

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
TQ10-004

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This agreement (“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 all potential claims for civil penalties for possible 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”), relating to Safety Recall 05V-389, as described below.

WHEREAS, on October 26, 2004, Toyota formally notified NHTSA of its decision to conduct a foreign safety recall regarding the development of fatigue cracks on the steering relay rod in certain Hilux Surf and 4-wheel-drive Hilux vehicles manufactured from December 14, 1988 through May 31, 1996 and sold in the Japan market. This notice identified these vehicles as substantially similar to Toyota’s 4Runner and Truck vehicles sold in the U.S. market.

WHEREAS, on September 6, 2005, Toyota formally notified NHTSA of its

decision to conduct a safety-related recall in the United States related to fatigue cracks developing on the steering relay rod in those certain Model Year (MY) 1989-1995 4Runner and Truck vehicles as well as in certain MY 1993-1998 T100 vehicles. This recall involved approximately 977,839 Toyota vehicles and was identified by NHTSA as Safety Recall 05V-389. The Defect Information Report for this recall was subsequently amended by Toyota to include vehicles not equipped with power steering;

WHEREAS, on May 10, 2010, NHTSA informed Toyota that NHTSA had opened a Timeliness Query (TQ10-004) to investigate whether Toyota conducted its actions leading to Safety Recall 05V-389 in a timely manner under the Safety Act;

WHEREAS Toyota has provided extensive responses to NHTSA in response to Information Requests, a Special Order and other solicitations of information issued by NHTSA pursuant to this investigation;

WHEREAS, on August 2, 2010, the Parties executed a Tolling Agreement to allow further discussion between the Parties regarding this investigation;

WHEREAS, on October 8, 2010, the Parties executed an extension of the Tolling Agreement which tolled and suspended the running of time under any statute of limitations, or by way of estoppel or laches or any other time-related defense, from July 28, 2010 until and including May 24, 2011;

WHEREAS, NHTSA has a potential claim that Toyota violated the Safety Act, including regulations thereunder, by not undertaking Safety Recall 05V-389 in a timely manner;

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 pursuant to 49 U.S.C. § 30165 in connection with possible violations of the Safety Act and its implementing regulations relating to the timeliness of Toyota's actions leading to Safety Recall 05V-389 including, but not limited to, the issues explored in Information Requests, a Special Order and other information sought by NHTSA in TQ10-004 and Toyota's responses thereto, 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. § 1.50.
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 possible violations of the Safety Act as to the timeliness of Toyota's actions leading to Safety Recall 05V-389 including, but not limited to, the issues explored in various Information Requests, a Special Order and other information sought by NHTSA in TQ10-004 and Toyota's responses thereto, Toyota shall, in order to resolve the dispute, pay the United States a civil penalty in the sum of Sixteen Million, Fifty Thousand Dollars (\$16,050,000.00) 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 Agreement.

4. 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 possible violations of the Safety Act and its implementing regulations relating to the timeliness of Toyota's actions leading to Safety Recall 05V-389, and the subject matter thereof, including, but not limited to, the issues explored in Information Requests, a Special Order and other information sought by NHTSA in TQ10-004, and to Toyota's responses thereto. Upon this release, Toyota shall be relieved from any further obligation to produce documents in TQ10-004. TQ10-004 shall be promptly closed following receipt of the payment set forth in Paragraph 3, above, and a copy of the closing report shall be furnished to Toyota.

5. The Secretary of Transportation does not release Toyota from civil or criminal liabilities, if any, that may be asserted by (a) the U.S. Department of Transportation/NHTSA, except as set forth in paragraph 4; or (b) any other government entity.

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

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

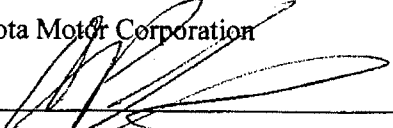
8. This Agreement constitutes the entire agreement between the parties regarding the resolution of the subject matter therein, and supersedes any and all prior or contemporaneous written or oral agreements or representations of the parties, all of which have become merged and finally integrated into 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.

9. 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.

10. 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.

December 20, 2010
Date

Toyota Motor Corporation
By: 

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

December 20, 2010
Date

By: 

Erika Z. Jones
Mayer Brown LLP
Counsel to Toyota

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

Date

By: _____

O. Kevin Vincent
Chief Counsel

Date

By: _____

Zachary S. Dunlap
Trial Attorney
National Highway Traffic Safety Administration
U.S. Department of Transportation
1200 New Jersey Avenue, S.E.
Washington, D.C. 20590

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Toyota Motor Corporation

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By: _____

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

Date

By: _____

Erika Z. Jones
Mayer Brown LLP
Counsel to Toyota

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

December 20, 2010
Date

By: O. Kevin Vincent

O. Kevin Vincent
Chief Counsel

December 20, 2010
Date

By: Zachary S. Dunlap

Zachary S. Dunlap
Trial Attorney
National Highway Traffic Safety Administration
U.S. Department of Transportation
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