

October 2, 2024

Dear Minister of Land, Infrastructure, Transport and Tourism Tetsuo Saito

Toyota Industries Corporation

Koichi Ito, Representative Director and President

Quarterly Report on the Implementation of Recurrence Prevention Measures in Response to
Corrective Order (Second Report: current as of September 30, 2024)

I. Introduction

In response to the violation of laws and regulations in an application for certification that was announced on March 17, 2023, Toyota Industries Corporation (the “Company”) made on January 29, 2024 a report to the Ministry which included the investigation results of a Special Investigation Committee consisting of independent outside experts having no conflicts of interest with the Company.

Subsequently, the Company was subject to on-site inspections by the Ministry, and then received a corrective order dated February 22, 2024 pursuant to Article 75-3, Paragraph 5, of the Road Transport Vehicle Act (the “Corrective Order to Rectify Violation Pertaining to Application for Vehicle Device Type Designation” having the same date; the “Corrective Order”).

As an enterprise that is responsible for conducting corporate business activities within society, and in light of the significance and importance of the certification system—which is a fundamental system that must be complied with—the Company takes the content of the Corrective Order extremely seriously and our management has reflected deeply upon this matter, and in order to ensure that this violation of laws and regulations does not happen again, the Company has formulated the Recurrence Prevention Measures, which were reported to the Ministry on March 22, 2024.

In order to return to the basics of providing its customers with “safe and secure quality products” and continuing to contribute to society, the Company decided to take a moment to reflect, and then restart its activities as a company that will never commit unfair practices again, we have implemented the Recurrence Prevention Measures with a focus on reforms in the three fields of “Culture”, “Mechanism”, and “Organization / Structure” to ensure that we do the right thing correctly.

Nearly three months have passed since the last report, and we would like to make the following report on the implementation of the Recurrence Prevention Measures for the quarter as of September 30, 2024.

It should be noted that the content of this report was deliberated upon by a Restart Committee chaired by our President and made up of the Chairman, Vice President, Chief Officers, General Managers of business divisions, and related officers and heads of departments at the head office, and then instructions for improvement etc. given by our Board of Directors from a management perspective were considered, before this report was presented to the Ministry.

II. Overview of Progress of the Recurrence Prevention Measures

As reported on July 26 regarding the progress of the Recurrence Prevention Measures that were formulated in view of the findings of the Special Investigation Committee (advice on Recurrence Prevention Measures etc. set forth in a Special Investigation Committee's report (the "Committee's Report")) with regard to the issues indicated in the Corrective Order as "Measures to be Taken by Toyota Industries" and submitted on March 22, 2024, we are proceeding with recurrence prevention efforts, and will continue to implement and operate action items that have been implemented and/or put into operation. Major progress in this quarter is as follows.

For details of the progress of overall recurrence prevention activities including the above as of September 30, please see Schedule 1 appended to the end of this report.

1) Restructuring of the company's overall business management system

We established the "Compliance Committee" which is chaired by the Global Chief Compliance Officer ("GCCO") and consists of the Chairman, President, General Managers of business divisions, other related officers, North America Chief Compliance Officer and outside attorneys, the first session of which was held on July 10 where the trends in number, breakdown, and key contents of domestic compliance cases and whistleblowing cases, as well as material compliance risks and changes in recent years explained by outside attorneys, were reported and discussed.

To "make it clear that those who make the right choice will never be subject to unfavorable treatment", this first Compliance Committee session developed the "Toyota Industries Group Code of Conduct" which is globally shared among all of our group companies and applied to both officers and employees, and the "Toyota Industries Group Ethics & Compliance Declaration" as the superordinate philosophy thereto, stipulating that ethics and compliance is the foundation for all work. The Ethics & Compliance Declaration and the Group Code of Conduct are being rolled out internally and to group companies in Japan and North America. Going forward, the Ethics & Compliance Declaration and Group Code of Conduct will additionally be rolled out in phases to regions outside Japan and North America.

We established the "Risk Management Committee" which is chaired by the GCCO and consists of the Chairman, President, General Managers of business divisions and other related officers to strengthen the risk management system, the first session of which was held on September 20. In this meeting, the committee reflected on the state of countermeasures implemented in the previous fiscal

year against prioritized risks, discussed additional countermeasures (PDCA) on the basis of prioritized risk evaluation in the current fiscal year, and discussed the trends of, countermeasures against and resources required for geopolitical and other risks. As a mechanism for routinely identifying compliance-related risks and subsequently developing countermeasures against such risks in addition to conventional evaluation of priority risks, we commenced a compliance risk evaluation trial run on the head office functions and some departments of the Industrial Vehicle Division.

Further, for the purpose of raising internal awareness and preventing this case from being forgotten, the Engine Division had a Quality Consideration/Action Exhibit for all employees so that each employee will understand this case on a personal level, and personally take action. The Industrial Vehicle Division is proceeding with efforts to enhance awareness of quality compliance and not to forget the problems identified this time by renewing the content of the existing Quality Learning Room and by having each employee present his/her pledge to quality.

2) Improvement of business management methods for overall engine and vehicle development

In order to secure sufficient time required for development to be completed without imposing excessive pressure on development engineers and regulation and certification engineers, the Industrial Vehicle Division and the Engine Division further scrutinized and reviewed the contents of the “development reference timetable for engine development” which had been formulated earlier, and formulated a “Standard development schedule for industrial trucks” which establishes a reference timetable for the overall development of industrial vehicles. Additionally, the DR Rules were revised so that the Industrial Vehicle Division and the Engine Division link said timetables with each step of DR, and add to and review the DR evaluation items.

The Engine Division added, pursuant to the DR Rules, evaluation items to confirm whether a gap exists with the development reference timetable at DR1, and if there is a gap, to create a plan to address the gap. We have a system in which the state will be verified at each subsequent step, and if there is any issue, the timetable will be reviewed and other measures can be taken. The Industrial Vehicle Division also revised the “Procedure for organizing new model development progress control meeting” to visualize development progress and to enable managers up to officers executives to discuss issues identified and measures taken at monthly new model development progress control meetings.

Further, to strengthen cooperation from the advanced development stage, the two business divisions agreed to hold and mutually participate in development meetings and formalize rules.

3) Building a system for implementing regulatory and certification operations that prevent unfair practices

We continue to carry out the efforts reported in the previous quarter to prevent testing data manipulation through the promotion of systemization and installation of surveillance cameras at the

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Engine Division, and the Industrial Vehicle Division also developed the “Procedure for preparation and management of domestic certification test report” to clarify the procedures for preparing documents based on certification test data as well as for managing evidence and other data.

In addition to putting a mechanism in place, engineer ethics education was provided on September 16 as a basic engineering course (course for 138 new graduate engineers) as part of a basic education program for engineers with contents to reaffirm engineering ethics including data integrity.

Pursuant to the decision made in the previous quarter that as part of putting a company-wide quality governance system in place, the relationship between corporate rules and business division rules will be reorganized, minimum routines shared across the Company will be established as corporate rules, and otherwise systems of rules will be reorganized, in this quarter, corporate rules and business division rules were reorganized, through having regular meetings with the quality assurance departments of business divisions, discussing systems including the relationship between corporate rules and business division rules and details of various codes and rules, and deepening the shared understanding of the intentions behind the contents of corporate rules with each business divisions. We will continue to proceed with discussions between the head office and business divisions, and activities such as checking and monitoring the contents of specific individual codes and rules.

As a product quality audit system, we proceeded with the development of a three-step audit system comprising the check function within work, the independent quality audit system within a business division, and the audit system of the Quality Management Dept. which is a function of the head office. The Audit Dept. was established in July 2024 as an independent organization to audit the quality assurance department of the Industrial Vehicle Division, and it has commenced auditing the regulatory compliance status of departments within the Industrial Vehicle Division. Within the Engine Division, persons with knowledge and experience were assembled from each department to be auditors, and in addition to internal quality audits, by setting individual themes that serve as the basis for audits, a tracking-type audit is being conducted across departments to confirm consistency.

III. Going Forward

With a focus on reform in the three fields of “Culture”, “Mechanism” and “Organization / Structure” to ensure that we do the right thing correctly, on the basis of the spirit of the Toyota Precepts which serve as our corporate creed and under the strong determination of the Chairman, the President and other executives, each member of the management and each employee will come together to continue recurrence prevention efforts across the company.

The state of progress regarding recurrence prevention will be examined and discussed at the Restart Committee which is chaired by the President of the Company and consists of the Chairman, Vice President, Chief Officers, General Managers of business divisions, and related officers and heads of departments at the head office, and after considering instructions for improvement etc. given by our Board of Directors from a management perspective, we will next report to the Ministry on such progress at the end of December.

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End

[Appended table 1]

① Restructuring of the company’s overall business management system

1) Measures to “restructure awareness among management executives regarding engines for industrial vehicles and regulations and certification, and to clarify management executives’ responsibilities”

Corrective order/Special Investigation Committee recommendations	Activity	Status*	Progress in the current quarter
(1) Raising awareness about engines for industrial vehicles	• Establishment of, formalizing rules about, and continuous operation of, a review meeting under the direct control of the President to review the business plan and discuss issues of the Industrial Vehicle Division and the Engine Division, in which Chief Officers also participate	In Operation	• Established an Issue Review Meeting under the direct control of the President comprising of the General Managers of both divisions as well as Chief Officers. • <u>Held the first Issue Review Meeting on August 9, where issues on which both business divisions need to work in cooperation with each other were discussed.</u>
		In Operation	• To encourage the Industrial Vehicle Division and the Engine Division to share information on risks and issues spanning both divisions and provide them with a venue for discussing such matters on an equal footing, the Chief Officers Meeting—attended by the President, Chief Officers, and other related officers and executives—is attended also by the officers in charge of regulation and certification from both divisions, where any regulation and certification issues are reported in a timely manner.
		In Preparation	• Will formalize this arrangement concerning the Chief Officers Meeting in the rules going forward.
(2) Improving risk sensitivity among the Engine Division executives	• Creation of a mechanism and establishment of internal rules enabling the Engine Division’s executives to evaluate and inspect whether organizations and systems etc. are in place for responding to laws and regulations, the amendment thereof, or any other such changes • Establishment of internal rules for routinely identifying risks, regardless of changes	In Operation	• Formulated the “Engine Regulatory Information Collection and Communication Process” in order to clarify the roles and responsibilities with regard to the collection of regulatory information; pursuant to the rule, the Regulation Certification & Administration Dept. collects information about the adoption and amendment etc. of any laws and regulations and then spreads that information to the relevant departments. • Pursuant to the Design Review (“DR”) Rule, policies for responding to laws and regulations are deliberated at the DR1 stage, while subsequent DR stages are used to verify and examine whether those response policies are being achieved. In the DR1 stage, it is also confirmed whether the necessary personnel and equipment are fully in place.
		In Preparation	• In addition to conventional evaluation of prioritized risks, commenced a compliance risk evaluation trial run on the head office functions and some departments of the Industrial Vehicle Division as a mechanism for routinely identifying compliance-related risks and subsequently developing countermeasures.
(3) Raising awareness about regulations and certification through management executive education	• Having the Board of Directors and a Business Execution Meeting attended by officers and executives routinely carry out activities aimed at improving risk sensitivity, such as seminars presented by outside experts and study sessions, with the Global Chief Compliance Officer (“GCCO”) serving as the organizer	In Operation	• <u>During this quarter, held a total of three sessions in July, August and September</u> to explain and share risk trends relating to the Company including legal revisions overseas and optimization of terms and conditions with business partners, and we are proceeding with activities to improve risk sensitivity.
	• In order to gain a third party perspective, improving risk sensitivity by appointing an external person as a director or an auditor, and striving to prevent and identify improper conduct early on	In Operation	• Appointed an outside director and a parttime auditor to offer opinions and advice on risks from a third party perspective on the Board of Directors, thereby improving risk sensitivity. • Routinely revisited the actual proceedings of Board of Directors meetings to evaluate the effectiveness of the Board of Directors.
(4) Management’s responsibility to minimize the drawbacks of the business divisions system	• Eliminating any hierarchical relationships or unbalanced power relationships, as well as to enhance cooperation between or among business divisions and departments by reaffirming management’s roles and responsibilities and clarifying how roles and responsibilities are shared among business divisions and among departments. Putting a system in place that prevents any gaps or loopholes in how roles are shared from causing problems to linger unresolved	In Operation	• Provided opportunities for officers and executives in charge of regulation certification-related departments to participate in the Chief Officers Meeting to ensure a direct reporting line. • After the June 11, 2024 General Shareholders Meeting, decided the Chairman—who has knowledge and experience concerning regulation certification work—will serve as the director in charge of regulation certification work, and in addition to existing reports made to the President, arranged a forum for the officers and executives in charge of regulation certification-related departments to report directly to the Chairman as well.

* [Completed]	All of the planned activities have been completed, with no need to be continuously or regularly implemented.
[In Operation]	All of the planned activities have been completed and have transitioned to the operation phase, or are currently in operation with ongoing implementation envisioned from the start.
[In Preparation]	Preparations for the planned activities are underway, some of which have not been completed.
[To be Implemented]	Currently in the conceptual phase, or not yet underway.

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	<ul style="list-style-type: none">• Checks and discussions by a Management Committee consisting of the President and other senior management, Chief Officers, and related officers from the head office, and creation of a business plan in line with the actual situation of the overall company	Completed	<ul style="list-style-type: none">• A Management Committee consisting of the President and other senior management, Chief Officers, and related officers from the head office which checks and discusses these matters was convened a total of nine times by April 19, 2024, to discuss whether appropriate resources were being secured, whether any far-fetched business plans were being followed, and so forth with respect to current and potential future problems and risks, as seen from an optimal company-wide perspective transcending the boundaries of divisions.• <u>During this quarter, convened the Management Committee twice to discuss investment projects based on the business plan and the like.</u>
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2) Measures to “ensure awareness of the need to prioritize legal and regulatory compliance”

Corrective order/Special Investigation Committee recommendations	Activity	Status*	Progress in the current quarter
(1) Fostering employee compliance awareness	• Review of compliance education including quality in level-specific training	In Operation	<ul style="list-style-type: none">• Overhauled the content of the ten existing training by positions/grades being conducted each year for those who get promoted and for new hires (Managers, Senior Staff, Middle Staff, Chief Expert, Senior Expert, Expert, highly skilled workers, intermediate skilled workers, new office workers, and new factory workers), and conducted all of the ten trainings for this fiscal year in accordance with new content.• <u>During this quarter, in the EX training for personnel newly promoted thereto, in view of certification issues, thoroughly disseminated the message “quality sustains the company’s life”, added a lecture to foster a sense of quality and compliance urgency, and delivered a total of eight lectures by July 1.</u>• <u>In order to foster compliance awareness in each workplace, held the FY2024 company-wide compliance workplace meeting at every workplace. Confirmed reports such meetings were held for 18,978 out of 21,085 target employees as of the end of September.</u>
	• Basic regulations and certification education	In Operation	<ul style="list-style-type: none">• An introductory e-learning on regulations and certification enabling employees to master basic knowledge on regulations and certification was given as mandatory training to 537 new members including mid-career hires.
	• Revision of work regulations to clearly prescribe disciplinary action for any improper conduct	In Preparation	<ul style="list-style-type: none">• <u>Following discussions with labor unions, the Labor-Management Committee convened at the end of August passed a resolution to clearly prescribe disciplinary action for any improper conduct in work regulations. Internally communicated the resolution as labor-management information in September. Will revise the work regulations on October 1.</u>
	• Efforts not to forget problems	In Operation	<ul style="list-style-type: none">• <u>The Engine Division had a Quality Consideration/Action Exhibit for all employees so that each employee will understand this case on a personal level, and personally take action. The Industrial Vehicle Division renewed the content of the existing Quality Learning Room, and each employee stated and presented his/her pledge to quality.</u>
(2) Making clear the value standard that “compliance has priority over the development and production schedule”	• Review of the Employee Code of Conduct and publication of a Compliance Declaration	In Operation	<ul style="list-style-type: none">• To “make it clear that those who make the right choice will never be subject to unfavorable treatment”, the Compliance Committee convened on July 10 <u>developed the “Toyota Industries Group Code of Conduct” which is globally shared among all group companies and applied to both officers and employees, and the “Toyota Industries Group Ethics & Compliance Declaration” as the superordinate philosophy thereto, stipulating that compliance is the foundation for all work.</u>• <u>Rolled out the Ethics & Compliance Declaration and the Group Code of Conduct internally and across group companies in Japan and North America.</u>
	• Establishment of a Compliance Committee	In Operation	<ul style="list-style-type: none">• Established and included in the rules a “Compliance Committee”—chaired by the GCCO, and consisting of the Chairman, President, General Managers of business divisions, other related officers, US Chief Compliance Officer and outside attorneys.• <u>Convened first session on July 10, in which the trends in number, breakdown, and key contents of domestic compliance cases and whistleblowing cases, as well as material compliance risks and changes in recent years explained by outside attorneys, were reported.</u>
	• Addition to middle management personnel evaluation items of viewpoints on compliance and two-way communication	In Operation	<ul style="list-style-type: none">• <u>Clearly mentioned in training materials</u> the importance of “prohibiting any unfavorable treatment of employees who have acted to ensure compliance” and “revitalizing two-way communication that ensures psychological safety” so that it is further disseminated in the training for management who carry out personnel evaluations (training for Group Manager, training for General Manager and Assistant General Manager).• <u>The Engine Division commenced using a self-improvement tool for executive positions ranked as managers to learn on the basis of points to improve their own communication as an e-learning content.</u>
	• Overhaul of level-specific training	In Operation	<ul style="list-style-type: none">• Overhauled the content of the existing 10 types of training by positions/grades being conducted each year for those who get promoted and for new hires (Managers, Senior Staff, Middle Staff, Chief Expert, Senior Expert, Expert, highly skilled workers, intermediate skilled workers, new office workers, and new factory workers), in a similar way to what is being done for management training.

3) Measures to “improve awareness and problem-solving abilities among executives and management”

Corrective order/Special Investigation Committee recommendations	Activity	Status*	Progress in the current quarter
(1) Improving risk sensitivity among the entire management	• Ongoing issuing of top messages	In Operation	• Published a top message stressing compliance as a major principle underlying the Company’s business activities, and stressing the need to prioritize compliance without hesitation in the monthly in-house newsletter and on the intranet, issued such message through the rollout of the Group Code of Conduct, <u>and during this quarter, the GCCO issued messages three times through the intranet.</u>
	• Business Execution Meeting for improving level of risk sensitivity	In Operation	• <u>During this quarter, this meeting was convened three times on July 10, August 23 and September 19,</u> and through these sessions, all of the Company’s officers and executives (including the President) have discussed management issues on a cross-sectional basis including the risk of quality improprieties and compliance.
	• Corrections using questionnaires on the risk of quality improprieties and audits	In Operation	• Brought in the expertise of outside experts and created a mechanism for conducting company-wide questionnaire surveys on the risk of quality improprieties, and since June 2023 we have been conducting these surveys. • Reflected the issues discovered through these questionnaire surveys in the audit items, and had the Quality Management Dept. conduct quality management audits. <u>During this quarter, conducted audits on the Textile Machinery Division and Battery Division, completing the first round of audits on all business divisions.</u> • <u>Commenced second round of audits starting with the Industrial Vehicle Division in August 2024.</u>
(2) Putting a risk management system in place	• Establishment of a Risk Management Committee	In Operation	• Established and included in the rules a “Risk Management Committee”, chaired by the GCCO, and consisting of the President, General Managers of business divisions, Chief Officers and other related officers (approved at the CSR Committee session held on April 1, 2024). • <u>Convened first Risk Management Committee meeting on September 20, 2024. Discussed setting prioritized risks for FY2024 through consultation with the head office functions, reflection on and further measures (PDCA) for the state of addressing FY2023 prioritized risks, the trend of and countermeasures against risks including geopolitical risks, required resources, and the like.</u>
	• Routine checks of laws and regulations by Enterprise Risk and Compliance Management Dept.	In Operation	• Began implementing a mechanism under which the Enterprise Risk and Compliance Management Dept.—serving as the Secretariat—routinely checks the laws and regulations relevant to each department of the entire company to identify any changes therein, seizes on any unaddressed areas or vulnerabilities and specifies the departments responsible for their rectification, and improves the problem-solving abilities of the management in those departments. • <u>During this quarter, commenced a compliance risk evaluation trial run on the head office functions and some departments of the Industrial Vehicle Division.</u>
(3) Improving risk management abilities required for management	• Improving management’s problem-solving abilities	In Preparation	• In terms of management, appointed personnel with problem-solving abilities as line managers and conducted Group Manager training to ensure that they execute their duties as management. Consideration of training for General Manager and Assistant General Manager continues.

4) Measures to “eradicate an organizational culture that discourages subordinates from making reports or seeking consultation”

Corrective order/Special Investigation Committee recommendations	Activity	Status*	Progress in the current quarter
(1) Functioning as a reporting line	• Training to improve the workplace management abilities of management, including communication skills	In Operation	• Newly introduced compliance training for management to improve the workplace management abilities of management. • Basic course (e-learning) has been taken by a total of <u>1,034 people</u> . • “Checking Your Own Communication Traits and Your Workplace’s Psychological Safety” class has been taken by a total of <u>1,023 people</u> . • “How to Communicate and Converse With Mutual Respect” class has been taken by a total of <u>1,116 people</u> .
	• Eradication of an organizational culture that discourages making reports or seeking consultation	In Preparation In Operation	• Currently considering structuring the training on the Group Code of Conduct so as to raise awareness of management’s roles, and also to impart an awareness that even if they avoided receiving reports from and consultation by their subordinates, the mechanism for directly escalating matters to management and the whistleblowing system described below can serve to bring such problems to light. • <u>Revised the Hot Communication Card indicating help desks to which employees can talk about a variety of concerns and distributed the card at compliance workplace meetings held in July through August across the Company. Communicated a variety of help desks including whistleblowing system across the Company.</u>
(2) Creating a mechanism for direct escalations to the management	• Establishment of a consultation system using IT tools enabling employees to consult directly with the General Managers of business divisions or responsible officers	In Preparation	• Established a consultation system making use of IT tools so as to enable employees to consult with the GCCO. • Considered the adoption of a similar system in all departments.
	• Collection of opinions through internal audits	In Operation	• On the occasion of a visiting audit performed by the Internal Audit Office, conducted employee interviews to ascertain any problems or issues being faced by those on the ground, and provided feedback to management. • <u>The Internal Audit Office is currently rolling out internal control self-inspection across the Company, and collecting opinions on risks through a questionnaire system.</u>
(3) Using a whistleblowing system	• Expansion and dissemination of whistleblowing and consultation desk to encourage employees to promptly bring up any workplace concerns of a delicate nature	In Operation	• Added a help line using an external web system in April 2024, in addition to the whistleblowing routes that have traditionally been available.
	• Descriptions and explanations regarding the whistleblowing system, in an effort to ensure psychological safety	In Operation	• Clearly indicated the message “whistleblowers will never be subject to unfavorable treatment, and the details of their reports will be kept in strict confidence” on posters, on the intranet and in internal trainings disseminating and explaining the whistleblowing system, and issued communications together with messages from management through the intranet and trainings. • <u>Revised the Hot Communication Card indicating the whistleblowing help desk and other help desks to which employees can talk about a variety of concerns and distributed the card at compliance workplace meetings held in July through August across the Company. Communicated the whistleblowing help desk again together with the Group Code of Conduct.</u>

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② Improvement of business management methods for overall engine and vehicle development

1) Measures to “overhaul the development schedule to one considering certification, and correct the imbalanced power dynamic among business divisions”

Corrective order/Special Investigation Committee recommendations	Activity	Status*	Progress in the current quarter
(1) Establishing rules for optimizing development periods for forklift and industrial engines	<ul style="list-style-type: none">• Formulation of development reference timetables as references to ensure an appropriate development timetable• Establishment of a mechanism and rules for the Industrial Vehicle Division and the Engine Division to agree and secure an appropriate development period	In Operation	<ul style="list-style-type: none">• <u>The Industrial Vehicle Division and the Engine Division formulated a “Standard development schedule for industrial trucks” for the overall development of industrial vehicles including engines. Revised the “Procedure for overall schedule for Development/Production Preparation/Certification”.</u>• In addition, <u>revised the DR Rules</u> so that both the Industrial Vehicle Division and the Engine Division link said timetables with each step of DR, and add to and review the DR evaluation items.• <u>The Industrial Vehicle Division and the Engine Division are holding development meetings to strengthen cooperation from the advanced development stage. Revised the “Development Meeting Rules”.</u>
(2) Establishment of a mechanism transcending business division boundaries, with which related business divisions can have discussions on an equal footing	<ul style="list-style-type: none">• Establishment of, and formulation of rules about, an Issue Review Meeting under the direct control of the President, in which Chief Officers participate, to share and discuss on equal footing issues the business environments, business plans, resource securing plans vs actual states, and other risks and management issues of both business divisions, and review of business plans in line with discussion results	In Operation	<ul style="list-style-type: none">• The Issue Review Meeting under the direct control of the President is being held, in which General Managers of both business divisions as well as Chief Officers are participating, and both divisions are deliberating together about product plans going forward and other issues.
		In Preparation	<ul style="list-style-type: none">• Will establish rules about the Issue Review Meeting going forward.
	<ul style="list-style-type: none">• Weekly meetings by officers from both business divisions	In Operation	<ul style="list-style-type: none">• Currently discussing issues between both business divisions at weekly meetings in which officers and executives of both business divisions are participating.
	<ul style="list-style-type: none">• Strengthening a system to have discussions on equal footing and cooperate between the business divisions from the advanced development stage	In Operation	<ul style="list-style-type: none">• <u>In order to strengthen cooperation from the advanced development stage, the Industrial Vehicle Division and the Engine Division agreed to hold and mutually participate in development meetings. Revised the “Development Meeting Rules”.</u>

2) Measures to “strengthen the active check function by separating the department responsible for development and the department responsible for regulation certification”

Corrective order/Special Investigation Committee recommendations	Activity	Status*	Progress in the current quarter
(1) Separation of development engineers and certification engineers	• Establishment of the Regulation Certification & Administration Dept. of the Engine Division, and the Regulatory Compliance Dept. of Industrial Vehicle Division and strengthening of the active check function	In Preparation	• In order to secure 1.6 times or greater increase in manpower compared to March 2024 in accordance with the medium-term manpower plan by 2026 for the “Regulation Certification & Administration Dept.” established by the Engine Division, internal personnel shuffles and new hires from outside are underway.
	• Strengthening the function of a dedicated department responsible for regulation certification of collecting information on legal revisions in advance	In Operation	• Created rules (the “Engine Regulatory Information Collection and Communication Process” and the “Administration procedure for truck regulations and related information”) setting forth roles and responsibilities for collection of regulatory information, in accordance with which information on legal revisions from multiple information sources including external bodies such as the Japan Land Engine Manufacturers Association and the Japan Industrial Vehicles Association, Toyota Motor Corporation, the websites of various ministries and agencies, and information service providers is being collected and communicated inside the Company.
(2) Ensuring checks in the development process	• Subject to confirmation of the completion of development at the meeting on the transition to deterioration durability testing, the final decision is to be conditional on obtaining confirmation from the meeting on the transition to certification that all of the legal requirements have been complied with	In Operation	• In order to strengthen the active check function against departments responsible for engineering, established “meetings on the transition to deterioration durability testing” as a mechanism, in which the participants will determine whether the development has been completed, and if it is found not to have been completed, we cannot move forward with deterioration durability testing; currently in operation.
	• Granting the responsibility and authority to determine whether or not to move forward with deterioration durability testing and the application for certification to the Regulation Certification & Administration Dept.	In Operation	• Established “meetings on the transition to certification” to determine whether or not to move forward with application for certification as a mechanism, in which the participants determine whether all legal requirements have been complied with, and if we are found not to be in compliance, we cannot move forward with the application for certification; currently in operation. • Granted the responsibility and authority to determine whether or not to move forward with deterioration durability testing and whether or not to move forward with the application for certification to the Regulation Certification & Administration Dept. • Deterioration durability testing is currently being conducted the Product Evaluation Dept., not the engineering departments, under the instruction and supervision of the Regulation Certification & Administration Dept.
	• Management of control software by the Regulation Certification & Administration Dept., and prohibition of any change to control parameters	In Operation	• Overhauled the management of changes in engine control software, so that the engineering departments will keep change logs without fail in the process up to the transition to deterioration durability testing, whereas after the transition to deterioration durability testing, the Regulation Certification & Administration Dept. will manage the control software, and the control software cannot be changed without the approval of the Regulation Certification & Administration Dept.; currently in operation.
	• Chief Quality Officer participates in DR review, and the Quality Assurance Dept.’s control over the engineering departments is strengthened	In Operation	• Reviewed the DR Rules, prescribing that the judging chair assumes full responsibility for a decision on moving forward; that any transition conditional on any law, regulation and regulatory requirements is not accepted; and that the Chief Quality Officer participates in the DR review, etc.; currently in operation. • Clarified discussion items and judgment criteria for each DR, and by setting the quality assurance departments as the departments responsible for determining the level of achievement of a development project, we have strengthened the quality assurance departments’ role as a check on the engineering departments; currently in operation.
	• Strengthening the management of design changes relating to the forklift vehicle certification notification	In Operation	• <u>Established the “Procedure for confirming the necessity of application amendment by Engineering Change Instructions” to clarify the procedures for advanced consultation with the authorities and confirmation of the need of application amendment in the case of design change affecting the forklift certification notification.</u>
	• In order to strengthen the active check function for diesel engines for passenger vehicles, transfer of regulation certification work to Toyota Motor Corporation and confirmation of ideal form of development	In Operation	• Regarding diesel engines for passenger vehicles, Toyota Motor Corporation is now responsible for regulation certification work that had partially been entrusted by Toyota Motor Corporation to the Company.
		In Preparation	• How development of diesel engines for automobiles should ideally work is under consideration with Toyota Motor Corporation.

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3) Measures to “place strict control over work to prevent unfair burden on certification work”

Corrective order/Special Investigation Committee recommendations	Activity	Status*	Progress in the current quarter
(1) Placing strict control over work to prevent unfair burden on certification work	• Formulation of a development reference timetable for engine development based on a period necessary for application work	In Operation	• <u>Formulated the “Standard development schedule for industrial trucks” for overall development of industrial vehicles, and the “Procedure for overall schedule for Development/Production Preparation/Certification” was revised.</u>
	• Specifying that after control parameters are decided, deterioration durability testing will commence	In Operation	• Overhauled the management of changes in engine control software, so that the engineering departments will keep change logs without fail in the process up to the transition to deterioration durability testing, whereas after the transition to deterioration durability testing, the Regulation Certification & Administration Dept. will manage the control software, and the control software cannot be changed without the approval of the Regulation Certification & Administration Dept.; <u>currently in operation.</u>
	• Creating rules setting forth that confirm at each step of DR based on the development reference timetables that the timetable has not become overly demanding, and revise if necessary.	In Operation	• Pursuant to the DR Rules, added evaluation items to confirm whether a gap exists with the development reference timetable at DR1, and if there is a gap, to create a plan to address the gap. The state will be verified at each subsequent step, and if there is any issue, the timetable will be reviewed and other measures will be taken. • <u>Revised the “Procedure for organizing new model development progress control meeting” to visualize development progress by the Industrial Vehicle Division, and to managers up to executives to discuss issues identified and measures taken at monthly new model development progress control meeting.</u>

4) Measures to “establish internal rules and clarify responsibilities for work relating to development and certification”

Corrective order/Special Investigation Committee recommendations	Activity	Status*	Progress in the current quarter
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(1) Establishing internal rules and clarifying responsibilities for work relating to development and certification	• Establishment of the system of rules, and addition and review of rules etc. for development of engines for mass production, engine certification work and engine production consistency	In Operation	<ul style="list-style-type: none">Reviewed the entire system of rules for development of engines for mass production, engine certification work and engine production consistency; <u>currently in operation.</u>The following rules are currently in operation.<ul style="list-style-type: none">(1) Development of engines for mass production<ul style="list-style-type: none">Creation and standardization of procedures and guidelines for engine calibration workClarification of management of changes of data, constants and software revision history up to transition to deterioration durability testingRefinement of information on standard values for shipment control etc. to be submitted to the Quality Assurance Dept.(2) Engine certification work<ul style="list-style-type: none">Clarification of work flow and roles and responsibilities for each department, from the collection of regulatory information up to product development, certification and after-sale market coordination, so as to ensure legal conformityClarification of roles and responsibilities for collecting and internally communicating regulatory information (the “Engine Regulatory Information Processing Guidelines” referred to earlier in the main text)Clarification of roles and responsibilities for each department to ensure absolute conformity with all articles of laws and regulationsCreation and clarification of guidelines for conducting deterioration durability testing in compliance with laws and regulations<u>Creation of a checklist to confirm testing equipment’s compliance with laws and regulations</u>Clarification of roles and responsibilities for each department in connection with applications for certificationClarification of roles and responsibilities for each department in connection with reapplication for certification and other work relating to a design change after obtaining certificationEstablishment of rules for skills and qualifications required for engineers in charge of deterioration durability testing and certification testing, and qualification procedures therefor(3) Engine conformity of production<ul style="list-style-type: none">Reorganization, for easy understanding, of the method for mass production sampling inspection including the frequency of mass production sampling inspections and the method for setting shipment control standard valuesClarification of roles and responsibilities for each department in order to deploy and maintain testing equipment in compliance with laws and regulations<u>Creation of a checklist to confirm testing equipment’s compliance with laws and regulations</u>
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③ Building a system for implementing regulatory and certification operations that prevent unfair practices

1) Measures to “secure sufficient personnel and other resources for regulation certification-related work, and make and continuously maintain sufficient investment in testing facilities and equipment”

Corrective order/Special Investigation Committee recommendations	Activity	Status*	Progress in the current quarter
(1) Strengthening resources and organizational structure of the Regulation Certification & Administration Dept.	• Securing staff and developing personnel for the Regulation Certification & Administration Dept.	In Operation	• Currently carrying out internal personnel shuffles and new hires from outside (to be created in this quarter). • Clarified the requirements and skills required for Regulation Certification & Administration Dept. staff. Developed a program to enhance existing manpower by providing education to help them satisfy such requirements; <u>currently in operation.</u>
	• Strengthening the function of collecting information on legal revisions in advance	In Operation	• Created rules (the “Engine Regulatory Information Collection and Communication Process” and the “Administration procedure for truck regulations and related information”) setting forth roles and responsibilities for collection of regulatory information, in accordance with which information on legal revisions from multiple information sources including external bodies such as the Japan Land Engine Manufacturers Association and the Japan Industrial Vehicles Association, Toyota Motor Corporation, the websites of various ministries and agencies, and information service providers is being collected and communicated inside the company.
	• Consideration of the ideal form for the regulation certification function transcending business division boundaries	To be Implemented	• Under consideration.
(2) Prevention of manipulation of testing data through promoting systemization	• Deployment of a system to automatically retain data • Installation of surveillance cameras at locations where data is accessible and creation of access rights	In Preparation In Operation	• The Engine Division developed a plan to deploy a system to automatically retain emissions testing (certification and sampling tests) data, finalized system specifications in April 2024 and placed the order. • Installed surveillance cameras in April 2024 to prevent data from being falsified and parts from being arbitrarily replaced during testing.
	• Strengthening the management of certification test data at the Industrial Vehicle Division	In Operation	• <u>Developed the “Procedure for preparation and management of domestic certification test report” to clarify procedures for preparing documents based on certification test data as well as for managing evidence and other data.</u>
(3) Investment in testing facilities and equipment	• Addition of test benches, and periodical inspection and review of testing facilities and equipment required for workload and compliance with laws and regulations • Securing budget to seamlessly make required investments in equipment	In Preparation In Operation	• In addition to the existing two benches for certification and sampling tests, purchased two new benches, one of which was delivered in June. • Created rules clarifying the roles and responsibilities of each department and a checklist for the purpose of deploying and maintaining testing equipment in compliance with laws and regulations; <u>currently in operation.</u>

2) Measures to “introduce an education system relating to regulations and certification, compliance and engineering ethics”

Corrective order/Special Investigation Committee recommendations	Activity	Status*	Progress in the current quarter
(1) Adherence to engineering ethics	• Organizing company-wide trainings, and restructuring necessary education	In Preparation	• Investigated the implementation status of education at departments which provide internal education. • Considering the development of the Rules for Training Management (tentative).
	• Incorporation of engineering ethics in educational programs, and having management repeatedly emphasize the importance of adherence to engineering ethics so that they are instilled	In Operation	• Planned a basic education program, and created educational content, for engineers—with content to ensure that the problems experienced this time are not forgotten, and to reaffirm engineering ethics including data integrity. • <u>Provided ethics education for engineers on September 16 during the period of the basic engineering course (course for 138 new graduate engineers).</u>

3) Measures to “establish a check system in the process of application for certification and strengthen the supervisory functions for regulations and certification”

Corrective order/Special Investigation Committee recommendations	Activity	Status*	Progress in the current quarter
(1) Establishment of a check system in the process of application for certification	• Strengthening of the check system in the process of application for certification • Creation of rules for certification work audits to demonstrate a deterrent function	In Operation	• Developed between the Industrial Vehicle Division and the Engine Division development reference timetables, and clarified that in the Engine Division deterioration durability testing will be conducted by the Product Evaluation Dept., not by the Engineering Department, under the instruction and supervision of the Regulation Certification & Administration Dept.; currently in operation. • Created rules setting forth that in order to ensure the accuracy of certification application documents, such documents will be crosschecked between the engineering departments and the regulation certification departments, and between the quality assurance departments and the regulation certification departments, and such documents will be submitted for application after engineers in charge, Working Group Leaders, Group Managers and other members of the regulation certification department crosscheck the same, with the final confirmation and approval of the head of the regulation certification department.
		In Operation	• In order to enhance the accuracy of application documents relating to industrial vehicles in light of past deficiencies, developing a tool to extract and automatically transcribe data necessary for application with the help of IT technology, as well as establishing relevant rules (Guidelines for Certification Design Value Management (tentative)), with plans to do a trial run using the tool in an actual application for certification. • <u>Established the “Procedure for confirming the necessity of application amendment by Engineering Change Instructions” to clarify the procedures for advanced consultation with the authorities and confirmation of the need of application amendment in the case of design change affecting the forklift certification notification.</u> • <u>In order to strengthen the management of domestic certification test data at the Industrial Vehicle Division, developed the “Procedure for preparation and management of domestic certification test report”, was set as rules procedures for preparing documents based on certification test data as well as managing evidence and other data.</u>
		In Operation	• As part of the product quality audit, audited certification work during the quality management audit. <u>The Industrial Vehicle Division and the Engine Division established, created rules about, and commenced the operation of, an internal audit system.</u>
(2) Improvement of the internal audit function of the Quality Assurance Dept.	• Review and enhancement of rules etc. for internal quality audit performed by the quality assurance departments	In Operation	• At the final meeting to report on the basic concept held on April 2, in which the President, Chief Officers and other related officers and executives participated, decided to reorganize the rule system including reorganizing the relationship between corporate rules and business division rules and establishing minimum routines shared across the Company as corporate rules. • <u>Corporate rules and business division rules were reorganized, through having regular meetings with the quality assurance departments of business divisions, discussing systems including the relationship between corporate rules and business division rules and details of various codes and rules, and deepening the shared understanding of the intentions behind the contents of corporate rules with each business divisions.</u>
	• Development of a medium-term manpower plan on the basis of the roles, responsibilities and required man hours of the quality assurance function	In Operation	• In order to enhance the quality function, clarified requirements and skills, and provided education. • Developed a medium-term manpower plan up to 2026, under which internal personnel shuffles and new hires from outside are underway.
	• Consideration of an ideal form of organization so that the quality assurance function can properly function	In Operation	• As a product quality audit system, developed a three-step audit system comprising the check function within work, the independent quality audit system within a business division, and the audit system of the Quality Management Dept. which is a function of the head office. • <u>Established the Audit Dept. in July 2024 as an independent organization to audit the quality assurance departments of the Industrial Vehicle Division. Continuously implemented the “Tovota material handling company Special Audit” to consistently audit quality risks from development through production. Additionally, commenced an audit on the regulatory compliance status of departments within the Industrial Vehicle Division.</u>

Just for reference purpose. Official document must be the original one written in Japanese

			<ul style="list-style-type: none">• <u>Within the Engine Division, persons with knowledge and experience were assembled from each department to be auditors, and internal quality audit was conducted. Additionally, by setting and pursuant to individual themes, a tracking-type audit was conducted across departments to confirm consistency.</u>
(3) Coordination with the head office departments from a quality assurance perspective	<ul style="list-style-type: none">• Quality management audit by the Quality Control Dept. utilizing an outside expert	In Operation	<ul style="list-style-type: none">• Brought in the expertise of outside experts and created a mechanism for conducting company-wide questionnaire surveys on the risk of quality improprieties, and since June 2023 we have been conducting these surveys.• Reflected the discovered issues in the audit items, and had the Quality Management Dept. conduct quality management audits. <u>During this quarter, conducted audits on the Textile Machinery Division and Battery Division, completing the first round of audits on all business divisions.</u>• <u>Commenced second round of audits starting with the Industrial Vehicle Division in August 2024.</u>