

Results of the Investigation by the Independent Third-Party Committee and Response Going Forward

Today, Daihatsu Motor Co., Ltd. (Daihatsu) received the results of the investigation by the Independent Third-Party Committee (Committee Chair: Makoto Kaiami) commissioned by Daihatsu regarding procedural irregularities. Daihatsu has reported these investigation results, to the Ministry of Land, Infrastructure, Transport and Tourism and the Ministry of Economy, Trade and Industry along with our response going forward.

The investigation found that there were 174 new cases in 25 test items, in addition to the door trim irregularity in April and the pole side collision test irregularity in May. There were irregularities found in 64 models and 3 engines (total number of models in production/development and discontinued), including those that had already been discontinued. The models included both Daihatsu brand vehicles and models supplied as OEM models to Toyota Motor Corporation (Toyota), Mazda Motor Corporation (Mazda), and Subaru Corporation.

We deeply apologize to our customers and other stakeholders for causing great inconvenience and concern and betraying their trust.

In response to these findings, we decided today to temporarily suspend shipment of all Daihatsu-developed models currently in production, both in Japan and overseas. We will report to and consult with the Ministry of Land, Infrastructure, Transport and Tourism as well as the relevant authorities in each country, and proceed with the necessary actions.

Over the course of the investigation by the Independent Third-Party Committee, we received some information regarding models that may have been involved in the irregularities. In response, we conducted in-house technical verifications, in-house vehicle testing, etc. one by one to ensure that we satisfy the standards of safety performance and environmental performance required by laws and regulations.

At the final stage of the investigation, tests on the airbags of Daihatsu Move/Subaru Stella, Daihatsu Cast/Toyota Pixis Joy, Daihatsu Gran Max/Toyota Town Ace/Mazda Bongo revealed the irregularity that the "airbags deployment computer (ECU)" was not the same as that of mass-produced products. Technical verification revealed that there were no problems with the airbag's occupant protection performance, but during the verification, it was determined that there is a possibility that the "safety performance related to occupant safety performance (door unlocking)" of the Cast/Pixis Joy in side collision tests does not satisfy the regulations. At this time, we are not aware of any information on accidents related to this incident, but we are conducting thorough technical verification and investigating the cause, and will promptly take necessary actions.

For other cases, we have confirmed that the performance standards stipulated by laws and regulations are satisfied, while consulting TÜV Rheinland Japan K.K., a third-party technical service, to confirm the validity of verification results and processes.

Certification consists of having the certification authorities in each country inspect and confirm that vehicles satisfied various standards by which customers feel safe and secure while driving their vehicles. We consider certification to be a prerequisite for doing business as an automobile manufacturer. Our management was responsible for treating this certification process lightly and for creating an environment where room for such acts existed. We recognize the extreme gravity of this situation, which shakes the very foundation of our company as an automobile manufacturer.

Going forward, we will implement thorough measures to prevent occurrences of similar events in the future, based on the recommendations of the Independent Third-Party Committee. We will not only review and revise certification operations, but we will also make sweeping reforms to our corporate culture to make compliance the highest priority. With the full support of Toyota, we will work as one towards redeeming the company. We will devote our full efforts to regaining the trust of our stakeholders and once again becoming a manufacturer that can supply “people’s transportation” suitable for Japan’s land and roads.

(Reference) The Independent Third-Party Committee Investigation Report (Executive Summary)

[Attachment] List of newly found models with irregularities

1. Results of the Investigation by the Independent Third-Party Committee

- ◇ The Independent Third-Party Committee conducted interviews with relevant employees in the irregularities and used digital forensics, questionnaires, hotlines, and other means to check for the existence of any incidents similar to the following two procedural irregularities, which were previously announced by Daihatsu. The Independent Third-Party Committee's investigation was not limited to any specific period of time or any specific models.
 - 1) Inappropriate modification of door trim in side collision tests
(announced on April 28, 2023)
 - 2) Switching of left- and right-side data for pole side collision tests
(announced on May 19, 2023)

- ◇ The Third-Party Committee investigated whether there was any of the following three specific types of irregular actions being taken in order to pass certification test.
 - <1> Acts in which the person in charge of conducting the test, etc. intentionally tampers with or adjusts vehicles or experimental equipment, etc.
 - <2> Acts in which the person in charge of preparing the test report, etc. intentionally applies for certification using a test report with false information such as by making inaccurate transcription from an in-house test report to a test report.

<3> Acts in which the person in charge of conducting the test, etc. intentionally includes false information in an in-house test report, etc. such as by fabricating, misappropriating, or falsifying test data.

◇ The investigation found irregularities in a total of 174 cases in 25 tests items. These encompassed a total of 64 models and 3 engines, including Daihatsu brand models and models supplied as OEM models to other companies (please refer to the attached sheet for details).

*Irregularities were also found in a total of 28 models and 1 engine domestically and 16 models overseas that are in production/development.

*20 models and 3 engines that have already been discontinued

2. Causes and Measures to Prevent Recurrence

◇ The Independent Third-Party Committee identified the true cause of the irregularities to be “management's promotion of short-term development without taking measures to address the irregularities.” The committee made suggestions to prevent recurrence, including “senior management expressing remorse to employees and showing commitment to remedying the situation” and a “review of development and certification processes in rigid ‘short-term developments.’”

◇ We believe that behind these irregularities lies the fact that management did not fully observe the actual situation on the frontline, and instead, took only one-off measures. In doing so, they overlooked the workload caused by the increase in development projects since 2013 that were carried out on a short-term schedule and left an environment in which the frontline could not ask for help when they needed it.

As a result, we believe that a corporate culture was formed in which project promotion was given top priority and regulations and rules were not observed. We take this very seriously and believe that the entire responsibility lies with management.

◇ Based on the recommendations from the Independent Third-Party Committee, and with legal compliance as a major premise, we will continue to work on reforms from the three perspectives of management, workplace climate and culture, and appropriate MONODUKURI (a concept for auto manufacturing embodying Daihatsu's unique value) and KOTODUKURI (increasing points of contact with customers and local communities in a way that is unique to Daihatsu).

In advance of the recommendations of the Independent Third-Party Committee, we have been working on some improvements of in-house systems and processes for vehicle manufacturing as an urgent issue that will serve as the basis for future business activities, based on facts that were identified by the time the investigation was completed. These measures include improving the certification process, establishing rules, optimizing development workload, reorganizing development, quality assurance, and certification-related organizations, and reinforcing our auditing functions.

- ◇ We have conducted wide-ranging and extensive investigations and technical verifications with the support of Toyota. In terms of measures to prevent recurrence, we are committed to revitalizing our company with the full support of Toyota, which includes not only a review of our certification operations but also a fundamental reform of our corporate culture to place compliance first.

We will consider details such as specific measures to prevent recurrence and an executive structure to promote them, taking the suggestions and guidance of the relevant authorities into consideration, and make a separate announcement at a later date.

3. Future Plans

- ◇ We will carefully review the contents of the report issued by the Independent Third-Party Committee and continue to check for other problems as a company, with the cooperation of Toyota, in order to ensure the safety of our customers. In the event that other problems are uncovered during this process, we will promptly report them to the authorities and take necessary actions.

- ◇ We believe that reforming our management, corporate culture, and individual awareness, all of which lie behind these irregularities, is an extremely significant issue that will not be easily resolved.

We take the analysis of the causes identified by the Independent Third-Party Committee as well as its recommendations for preventing recurrence based on that analysis very seriously. We will strive to re-gain the trust of our customers and other stakeholders by evolving better car manufacturing in the compact car field, returning to our starting point of “staying close to our customers and enrich their lives,” and tackling these efforts throughout the company with strong determination.

[Notice of Press Conference]

Press conferences will be held today (December 20, Wednesday) by the Independent Third-Party Committee, Daihatsu, and Toyota regarding this matter. The press conferences can be viewed via the following URLs.

- (1) Independent Third-Party Committee Press Conference (Japanese only)

Start time: 3:15 p.m.

URL : <https://www.youtube.com/watch?v=5oMpXPQ71s>

- (2) Daihatsu and Toyota Joint Press Conference (Japanese and English simultaneous interpretation)

Start time: 4:45 p.m. (after Independent Third-Party Committee Press Conference)

URL : <https://www.youtube.com/watch?v=5oMpXPQ71s> (in Japanese)

URL : <https://www.youtube.com/watch?v=emVf83bPoJA> (in English)