



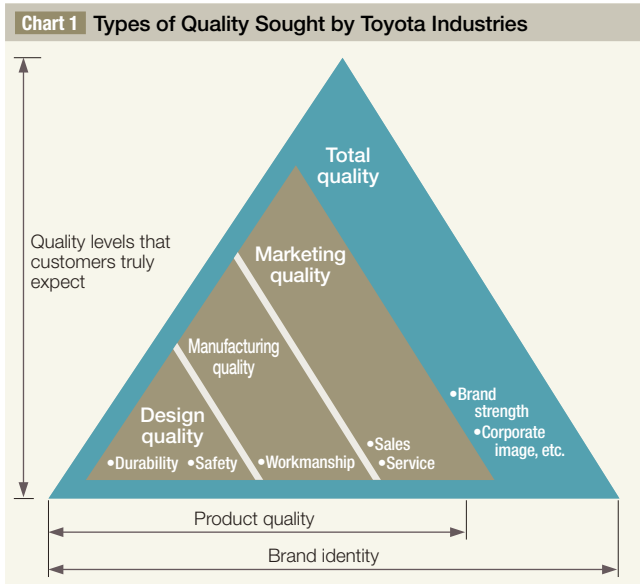
Doing All We Can to Maintain and Improve Quality

Quality is a Key Management Issue Chart 1

Toyota Industries' founder Sakichi Toyoda once said that "A product should never be sold until it has been carefully manufactured and tested thoroughly and satisfactorily". Adhering faithfully to his teachings, Toyota Industries believes quality is our lifeline and a key management issue.

Maintaining and improving quality is our most important responsibility to our customers, and forms the basis of our social responsibilities.

At Toyota Industries, the basis of our activities is "product quality", which is embodied in the durability, safety and eco-friendliness of our products. However, our entire workforce is committed to maintaining and improving the quality of all of the company's activities, including "marketing quality" in sales and service and "total quality" in corporate image and brand.



Establishing Day to Day Quality Assurance Systems Chart 2

Develop and supply products from the customer's viewpoint – this philosophy summarizes Toyota Industries' comprehensive "market-in" approach.

In all processes, predetermined procedures must be carried out according to instructions to ensure no defective items proceed to the next stage. This is vital for ensuring that the company manufactures high quality products only.

Whenever any of Toyota Industries' business divisions develops a new product, it uses a design review (DR) system to evaluate quality at all stages until customer satisfaction is achieved. This ensures that no product progresses to the next stage unless established target levels have been achieved.

Once new products are launched and important customer information reaches the quality assurance department of each division, it is fed back to the responsible department (such as design and manufacturing) and countermeasures are quickly developed. At the same time, the DR system is reviewed to prevent a recurrence in subsequent models.

While everything is done in the production process to prevent defective products proceeding to the next stage of the production process or leaving the factory, we also proactively tackle quality improvements on five levels, including cleanliness and neatness.

Reflecting Customers' Opinions Directly in Quality Improvements Chart 2

In manufacturing, Toyota Industries devotes enormous efforts to the research and development of new functions and other features, endeavoring to develop products that are ahead of the curve. Using the design review (DR) system, general managers of divisions evaluate every step of the production process, from product planning to design, production preparations, production, initial quality and customer satisfaction levels.

For example, in the textile machinery business, when we deliver new machines to textile manufacturers in various parts of the world, we ask them to evaluate the product for us. These comments not only help us in the development of new products, but also enable us to enhance our after-sales service.

In fiscal year 2006, we analyzed customer comments about machinery operation training and found that approximately 10% of customers wanted to receive further training. As well as responding to these views of our customers, we decided to make improvements to our

Case Study

Reducing Maintenance Times — BT Industries Group (Europe)

As part of the BT Industries Group's customer service operations, mechanics provide professional services using PDAs when they visit customers to carry out maintenance and repairs.

Using a system called EASY (Engineer Administration System) on their PDAs, which are connected to a mobile telephone network, mechanics can look up past maintenance records for the product being examined, check orders, send in work reports and order extra parts very efficiently. They can even look up parts catalogues on their PDAs. These initiatives have brought about significant time savings in the maintenance of forklifts and materials handling equipment, enabling customers to resume operations much of the more quickly.

Currently about 1500 of the mechanics and 200 of the assistants in the BT Industries Group use the EASY system.



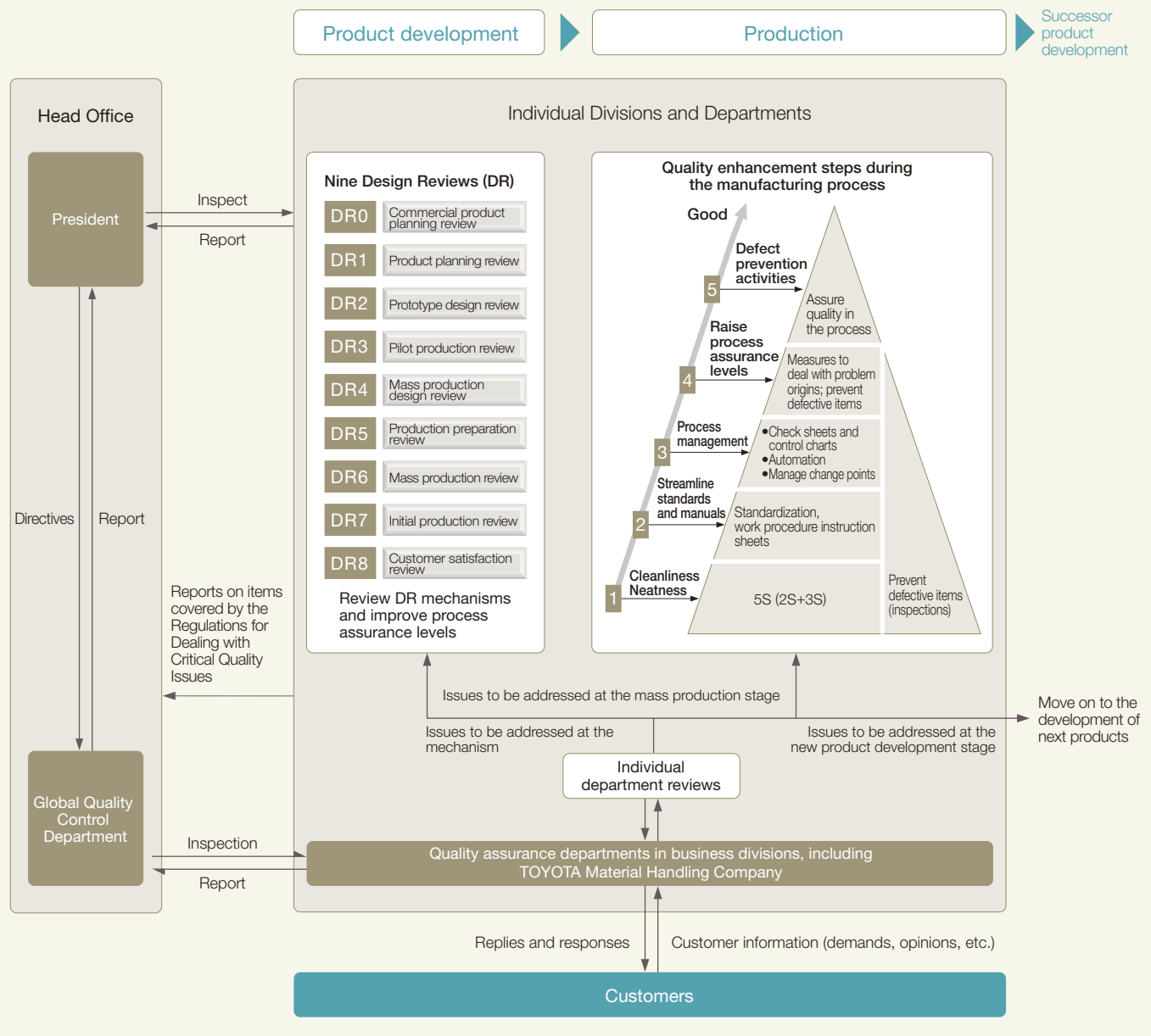
instruction manuals to make such re-training unnecessary.

In the materials handling equipment business, in which distributors and dealers handle sales and after-sales service, we attempt to ensure that, customers can use our products in an excellent condition and free of material defects. Distributors and dealers work together to optimize their response to customers while Toyota Industries has established customer consultation desks that enable it to interface with customers directly. The distributors, dealers and Toyota Industries marketing staff also visit customers to conduct actual usage fact-finding surveys.

Individual comments and requests received from customers in this way are promptly fed back to the relevant section, such as design, and a response is then given to the customer through the dealers.

In addition to these day-to-day activities, since fiscal year 2006, Toyota Material Handling Company's Global Quality Assurance Department has acted as a secretariat for the distribution via product delivery trucks of customer questionnaires about our products and services, a scheme that is initially being limited to Japan. The secretariat collects the results of these surveys every three months and posts them on the company Intranet.

Chart 2 System of Quality Assurance and Quality Control



Responsibility to Our Customers



Responsibility to Our Shareholders



Responsibility to Our Business Partners



Responsibility to Our Local Communities



Responsibility to Our Employees



Responsibility to the Environment

Quality Assurance across the Entire Global Supply Chain

As a company that supplies products to the global market, we believe that customer confidence in our quality is synonymous with the Toyota Industries brand, and is a precious element of our corporate value that must be preserved. We therefore aim to implement quality assurance activities that cover our entire global supply chain, including affiliates and business partners in Japan and overseas. (See the section on Responsibility to Our Business Partners on pages 34-35.)

All of Toyota Industries' plants are certified in international standards for quality management systems (ISO 9001, etc) and we are making efforts to encourage our affiliates to obtain similar certifications.

We see certification in international standards such as these as a springboard towards the establishment of our own more advanced systems. If, after certification is obtained, our own systems exceed an international standard, making renewal of that certification unnecessary, then we may decide not to renew it at such time.

Dealing with Critical Quality Issues

In cases where serious quality issues arise, such as "accidents due to quality that result in personal injury, or property damage", the Quality Assurance Department of the responsible division must, in accordance with our Rules for Dealing with Critical Quality Issues, minimize trouble to customers by promptly devising countermeasures, while at the same time report the issue from the general manager of the division to the President and the Executive Vice President in charge of quality. In addition, based on information provided to the Global Quality Control Department at the Corporate Center through the "Critical Quality Issues Notification Form," the Director in charge of quality will carry out quality audits as necessary to prevent recurrence and ensure deployment of countermeasures in similar areas. This mechanism is also incorporated into our internal reporting system used for collecting information pertaining to compliance, and functions in conjunction with that system.

For critical quality issues that require recalls, the company is considering setting up Recall Preparation Conferences within divisions to devise countermeasures. Once the general manager of the division submits a report to the President and the Executive Vice President in charge of quality, a report is filed with the relevant regulatory authority. The company also informs customers by direct mail, and carries out repairs and other measures free of charge as soon as possible. After confirming the actual progress of the recall, the President then submits a recall report and an implementation report to the relevant regulatory authority. The Audit Office at the Corporate Center also monitors whether these integrated mechanisms for dealing with market quality issues are functioning properly.

Quality Guidelines

The Global Quality Control Department at Toyota Industries' Corporate Center periodically audits the quality assurance departments of divisions, and collects information relating to the critical quality issues referred to above, and reports the results to the President. Bearing these results in mind, at the beginning of fiscal year the President issues the President's Guidelines (Quality Guidelines) to the entire company. The Executive Vice President

confirms the implementation of the Guidelines through special shop quality inspections held at divisions each year, and reflects the results in the President's Guidelines for the coming fiscal year.

Initiatives Implemented during FY 2006 and Policies for FY 2007

The Addition of "Creation of Quality-First Workplaces" to the Quality Guidelines

In our Quality Guidelines for fiscal year 2006, besides strengthening our approaches to "Customer First" and "Zero Defects", we went back to basics and added a new slogan – "Creation of Workplaces that Continually Pursue Quality First" – to the guidelines with the aim of increasing awareness of quality throughout the organization and among our personnel.

This new slogan is intended to encourage all employees involved in manufacturing to insist on rigorous quality standards established from the viewpoint of the customer. This concept is vital for ensuring quality and developing human resources at overseas production sites at a time when overseas production is expanding. Domestically, raising quality awareness among workers has become vital as the number of temporary workers increases in response to increased production volumes. Raising quality awareness among workers has become particularly essential for building quality into manufacturing sites. Toyota Industries is striving to further enhance quality by developing systems and strong human resources that can respond to changes in the various environmental conditions facing manufacturing, based on QC (Quality Control) circles, which initially involve permanent employees only.

Regarding Our Customers as the Next Step in the Production Process and Eliminating All Customer Inconveniences

Production has continued to expand in fiscal year 2006 and fiscal year 2007, and the percentage of temporary workers, particularly seasonal contract workers, has also risen steadily. In response, joining the "Customer First" and "Zero Defects" slogans contained in the fiscal year 2006 Guidelines, a new slogan has been added to the Quality Guidelines for fiscal year 2007 – "Creation of a Workplace in which Every Worker Continually Pursues Quality First under Strong Leaders" – as we aspire to achieve "zero inconvenience" to our customers.

Under this approach, we decided to adopt QC circle activities in which everyone participates, including seasonal contract workers, giving permanent employees the opportunity to display leadership and encouraging everyone to be properly aware of their roles. Until now, permanent employees in the engineering departments (design and manufacturing) of all divisions and some indirect administrative departments in the Corporate Center have participated in these kinds of QC circle activities, but it was decided to include seasonal contract workers in these QC circles as well, encouraging them to participate as much as possible during their working hours.