

March 22, 2024

Minister of Land, Infrastructure, Transport and Tourism

To: Mr. Tetsuo Saito

Toyota Industries Corporation

Representative Director and President Koichi Ito

Report on recurrence prevention measures concerning legal violations
in domestic engine certification

I. Introduction

On January 29, 2024, Toyota Industries Corporation (hereinafter referred to as the “Company”) provided a report to the Ministry of Health, Labor and Welfare, which included the findings of the Special Investigation Committee composed of independent outside experts, in response to legal violations in the certification application that were announced on March 17, 2023.

As a responsible company that carries out business activities in society, we take this matter extremely seriously, and our management is reflecting on it deeply, considering the significance and importance of the certification system, with which we must comply as a basic principle.

The Company subsequently underwent an on-site inspection from your ministry, and on February 22, 2024, we received a correction order based on Article 75-3, Paragraph 5 of the Road Transport Vehicle Act (the “Correction order to rectify the violation related to application for type designation of automotive devices” issued on that date is hereinafter referred to as the “Correction Order”).

This report describes the measures to be taken by Toyota Industries based on the Correction Order, and measures to prevent recurrence that have been discussed and considered within the Company, based on the items indicated in the investigation report prepared by the Special Investigation Committee and dated January 29, 2024 (hereinafter referred to as the “Committee Report”) (“III. Analysis of causes of unfair practices and recommendations for measures to prevent recurrence, (2) Recommendations for measures to prevent recurrence”).

The Company will continue to implement the measures it has formulated to prevent recurrences in a steady manner. In addition, to regain the trust of all stakeholders, including your ministry, regulatory agencies, customers, dealers, and suppliers, the Company will reinforce the basics of legal compliance and make company-wide efforts based on the items indicated and the guidance provided by your ministry, so that this behavior never will be repeated.

II. Measures to Prevent Recurrences

1. Overview of recurrence prevention measures

In order to return to our roots of providing “safe and reliable quality products” to customers and continuing to contribute to society, the Company will pause, and then restart its activities as a company that will never commit unfair practices again, and do the right thing correctly, by promoting three reforms in terms of “Culture,” “Mechanism,” and “Organization/System.”

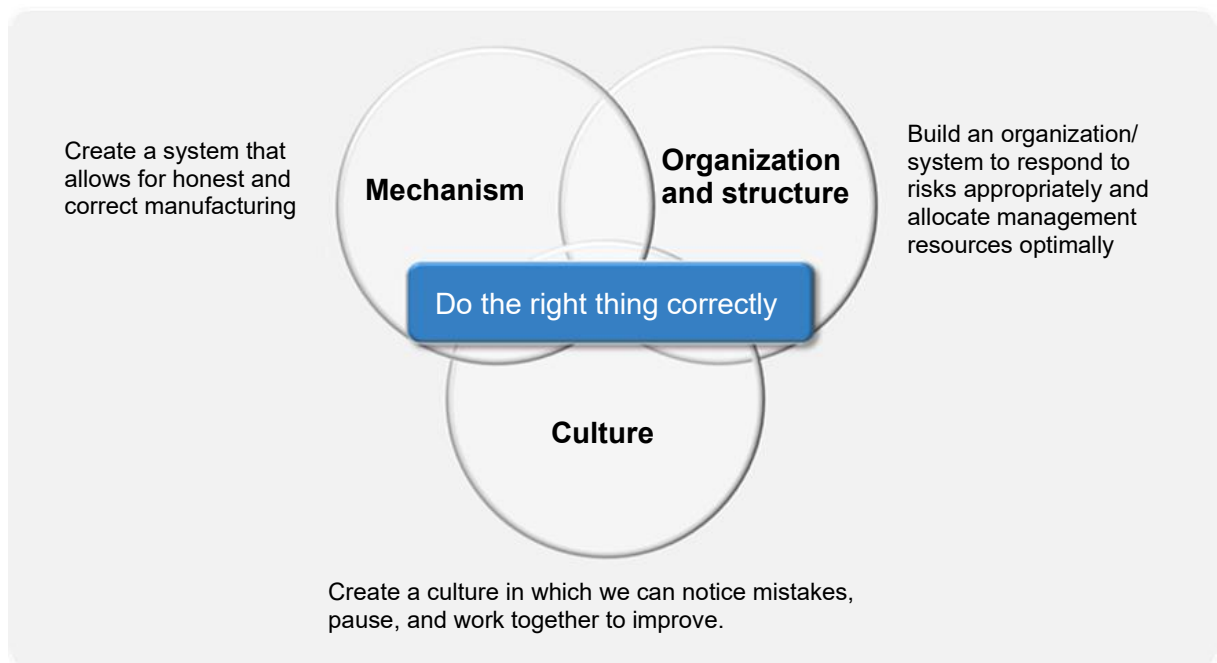
The three reforms the Company has established are: “Culture: creation of a culture where we notice

mistakes, pause, and make improvements together,” “Mechanism: creation of a system that allows for honest and correct manufacturing,” and “Organization/Structure: building an organization/system for appropriate responses to risks and optimal allocation of management resources.” By organically combining each of these reforms, we believe they will contribute to the measures “ that Toyota Industries should take” as indicated in the Correction Order: “(1) Restructuring of the company's overall business management system,” “(2) Improvement of business management methods for overall engine and vehicle development,” and “(3) Building a system for implementing legal and certification operations that prevent unfair practices.”

The Company takes the Correction Order seriously and will make company-wide efforts to prevent recurrences.

Returning to our roots and making a fresh start with the three reforms

By returning to the basics of providing customers with “safe and secure quality products” and continuing to contribute to society, the entire Company will work together to carry out the three reforms and do the right thing correctly.



2. System to Promote and Supervise Measures to Prevent Recurrences

1) System to promote recurrence prevention measures

In order to return to our roots and make a fresh start as a company that never will commit unfair practices again, we will carry out three reforms in terms of “Culture,” “Mechanism,” and “Organization / Structure” to ensure that we do the right thing by incorporating these reforms into concrete measures and action items to prevent recurrences.

We already established a recurrence prevention project, chaired by the president, which consists of vice presidents, business managers, head office executives, and department heads, and have been discussing

and promoting the recurrence prevention measures that we originally planned. In response to your ministry's Correction Order, we have made drastic additions and revisions to the current recurrence prevention measures, and starting in March 2024, the recurrence prevention project will be reorganized into a "Restart Committee," with the president as the committee chairman, and the general manager, chief officer¹, head office executives, and department heads as members, to promote specific measures to prevent recurrences and check on progress regularly.

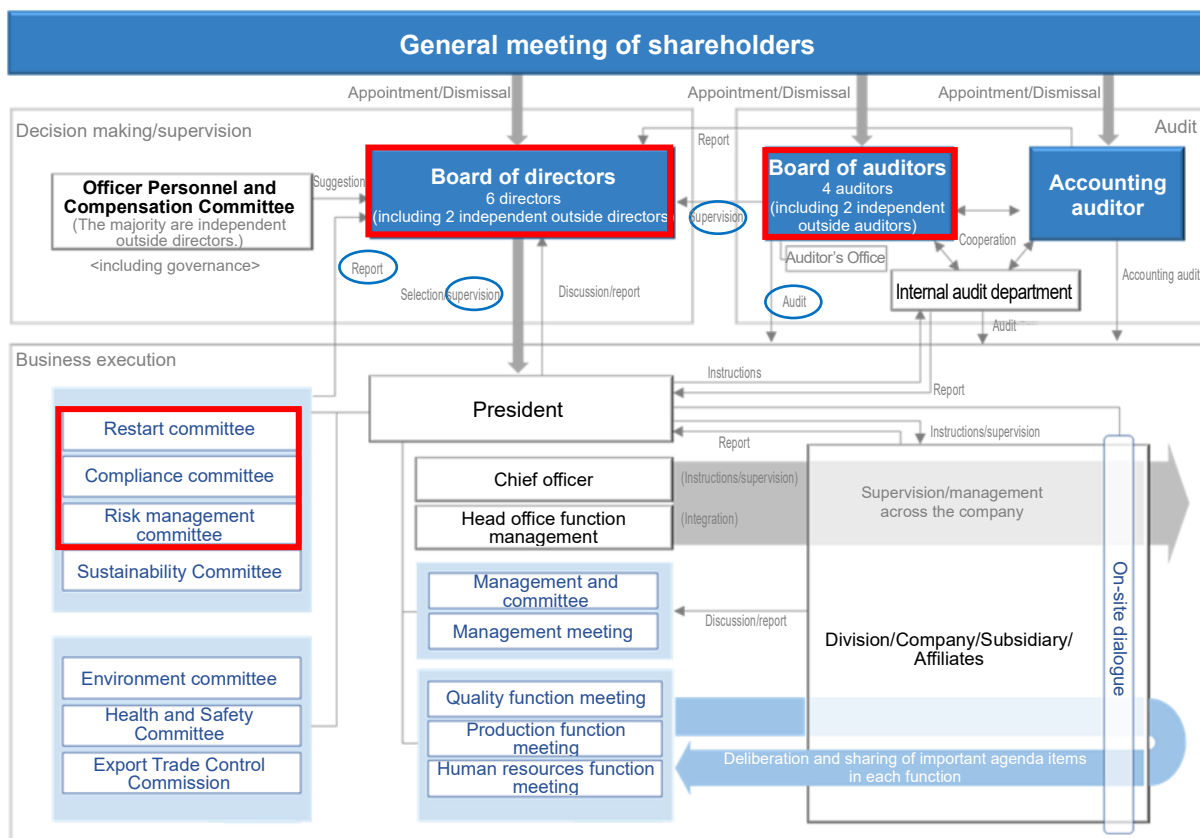
We will check the level of progress toward specific implementation of recurrence prevention measures, while clarifying items within the plan as "implemented," "in operation," "in preparation," and "planned for implementation," and will continue our efforts to improve the implementation of items to make them even more effective, while constantly checking their effectiveness.

Furthermore, the promotion of compliance, which previously was discussed within the CSR Committee, has been made independent, via an independent Compliance Committee. In addition, we will discuss activities and allocation of resources necessary to promote compliance, and promote the prevention of compliance violations and recurrence, with the Global Chief Compliance Officer acting as chairperson, and the president, vice presidents, business managers, chief officers, headquarters executives, overseas regional compliance officers, and external experts such as lawyers, participating depending on the situation.

2) System to supervise measures to prevent recurrence

The Board of Directors confirmed three reforms in terms of "Culture," "Mechanism," and "Organization/Structure" to do the right thing correctly and the specific recurrence prevention measures. The Board of Directors will monitor the level of progress and evaluate the effectiveness and appropriateness from the view point of the management and provide necessary instructions for the improvement.

¹ "Chief officer" is a collective term for the global chief compliance officers who oversee compliance and risk management, the chief quality officers who oversee quality, and the chief legal officers who oversee legal affairs.



3. “Measures that Toyota Industries should take”

The following are the measures we have considered to prevent recurrences, taking into account the items indicated as “measures that Toyota Industries should take” (recommendations for preventive measures set forth in the committee report, etc.).

Measures relating to “(1) Restructuring of the company’s overall business operation system”

1) Measures to realize “rebuilding executives' awareness of industrial vehicle engines, laws and certifications, and clarifying executives' responsibilities”

(1) Improving awareness of industrial vehicle engines

The Special Investigation Committee made a proposal titled “**Reforming the culture of “trivializing industrial vehicles”**,” pursuant to which the executives and management teams in the engine division and industrial vehicle division should change their previous mindset of “trivializing industrial vehicles.” In addition, with regard to engines for industrial vehicles, it is recommended that attention should be paid to the details of tightened regulations, whether the development system is sufficient to cope with them, and whether a reasonable development schedule has been established. (Committee Report III, Section 2, 3(1)a).

Based on these recommendations, and reflecting on the fact that walls and a hierarchical relationship have arisen between the industrial vehicle division and the engine division, due to “disrespect for industrial vehicles,” and the fact that these divisions were not able to exchange frank opinions as partners, we will establish and operate a review meeting, under the direct control of the president and with the participation of the chief officer, in order to work together to

consider future product plans and other issues. We will build a system and organization to use this meeting to enable us to share risks and management issues, such as the business environment, business plans, plans to secure resources, and the actual status of both the industrial vehicle division and engine division, to discuss them equally, to find appropriate compromises and to review business plans based on these discussions. We will also put these system into rules of our internal regulations.

(2) Improving risk sensitivity of engine division executives

We received a recommendation from the Special Investigation Committee on the theme of **“Improving risk sensitivity among the Engine Division’s executives,”** which aims to encourage the engine division executives to have an accurate understanding of the risks involved in their business, such as exhaust gas regulations, other regulations, and the strengthening of those regulations, and to respond appropriately and identify risks on a periodic basis (Committee Report III, Section 2, 3(2)a).

Based on these recommendations, we will introduce a system that enables the engine department executives to evaluate and inspect whether the personnel, organizational structure, development and manufacturing processes, and other systems are in place to be able to respond to changes in the event that changes occur, such as the introduction of new laws and regulations, amendments or strengthening to existing regulations, etc., and put this system into the rules in our internal regulations. In addition, we will establish rules in our internal regulations requiring the regular identification of risks, whether or not there have been any changes.

(3) Improving awareness of laws and certifications through education of executives

We received a recommendation from the Special Investigation Committee, which is a challenge to the entire management team, on the theme of **“Improving the risk sensitivity of the entire management team”** that aims to increase risk sensitivity related to “quality fraud” and to convey the management team’s strong determination to increase the risk sensitivity of employees. (Committee Report III, Section 2, 3(2) a).

Based on these recommendations, the Board of Directors and Management Committee regularly carry out activities to increase risk sensitivity, sponsored by the Global Chief Compliance Officer, such as seminars on risk management by outside experts and study sessions involving case studies from other companies.

In addition, in order to incorporate a third-party perspective, we will appoint outsiders as directors or auditors to increase risk sensitivity and to prevent and detect unfair practices at an early stage.

(4) Management's responsibility to minimize the disadvantages of the divisional system

We received a recommendation from the Special Investigation Committee on the theme of **“Management decisions transcending business division boundaries”** that requires us to create a framework through which company-wide management decisions can be made that go beyond the boundaries of divisions, as an effort to minimize the disadvantages of the divisional system (Committee Report III, Part 1, 3(3))

After reconfirming and clarifying the roles and responsibilities of the management team, we will clarify the division of roles and responsibilities between business divisions and departments, such as specifying the director (the president) who is in charge of regulations and certifications and

securing the reporting line from officers and executives who are in charge of the divisions relating to regulations and certification, thereby eliminating imbalances in hierarchical relationships and power relationships between business divisions and departments. At the same time, we will strengthen cooperation between business divisions and departments, and create a system to ensure that no problems are left unresolved with regard to the division of roles.

After that, based on the fact that we have not been able to fully understand and respond to the issues and risks caused by the divisional system, with regard to the medium-term business plan for each division until the end of fiscal 2026, at the Management Committee, top management, including the president, chief officers, and head office executives will confirm, discuss, and promote the formulation of a business plan that suits the actual situation in the company from the perspective of company-wide optimization that goes beyond the boundaries of business divisions, for example, whether appropriate resources have been secured and whether business plans are unreasonable.

2) Measures to achieve “Thorough awareness of prioritizing legal compliance”

(1) Fostering employees’ compliance awareness

We have received a recommendation from the Special Investigation Committee on the theme of **“Fostering employee compliance awareness”** that requires us to enhance and strengthen compliance education and training and, in particular, to make employees to imagine unfair practices as a realistic problem that will bring about more serious consequences, e.g., that they definitely will be discovered in the end, resulting in threats to the livelihood of employees.

(Committee Report III, Section 2, 1(1) a)

Reflecting on the fact that our education and awareness-raising activities have not been successful, we have reviewed the content of compliance (including quality compliance) education which is provided during the rank-based training from new employees to management. In addition, we will revise the education programs repeatedly, to make it easier to understand, by repeatedly instilling important points in the participants so that they can imagine them as realistic problems that definitely will be discovered and have serious consequences.

We have created an introductory e-learning course on regulation certification that allows employees to acquire the basic knowledge they lack with regard to regulation certification, and have provided this training to all employees. We will continue to review the content of training regularly and to provide the training repeatedly, and will continue to provide basic understanding and awareness of regulation certification as compulsory training for new employees, including mid-career hires.

In addition, we will revise the internal labor regulation and make it clear that misconducts are subject to disciplinary actions so that no employees will violate laws and regulations and will make sure every employee understands this revision with the aim of fostering the awareness of laws and regulations.

(2) Clarification of the value standard that “compliance takes precedence over development and production schedules”

We received a recommendation from the Special Investigation Committee on the theme of

“Making clear the value standard that ‘compliance has priority over the development and production schedule’” that we aim to develop a code of conduct that emphasizes compliance, to make it clear that those who make the right choices will not be disadvantaged, and to consider the introduction of a system that would make this more entrenched in corporate activities, e.g., making it a subject of personnel evaluations (Committee Report III) 2 1(1)a).

Prior to receiving the committee report, in April 2023, the Company revised the content of its employee code of conduct, which establishes the basics of compliance. Based on the recommendation above, we will revise our employee code of conduct further, to make it clear that persons who make the right choices will not be disadvantaged.

In addition, in order to increase awareness that management prioritizes compliance above all else, to understand compliance concerns in a sensitive manner, to discuss necessary countermeasures, and to strengthen the system for resolving issues, we will upgrade the compliance subcommittee, which is an organization under the CSR Committee, which will become the “Compliance Committee” and we will make it independent, to strengthen its functions.

The participants on Compliance Committee, chaired by the Global Chief Compliance Officer, consist of the president, business managers, other relevant internal officers, regional chief compliance officers representing the United States and other regions, and lawyers and outside experts as necessary. The committee not only monitors compliance risks and concerns, including the enactment and revision of important laws and other legal trends, and the status of whistleblowing, but also implements measures to address these issues, including compliance education and awareness, and formulates and promotes activity plans, checks progress status, and communicates with employees.

Furthermore, in the personnel evaluation topics for middle management personnel, we will prohibit disadvantageous treatment in observance of compliance based on the code of conduct, and specify the activation of two-way communication that ensures psychological safety. In addition, we will continue to provide managers and supervisors with training to acquire the mindset and practical skills for two-way communication that ensures psychological safety in the workplace, with the aim of instilling compliance awareness in members of middle management.

3) Measures to achieve “Improvement of issue recognition and problem-solving ability of executives and managers”

(1) Improving the risk sensitivity of the entire management team

We received a recommendation from the Special Investigation Committee, as a challenge for the entire management team, on the theme of **“Improving the risk sensitivity among the entire management team”** that aims to increase risk sensitivity related to “quality fraud” and convey the management team’s strong determination to reform employees awareness. (Committee Report III, Section 2, 3(2) a).

Reflecting on the fact that we received an indication from the Special Investigation Committee that it could not find that management has sent out a strong message that legal compliance is prioritized over development schedules, we are striving to instill the top management's mindset within the company and to foster an awareness among all employees that “compliance is the top

priority,' by continuously disseminating messages from top management, e.g., that compliance is the basic premise for business activities, and that compliance is prioritized without hesitation, through briefings from the president, videos, company newsletters, individual letters, and other methods.

In addition, we have established an "Execution Operations Review Committee" as a forum to heighten the risk sensitivity of our management team. As a general rule, every month, all officers and executives, including the president, raise management issues, such as risks of quality fraud and compliance issues, and discuss the appropriate allocation of persons, goods, and money across the company, and reflect the results in specific efforts.

Furthermore, we have incorporated the knowledge of outside experts, and have built and implemented a company-wide system to conduct company-wide questionnaires and surveys regarding the risks of quality fraud. We will correct any issues discovered through audits by the Head Office Quality Control Department.

(2) Establishment of a risk management system

We have received a recommendation from the Special Investigation Committee titled "**Putting a risk management system in place**" that requires us to carry out risk management activities appropriately, including identifying and evaluating potential risks, and to establish a system to minimize risks (Committee Report III, Section 2, 3(2) c).

Based on the recommendation, we will establish a "Risk Management Committee" chaired by the Global Chief Compliance Officer and attended by the president, business managers, chief officers, and other relevant officers. In the "Risk Management Committee," we formulate effective countermeasures, based on company-wide risk assessments, that take into account the allocation of management resources, confirm and evaluate the progress and results, and then take necessary measures to implement the PDCA cycle. In addition, as a company, we will strive to continuously strengthen our structure against risks.

In addition to the efforts above, we have begun operation of a system in which the Risk Management Office acts as the secretariat, regularly checks the laws and regulations related to all departments of the company, and identifies any changes. If it finds areas that have not been addressed, or vulnerabilities, the office identifies the responsible department and improves the problem-solving abilities of the managers of those departments.

4) Measures to achieve the elimination of an organizational culture that prevents reports and consultations from subordinates

(1) Making the Reporting Line work

The Special Investigation Committee recommended, under the title of **Functioning as a reporting line**, that we ensure that each executive and employee is able to decide whether to deal with problems independently, based on their own authority and responsibility, or to report to superiors and take appropriate action based on their own ideas. The Committee also stated that it was necessary to ensure, once again, that it was the responsibility of the managers to recognize problems in the workplace, consider and implement solutions together with the workplace, and escalate issues to management as necessary (Committee Report III, Section 2, 1 (3) a).

Based on these recommendations, we will introduce new training to improve the workplace management skills of managers. Specifically, we will provide training to managers to equip them with the mindset of creating an environment wherein subordinates can easily make reports to them and consult with them, as well as the skills to make this a reality. We will also provide training on a continuous basis to develop communication skills to help every worker learn how to speak and listen effectively, while respecting one another, regardless of whether in the workplace or between superiors and subordinates. In addition, through such training, we will make managers aware of their role as pointed out in the above proposal. At the same time, we will make them aware that even if they avoid reporting or consulting with their subordinates, problems will surface due to the mechanism for direct escalation to management or the internal whistleblowing system described below.

(2) Creating a system for direct escalation to management

The Special Investigation Committee recommended, under the title of **Direct escalations to the management**, that we establish a system for directly escalating issues to management as a complementary mechanism for situations where escalation through the hierarchy would not work (Committee Report III, Section 2, 1 (3) b (a)).

Based on these recommendations, we will establish a consultation system using IT tools that allows anyone in the workplace to consult directly with the division manager or officer in charge. Additionally, during on-site internal audits, we will conduct interviews with employees to identify the problems and challenges faced by the workplace and provide feedback to management.

(3) Utilizing whistleblowing system

The Special Investigation Committee recommended, under the title of **Using a whistleblowing system**, that we ensure the psychological safety of whistleblowers to enable the whistleblowing system to fulfill its function (Committee Report III, Section 2, 2 (3) b (b)).

We will clearly state that whistleblowers will not be disadvantaged in any way, and that the contents of their reports will be kept confidential on posters, the company intranet, and in-house training that inform and explain the whistle-blowing system. We will disseminate this information along with a message from the management team to once again strive to ensure psychological safety.

Measures relating to (2) Improvement of business management methods for overall engine and vehicle development

1) Measures to achieve a fundamental review of the development schedule taking certification into consideration and the correction of distorted power relations between business divisions

(1) Establishing rules to optimize the development period for forklifts and industrial engines

The Special Investigation Committee recommended, under the title of **Establishing rules etc.**, that we formulate a standard development schedule, given that many fraudulent acts were caused by unreasonable development schedules (Committee Report III, Section 2, 2(1)).

Based on these recommendations, we will formulate a standard development schedule that will serve as a standard for ensuring appropriate development schedules in both the engine division and industrial vehicle division. We will create a system to ensure that the necessary development

processes are performed correctly and will develop the relevant rules.

In addition, we discovered that the engine division was developing its engines and the industrial vehicle division was developing its forklifts independently, without making efforts to manage a reasonable schedule as a whole. Therefore, we will build a system to ensure an appropriate development period through mutual agreement between both divisions and will develop the relevant rules.

- (2) Creating a system that allows related business divisions to engage in discussions on an equal footing, transcending the boundaries of business divisions

As mentioned above, the Special Investigation Committee recommended, under the title of **Management decisions transcending business division boundaries**, that we correct distorted power relationships between business divisions and create a framework for management decisions that go beyond the boundaries of business divisions (Committee Report III, Section 2, 3 (3)).

Reflecting on the fact that there was a wall and hierarchical relationship between the industrial vehicle division and the engine division, which prevented frank exchanges of opinions, we will establish an issue review meeting under the direct control of the president and with the participation of the chief officer to consider future product plans and other issues together with the two divisions. We will build and codify a system and organization to use this meeting to enable us to share the risks and management issues regarding matters such as the business environment, business plans, resources-securing plans and actual status for both the industrial vehicle division and engine division, discuss them on an equal footing, and review business plans in accordance with such discussions.

In addition, we will hold weekly meetings between executives from both divisions. We will also have the engine division participate in the development meetings of the industrial vehicle division to eliminate the barriers between the two divisions and promote integrated business operations.

- 2) Measures to realize strengthening of the checking function by separating the department in charge of development and the department in charge of laws and certification

- (1) Separating development and certification responsibilities

The Special Investigation Committee recommended, under the title of **Separation of development engineers and certification engineers**, that we separate development work from certification work and establish a department specialized in legal and certification matters (Committee Report III, Section 2 2 (2)).

Prior to receiving the committee's report, we had already established the Legal & Certification Supervision Department in the engine division and the Legal & Certification Department in the industrial vehicle division, as departments specialized in legal and certification matters, independent from the development departments. To ensure that both departments can fully exercise their checking function against the development departments, we will continue to consider and review the organizational structure that should be in place in the future and strive to secure and develop the necessary human resources.

We will also strengthen the ability of our departments specialized in legal and certification matters to collect information on legal revisions by themselves in advance.

(2) Ensuring checks in the development process

The Special Investigation Committee recommended, under the title, **Ensuring checks in the development process**, that the department specialized in legal and certification matters and the quality assurance department be substantially involved in design review and exert a checking function against the development department (Committee Report III, Section 2, 2 (3)).

Based on these recommendations, to strengthen the checking function against the departments in charge of development, we ensure that the Degradation Durability Test Transition Meeting approves the transition to the subsequent degradation durability test process on condition that the development process is completed and the Certification Transition Meeting approves the transition to the subsequent certification process on condition that the engine meets all the regulatory requirement. At both meetings, the Legal & Certification Supervision Department has the responsibility and authority to determine the approval/disapproval of the transition to the subsequent processes. Before the transition to the deterioration durability tests, the department in charge of development will manage the change history of the control software, while after the transition to the deterioration durability tests, the Legal & Certification Supervision Department will manage the control software and prohibit to change the control parameters.

In addition, the Chief Quality Officer will participate in design review examinations. By doing so, we will review the method by which examinations and operations are performed, together with the design review secretariat and decision-making departments, to strengthen the quality assurance department's checking of the development department.

Regarding automobile diesel engines, to strengthen the checking function, we will return our subcontracted legal and certification functions to Toyota Motor Corporation. We will continue to discuss the development process with Toyota Motor Corporation.

3) Measures to achieve thorough business management to prevent undue strain on certification work

The Special Investigation Committee pointed out that many of the recent cases of fraud were carried out under the pressure of not being able to delay the development schedule during the deterioration durability tests. The Committee further stated that the development schedule itself was unreasonable in the first place, and that such schedule made it impossible to appropriately conduct the deterioration durability tests (Committee Report III, Section 1, 1 (3), 5 (2) a). Based on this, the Committee recommended that we establish rules regarding the standard development schedule and the start time of the deterioration durability tests (Committee Report III, Section 2, 2 (1)).

Based on these recommendations, we have created a standard development schedule for engine development based on the period required for certification work which specifies that certification application is possible only after the development process has been completed. We have also specified that the deterioration durability tests would begin only after the control parameters are determined. In addition, we clarified the regulatory requirements in the design review rules and abolished the conditional approval of transition regarding legal matters. In the future, based on this standard development schedule, we will make the rule which requires to check whether the schedule is unreasonable for each step of design review and amend it if necessary to ensure that there is no undue strain on certification work.

4) Measures to realize the development of internal rules for development and certification-related work and clarification of responsibilities

The Special Investigation Committee stated, under the title of Establishing rules etc., that the incorporation of procedures and steps into the rules at the development stage was insufficient, and recommended that it be improved and reviewed (Committee Report III, Section 2, 2 (1)).

Based on these recommendations, we will first review the entire system of rules, clarify the overall concept of the necessary rules, check for missing points and other insufficiencies in the rules, and create and standardize the missing rules.

As pointed out by the Special Investigation Committee, there was a lack of rules that included provisions that should be followed regarding procedures at the development stage, including certification-related work.

We will first establish the entire system of rules, clarify the overall picture of the necessary rules, check for missing points and other insufficiencies in the rules, and create and standardize the missing rules.

At present, we recognize that the following rules are necessary regarding the consistency among mass-production engine development, engine certification work, and engine production; therefore, we are currently adding or reviewing such rules.

① Mass-production engine development

- We shall create and standardize the procedures and guidelines related to compliance work.
- We shall clarify the management of data, parameters, and software change history up to transition to the deterioration durability tests.
- We shall refine the information regarding shipping control standard values to be provided to the Quality Assurance Department.

② Engine certification work

- We shall clarify the work flow and the roles and responsibilities of each department to ensure legal compliance, from collecting legal information to product development, certification, and market response after launch.
- We shall clarify the roles and responsibilities for collecting legal information and disseminating it within the company.
- We shall clarify the roles and responsibilities of each department to ensure sentence-by-sentence compliance with all provisions of the laws and regulations.
- We shall create the guidelines for conducting deterioration durability tests that comply with laws and regulations.
- We shall create a checklist to ensure that test equipment complies with laws and regulations.
- We shall clarify the roles and responsibilities of each department in connection with certification applications.
- We shall clarify the roles and responsibilities of each department for applying for a new certification due to design changes made after original certification.

③ Consistency of engine production

- We shall summarize, in an easy-to-understand manner, the procedures of mass production

sampling inspection, such as how often and how to set shipping control standard values.

- We shall create a checklist to ensure that test equipment complies with laws and regulations.

Measures relating to (3) Establishment of an implementation system that prevents fraudulent acts in legal and certification-related work

- 1) Measures to secure sufficient personnel and other resources for legal and certification-related work and to provide sufficient investment and continuous maintenance of testing facilities and equipment

- (1) Strengthening the personnel structure of the Legal & Certification Supervision Department

The Special Investigation Committee stated that it was necessary for **the Regulation**

Certification & Administration Dept. to have a sufficient personnel structure so that the department could produce an appropriate checking function and fully demonstrate its information provision function and external relations function to the development workplace (Committee Report III, Section 2, 2 (3) a).

We have been working to strengthen the personnel structure of the Legal & Certification Supervision Department. To further strengthen it, we will establish a medium-term personnel plan up to 2026 and secure 1.6 times as many personnels compared to March 2024.

In parallel with this, to ensure that the departments specialized in legal and certification matters of the industrial vehicle division and the engine division function properly, we will consider the ideal form of the departments specialized in legal and certification matters, going beyond the boundaries of business divisions.

In parallel with securing personnel, we will strengthen the role and functions of the Legal & Certification Supervision Department by clarifying the requirements and competencies for the members of the Legal & Certification Supervision Department and providing training to meet these requirements and develop existing personnel.

We also strengthen the function to collect the information regarding the amendment of laws in advance.

- (2) Preventing falsification of test data by promoting systemization

The Special Investigation Committee recommended, under the title of **Promoting systemization**, that we consider introducing systems to automatically record data and prevent falsification to eliminate arbitrary human intervention and leave no room for fraud (Committee Report III, Section 2, 3 2 (5)).

Based on this recommendation, we are currently proceeding with plans to introduce an automatic data storage system. In addition, until this system is introduced, we will take interim measures to prevent data tampering, such as installing surveillance cameras in locations where data can be accessed and setting access controls.

- (3) Investing in testing facilities and equipment

The Special Investigation Committee pointed out that some of the misconduct was due to malfunctions in the measuring equipment or differences in the control method of the measurement bench and suggested that this was due **to insufficient investment in testing facilities and equipment**.

Reflecting on the fact that we had not been able to install a sufficient number of certification test

benches for the amount of work required to carry out our certification work, we decided to install two new test benches in addition to the existing two certification test benches. In the future, we will continue to increase the number of benches and establish an appropriate system for conducting certification tests to avoid an increase in the burden on legal and certification work due to a shortage of benches. In addition, not only on test benches, but also other testing facilities and equipment, we will regularly inspect and review whether we have secured the necessary quantity in light of the workload and legal requirements, as well as secure the budget and make necessary capital investments.

- 2) Measures to realize the introduction of an education system regarding laws and certifications, compliance, and engineer ethics

The Special Investigation Committee recommended, under the title of **Adherence to engineering ethics**, that we immediately implement continuous education and training to confirm, maintain, and strengthen basic ethics that engineers should abide by, including data integrity. The Committee also recommended that our management should repeatedly emphasize the importance of adherence to engineering ethics and put it into practice (Committee Report III, Section 2, 1 (2)).

We have been implementing education and training related to laws and regulations, certification, compliance, and engineer ethics. However, reflecting on the fact that our previous efforts were not successful, we will fundamentally review our existing programs and rebuild the necessary education system from scratch.

To prevent the fraudulent engine certification problem from being forgotten, we will incorporate the related subject into our future basic education programs for engineers and enrich the program so that our engineers can reaffirm ethical concepts such as data integrity. The management team will take opportunities, such as messages from the top and quality control audits, to repeatedly emphasize and instill the importance of thorough engineering ethics.

- 3) Measures to realize the development of a checking system in the certification application process and the strengthening of the audit function for laws and certifications

- (1) Establishing a checking system in the certification application process

The Special Investigation Committee stated that the dedicated department responsible for regulation certification is expected to be involved in DR, and, from a third-party perspective independent from the engineering department, check the development schedule established by the engineering department and the methods used to conduct deterioration durability testing, as well as the methods used to create certification application documents etc., point out any problems that have been discovered and call upon the engineering department to make improvements (Committee Report III, Section 2 2 (3) a).

Based on this statement, our dedicated department responsible for regulation certification will conduct cross-checks of certification application work by multiple members, verify similar defects in the past, and report the results to the department head.

We also make a rule regarding the audit for certification work and make the dedicated department responsible for regulation certification conduct its checks and restraints by confirming the

completion of the process of certification.

(2) Strengthening the internal audit function by the Quality Assurance Department

The Special Investigation Committee recommended, under the title of **Enhancing the internal audit functions of the Quality Assurance Dept.**, that the Quality Assurance Department ensure the effectiveness of internal audits by developing rules, refine auditing methods such as introducing sample checks, secure personnel structure, and develop human resources (Committee Report III, Section 2, 2 (4) A).

Reflecting the fact that our internal auditing was not sufficient as a quality assurance function, to strengthen quality assurance function of our internal auditing, we are currently reviewing the rules related to internal auditing and improving the contents thereof. We will consider improvements that can add a sense of tension to the workplace, such as checking raw data through sample checks. In addition, we will establish a medium-term personnel plan up to 2026 based on the roles, responsibilities, and required man-hours of the quality assurance function, and work to secure personnel including through human resource development and strengthen the function.

In parallel with this, we will continue to consider an ideal form of its organization to enable our quality assurance function to work properly.

(3) Cooperating with head office departments from the perspective of quality assurance

The Special Investigation Committee recommended, under the title of **Coordination with the head office department**, that we strengthen cooperation between the quality assurance departments of business divisions and the audit department of the head office to build an audit system with specialized knowledge and abilities and perform in-depth audits (Committee Report III, Section 2, 2 (4) B).

To strengthen collaboration by implementing cross-section supervision and support from the quality function line from the head office, we reorganized the previously existing Quality Management Department into the new Quality Control Department, secured human resources with knowledge of the quality assurance of business divisions, and increased the size of our workforce. In addition, to strengthen internal audits in the quality assurance area as the head office, we have selected and utilized an external specialized organization and begun quality control audits by the Quality Control Department to cover all our business divisions. We are promoting our efforts to complete audits of all business divisions during the first half of fiscal 2024.

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