Toyota Enters Agreement with U.S. Attorney's Office Related to 2009-2010 Recalls

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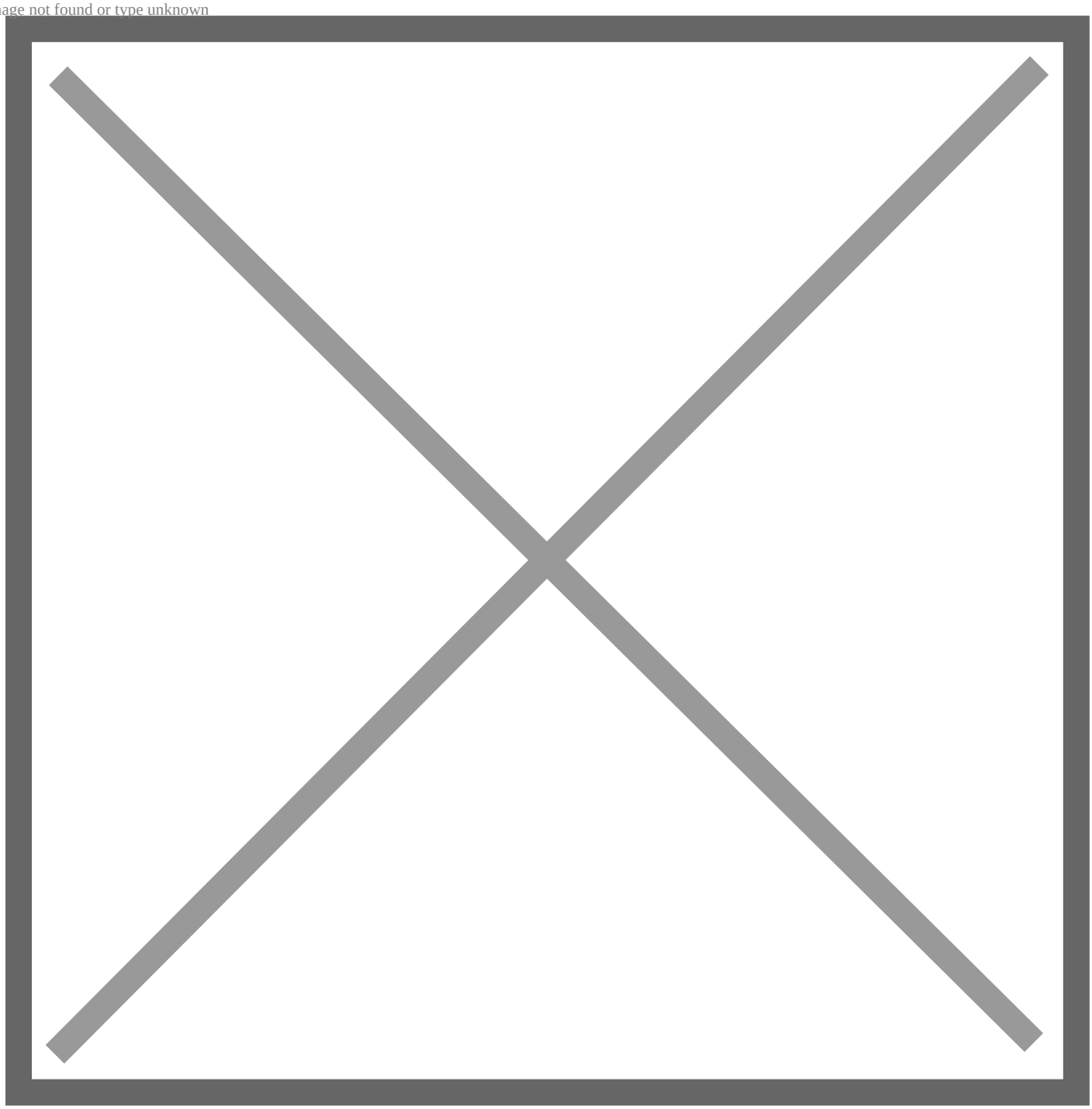

NEW YORK, NY, March 19, 2014 – Today, Toyota announced that it reached an agreement with the U.S. Attorney's Office for the Southern District of New York to resolve its investigation initiated in February 2010 into the communications and decision-making processes related to the company's 2009-2010 recalls to address potential "sticking" accelerator pedals and floor mat entrapment. As part of the agreement, Toyota will make a payment totaling $1.2 billion.

"At the time of these recalls, we took full responsibility for any concerns our actions may have caused customers, and we rededicated ourselves to earning their trust," said Christopher P. Reynolds, chief legal officer, Toyota Motor North America. "In the more than four years since these recalls, we have gone back to basics at Toyota to put our customers first."

Reynolds continued: "We have made fundamental changes across our global operations to become a more responsive company – listening better to our customers' needs and proactively taking action to serve them.

"Specifically, we have taken a number of steps that have enabled us to enhance quality control, respond more quickly to customer concerns, strengthen regional autonomy and speed decision-making. And, we're committed to continued improvement in everything we do to keep building trust in our company, our people and our products. Importantly, Toyota addressed the sticky pedal and floor mat entrapment issues with effective and durable solutions, and we stand behind the safety and quality of our vehicles.

"Entering this agreement, while difficult, is a major step toward putting this unfortunate chapter behind us. We remain extremely grateful to our customers who have continued to stand by Toyota. Moving forward, they can be confident that we continue to take our responsibilities to them seriously," Reynolds concluded.

Among the substantive actions the company has voluntarily taken since the recalls are:

- Launching rapid-response teams to investigate customer concerns quickly;

- Committing $50 million in 2011 to launch Toyota's Collaborative Safety Research Center in Ann Arbor, Michigan to partner with more than 16 universities and institutions across North America on safety advances that will be shared to benefit the entire auto industry and society;

- Expanding its network of field quality offices to improve customer responsiveness;

- Enhancing regional autonomy, including naming the first American CEO of Toyota's North American Region as well as Chief Quality Officers for North America and other principal regions – all of whom have direct lines to President Akio Toyoda;

- Improving its quality control process; and

- Extending the new vehicle development cycle by four weeks to help ensure reliability and safety.

Under the agreement, the Government agrees to defer prosecution and then dismiss its case, as long as Toyota makes the required monetary payment, abides by the terms of the agreement and continues to cooperate with the Government. The agreement also provides for an independent monitor to review policies and procedures relating to Toyota's safety communications process, its process for internally sharing vehicle accident information and its process for preparing and sharing certain technical reports.

Toyota will record $1.2 billion in after-tax charges against earnings in the fiscal year ending March 31, 2014 for costs relating to the above agreement.