with supervising the business performances of the directors. Five corporate auditors must attend the board meetings, and have the legal responsibility of preventing any unlawful or inappropriate resolutions. The corporate auditors are charged with auditing the execution of the directors' duties.

The main decision-making and deliberative bodies of Toyota Industries are the Board of Directors, the Management Committee and the Business Operation Committee. The Management Committee and the Business Operation Committee have fewer directors than the Board of Directors, making it possible to conduct thorough deliberations as well as make quick and efficient decisions in response to changes in the management environment.

Corporate Auditors (Board of Corporate Auditors)

The Board of Corporate Auditors is composed of five corporate auditors, including two standing corporate auditors and three outside corporate auditors. The corporate auditors, appointed at the Shareholders' Meeting, conduct operations audits as well as accounting audits. For this purpose, the law grants corporate auditors a great deal of authority and



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

** *The Business Operation Committee deliberates upon 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.).*

responsibility. In the operations audit, they investigate whether ordinances and articles of incorporation are being observed by the directors in the execution of their duties. Regarding the accounting audit, they review the audits made by external auditors. In order to prevent illegal or improper resolutions from being made at meetings of the Board of Directors, the corporate auditors must attend the meetings and give their opinions if necessary. When 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.

Compliance and Good Corporate Citizenship

Toyota Industries considers compliance with the law the very foundation of good corporate governance. In the early 1990s, 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 an Executive Vice President with attendance by those above Managing Director, and held as necessary to monitor overall corporate activities from the legal and ethical viewpoints. In 1998, the Council published a guide for employees containing specific guidelines on good conduct and compliance with the law. The Council liaises closely with the Legal Department, the Global Human Resources Department and the Audit Office, among others, which in turn conduct regular checks of each department and promote educational activities.

Further, we plan to set up a corporate ethics hotline in September 2003, in addition to other such existing lines and counseling desks, for the purpose of early detection and handling of important compliance-related information.

Aside from these systems, we have unveiled the Five Values*, laying down our basic philosophy and forming an action guide for our employees. We run the Company with a shared standard of high morals, from top management down.

** Please refer to page 16 for details.*

Information Disclosure

At Toyota Industries, we are making independent efforts to ensure that we adhere to the spirit as well as the letter of the law, in Japan and overseas, conducting our business affairs fairly and transparently. Accordingly, we intend to conform to the highest possible standards with respect to disclosure of information and accountability to shareholders and other stakeholders. We are also aiming for an even higher degree of management transparency. As part of these efforts, we are gradually expanding the volume and contents of information available to the public through enhancement of the Investor Relations (IR) section of our Web site.

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

We plan to start releasing quarterly financial reports from fiscal 2004.

Stock Option Incentive Plan

In June 2003, the Ordinary General Meeting of Shareholders of Toyota Industries Corporation approved a grant of share acquisition rights in a total of 900,000 shares to board members and designated key employees as a stock option incentive plan. The purpose of this plan is to further motivate senior management in enhancing shareholder value by aligning them with investors. Recipients may not exercise the option within the first two years. Subsequent to the initial period, the option must be exercised or waived within the next four years.

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