

**NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION
U.S. DEPARTMENT OF TRANSPORTATION**

1200 New Jersey Avenue, S.E.
Washington, D.C. 20590

**IN RE Toyota Motor Corporation
Recall 12V-305**

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This Agreement is made between the National Highway Traffic Safety Administration (“NHTSA”), an operating component of the U.S. Department of Transportation, and Toyota Motor Corporation and its United States-based subsidiaries (“Toyota” or “the Company”), wherein they hereby administratively resolve claims for civil penalties for alleged violations of various provisions of Federal law commonly known as the National Traffic and Motor Vehicle Safety Act as amended, 49 U.S.C. Chapter 301 (“Safety Act”).

WHEREAS, in early 2012, NHTSA’s Office of Defects Investigation began noticing a trend in floor mat pedal entrapment in 2010 Lexus RX 350s in Vehicle Owner Questionnaires (VOQs) and Early Warning Reporting data.

WHEREAS, in May 2012, NHTSA contacted Toyota regarding the trend.

WHEREAS, in June 2012, Toyota advised NHTSA that it was aware of 63 alleged incidents of possible floor mat pedal entrapment in Model Year 2010 Lexus RX 350s since 2009.

WHEREAS, Toyota’s own technicians and dealer technicians reported that certain alleged incidents of unwanted acceleration had been caused by floor mat pedal entrapment.

WHEREAS, on June 29, 2012, Toyota advised NHTSA that it would conduct a recall (NHTSA recall number 12V-305) of 154,036 Model Year 2010 Lexus RX 350 and Model Year 2010 RX 450h vehicles to address floor mat pedal entrapment.

WHEREAS, Toyota denies that it has violated the Safety Act or its implementing regulations.

WHEREAS, it is the mutual desire of NHTSA and Toyota to administratively resolve the civil penalties relating to the timeliness of Toyota's actions leading to Recall 12V-305 relating to potential floor mat pedal entrapment in Model Year 2010 Lexus RX 350 and RX 450h vehicles through a binding agreement in order to avoid a protracted dispute and possible litigation.

NOW, THEREFORE, the parties agree as follows:

1. The Secretary of Transportation has the authority to compromise the amount of civil penalties under the Safety Act, 49 U.S.C. § 30165(b). The Secretary's authority has been delegated to the Administrator of NHTSA, 49 C.F.R. 1.95.
2. Toyota is, and at all times relevant to this action has been, a manufacturer of motor vehicles within the meaning of the Safety Act, as defined in 49 U.S.C. § 30102(a)(5).
3. Without NHTSA making any formal findings with respect to Toyota's violations of the Safety Act, Toyota shall, in order to resolve the dispute, pay the United States a civil penalty in the sum of seventeen million, three hundred fifty thousand dollars (\$17,350,000) pursuant to the Safety Act, 49 U.S.C. § 30165. Toyota shall make this payment in one lump sum payment by electronic funds transfer to the U.S. Treasury, no later than thirty (30) days following the execution of this Settlement Agreement.

4. Toyota has agreed to restructure its organization to consolidate responsibility for quality assurance and review of safety-related issues in the United States, and improve its ability to analyze data for potential safety-related defects.

5. Toyota has also agreed to revise its product quality analytics to improve its ability to take into account the possible consequences of potential safety-related defects, as well as the number or rate of allegations, complaints, incidents, reports and/or warranty claims relating to potential safety-related defects.

6. Toyota also agrees to provide NHTSA with a detailed update by March 1, 2013 regarding implementation of the business process action items it has described to NHTSA as scheduled to be completed by December 2012, including but not limited to the action items listed in paragraphs 4 and 5 above.

7. Toyota also agrees to meet with NHTSA on a monthly basis for six months following the signing of this agreement to report, in the manner specified by NHTSA, its observations, awareness and knowledge of all actual or alleged floor mat pedal entrapment issues in vehicles manufactured by Toyota, as well as any other actual or potential safety-related defect issue that NHTSA chooses to raise at such meetings. At the end of this six-month period, NHTSA shall have the option to extend Toyota's monthly meetings for an additional six months.

8. Toyota further acknowledges its obligation to report all safety-related defects to NHTSA within 5 working days as required by 49 C.F.R. § 573.6.

9. Upon receipt of the payment set forth in Paragraph 3 above, the Secretary of Transportation, by and through the Administrator of NHTSA, releases Toyota, including its current and former directors, officers, employees, agents, parents, subsidiaries, affiliates,

successors, and assigns from liability for civil penalties pursuant to 49 U.S.C. § 30165 in connection with violations of the Safety Act and its implementing regulations relating to floor mat pedal entrapment in Model Year 2010 Lexus RX 350 and Model Year 2010 RX 450h vehicles.

10. The Secretary of Transportation does not release Toyota from civil or criminal liabilities, if any, that may be asserted by NHTSA or any other governmental entity, other than its civil penalty liability under 49 U.S.C. § 30165 for the untimely submission of a defect information report.

11. The parties shall each bear their own respective attorneys' fees, costs, and expenses.

12. This Agreement shall be effective following the execution of this Agreement by the parties.

13. This Agreement constitutes the entire agreement between the parties regarding the resolution of the subject matter therein, and supersedes any and all prior or contemporaneous written or oral agreements or representations of the parties, all of which have become merged and finally integrated into this Agreement. This Agreement may not be modified or waived, in whole or in part, unless such modification or waiver is in writing and executed by the parties.

14. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

15. The parties to this Agreement have the legal authority to enter into this Agreement, and each party has authorized its undersigned to execute this Agreement on its behalf.

TOYOTA MOTOR CORPORATION

_____ [Date]

By: _____

Christopher P. Reynolds
Group Vice President and General Counsel
Toyota Motor Sales, U.S.A., Inc.

_____ [Date]

And: _____

Erika Z. Jones
Mayer Brown LLP
Counsel to Toyota

NATIONAL HIGHWAY TRAFFIC SAFETY
ADMINISTRATION,
U.S. DEPARTMENT OF TRANSPORTATION

December 17, 2012 [Date]

By: O. Kevin Vincent

O. Kevin Vincent
Chief Counsel

December 17, 2012 [Date]

By: Matthew Weisman

Matthew Weisman
Attorney

National Highway Traffic Safety Administration
U.S. Department of Transportation
1200 New Jersey Avenue, S.E.
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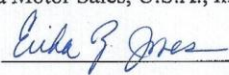
December 17, 2012 [Date]

TOYOTA MOTOR CORPORATION

By: 

Christopher P. Reynolds
Group Vice President and General Counsel
Toyota Motor Sales, U.S.A., Inc.

December 17, 2012 [Date]

And: 

Erika Z. Jones
Mayer Brown LLP
Counsel to Toyota

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