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Investigation Report (Executive Summary)

December 20, 2023

Daihatsu Motor Co., Ltd. Independent Third-Party Committee
Committee Chair: Makoto Kaiami
Committee Member: Hidetaka Nishina
Committee Member: Kanji Nakayama

I. Summary of the Investigation[1]

1. Background of establishing the independent third-party committee and its structure

On April 28, 2023, Daihatsu made a public announcement concerning procedural irregularities when applying for side collision test certification of vehicles for overseas markets (four models) (the "**First Announcement**").

On May 15, 2023, in view of the severity of the procedural irregularities found in the First Announcement, Daihatsu established an independent third-party committee consisting of the following external legal and technical experts who have no stake in Daihatsu (the "**Committee**") in order to fully clarify the nature of the irregularities, identify their root cause, and implement measures to prevent recurrence.

Committee Chair	Makoto Kaiami, lawyer at Otemachi Law Office (Former President, Tokyo District Court and Presiding Judge, Tokyo High Court)
Committee Member	Hidetaka Nishina, partner, lawyer at NAKAMURA, TSUNODA & MATSUMOTO
Committee Member	Kanji Nakayama, director at the Automobile Information Network Association (Former Director-General, Engineering and Safety Department, Road Transport Bureau, Ministry of Land, Infrastructure, Transport and Tourism)

2. Investigation scope

On May 19, 2023, Daihatsu made a public announcement concerning the procedural irregularity in the certification process for the pole side collision tests of Daihatsu ROCKY HEVs and Toyota RAIZE HEVs (the "**Second Announcement**").

In addition to confirming the facts of each of the irregularities in the First Announcement and the Second Announcement, the Committee, commissioned by Daihatsu, also conducted an investigation to identify cases similar to these irregularities (the "**Similar Cases**") in order to fully clarify the nature of the issues by identifying procedural irregularities in Daihatsu's legal certification work (which mainly refers to the work of applying for certification of

[1] See Chapter 1 and Chapter 2 in the Investigation Report.

developed vehicles to the authorities of each country. The same applies hereafter.).

Specifically, the Committee conducted an investigation to identify the following types of procedural irregularities that were intentionally committed with the purpose of passing the certification test as "Similar Cases".

No.	Types of Procedural Irregularities	Details
(i)	Type of improper modification and adjustment	Acts in which the person in charge of conducting the test, etc. intentionally modifies improperly with or adjusts vehicles or experimental equipments, etc.
(ii)	Type of false statement	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
(iii)	Type of manipulation of original data	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

As the Committee expands the investigation scope, it aims to identify the procedural irregularities, fully clarify, and identify their root cause, etc. of the cases associated therewith. It was Daihatsu that considered whether the procedural irregularities identified by the Committee affect the legal compliance of the models in question (which refers to whether these models satisfy the standards of safety performance and environmental performance required by regulations. The same applies hereafter.).

3. Investigation method

(1) Examination of relevant materials obtained from Daihatsu

(2) A total of 327 interviews with 147 persons through face-to-face meetings, web meetings, and telephone calls

(3) Digital forensic investigation of electronic data of 37 executives and employees

(4) Questionnaire survey targeting a total of 3,696 executives and employees, with responses received from 3,642 (response rate: 98.54%)

(5) Establishment and operation of a hotline

(6) Confirmation of inconsistencies related to certification application documents

(7) On-site inspection

II. Summary of the Investigation Results[2]

1. Summary of the procedural irregularities in the First Announcement

When applying for certification of side collision tests for vehicles developed by Daihatsu for overseas markets (four models), the person in charge of conducting the tests, concerned

[2] See Chapter 5 and Chapter 6 in the Investigation Report.

that it would be problematic if the development and sales schedule was not met due to the failure of the certification tests, made manual modifications on the certified prototype vehicles that differed from those of mass-produced vehicles, such as cutting the back of the plastic front door trims to prevent sharp edges in the event of a collision, in order to ensure that the vehicles would pass the certification tests.

Vehicle Name	Country of Production	Point of Destination	Time of Procedural Irregularities
Toyota Yaris ATIV	Thailand, Malaysia	Thailand, GCC, Mexico, etc.	March to April 2022
Perodua Axia	Malaysia	Malaysia	September 2022
Toyota Agya	Indonesia	Ecuador	September 2022
One model in development	-	-	April 2023

2. Summary of the procedural irregularities in the Second Announcement

In the certification process for the pole side collision tests of Daihatsu ROCKY HEVs and Toyota RAIZE HEVs, it was necessary to conduct tests on the left and right sides and to submit the test data. In July 2021, the passenger seat side (left) was tested in the presence of witnesses, but the driver seat side (right) was not tested for a report, and there was no time or vehicle to conduct the test again. Therefore, the person in charge of preparing the test report, believing that there were no safety issues, submitted the result of the passenger seat side (left) test conducted as an in-house test as the result of the driver seat side (right) test, so that the vehicles would pass the certification tests.

3. Summary of Similar Cases found in the investigation by the Committee

The total number of procedural irregularities identified by the Committee as Similar Cases is 174 (28 cases of type of improper modification and adjustment, 143 cases of type of false statement, and 3 cases of type of manipulation of original data), but the oldest procedural irregularity was recognized in 1989. The overall situation is that the number of procedural irregularities have increased in the period since 2014.

Only group leaders mainly at the section head level who are in charge of the on-site operations were found to be involved in the procedural irregularities, and excluding few exceptions in which the director was found to be involved, the fact indicating that Daihatsu committed and continued the procedural irregularities in an organized manner, such as the executives at the department manager and the director levels and above (the "**Managers**") instructed or tacitly approved of the procedural irregularities at the on-site level, was not found.

In the following, examples of procedural irregularities identified with respect to domestic production models are described.

(1) Timer-Ignition of airbags (Type of improper modification and adjustment)

Despite the fact that the impact at the time of collision should be detected by the sensor and the side airbag and the curtain shield airbag should be activated by the airbag ECU[3] (the "**Self-Ignition**") in the certification test of the side collision test, since the airbag ECU had not been developed at the time of the notification test, the person in charge of conducting the tests at the safety performance department, etc. prepared a test request form requesting that the activation at the time of collision should be activated by timer (the "**Timer-Ignition**") instead of airbag ECU in the notification test, carried out the notification test by the method of Timer-Ignition of the side airbag and the curtain shield airbag, prepared a test report containing the data obtained by such test, and applied for certification.

Models in Question	Time	Classification
Daihatsu MOVE (From December 2014 to June 2023)[4] SUBARU STELLA (Same as above)	From the test date on September 9, 2014 to the submission date of certification application documents	Domestic Production Discontinued Production
Below models with side-airbag specification Daihatsu CAST (From September 2015 to June 2023) Toyota PIXIS JOY (Same as above)	From the test date on June 1, 2015 to the submission date of certification application documents	Domestic Production Discontinued Production
Below models with side-airbag and curtain-shield airbag specification Daihatsu CAST (From September 2015 to June 2023) Toyota PIXIS JOY (Same as above)	From the test date on June 12, 2015 to the submission date of certification application documents	

(2) False statement of test results (Type of false statement)

In the headrest rear impact test, the regulations required that the person in charge of preparing the test report in the safety performance department describe in the test report the result of the driver seat side test that was selected in the statement of reasons for selection. Although there was only a test result of the passenger seat side, without time, etc. to test the driver seat side, and thinking that there was no material difference of performance between the driver seat and the passenger seat, the person in charge of preparing the test

[3] The Electronic Control Unit (the "**ECU**"). In the case of the airbag ECU, it is the in-vehicle electrical control equipment that controls airbag, etc. and it has a function to order deployment of the airbag by the impact that the vehicle detected.

[4] Indicates dates of sales start and end of production. Same applies hereafter.

report applied for certification with false figures, describing in the test report the result of the passenger seat side as that of the driver seat side.

Models in Question	Time	Classification
Daihatsu CAST (From September 2015 to June 2023) TOYOTA PIXIS JOY (Same as above)	From the test date on May 22, 2015 to the submission date of certification application documents	Domestic Production Discontinued Production

(3) Falsification of test speed (Type of false statement)

Although in the pedestrian head and leg protection test, the actual collision speed exceeded the upper limit of the standard range specified by the regulations and the test results under the relevant conditions could have been regarded as passing the test, the person in charge of conducting the tests at the safety performance department considered that the higher the collision speed, the more disadvantageous in the test, and that there was no problem with the safety as long as passing the test under the test conditions less favorable than those specified in the regulations, and therefore, to avoid the time to explain to the examination body the reason the speed exceeded the upper limit of the standard range, they stated a false collision speed on the test report to be within the standard range, and applied for certification.

Model in Question[5]	Time	Classification
Daihatsu COPEN (From June 2014)	Date of certification application on August 22, 2014 (XPLAY)	Domestic production In production
	Date of certification application on March 20, 2015 (Cero)	

(4) False statement of tire air pressure (Type of false statement)

In the speedometer test, the regulations require that the test should be conducted at a tire air pressure equal to the specified value in the specification table plus 20 kilopascals. Although the in-house test report did not state the tire air pressure equal to the specified value plus 20 kilopascals, the person in charge of preparing the test report at the Regulation & Certification Department did not have enough time to carry out the retest due to the schedule of development, and based on the past test results, they considered that retest at the correct tire air pressure would not give rise to any difference in the test results, and therefore, they stated a false tire air pressure equal to the specified value plus 20 kilopascals on the test report, and applied for certification.

[5] This item describes only a part of the models in question.

Models in Question	Time	Classification
Daihatsu HIJET TRUCK (From August 2014 to August 2020) Toyota PIXIS TRUCK (Same as above) SUBARU SAMBAR TRUCK (Same as above)	From the test date on April 23, 2014 to the submission date of certification application documents	Domestic production Discontinued production
Daihatsu THOR (From November 2016 to August 2020) Toyota ROOMY (Same as above) Toyota TANK (Same as above) SUBARU JUSTY (Same as above)	From the test date on August 30, 2016 to the submission date of certification application documents	Domestic production Discontinued production specification

(5) Replacement of head acceleration data of the passenger seat (Type of manipulation of original data)

In the witnessed test of the full-wrap frontal collision test, the person in charge of conducting the tests at the safety performance department prepared the head acceleration data of the passenger seat at the time of the rehearsal test in advance so that the data at the time of the witnessed test could be replaced therewith, and after the witnessed test was conducted, its data was replaced on the measurement system and output and submitted to the examiner.

Since the model in question was not equipped with an airbag, the abnormal value was measured through the collision of a dummy's head with the material of the vehicle cabin, and depending on the situation of the collision, the abnormal value part could not be removed according to the regulations and the calculation could not be made, and the model in question might not pass the certification test, although the original performance satisfied the safety requirements. Therefore, regardless of the results of the witnessed test, the person in charge of conducting the tests stated above prepared replacement data in advance and committed the above procedural irregularities to ensure that the model could pass the certification test.

Model in Question	Time	Classification
Daihatsu HIJET TRUCK (old model・model with airbag-less specification) (From January 1999 to November 2011)	Test date on November 5, 1998	Domestic production Discontinued production

III. Cause[6] of This Case[7]

1. Direct cause of the procedural irregularities and its background

Numerous procedural irregularities in the legal certification work were identified, but the person in charge involved in these irregularities are perfectly ordinary employee who were driven to commit them by unavoidable circumstances.

(1) Extreme pressure due to an excessively tight and rigid development schedule

Short-term development is a factor that differentiates Daihatsu from other companies and has taken root within the organization of the development division as the raison d'etre of Daihatsu, and as a result, vehicles are developed under an excessively tight and rigid development schedules. More specifically, under the assumption that each development process would proceed without problems, the development schedule was set on a schedule that could not afford to deal with problems, and even if problems did occur, the extension of the development period would affect the sales schedule, making it difficult to delay the original development schedule flexibly.

In addition, under the circumstances where the development schedule had to be kept under a tight schedule, the realities are that the development process tended to take time to determine the design, which directly affects the appeal to customers, and the occurrence of problems in the design stage can affect later processes by requiring design changes, resulting in difficulties in the final process, the certification test. Regarding these difficulties, the persons who are not in the safety performance department and the Regulation & Certification Department strongly believe that "it is a matter of course to pass the certification test, and there is no way to change the development and sales schedule by failing the test," which is also a cause of the difficulties.

In particular, the person in charge of crash safety tests was under intense pressure to "absolutely pass the test," as the number of test vehicles available was limited from the viewpoint of cost reduction, given the test characteristics that the test vehicles could not be reused due to the destruction test (needless to say, the above-mentioned environment in which "it is a matter of course to pass the certification test" was also a cause of the pressure).

(2) System where the Managers are not involved

At Daihatsu, there were no instances where the Managers instructed the on-site representatives to engage in procedural irregularities or tacitly approved of them (as described in II. 3 above, only group leaders mainly at the section head level who are in charge of the on-site operations were found to be involved in the procedural irregularities), and it can be said

[6] See Chapter 7 in the Investigation Report.

[7] Each of the procedural irregularities in the First Announcement and the Second Announcement, as well as the Similar Cases, are collectively referred to as "**This Case**".

that the resolution of the problem was left to the on-site representatives who were under extreme pressure.

There are a variety of factors that may have contributed to the failure to report to and consult with the Managers from the on-site side. It seems the most important factor is that the Managers are not familiar with the practice of certification tests and the on-site situation, and even if the on-site representatives report to and consult with the Managers, they could not expect to solve the problems faced by the persons in charge of certification tests, resulting in a situation where problems had to be handled at the on-site representatives' level.

(3) Work environment which lacks transparency (inadequacy of the system for checking, etc.)

Even if the persons in charge of certification tests are under pressure to pass the tests absolutely and are forced to solve the problem at the on-site level, it is difficult to solve the problem by irregularities or deceptions if appropriate checks are made on the work. However, in the area of crash safety tests in particular, the work environment lacked transparency and even if irregularities or deceptions were committed, they would not be detected.

In addition to the fact that no checking system had been established, a reason that procedural irregularities occurred is that the area of crash safety tests lacked transparency in which the work was personalized and was hard to see from the outside due to the highly specialized nature of the field. Without such an environment, the person in charge of certification tests would likely not have engaged in irregularities in the first place.

(4) Insufficient understanding of regulations

In some of the procedural irregularities identified by the Committee, the persons in charge lacked accurate knowledge of legal compliance, and although they were not aware of clear legal non-conformity, they carelessly repeated the unclear practices that had been followed from the past at their workplaces, or misappropriated test results based on their own judgment that there should be no problem under the law and regulations as well, since there was no problem from a technical perspective.

The reasons for the insufficient understanding of the regulations are that the certification system itself was extremely specialized, there is a shortage of personnel familiar with the legal certification due to personnel reductions, and there is an inadequate education and training system.

Thus, it seems that there existed a situation in which the persons in charge performed the work at hand without sufficient understanding of the regulations, and they self-justified their procedural irregularities based on the understanding that there was no safety problem and that

they were merely correcting deficiencies in the documents.

(5) Dilution of compliance awareness and disregard for certification tests for on-site representatives

As a result of the combination of the environments and conditions described in (1) through (4) above, the compliance awareness of the persons in charge in safety performance department and the Regulation & Certification Department seems to have been diluted to the extent that they lost their normal sense that false or inaccurate information should not be included in the certification application documents submitted to the authorities. This point is in line with the trend of increasing the number of procedural irregularities along with the promotion of short-term development. There are many cases of procedural irregularities by the inclusion of false information in the test reports based on the thinking that passing the tests under more unfavorable conditions in the development evaluation is considered to have passed the tests even if the certification test is not conducted, and that even if test data is insufficient, it can be appropriated because technically equivalent data is available.

In addition, the procedural irregularities described above were committed in an environment and atmosphere where there was no time to spare in the development schedule and where "it is a matter of course to pass the certification test," with the thought that passing the certification test was all that was necessary in the end, and it must be said that the certification test was disregarded. In cases where timer ignition was used in certification tests of the notification test method, in which airbags should be deployed by Self-Ignition, the persons in charge of conducting tests were aware of the basic knowledge that airbags should be deployed by Self-Ignition in certification tests, but they weighed the development schedule against it and justified themselves as having no safety problems, and they seemed to have disregarded the certification test.

It is possible to point out that the reason This Case became such a large-scale scandal is the dilution of compliance awareness of on-site representatives and the disregard of certification tests.

2. Causes of the failure of Managers and executives to grasp the actual on-site situation

(1) Malfunctioning of the normal reporting line due to the disconnect between the workplace and Managers

Although problems at the on-site level should have been brought up to the Managers and executives through the normal reporting line via Managers and should have been addressed at the management level, the Managers were not familiar with the practice of certification tests and the on-site situation. Even if on-site representatives reported to or consulted with the

Managers, they could not expect to solve the problems faced by the persons in charge of certification tests, and the on-site side was unable to report to and consult with the Managers, leaving the situation to the on-site side.

(2) Problems in the operation of the internal reporting system, which is a complementary reporting line

At Daihatsu, the "Internal voices" system has been operated by the audit department since fiscal year 2002, and a total of 1,968 cases have been reported through the system during the period from January 2011 to June 2023. However, in the investigation conducted by the Committee, except for certain suggestions that were seemingly related to the factor of This Case, there was no record of any report indicating This Case under the "Internal voices" system, and the fact that the report to an external organization eventually led to the discovery of This Case should be regarded as a serious problem, as it proves that employees did not have expectations or trust in the "Internal voices" system, and by extension, in Daihatsu's self-cleaning activities.

Among the reports received through the "Internal voices" system, in 2022, approximately 60% of the cases which resulted in an investigation are handled in the form of asking the department, where the cases occurred, to investigate. In the case of anonymous reporters, even when the contact information is known, the results are not notified since anonymous reporting is not credible[8]. Such points may have contributed to employees' growing doubts about the internal reporting system and the company's self-cleaning activities.

(3) Monitoring problems with the development and certification process

The confirmation of the accuracy of test reports and in-house test reports used in the application for certification of crash safety tests was left to the safety performance department, and the failure to establish a system to check the accuracy of the certification application documents was a serious deficiency in the certification process. However, it should also be considered a serious issue that these deficiencies were not detected and corrected during the internal audit, i.e., monitoring process.

3. Root cause of This Case

(1) Management issues that promoted short-term development without taking measures to deal with misconduct

The procedural irregularities in This Case arose from the direct cause and background

[8] Operating regulations of "Internal voices" system stipulate as "The Secretariat will notify the proposer of the results of the investigation and the response, if necessary, except in cases where the proposer's contact information is unknown".

described in 1. (1) through (5) above during the legal certification work. In this sense, This Case was caused by various factors incorporated into the legal certification work and can be regarded as a side effect of the short-term development. However, Daihatsu executives did not assume the occurrence of the procedural irregularities and promoted the short-term development without taking any measures for prevention and early detection of possible misconduct in the legal certification work. As a result, the employees under the intense pressure of the short-term development ended up conducting the procedural irregularities, and the employees engaged in the procedural irregularities can be considered as victims of management and cannot be strongly condemned.

Therefore, Daihatsu executives are the first to be blamed in This Case, not the on-site employees who committed the procedural irregularities.

During the period from 2019 to 2020, multiple events such as defects in the certification application documents have occurred. As the measures to prevent recurrence, the Product Planning Department and the Regulation & Certification Department considered the method of incorporating the design changes that affect safety standard conformity into the certified prototype vehicles by manufacturing the certified prototype vehicles and the confirmation prototype vehicles (the "**Confirmation Prototype Vehicles**") at the same time to be problematic from the perspective of ensuring the identity of the certified prototype vehicles and the mass-produced vehicles, and thus, at the meeting attended by executives, raised the issue of the necessity of extending the development schedule in order to incorporate all design changes into the certified prototype vehicles. However, in spite of such rising issue, the measures to prevent recurrence that maintained the current process were considered and the schedule was revised in the form of adding two weeks to the development schedule to incorporate the design changes from the idea that there is no problem if the identity of certified prototype vehicles and mass-produced vehicles is ensured by incorporating the design changes only for the components that affect performance.

As Daihatsu is a for-profit company, there is no problem with the management policy of considering the short-term development as the "Daihatsu style" and promoting it as a factor that differentiates Daihatsu from other companies to provide the quality automobiles at low cost. However, Daihatsu executives must have been less sensitive to risks in this respect since they had to be constantly alert and sensitive to the risk of distortions and adverse effects within the organization caused by such management policies.

(2) Issues of the organizational culture of the development division of Daihatsu

The Committee conducted interviews and questionnaires with a total of 147 such as Daihatsu officers and employees, etc. The following items were identified as characteristics of

the organizational culture of the development division of Daihatsu.

- In addition to the vertical (hierarchical) gap between the on-site employees and the Managers, there is also a lack of horizontal (same-rank) coordination and communication between the departments.
- There is a strong idea of "Obviously you can do it" mentality, causing severe reprimands and accusations directed at the department or the person in charge when there is a failure.
- The overall status is understaffed, and each employee is busy doing his or her own immediate tasks with little room to spare.

An organizational culture with the tendency of self-centeredness, such as the mentality of "as long as I and my processes are going well, I don't care what happens to others", enhanced the pressure on the person in charge of the certification tests and the black-box nature of the departments, which hindered the smooth communication of the risk information to the management. In addition, such issues of the organizational culture are not necessarily only within the development division but may be deeply rooted in the company as Daihatsu's company-wide organizational culture, or "corporate culture".

IV. Recommendations of Measures to Prevent Recurrence[9]

1. Executive representations of their remorse and determination to make a fresh start for the employees

The root cause of This Case is that Daihatsu executives, upon promoting the short-term development, focused only on the benefit of it, did not realize the adverse effects of the occurrence of the procedural irregularities, and promoted such short-term development without taking any measures against the procedural irregularities. The on-site employees strongly feel that the biggest cause of This Case is the excessive promotion of short-term development. Therefore, to promote various measures to prevent the recurrence in the future, the executives should first deeply reflect on the fact that the root cause of the occurrence of This Case lies in the management problem as described above, convey this reflection to all employees, and then express their determination to make a fresh start taking This Case as a good lesson.

2. Review of development and certification process for the rigid “short-term development”

The extreme pressure of the "short-term development" with the excessively tight and rigid schedules at the site where the legal certification work is performed is the cause of the procedural irregularities in This Case. In light of such fact, Daihatsu should first face the adverse effects of the "short-term development" and review the development and certification

[9] See Chapter 8 in the Investigation Report.

process so that it can achieve a more flexible schedule, or a schedule that can be changed in the event of a problem even if it is a little tight.

In the first place, to promote the short-term development, there were attempts to use the test data at the development stage as much as possible for the certification application, and the development evaluation test and the certification test are no longer strictly distinguished, which is considered as a major cause of This Case. In view of this, it is also worth considering prohibiting the use of the Confirmation Prototype Vehicles in the certification tests and the use of the test data of the Confirmation Prototype Vehicles for the certification tests of the notification test method.

The review of the development and certification process of the "short-term development" is an important issue that could lead to reform the Daihatsu's business model, which is also known as the "Daihatsu style". Therefore, it is essential that the development division first accurately estimate the man-hours required for development, and then establish a system commensurate with such man-hours. It is desirable to deal with the problem not only among the development division but also as a company-wide management problem.

3. Effective check-and-balance function on development and certification process

(1) Separation of performance development, evaluation and certification

With regard to This Case, it is considered that since 2013, in a large number of the test items in the field of the collision safety testing, the workplace environment without any mutual check-and-balance function was a hotbed for procedural irregularities, since the safety performance department was in charge of all of (i) the testing work, (ii) the work of preparing the in-house test reports from the raw data (such as the measured values and photographs of the test results), and (iii) the work of preparing the test reports as the certification application documents from the in-house test reports. Therefore, from the viewpoint of preventing recurrence, it is necessary to restructure the organizational structure with the mutual check-and-balance function.

In this regard, on June 1, 2023, Daihatsu implemented an organizational revision to separate the functions of performance development, evaluation, and certification in the development division, and to separate the certification function requiring objectivity from the development division. Specifically, the Regulation & Certification Department was transferred from the Mobility Development Group to the newly established "Quality Management Group" to clearly separate performance development and certification. It is considered to be an effective organizational revision from the viewpoint of enhancing the objectivity of the legal certification function. However, since the legal certification work also constitutes a part of the development process, there is a concern that cooperation with the development division on site can be stagnant, leading to a weakening of the legal guidance and advisory function. Therefore, such

system should be operated as to ensure smooth cooperation with the development division on site with ensuring objectivity. For example, the Regulation & Certification Department should be staffed with the personnel who are familiar with the on-site work and can have smooth communication.

In addition, as part of the organizational revision made on June 1, 2023, the previous Vehicle Performance Development Division was changed to a two-part system consisting of the "Vehicle Performance Development Division" and the "Vehicle Performance Evaluation Division" to separate the development and evaluation functions. This systematic change is expected to be effective as a measure to prevent the recurrence if it is accompanied by a substantial function. However, there is a concern that it ends up as only a formal organizational revision, causing any change in the relationship with the ongoing cooperation to pass the certification test on site. Therefore, separation of reporting lines and working places should be conducted appropriately, and continuous monitoring should be implemented with paying close attention to the operation so as to properly exercise the check-and-balance function.

(2) Introduction of audit procedure to check the accuracy of certification application documents

With respect to This Case, there was no established system to check the accuracy of the test report and the in-house test reports used in the application for the certification of the collision safety tests. As a result, there have been several cases of the procedural irregularities with a type of false statement as revealed in the Second Announcement. The establishment of a check system to ensure the accuracy of the certification-related documents filed with the authorities is essential to prevent the recurrence.

4. Strengthening educational training on compliance and automobile safety regulations

In view of the insufficient understanding of the regulations by employees as the background to the large number of the procedural irregularities in This Case, it seems that the prevention of the recurrence of This Case cannot be expected without serious efforts to strengthen educational training.

5. Promoting workplace communication and strengthening human resource development

Measures to promote communication between the on-site employees and the Managers should be implemented, such as creating opportunities for the Managers to listen to the concerns of the on-site employees directly, and one-on-one interviews for consultation on career plans.

As a problem of the organizational culture of the development division, there is a trend of

self-centeredness. To remedy this trend, it is necessary to strengthen human resource measures, such as training and development personnel measures, not only from the perspective of securing resources to handle the processes at hand, but also from a medium-to-long-term perspective.

In particular, the rotation of personnel across departments within the Mobility Development Group, as well as the rotation of personnel between the Mobility Development Group and the Quality Management Group (which are closely related in the course of business) should definitely be implemented and enhanced even if there is strong opposition from each department. In addition, given the possibility that the issues of the organizational culture are deeply rooted in Daihatsu's "corporate culture", and from the perspective of developing employees with Daihatsu's company-wide perspective, the Committee believes that Daihatsu should broaden the career plan options for each employee and positively consider the rotation of personnel across departments.

6. Attempts to improve the reliability of the internal reporting system

Daihatsu's internal reporting system, the “Internal voices” system, has functioned to a certain extent based on the status of its use, and there is no situation where the system has lost its content and meaning at all. However, from the perspective of enhancing the satisfaction of users of the system, it is necessary for the company to conduct objective investigations to sufficiently respond to the received reports and to make such responses “visible” to users.

7. Attempts to enhance the risk sensitivity of executives

As Daihatsu is a wholly-owned subsidiary of Toyota, Daihatsu executives do not directly face the external voices, including those from the market participants. The external voices, which consider the impact of other companies' fraud cases and trends in risk management and auditing practices, are extremely important to improve the sensitivity. Therefore, it seems necessary to introduce a system to consciously incorporate the external opinions.

8. Continuous messaging from executives to demonstrate their commitment to improvement

During the investigation, the Committee found that Daihatsu, as a corporate manager, reflected on its past history and business environment as part of the analysis of the causes of This Case, trying to implement management and culture reform, and realized that Daihatsu has been serious about the preventing recurrence.

It is important to send a message to permeate the seriousness of these executives across the organization from now on. It is also necessary to deliver such message to the on-site employees through the Managers. Such efforts need to be continued tenaciously without making them

transient.

9. Establishment of a special organization to plan and monitor measures to prevent the recurrence of This Case

The measures to prevent the recurrence proposed by the Committee are based on the analysis of the causes of This Case and provide the outline. As they are related to the future business model, organizational structure, and personnel policies of Daihatsu, the drafting and introduction of the specific measures to prevent recurrence should be carefully considered by Daihatsu.

Given that planning and monitoring measures to prevent the recurrence are extremely important issues for Daihatsu from now, conducting such attempts by the establishment of a special body, such as committees with the support of external experts, is also worth consideration.

END