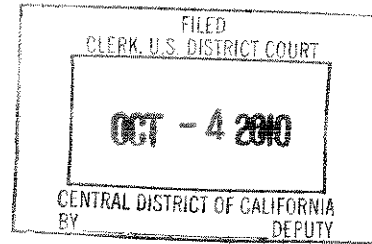


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19 UNITED STATES DISTRICT COURT
20 CENTRAL DISTRICT OF CALIFORNIA

21 IN RE TOYOTA MOTOR
22 CORPORATION SECURITIES
23 LITIGATION

Case No. CV 10-922 DSF (AJWx)

24 **CONSOLIDATED CLASS**
ACTION COMPLAINT

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1 Lead Plaintiff, the Maryland State Retirement and Pension System
2 (“Maryland SRPS” or “Lead Plaintiff”), and additional plaintiffs Fresno County
3 Employees’ Retirement Association and Robert M. Moss (collectively,
4 “Plaintiffs”) bring this action under the federal securities laws and Japanese law
5 against Toyota Motor Corporation and certain of its officers, directors and
6 affiliates. This is a class action on behalf of a Class as follows: (1) with respect to
7 Plaintiffs’ claims under the Securities Exchange Act of 1934, (a) all persons and
8 entities who purchased or otherwise acquired Toyota American Depositary Shares
9 (“ADSs”)¹ between May 10, 2005, and February 2, 2010, inclusive (the “Class
10 Period”), and (b) all persons and entities who purchased or otherwise acquired
11 Toyota common stock in domestic transactions during the Class Period; and (2)
12 with respect to Plaintiffs’ claims under Japanese law, all persons and entities who
13 purchased or otherwise acquired Toyota common stock during the Class Period.²
14

15
16 ¹ Each Toyota ADS represents two shares of Toyota common stock. The ADSs
17 are evidenced by certificates known as American Depositary Receipts, or ADRs.
18 The term “ADR” is often used to mean both the certificates and the securities
19 themselves.

20 ² The allegations in this Complaint are based on personal knowledge as to
21 Plaintiffs’ own acts and on information and belief as to all other matters, based on
22 an investigation conducted by Plaintiffs’ Lead Counsel, including, among other
23 things: (i) review and analysis of Toyota’s public filings with the U.S. Securities
24 and Exchange Commission (“SEC”); (ii) review and analysis of information
25 available from the National Highway Traffic Safety Administration (“NHTSA”);
26 (iii) review and analysis of other publicly available information concerning Toyota,
27 including documents obtained through other civil actions against Toyota and
28 testimony and documents obtained in connection with hearings regarding Toyota
held by the U.S. House of Representatives Committee on Oversight and
Government Reform, the U.S. House of Representatives Energy and Commerce
Committee, and the U.S. Senate Commerce, Science and Transportation
Committee; and (iv) interviews with former Toyota employees (identified herein as
CW1, CW2, etc.). Plaintiffs believe that substantial additional evidentiary support
will exist for the allegations after a reasonable opportunity for discovery.

1 **I. NATURE OF THE ACTION**

2 1. This securities fraud class action is about Toyota’s repeated assurances
3 to the public, the government, and its investors throughout the Class Period that its
4 vehicles remained of high quality and were safe, all the while knowing that serious,
5 undisclosed problems with unintended acceleration affected nearly its entire line-
6 up of vehicles.

7 2. Toyota’s rise to the world’s largest automobile manufacturer was built
8 on the stated principle that the quality and safety of its vehicles are the Company’s
9 top priority. However, beginning as early as 2000 and continuing throughout the
10 Class Period, Toyota effectively abandoned this principle, embarked on an
11 aggressive cost-cutting campaign to gain market share and, unbeknownst to
12 investors, experienced significant unintended acceleration problems impacting
13 nearly all of Toyota’s top-selling models. Defendants deliberately concealed
14 material facts concerning this potentially catastrophic condition – in which drivers
15 experienced unintended, unexpected, and uncontrollable acceleration of their
16 vehicles. In fact, throughout the Class Period, Defendants repeatedly issued false
17 and misleading statements that reiterated Toyota’s purported “strong commitment”
18 to superior quality and safety as a core element of the Company’s success and
19 profitability. The unintended acceleration condition ultimately resulted in
20 significant injuries and deaths among Toyota customers, massive recalls, and a
21 staggering decline in the value of Toyota’s shares.

22 3. Throughout the Class Period, Toyota repeatedly assured investors that
23 while it was cutting costs and greatly increasing sales, it remained “dedicated” to
24 providing “safe products” to its customers; was “maintaining the world’s highest
25 levels of quality”; held a “strategic advantage” due to its research and focus on
26 “vehicle safety”; was committed to “strict compliance with laws and regulations of
27 every nation”; and emphasized that “Toyota’s work in the area of vehicle safety is
28 focused on the development of technologies designed to prevent accidents in the

1 first instance.” Indeed, during the Class Period, Toyota’s (now former) President,
2 Defendant Katsuaki Watanabe, trumpeted the superior quality of Toyota’s vehicles
3 by assuring the public and investors that “*quality is Toyota’s lifeline*” and “*there*
4 *will be no growth without quality.*”³

5 4. At the same time that Defendants were issuing public statements and
6 assurances of Toyota’s strong commitment to safety and quality, Defendants knew
7 (or were deliberately reckless in not knowing) that Toyota was experiencing a high
8 volume of both customer complaints and vehicle accidents – including catastrophic
9 crashes – involving unintended acceleration. As government regulators and the
10 media began to focus on this serious safety problem in Toyota vehicles, Defendants
11 initially denied that *any* unintended acceleration problems existed – despite a
12 plethora of internal evidence to the contrary – and instead blamed driver error and
13 media-induced publicity.

14 5. Numerous internal Toyota documents confirm that Defendants
15 deliberately concealed Toyota’s serious unintended acceleration problems in the
16 United States. Defendants’ cover-up is corroborated by numerous investigative
17 news reports and accounts of former Toyota employees that detail Toyota’s and the
18 other Defendants’ knowledge of the problem since at least 2000, as well as their
19 deliberate stonewalling and withholding of key facts from regulators to avoid
20 costly U.S. recalls. The news reports and first-hand accounts also show that while
21 customer complaints, injuries and deaths related to unintended acceleration
22 mounted in the United States (which accounts for approximately two-thirds of the
23 Company’s profits), Toyota had begun to secretly address potential causes of
24 unintended acceleration in vehicles it sold in Europe and Canada by issuing recalls.
25 However, Toyota deliberately refused to take similar steps in the United States,
26 where they would have been more costly to implement.

27 _____
28 ³ All emphasis added throughout unless otherwise indicated.

1 6. Toyota executives also went to great lengths to avoid public disclosure
2 of internal concerns and warnings about unintended acceleration. For example, the
3 Company discreetly made “running changes” to vehicles on its assembly lines that
4 it hoped would quietly address defects in newly-built vehicles – but *without*
5 notifying its customers of known defects in vehicles already on the road. To
6 quietly address defects in previously-sold vehicles, Toyota issued numerous
7 “technical service bulletins” to thousands of its dealers instructing them to replace
8 problem parts if and when vehicles arrived for service – often *without* informing
9 owners or NHTSA regulators. This practice was far less costly than publicly
10 disclosing a dangerous condition or implementing massive recalls.

11 7. Toyota also attempted to conceal the nature and scope of its
12 unintended acceleration problem by hiring away NHTSA regulators – including at
13 least one individual who had actually investigated unintended acceleration in
14 Toyota vehicles while working for the government – to serve as senior members of
15 the Company’s regulatory affairs staff, who would then handle any inquiries and
16 investigatory matters raised by their former NHTSA colleagues. Toyota
17 successfully employed this strategy to manage its relations with NHTSA for years
18 as part of its cover-up campaign. For example, as revealed by internal Toyota
19 emails that have only recently become public, these former NHTSA employees and
20 other Company executives actually boasted in 2007 about how Toyota had saved
21 more than \$100 million by lobbying NHTSA officials to *limit* the scope of
22 investigations and *not* order a costly recall or related repairs to prevent unintended
23 acceleration. In Toyota’s own words, this successful lobbying effort avoided
24 “*catastrophic*” consequences to Toyota, both in terms of “*much bigger issues (and*
25 *costs).*”

26 8. Indeed, had a catastrophic accident in August 2009 not caught the
27 attention of U.S. regulators and the news media, Toyota’s concealment of serious
28 unintended acceleration problems and related accidents and injuries might never

1 have been uncovered. Specifically, the deaths of an off-duty California Highway
2 Patrol officer and his family caused by unintended acceleration in a Lexus sedan
3 led NHTSA to revisit Toyota's previous denials of any problems associated with
4 unintended acceleration. As government and media scrutiny intensified in 2009,
5 Toyota steadfastly insisted that no "vehicle-based" defect (*i.e.*, mechanical or
6 design defect) could be responsible for the unintended acceleration events.
7 Instead, Defendants blamed "pedal entrapment" (namely, the "trapping" of a
8 depressed accelerator pedal under an incorrectly sized or installed floor mat), and
9 represented that there was no evidence to support any other explanation of the
10 unintended acceleration problems.

11 9. In September 2009, at NHTSA's request, Toyota announced it would
12 recall approximately 3.8 million vehicles to inspect and replace floor mats in
13 certain Lexus and Toyota models that, if not secured in place, could slip and get
14 trapped under or over the accelerator. However, internal Toyota documents, former
15 Toyota employees, news media and investigative reports have subsequently
16 confirmed that Toyota had actually known *for years* about accidents and
17 complaints involving unintended acceleration that could *not* be explained by pedal
18 entrapment – but that Toyota had repeatedly failed to publicly disclose the
19 existence, nature or scope of these events and the related safety problems, and had
20 similarly failed to take appropriate steps to report them to government regulators as
21 required by law.

22 10. Notwithstanding the limited September 2009 floor mat recall,
23 Defendants continued to publicly deny that *any* design or mechanical defect could
24 cause unintended acceleration in Toyota vehicles. On November 2, 2009, for
25 example, Toyota issued a statement claiming that NHTSA had determined "that no
26 defect exists in vehicles in which the driver's floor mat is compatible with the
27 vehicle and properly secured." In an unprecedented rebuke, NHTSA promptly
28 admonished Toyota for making a statement that was "*misleading and inaccurate.*"

1 NHTSA further announced that the recalled vehicles might well have an
2 “underlying defect” involving the design of the accelerator pedal or the driver’s
3 foot well (thus confirming that the Defendants’ floor mat explanation was
4 incomplete).

5 11. On November 25, 2009, Toyota reversed course and announced it
6 would expand the floor mat recall to correct a “vehicle-based” defect related to the
7 design of the accelerator pedal and the underlying floor surface. As part of this
8 expanded recall, both the length and shape of the accelerator pedal, and in some
9 cases the shape of the underlying floor, were reconfigured. The recall affected
10 approximately 4.3 million Toyota vehicles.

11 12. Nonetheless, Defendants continued to hide the full nature and extent
12 of the unintended acceleration problems in its vehicles. For example, as Defendant
13 Irving Miller (the Group Vice President of Environmental and Public Affairs of
14 Defendant Toyota Motor Sales, U.S.A., Inc.), conceded in an internal email to a
15 fellow Toyota executive on January 16, 2010, Toyota had serious unintended
16 acceleration problems, and it was time to stop the cover-up and stonewalling: “*I*
17 *hate to break this to you but WE HAVE a tendency for MECHANICAL failure in*
18 *accelerator pedals of certain manufacturer [sic] on certain models. We are not*
19 *protecting our customers by keeping this quiet. The time to hide this one is over.*
20 *We need to come clean”*

21 13. On January 19, 2010, two Toyota executives privately told the chief of
22 NHTSA both that a mechanical defect existed in the accelerator pedals of certain
23 Toyota models (including its Camry, Avalon and Lexus model lines), *and that*
24 *Toyota had internally known about the defect for more than a year.* Further, as
25 revealed by the news media in early 2010, as early as August 2009 *Toyota had*
26 *secretly begun replacing faulty throttle assemblies in vehicles being*
27 *manufactured for sale in Europe,* and had also initiated at least *seven*
28 modifications to engine control software in response to the Company’s increasing

1 (but publicly concealed) concern about unintended acceleration problems with its
2 vehicles.

3 14. On January 21, 2010, Toyota publicly *admitted* that the unintended
4 acceleration problems in its vehicles could also be caused by a mechanical defect.
5 As a result, Toyota announced that it would be launching a recall to fix a so-called
6 “sticking” accelerator problem in as many as 2.3 million Toyota vehicles (1.7
7 million of which had been included in its initial September 2009 recall). In a letter
8 to NHTSA, Toyota explained the problem as an “*accelerator pedal becoming*
9 *harder to depress, slower to return, or in the worst case, mechanically stuck in a*
10 *partially depressed position.*”

11 15. On January 26, 2010, Toyota announced that it was halting the sale of
12 eight of its most popular models, which had accounted for more than 57% of
13 Toyota’s 2009 sales, while it addressed the sticky accelerator pedals. In addition to
14 this sales halt, the Company also announced that it would be shutting down its
15 North American assembly lines for one week beginning on February 1, 2010 to
16 correct the problem. At the same time, Toyota expanded its September 2009 floor
17 mat recall to include five additional models.

18 16. As a result of these disclosures, Toyota’s ADSs fell \$7.01 per share to
19 close at \$79.77 per share on January 27, 2010, on extremely heavy volume. Toyota
20 common stock also fell, dropping ¥165 to close at ¥3,705 on January 27, 2010.

21 17. After years of denials and inadequate explanations by Toyota, on
22 February 1, 2010, Defendant James Lentz, the President and CEO of Toyota USA,
23 appeared on the Today Show and admitted that “the sticking accelerator pedal, *we*
24 *had knowledge of that in October of last year*” – *i.e.*, at least three months before
25 Toyota first publicly disclosed the defect. Similarly, in response to a question
26 about Toyota’s prior knowledge, including reports that over the last ten years
27 NHTSA had received approximately 2,000 reports of unwanted acceleration, Lentz
28 stated: “*The number of deaths, the number of accidents, whether it’s one or*

1 *whether it's 2000, doesn't really make a difference. We've been investigating this*
2 *for a long time"*

3 18. After the close of the market on February 2, 2010, Toyota reported
4 that its U.S. sales for January 2010 were down 16 percent compared to a year
5 earlier due to the recall and related sales suspensions. In a February 3, 2010
6 *Bloomberg News* report, Toyota announced that it expected sales to continue to
7 decline by more than 20 percent as a result of the recalls. That same day, U.S.
8 Department of Transportation Secretary Ray LaHood told Congress that NHTSA
9 was considering civil penalties against the Company over its handling of the
10 recalls. As a result of this news, Toyota's ADSs fell \$4.69 per share, closing at
11 \$73.49 per share on February 3, 2010, on record volume. Toyota's common stock
12 also fell to ¥3,280, down ¥120.

13 19. Since the close of the Class Period, Defendants' concerted efforts to
14 conceal unintended acceleration and other safety problems and mislead investors,
15 consumers and federal regulators have become well publicized. For example, in a
16 February 8, 2010 article entitled "Secretive Culture Led Toyota Astray," the *Wall*
17 *Street Journal* reported that Toyota executives had admitted that the Company had
18 failed to disclose known defects with its accelerator pedals to NHTSA, and
19 attributed this failure to Toyota's secretive corporate culture in Japan. Defendants'
20 adherence to Toyota's embedded culture of secrecy violated U.S. regulatory
21 requirements that safety threats be disclosed – and also rendered patently false and
22 misleading the Company's repeated representations to investors that it was
23 committed to "honor the language and spirit of the law of every nation and
24 undertake open and fair corporate activities."

25 20. In February 2010, the House Oversight and Government Reform
26 Committee concluded that Toyota had engaged in "*a systematic disregard for the*
27 *law*" in withholding information about known defects and safety problems in civil
28 litigation brought by injured consumers. As Rep. Henry Waxman, Chair of the

1 House Energy and Commerce Committee, stated: *“Toyota resisted the possibility*
2 *that electronic defects could cause safety concerns, relied on a flawed*
3 *engineering report, and made misleading public statements concerning the*
4 *adequacy of recent recalls to address the risk of sudden unintended*
5 *acceleration.”*

6 21. On February 24, 2010, Toyota’s President, Akio Toyoda, testified
7 before the House Oversight and Government Reform Committee. He attributed
8 Toyota’s safety woes and related recalls to the Company’s rapid expansion during
9 the past few years, which “may have been too quick.” He also acknowledged that
10 the Company’s *“priorities became confused, and we were not able to stop, think,*
11 *and make improvements as much as we were able to before,”* and that this had
12 *“resulted in the safety issues described in the recalls we face today.”* More
13 recently, in an interview with *Fortune* magazine published on July 26, 2010,
14 Toyoda admitted that: *“It was as if we were engaged in car manufacturing in a*
15 *virtual world and became insensitive to vehicle failings and defects in the*
16 *market.* Now we understand the gap between virtual world and real world, and
17 we’re working hard to fill those gaps.”

18 22. In April 2010, NHTSA fined Toyota \$16.4 million – the largest
19 possible civil penalty and the largest in NHTSA’s history – after determining that
20 Toyota failed to timely inform the public of safety problems, as required by law. In
21 announcing the fine, Transportation Secretary LaHood said: *“We now have proof*
22 *that Toyota failed to live up to its legal obligations Worse yet, they knowingly*
23 *hid a dangerous defect . . . from U.S. officials and did not take action to protect*
24 *millions of drivers and their families.”* According to NHTSA, Toyota *“put*
25 *consumers at risk”* by *“failing to report known safety problems.”* In the
26 meantime, Defendants’ wrongful conduct continues to be the subject of further
27 investigations by NHTSA – as well as additional investigations by the SEC, the
28 FBI, the U.S. Attorney for the Southern District of New York and various state

1 attorneys general. A federal grand jury in New York has also initiated a criminal
2 investigation concerning the timeliness and adequacy of Toyota's conduct relating
3 to its serious unintended acceleration problems.

4 23. Had Defendants truthfully and timely disclosed the safety and quality
5 issues when they became readily apparent and obvious to Toyota, the catastrophic
6 loss of life, destruction of property, and plummeting of Toyota's share price could
7 have been averted. Instead, by their own admission, Toyota and the Insider
8 Defendants deliberately chose to pursue profit over safety, and inflated share price
9 over timely disclosure of significant safety and quality problems. As Toyota once
10 stated, "[m]ore than 70 years ago, Toyota entered the auto business based on a
11 simple, but powerful principle: that Toyota would build the highest-quality, safest
12 and most reliable automobiles in the world." Unbeknownst to investors, however,
13 Toyota abandoned its original and commendable principle during the Class Period.

14 24. To date, a staggering total of more than *ten million* Toyota and Lexus
15 vehicles (equal to nearly one-quarter of the vehicles that Toyota sold worldwide
16 during the Class Period) have been recalled to correct unintended acceleration-
17 related defects, at a total cost estimated to exceed an equally staggering \$5 billion.
18 *Toyota's unintended acceleration recalls are the largest and most expensive*
19 *recalls in automotive history.* Moreover, as a result of Defendants' misconduct,
20 over \$30 billion of market capitalization – or one-fifth of Toyota's value – has been
21 erased. The value of Toyota common stock and ADSs was materially inflated at all
22 times throughout the Class Period due to Defendants' fraudulent
23 misrepresentations and omissions. Plaintiffs, on behalf of themselves and the
24 members of the Class, now bring this action to recover damages for the losses they
25 have suffered as a result of Defendants' violations of federal and Japanese
26 securities laws.

27 **II. JURISDICTION AND VENUE**

28 25. This action arises under Sections 10(b) and 20(a) of the Securities

1 Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. § 78j(b) and 78t(a); Rule 10b-
2 5, 17 C.F.R. § 240.10b-5, promulgated under the Exchange Act; and Article 21-2 of
3 Japan’s Financial Instruments and Exchange Act.⁴

4 26. This Court has jurisdiction over the Exchange Act claims pursuant to
5 Section 27 of the Exchange Act, 15 U.S.C. § 78aa, and 28 U.S.C. § 1331.

6 27. This Court has original diversity jurisdiction over the claims arising
7 under Japanese law pursuant to 28 U.S.C. § 1332(d)(2), because the amount in
8 controversy for the Class exceeds the sum of \$5 million, exclusive of interest and
9 costs, and there are members of the Class who are citizens of a different State than
10 the Defendants or at least one of the parties is a citizen of a foreign state.

11 28. This Court also has supplemental jurisdiction over the claims arising
12 under Japanese law, pursuant to 28 U.S.C. § 1367, because these claims arise from
13 the same nucleus of operative facts alleged in this Complaint and are so related to
14 the Exchange Act claims over which this Court has original jurisdiction that they
15 form part of the same case or controversy.

16 29. Venue is proper in this District pursuant to Section 27 of the Exchange
17 Act, 15 U.S.C. § 78aa, and 28 U.S.C. § 1391(b) and (c). At all relevant times,
18 Toyota has conducted business in this District and has maintained an office in this
19 District at 19001 S. Western Avenue, Torrance, California, and many of the acts
20 charged herein, including the preparation and dissemination of materially false and
21 misleading information, occurred in substantial part in this District.

22 30. In connection with the acts alleged in the Complaint, Defendants,
23 directly or indirectly, used the means and instrumentalities of interstate commerce,
24 including, but not limited to, the U.S. mails, interstate telephone communications
25 and the facilities of national securities exchanges.

26
27 ⁴ The English version of the Financial Instruments and Exchange Act is provided
28 by Japan’s Ministry of Justice at:
www.japaneselawtranslation.go.jp/law/detail/?id=1911&vm=02&re=02.

1 **III. THE PARTIES**

2 **A. Lead Plaintiff**

3 31. Court-appointed Lead Plaintiff Maryland SRPS is a public pension
4 system that administers the survivor, disability and retirement benefits on behalf of
5 more than 350,000 members and retirees, including active and former Maryland
6 employees, teachers, state police, judges, law enforcement officers, correctional
7 officers and legislators. Maryland SRPS has more than \$30 billion in assets under
8 management. Maryland SRPS purchased Toyota common stock and ADRs at
9 artificially inflated prices during the Class Period and suffered substantial losses as
10 a result. Maryland SRPS, through its agents in the United States, purchased Toyota
11 ADSs and common stock in domestic transactions and suffered losses in the United
12 States.

13 **B. Additional Plaintiffs**

14 32. Plaintiff Fresno County Employees' Retirement Association ("Fresno
15 CERA") provides retirement benefits for eligible employees and retiree
16 beneficiaries of the County of Fresno and participating agencies. Fresno CERA,
17 through its agents in the United States, purchased Toyota ADSs and common stock
18 at artificially inflated prices during the Class Period and suffered losses as a result.
19 Fresno CERA acquired Toyota ADSs and common stock in domestic transactions
20 and suffered losses in the United States.

21 33. Plaintiff Robert M. Moss purchased shares of Toyota ADSs at
22 artificially inflated prices during the Class Period and suffered losses as a result.⁵
23
24
25
26

27 ⁵ The Certifications of Fresno CERA and Mr. Moss are attached hereto as Exhibits
28 1 and 2, respectively. The Certification of Maryland SRPS was previously filed
with the Court.

1 **C. Corporate Defendants**

2 34. Defendant Toyota Motor Corporation (“Toyota,” “TMC” or the
3 “Company”) is a Japanese company with principal executive offices at 1 Toyota-
4 cho, Toyota City, Aichi Prefecture 471-8571, Japan.

5 35. Defendant Toyota conducts substantial business in the United States,
6 and in California in particular. According to Toyota’s history of its involvement
7 with the United States, Toyota’s business in the United States began in the 1950s,
8 when Toyota formed Toyota USA in California and commenced sales in the United
9 States. In 1972, Toyota began manufacturing operations in the United States and,
10 by the end of 2006, it had established ten U.S. plants. By 1975, Toyota had
11 become the best-selling imported automobile brand in the United States. In 1986,
12 it became the first import automaker to sell more than one million vehicles in
13 America in a single year. In 2008, Toyota outsold Chevrolet to become the No. 1
14 selling automotive brand in America. That same year, Toyota passed General
15 Motors in global sales to become the world’s largest automaker.

16 36. Toyota directly employs nearly 30,000 people in the United States.
17 California residents comprise Toyota’s largest U.S. workforce, with 6,000 direct
18 employees. Toyota has directly invested more than \$18 billion in plants and
19 facilities in the United States, including more than \$5 billion in California. Toyota
20 produces millions of vehicles and engines in factories across the United States,
21 including in California. In its 2009 fiscal year, Toyota sold more than 2.2 million
22 vehicles in North America and generated over ¥6 billion in sales in North America,
23 the vast majority of which were in the United States. Throughout the Class Period,
24 approximately one-third of Toyota’s worldwide vehicle sales were in North
25 America, with approximately 90% of those sold in the United States. California
26 accounts for nearly 18% of all Toyota vehicles sold in the United States. *Fortune*
27 magazine reports that U.S. sales generate an estimated two-thirds of the
28 Company’s profits. The transactions underlying the fraud alleged herein, including

1 the unintended acceleration problems arising from defective vehicles, occurred
2 principally in the United States.

3 37. Defendant Toyota Motor North America, Inc. (“Toyota NA”) is a
4 wholly-owned subsidiary of Toyota with offices in New York City and
5 Washington, D.C. Toyota NA is the holding company for Toyota’s manufacturing,
6 financing, sales, and marketing operations in the United States, Canada, and
7 Mexico. Toyota NA oversees functions related to government and regulatory
8 affairs, energy, economic research, advertising, corporate communications, and
9 investor relations. Throughout the Class Period, Toyota maintained one hundred
10 percent ownership and voting control of Toyota NA.

11 38. Defendant Toyota Motor Sales, U.S.A., Inc. (“Toyota USA” or
12 “TMS”) is Toyota’s U.S. sales, distribution, and marketing unit. Toyota USA
13 oversees sales, marketing and service of Toyota, Lexus, and Scion cars, light
14 trucks, hybrids, and SUVs through approximately 1,500 automotive dealerships
15 located in 49 states. Toyota USA’s executive office is located at 19001 S. Western
16 Avenue, Torrance, California. Consumer safety complaints in the United States are
17 directed to Toyota USA’s call center in Torrance. Toyota personnel responsible for
18 communicating with dealers regarding known problems with Toyota vehicles are
19 also located at Toyota USA’s Torrance headquarters. Toyota’s marketing
20 campaigns that falsely promoted the safety, quality and reliability of Toyota
21 vehicles were conceived in California. During the Class Period, Toyota USA
22 issued false and misleading statements to investors, including from its Torrance
23 headquarters. Throughout the Class Period, Toyota maintained one hundred
24 percent ownership and voting control of Toyota USA.

25 39. Defendants Toyota, Toyota NA and Toyota USA share common
26 officers and directors, including Akio Toyoda (current President and CEO of
27 Toyota and Chairman and CEO of Toyota NA), Defendant James Lentz (current
28 managing officer of Toyota and President and COO of Toyota USA), Defendant

1 Yoshimi Inaba (current director of Toyota, Chairman and CEO of Toyota USA, and
2 President and COO of Toyota NA), and Yukitoshi Funo (senior managing director
3 of Toyota, Chairman of Toyota USA, and Chairman and CEO of Toyota NA during
4 the Class Period). The financial results of Toyota USA and Toyota NA are entirely
5 consolidated by Toyota. Further, Toyota NA and Toyota USA are dominated by,
6 and serve as extensions of, Toyota. They must report back to Toyota regarding all
7 significant matters. Toyota is responsible for the organization and direction of
8 Toyota USA and Toyota NA, and for the determination of their strategy and
9 decision-making. Toyota determines the products they sell in the United States,
10 their design, and their sales price.

11 40. According to Defendant Lentz, Toyota also makes all determinations
12 regarding recalls, with little discretion and nearly no autonomy given to Toyota NA
13 and Toyota USA. As noted in a July 12, 2010 *Fortune* article, Toyota’s Japanese
14 leaders and “shusas,” or chief engineers, exercise an “iron grip . . . over the
15 company’s operation all over the world and continue[] to make all important
16 decisions in Japan.” Rather than becoming a global corporation, Toyota
17 “colonized” from Japan. In fact, Toyota maintains such an extraordinarily high
18 degree of oversight over Toyota NA and Toyota USA that American managers are
19 shadowed in their own offices by Japanese “coordinators,” who report back to
20 Toyota officials in Japan. According to another *Fortune* article dated April 14,
21 2010, “Toyota is basically organized the same way it was half-a-century ago when
22 it first began selling cars in the U.S. None of its operations are [sic] functionally
23 integrated – and all report back to Japan.” As observed by CW1, a former Toyota
24 USA employee, Toyota wanted to create the public impression that Toyota NA was
25 autonomous but, in reality, Japan was the “puppet master” and all information
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1 flowed to Japan.⁶ “At Toyota, all information flows to headquarters. It’s that kind
2 of company,” confirmed Tadashi Nishioka, an auto industry expert at the
3 University of Hyogo in Japan.

4 **D. Insider Defendants**

5 41. Defendant Katsuaki Watanabe (“Watanabe”) is the Vice Chairman and
6 a Representative Director of Toyota. Watanabe was appointed a Director in
7 September 1992, and became Managing Director in June 1997. In June 1999, he
8 became a Senior Managing Director, overseeing business planning and purchasing.
9 In June 2001, Watanabe became an Executive Vice President and Representative
10 Director. Watanabe was the President of Toyota during the Class Period from June
11 2005 until June 2009, when he was replaced by Akio Toyoda and assumed the role
12 of Vice Chairman. Watanabe made presentations to Toyota investors in the United
13 States, including on September 12, 2005 and September 5, 2008. Watanabe
14 reviewed and authorized certain of the false and misleading Form 6-Ks filed by
15 Toyota with the SEC, and his name appears on the Form 6-K filings. These Form
16 6-Ks were translated from Japanese, and the Japanese-language versions were filed
17 with the Tokyo Stock Exchange.

18 42. Defendant Fujio Cho (“Cho”) is the Chairman and a Representative
19 Director of Toyota. Cho joined the Company in 1960 and was named a Director of
20 Toyota in 1988. In 1988, he became President of Toyota Motor Manufacturing
21 U.S.A., Inc. In September 1994, he returned to Japan, where he was named a
22 Managing Director of Toyota and became a Senior Managing Director in June
23 1996. Cho served as President of Toyota from 1999 until June 2005, when he was
24 replaced by Defendant Watanabe. In June 2005, Cho assumed the role of Vice
25 Chairman, before becoming Chairman in June 2006. Cho made presentations in
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28 ⁶ CW1 was a former process and quality engineer for Toyota Motor Manufacturing North America in Indiana from January 2005 to December 2006.

1 the United States to Toyota investors, including on September 10, 2004. Cho
2 reviewed and authorized certain of the false and misleading Form 20-Fs filed with
3 the SEC, and he signed certifications pursuant to Section 302 of the Sarbanes-
4 Oxley Act, 15 U.S.C. § 7241, attesting to the veracity of the statements in those
5 filings. Cho also made false statements in a Toyota press release and reviewed and
6 authorized a false and misleading Form 6-K filed with the SEC. This Form 6-K
7 was translated from Japanese, and the Japanese-language version was filed with
8 the Tokyo Stock Exchange.

9 43. Defendant Mitsuo Kinoshita (“Kinoshita”) is and was at all relevant
10 times an Executive Vice President of Toyota. He served as Toyota’s Chief
11 Business Development Officer, Chief Purchasing Officer and Chief Housing
12 Officer from 2004 to June 2005. Since 2003, he served as Chief Production
13 Control & Logistics Officer of Toyota and as Chief Production Control & Logistics
14 Officer, Safety, Health Promotion & Plant Engineering Divisions. He has served
15 as a Director of Toyota since June 1997. Kinoshita made presentations to Toyota
16 investors in the United States, including on October 6, 2006 and September 10,
17 2007. Kinoshita reviewed and authorized certain of the false and misleading Form
18 20-Fs filed with the SEC, and signed certifications pursuant to Section 302 of the
19 Sarbanes-Oxley Act, attesting to the veracity of the statements in those filings.

20 44. Defendant Yoshimi Inaba (“Inaba”) was the President and Chief
21 Operating Officer of Toyota NA, the Chairman and Chief Executive Officer of
22 Toyota USA, and a Director of Toyota during the Class Period. Inaba is
23 responsible for Toyota’s North American sales, marketing and external affairs.
24 Inaba received his MBA from Northwestern University in 1976, and he moved to
25 the United States to become President of Toyota USA in 1999. Inaba testified
26 before the House Oversight and Government Reform Committee on February 24,
27 2010, regarding the unintended acceleration problems alleged in this Complaint.
28 Inaba, as the President and COO of Toyota NA and the Chairman and CEO of

1 Toyota USA, reviewed and authorized the false and misleading press releases
2 issued by Toyota USA on September 14 and November 2, 2009.

3 45. Defendant James E. Lentz, III (“Lentz”) has been the President and
4 Chief Operating Officer of Toyota USA since November 2007 and has been a
5 Managing Officer of Toyota since April 2008. He served as an Executive Vice
6 President of Toyota USA from May 2006 to November 2007 and was Toyota
7 Brand Manager from June 2005 to November 2007. Lentz made false and
8 misleading statements published in an October 16, 2007 *Bloomberg News* article.

9 46. Defendant Irving A. Miller (“Miller”) was at all relevant times Group
10 Vice President of Environmental and Public Affairs of Toyota USA since 2001.
11 Miller joined Toyota USA in 1980 and “retired” effective February 1, 2010. Miller
12 made false and misleading statements in a November 25, 2009 press conference
13 and in published letters to the *Los Angeles Times*.

14 47. Defendant Robert S. Carter (“Carter”) is Group Vice President and
15 General Manager for the Toyota Division at Toyota USA. Carter holds
16 responsibility for, among other things, oversight of all sales, logistics, and
17 marketing activities for Toyota USA. Carter made false and misleading statements
18 during Toyota’s November 2, 2009 media conference call.

19 48. Defendant Robert C. Daly (“Daly”) is and was at all relevant times
20 Senior Vice President of Toyota USA. Daly also served on Toyota USA’s seven-
21 member executive committee. Daly is responsible for, among other things, the
22 customer service division, information systems, University of Toyota, finance,
23 corporate shared services, human resources, North America Planning, and legal
24 affairs. Daly made false and misleading statements in Toyota USA’s November 2,
25 2009 press release.

26 49. Defendants Watanabe, Cho, Kinoshita, Inaba, Lentz, Miller, Carter
27 and Daly are referred to herein collectively as the “Insider Defendants.” Because
28 of the Insider Defendants’ positions, they had access to the adverse undisclosed

1 information about Toyota's business, operations and practices, via access to
2 internal corporate documents, conversations and contact with other corporate
3 officers and employees, attendance at meetings and via reports and other
4 information provided to them. Each of the Insider Defendants, by virtue of his
5 high-level position, was directly involved in the day-to-day operations of Toyota,
6 Toyota NA and Toyota USA at the highest levels and was privy to confidential
7 information concerning the Company and its business, operations and practices,
8 including Toyota's communications with NHTSA, consumers and investors, and
9 the unintended acceleration problems with Toyota vehicles. Their positions of
10 control and authority as officers or directors enabled the Insider Defendants to
11 control the content of the SEC filings, press releases, and other public statements
12 of Toyota during the Class Period. Accordingly, each of the Insider Defendants
13 bears responsibility for the accuracy of the public reports and press releases
14 detailed herein and is therefore primarily liable for the misrepresentations and
15 omissions contained therein. Moreover, each of the Insider Defendants had
16 continuous and systematic contacts with the United States and California through
17 Toyota's conduct of its automotive business.

18 **IV. BACKGROUND**

19 **A. The Toyota Brand Was** 20 **Built On Quality And Safety**

21 50. Toyota manufactures and sells vehicles under the Toyota, Lexus,
22 Scion and other brand names, primarily in North America, Japan, Europe and Asia.
23 From the time it began conducting business in the United States in the 1950s,
24 Toyota grew rapidly to become the largest automotive company in the world due,
25 in large part, to its carefully cultivated reputation for quality and safety. According
26 to California Polytechnic State University marketing professor Jeff Hess, Toyota's
27 greatest advantage in the marketplace was its reputation for manufacturing rock-
28 solid vehicles. Similarly, Aaron Bragman, a leading automotive analyst for the

1 consulting firm IHS Global Insight, has noted that quality is “the central pillar that
2 they’ve built their business on.”

3 51. Toyota has long promoted the Company’s reputation for quality and
4 safety. According to Mary Connelly of *Automotive News*, the number one strategic
5 theme underpinning decades of Toyota advertising is: “Equate Toyota with
6 quality.” Throughout the Class Period, Toyota emphasized its purported “Product
7 Leadership” in a marketing campaign developed in Los Angeles that repeated the
8 message that Toyota is “built on quality.” For example, one frequently-aired
9 Toyota television commercial claimed: “No other automaker has won more Top
10 Safety Pick Awards than Toyota.” Another television advertisement opened with
11 the statement: “Toyota has won more ‘Total Quality Awards’ than any other
12 automaker.” Toyota NA’s corporate manager of marketing communications, Tim
13 Morrison, explained Toyota’s core marketing message: “We’ve created a campaign
14 designed to highlight our leadership” in key areas, including quality, safety, and
15 reliability. To reinforce this theme of quality and safety, Toyota advertising during
16 the Class Period included such “taglines” as: “Toyota Corolla. It’s a quality thing”
17 and “Toyota Corolla. One thing you can count on.” One Class Period commercial
18 featured happy riders in different Toyota vehicles punctuated by a view of a
19 driver’s foot stepping on an accelerator pedal while the soundtrack sings, “Don’t
20 you worry about a thing.”

21 **B. Beginning In 2000, Toyota Changed Its Focus**
22 **From Quality And Safety To Growth And Cost-Cutting**

23 52. Beginning in 2000, Toyota shifted its focus from quality and safety to
24 increasing its market share and profitability, launching a program known as
25 “Construction of Cost Competitiveness for the 21st Century,” with the goal of
26 cutting the costs of 180 key vehicle parts by 30 percent, saving nearly \$10 billion
27 by 2005. In 2002, Toyota launched an aggressive growth campaign, expanding its
28 product line and geographic reach while simultaneously imposing even more

1 severe cost-cutting measures. Toyota executives pledged to expand the Company's
2 manufacturing capacity by 25 percent and to secure 15 percent of the global auto
3 industry by 2010, surpassing General Motors as the world's largest automaker.

4 53. Toyota's global expansion and cost-reduction programs proved
5 successful. In 2008, Toyota overtook General Motors to become the largest
6 automotive manufacturer in the world by sales and production. However, Toyota's
7 aggressive growth and cost-cutting caused significant deterioration in product
8 quality, including unintended acceleration problems. Since 2000, NHTSA has
9 received more than 3,000 complaints of unintended acceleration in Toyota
10 vehicles, including serious accidents resulting in nearly 40 fatalities. Unintended
11 acceleration problems were so pronounced that auto insurer State Farm alone
12 recorded over 900 such incidents involving Toyota vehicles. Toyota President
13 Akio Toyoda later admitted to Congress that the Company's pursuit of growth over
14 all else resulted in quality and safety problems. President Toyoda acknowledged
15 that, in pursuit of growth, the Company's priorities of "first, safety; second,
16 quality; third, volume" "became confused."

17 **V. DEFENDANTS KNEW OR RECKLESSLY DISREGARDED**
18 **THAT TOYOTA VEHICLES HAD SERIOUS UNDISCLOSED**
19 **PROBLEMS OF UNINTENDED ACCELERATION**

20 **A. The Insider Defendants Were**
21 **Required To Know Important Facts**
22 **About Toyota's Business And Core Operations**

23 54. Prior to and during the Class Period, the Insider Defendants, in their
24 positions as officers and directors of Toyota, Toyota NA or Toyota USA, were
25 aware of or recklessly disregarded the fact that Toyota vehicles suffered serious
26 safety defects, including unintended acceleration problems. Among other things,
27 Toyota abided by the "Toyota Way" – a highly centralized management structure
28 ensuring that Toyota's Japanese headquarters and its top executives were informed
about all important issues, which included the quality and safety of Toyota vehicles
that the Defendants repeatedly emphasized throughout the Class Period. Under

1 Toyota’s management system, senior executives *were required* to be responsible
2 for and informed about operations. According to the Company’s own Statement on
3 Corporate Governance, “Senior Managing Directors,” the highest authorities in
4 Toyota’s various operational functions, “do not focus exclusively on management,
5 but they also serve as a link between the management and on-site operations.”
6 Because of the Company’s structure, the Insider Defendants were kept abreast of,
7 received, and had access to adverse information concerning Toyota’s vehicle
8 quality and safety, including the unintended acceleration problems.

9 **B. The Insider Defendants Were Informed**
10 **About Unintended Acceleration Problems**

11 55. The Insider Defendants knew about the unintended acceleration
12 problems because they were provided with or had access to internal information
13 about Toyota product quality and customer complaints, which were meticulously
14 collected and communicated within Toyota in several different ways. For example,
15 Toyota USA maintained a customer complaint “call center” in Torrance, California,
16 to handle complaints from Toyota customers, and each complaint was documented
17 and reported to Toyota’s headquarters in Japan. According to CW2, a former
18 Toyota USA employee based in Torrance, Toyota USA faxed problem reports to
19 Japan every night, and Japan was kept well-informed of any issue in the United
20 States.⁷ As CW2 noted, “[c]ommunication [regarding customer complaints]
21 between Japan and the United States was phenomenal.” Likewise, Defendant
22 Lentz testified before Congress that Toyota USA received “feedback from a
23 number of different sources,” including “customers that call in or contact us
24 online,” “the Internet,” “NHTSA data,” “reports from our dealers,” and “product
25 reports.” “All of that information . . . gets put together in reports, and they go to
26 _____

27 ⁷ CW2 is a former administrative and financial coordination assistant who worked
28 at Toyota USA in Torrance between 1994 and 2006, including in the quality assurance department.

1 Japan, to the quality side.” He further testified that Toyota is responsible for
2 “safety decisions,” and that “[d]efect decisions, recalls specifically, are in fact
3 made in Japan.”

4 56. Toyota’s headquarters in Japan was regularly informed about
5 customer complaints and the status of ongoing regulatory oversight and
6 investigations into potential defects in Toyota vehicles. In an interview with
7 *Fortune*, Toyota President Akio Toyoda acknowledged that control was kept close
8 to headquarters, stating, “the global center is Japan, and it’s best to locate the
9 center in Japan in order to review all technologies.” Toyota NA’s NHTSA liaisons,
10 Christopher Tinto and Christopher Santucci, have testified in depositions that
11 Toyota was responsible for maintaining all customer reports and collecting them in
12 response to government inquiries; compliance with the U.S. Transportation Recall
13 Enhancement, Accountability and Documentation Act of 2000 (“TREAD Act”);
14 testing to determine the cause of unintended acceleration; brake override
15 technology; and making defect determinations and decisions to conduct recalls,
16 including the scope of any recall and the remedy.

17 57. Further, according to CW3, a former Toyota safety project manager,
18 Toyota assigned quality control representatives from Japan to sales offices in the
19 United States who were responsible for reporting any issues back to Toyota
20 headquarters in Japan.⁸ According to CW3, service reports provided to Toyota’s
21 Japanese headquarters detailed the date and location of each incident, the type of
22 vehicle involved, the vehicle identification number, a brief description of the
23 problem and a report of the technician’s findings. The incident reports were also
24 provided to Toyota’s Office of Technical and Regulatory Affairs in Washington.
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28 ⁸ CW3 worked in Toyota NA’s Office of Technical and Regulatory Affairs in Washington from April 2005 through April 2007 and reported to Tinto.

1 58. Defendants also received or had access to numerous Field Technical
2 Reports concerning unintended acceleration. According to former field technical
3 specialist CW4, Field Technical Reports regarding unintended acceleration
4 incidents, known as “Product Quality Reports” were transmitted electronically via
5 Toyota’s “Technical Information System,” initiated in 2000, to Toyota USA in
6 Torrance and to Toyota headquarters in Japan, where they were added to a
7 database.⁹ During his/her employment with Toyota, CW4 investigated up to 30
8 incidents of unintended acceleration, including ones that occurred at low speed and
9 where the engine’s electronic control unit (“ECU”) registered a code that did not
10 correspond to any code in the Toyota vehicle diagnostic manual. According to
11 CW4, “We’ve been dealing with sudden acceleration claims” for a long time.

12 59. Defendants also knew about the unintended acceleration problem in
13 Toyota vehicles because it was the subject of frequent discussions between Toyota
14 and Toyota USA. According to a June 14, 2005 internal email between Toyota
15 USA attorney Dimitrios Biller and Toyota executive Webster Burns regarding an
16 unintended acceleration lawsuit: “[t]his issue [unintended acceleration] had been
17 the subject of a number of meetings and the exchange of a number of documents
18 between TMS and TMC”¹⁰

19 **C. Defendants Misled Regulators**
20 **And Customers About Unintended**
21 **Acceleration Problems In Toyota Vehicles**

22 60. Automotive manufacturers are regulated by NHTSA, which sets and
23 enforces vehicle safety performance standards and investigates safety defects.
24 NHTSA also administers the TREAD Act, which requires that manufacturers
25 report to NHTSA: (i) any safety recall or other safety campaign initiated in a

26 ⁹ CW4 worked for Toyota USA in Cincinnati, Ohio, and Torrance, California, from
27 1986 to March 2009.

28 ¹⁰ Email from Dimitrios Biller to Webster Burns, “Response on Initial Thoughts on
Greenberg,” June 14, 2005.

1 foreign country; (ii) incidents involving injury or death; and (iii) data on consumer
2 complaints, warranty claims, field reports and other relevant data in order to
3 comply with “early warning” requirements.

4 61. Prior to and throughout the Class Period, Toyota misled NHTSA
5 investigators regarding the extent and causes of unintended acceleration problems
6 in Toyota vehicles. Although NHTSA opened eight Toyota unintended
7 acceleration investigations between 2003 and 2010, five were closed without any
8 further action, meaning NHTSA found no evidence of any defects, and three
9 resulted in recalls for floor mats – a vehicle accessory – and not recalls for
10 mechanical, electronic or design defects. The Company was so successful at
11 limiting or resolving NHTSA investigations without recalls largely because Toyota
12 hired former high-ranking federal safety regulators from NHTSA who became
13 Toyota lobbyists. For example, Christopher Tinto, Toyota NA’s Vice President of
14 Technical and Regulatory Affairs in Washington, and Christopher Santucci, who
15 reported to Tinto, were hired by Toyota directly from NHTSA in 1994 and 2003,
16 respectively. Tinto and Santucci were intimately familiar with the methods used by
17 NHTSA in defect investigations and the agency’s dependency on company
18 cooperation because of its lack of resources. Toyota also hired other former
19 NHTSA employees, including Kenneth Weinstein, NHTSA’s former Associate
20 Administrator for Enforcement, to lobby the agency on Toyota’s behalf. By
21 withholding relevant information from NHTSA, these former NHTSA employees
22 convinced NHTSA that the unintended acceleration problems with Toyota vehicles
23 did not require recalls. As Joan Claybrook, a former NHTSA Administrator, later
24 bluntly stated: “*Toyota bamboozled NHTSA.*”

25 62. In addition to misleading regulators, Toyota also misled its own
26 customers by making undisclosed “good-will” repairs based on dealer “service
27 bulletins” and making design changes mid-production (so-called “running
28 changes”) to correct defects often without disclosure to NHTSA, customers or

1 investors. CW5, a former Toyota USA field technical specialist, confirmed that
2 Toyota avoided TREAD Act reporting requirements by making “good-will” repairs
3 for cars out of warranty, saying that “if the dealership took care of it or if it wasn’t
4 covered under warranty, no reports were supposed to be generated and NHTSA
5 wouldn’t have known.”¹¹ Similarly, CW1, a former Toyota quality assurance
6 engineer, explained that Toyota had “stop delivery” and “containment” processes,
7 pursuant to which quality assurance engineers were assigned to test and fix or
8 intercept flawed, newly-manufactured Toyota vehicles before they were received
9 by dealers. But “[i]f [the vehicles had] already been delivered, we’d just wait to
10 see if [customers complained],” according to CW1, who said that “if the
11 complaints are spread out enough, they wouldn’t worry.” CW1 stated that “[w]e
12 based our upgrades on customer complaints If it wasn’t to the point where we
13 were losing sales, and therefore profits, from complaints, we would wait.”

14 63. According to testimony by Toyota’s own former legal counsel,
15 Dimitrios Biller, the Company maintains secret “Books of Knowledge” containing
16 engineering and design information related to defects, including unintended
17 acceleration issues in Toyota vehicles, and countermeasures taken by the Company
18 to correct those defects without disclosure. Biller testified that Toyota made a
19 practice of concealing safety problems, failed to disclose information it was
20 obligated to produce during litigation, and paid multi-million dollar product
21 liability settlements where it feared that plaintiffs’ lawyers were getting too close to
22 discovering the existence of the Books of Knowledge.

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26 ¹¹ CW5 was a field technical specialist from January 1999 to April 2010 in
27 Alpharetta, Georgia. CW5 also confirmed that Toyota had known about
28 unintended acceleration problems since at least 2004, “way before it came out in
the media.” Lexus customers reported concerns over unintended acceleration,
which CW5 investigated and reported internally.

1 64. In an arbitration proceeding with Toyota, Biller contended that he was
2 retained to assist the Company to plan and carry out discovery fraud. The retired
3 federal judge presiding over the arbitration, the Honorable Gary L. Taylor, noted in
4 a September 9, 2010 order that Biller had testified that: “his immediate supervisor
5 told him to . . . do anything necessary to protect the client including a criminal act
6 or violation of law”; he was instructed to spoliage or withhold certain discoverable
7 data; and Toyota “concealed and destroyed test data” and “concealed information
8 on computer systems.” Biller also testified about an August 2006 Toyota email
9 referring to the need to “bury” a non-supportive engineering report, and about a
10 May 2007 internal Toyota “discovery summit” where Biller discussed Toyota’s
11 “policy since the 1970’s to conceal discoverable evidence” – a policy that “Toyota
12 was not going to change.” Based on Biller’s testimony and documents, Judge
13 Taylor (as arbitrator) concluded that Biller had made a *prima facie* showing that
14 Toyota had retained him to assist in discovery fraud.

15 65. In connection with its investigation into unintended acceleration
16 problems with Toyota vehicles, the House Oversight and Government Reform
17 Committee also examined documents submitted by Biller. In a February 26, 2010
18 letter to Toyota NA’s President Defendant Inaba, Committee Chairman Edolphus
19 Towns stated that the Committee “found evidence that Toyota deliberately
20 withheld relevant electronic records” regarding defects in Toyota vehicles, and that
21 Toyota had engaged in a “systematic disregard for the law.”

22 **VI. DEFENDANTS’ FRAUDULENT**
23 **SCHEME AND COURSE OF CONDUCT**

24 **A. Pre-Class Period Events**

25 66. Prior to the start of the Class Period, Defendants knew about
26 unintended acceleration problems with Toyota vehicles from recalls Toyota
27 conducted in other countries, Toyota’s own documented incidents, Field Technical
28 Reports, consumer complaints, and NHTSA probes.

1 67. In 2000, Toyota recalled approximately 11,000 model year 1999-2000
2 Lexus IS200 sedans in the U.K. to replace floor mats with a redesigned mat
3 because of possible “interfere[nce] with the . . . accelerator pedal.”¹² Later, in
4 2003, Toyota also recalled cars in Canada because of the “potential” danger that
5 “the driver’s side floor mat may . . . interfere with the accelerator pedal.” Toyota,
6 however, did not notify NHTSA, issue a similar recall or warn customers in the
7 United States.

8 68. In 2002, following a U.S. consumer complaint related to engine
9 “surging” in a Camry, Toyota NA asked Toyota to commence an internal
10 investigation into the possible cause of the unintended acceleration. According to
11 an internal Toyota document dated May 20, 2002, Toyota found that the “root
12 cause of the ‘surging’ condition remains unknown,” and that “[n]o known remedy
13 exists for the ‘surging’ condition.”¹³

14 69. Thereafter, unintended acceleration complaints to Toyota increased.
15 Between February and August 2002, the Company received complaints from
16 drivers reporting that engines surged when their Toyota vehicles were stopped or
17 the operators already had their feet on the brake. Toyota, however, did not
18 immediately notify NHTSA or consumers about the potentially dangerous
19 condition. Instead, on August 30, 2002, the Company issued a “Technical Service
20 Bulletin” (“TSB”) – an advisory to make repairs – to its dealers stating that some
21 Camry engines “may exhibit a surging during light throttle input at speeds between
22 38-42 MPH”¹⁴

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25 ¹² Vehicle & Operator Services Agency, Department of Transport, United
26 Kingdom, Recall Details, Reference No. RCOMP/2000/2.

27 ¹³ TOY-MDLID00062906, cited in Economic Loss Master Consolidated
28 Complaint, No. 8:10ML2151 JVS (FMOx) (C.D. Cal.).

¹⁴ Service Bulletin No. EG01702, www-odi.nhtsa.dot.gov.

1 70. On December 23, 2002, Toyota issued another TSB to its dealers
2 advising that 2002 and 2003 Camrys, which were produced in the United States,
3 “may exhibit a triple shock (shudder) during the 2-3 shift under ‘light throttle’
4 acceleration.”¹⁵ Again, Toyota issued no recall or public disclosure of any safety or
5 quality problem.

6 71. In April 2003, Toyota engineers observed unintended acceleration
7 while evaluating a Sienna minivan. The engineers attributed the problem to a trim
8 panel that could come loose and cause the accelerator pedal to stick, potentially
9 causing the vehicle to accelerate out of control.¹⁶ Instead of notifying NHTSA or
10 issuing a recall at that time, Toyota quietly redesigned the panel and began
11 installing improved panels in all new Siennas manufactured and sold thereafter.
12 However, thousands of vehicles with the potentially dangerous defect had already
13 been sold to consumers. It was not until January 2009 – six years after it had
14 known about the issue – that Toyota finally recalled 26,501 Sienna minivans made
15 with the old panel, and only after NHTSA opened an investigation.

16 72. By April 2003, a petitioner had requested that NHTSA conduct an
17 analysis of 1997 through 2000 Lexus vehicles for “problems of vehicle speed
18 control linkages which results in sudden, unexpected excessive acceleration even
19 though there is no pressure applied to the accelerator pedal.”¹⁷ As complaints of
20 unintended acceleration in Toyota vehicles continued to mount, Toyota NA’s Office
21 of Technical and Regulatory Affairs convinced NHTSA that the reported incidents
22 were caused by driver error or other causes unrelated to safety defects.

23 73. Internally, however, Toyota itself was documenting unintended
24 acceleration problems. For example, an internal Toyota Field Technical Report
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27 ¹⁵ Service Bulletin No. 02202, www-odi.nhtsa.dot.gov.

28 ¹⁶ NHTSA Investigation, No. EA08014, www-odi.nhtsa.dot.gov.

¹⁷ Defect Petition DP03003, www-odi.nhtsa.dot.gov.

1 dated May 5, 2003, stated that “[w]e found mis-synchronism between engine
2 speeds and throttle position movement” and that “[e]ven after replacement of those
3 parts, this problem remains.” The technician who authored the report requested
4 immediate action due to the “*extremely dangerous problem*,” and further stated
5 “*we are also much afraid of the frequency of this problem in the near future*.”
6 Despite being alerted to the extremely dangerous nature of this problem, Toyota
7 did not issue a safety recall or make any public disclosure regarding this problem.
8 Instead, the Company issued another TSB to its dealers warning of engine
9 “surging” in the 2003 Camry. Moreover, Toyota did not report the incident to
10 NHTSA until five years later, and even then only after the agency had made a
11 blanket information request.

12 74. By the end of 2003, NHTSA had noted a “*strong recent trend of UA*
13 *[Unintended Acceleration] incidents*” involving the 2002-2003 Toyota Camry,
14 nearly 70% of which had caused crashes and injuries, and NHTSA’s Office of
15 Defects Investigation (“ODI”) opened a preliminary investigation. In a December
16 9, 2003 report, the ODI noted that unintended acceleration complaints for the
17 Camry were more than three times the number reported for a competing Honda
18 model. The ODI also noted that complaints of unintended acceleration had
19 increased *twelfefold* from 2001 to 2002, the year that Toyota introduced a new
20 “Electronic Throttle Control System” (“ETCS”) to replace the conventional
21 mechanical accelerator.¹⁸ The ODI report concluded that “[b]eing a new feature,
22 there is a reasonable probability that the . . . [ETCS] may have a defect that could
23 result in an UA.” In an email dated June 3, 2004, ODI’s principal investigator,
24 Scott Yon, wrote to Toyota NA that NHTSA data showed a 400% increase in
25
26

27
28 ¹⁸ The ETCS is a “drive-by-wire” system in which the accelerator pedal and the engine are indirectly linked electronically, rather than directly linked mechanically.

1 “vehicle speed” complaints from consumers related to Camrys with the ETCS over
2 Camrys with conventional accelerator pedals.

3 75. Despite NHTSA’s concerns, Toyota employees Tinto and Santucci
4 convinced their former colleagues at the ODI to limit NHTSA’s “surging”
5 investigation to complaints of “brief burst” acceleration events as opposed to long-
6 duration incidents.¹⁹ The pair misled the agency into believing that the incidents
7 were caused by driver error or driver-caused floor mat interference with accelerator
8 pedals instead of defects requiring the redesign or modification of the vehicles or
9 floor mat. On July 22, 2004, the NHTSA investigation was closed without Toyota
10 notifying consumers of any safety issues or issuing a recall.

11 76. From September 2003 to March 2004, unintended acceleration
12 incidents continued to increase. NHTSA reports during this period indicate that at
13 least eight deaths occurred from unintended acceleration events in Camry models.
14 Toyota also knew that deaths and crashes related to unintended acceleration were
15 occurring. For example, according to an ODI report, a Toyota owner had informed
16 the Company about a March 14, 2004 fatal crash in Evansville, Indiana. Likewise,
17 Toyota was notified of an unintended acceleration problem when the driver in a
18 March 15, 2004 crash in Delray Beach, Florida, returned the vehicle to a Toyota
19 dealer and refused to drive it again.²⁰

20 77. On March 3, 2004, following another petition to investigate, NHTSA
21 opened a defect investigation into unintended acceleration for the 2002–2003
22 Camry, Solara and Lexus ES vehicles. By that time, there had been dozens of
23

24 ¹⁹ This allegation is based on internal Toyota documents and deposition testimony
25 from Christopher Santucci in a lawsuit involving a death from an unintended
26 acceleration incident in a Toyota vehicle.

27 ²⁰ Addendum to Safety Research & Strategies February 5, 2010 report: Toyota
28 Sudden Unintended Acceleration, “Exclusion of Early Camry Deaths Hamper
Later Investigations,” citing ODI #10171110 and February 16, 2010 interview with
Marvin Cohen.

1 complaints to NHTSA, including 30 crashes resulting in five injuries in those
2 vehicles.²¹

3 78. By mid-2004, Toyota itself had received more than 100 consumer
4 complaints relating to unintended acceleration. According to a June 4, 2004 letter
5 from Tinto to NHTSA, Toyota reported that it had received at least 114 unique
6 consumer complaints “that may relate to the alleged defect.” Toyota, however, did
7 not report numerous additional unintended acceleration incidents to NHTSA, such
8 as “long duration” incidents, which Toyota disingenuously categorized as unrelated
9 to the alleged defect, including over 60,000 reports of “surging” in the Camry in
10 2004 alone.

11 79. On June 24, 2004, Toyota representatives, including Tinto and
12 Santucci, met with NHTSA investigators. At the meeting, Toyota denied that any
13 safety defect existed, and claimed that there was no unintended acceleration trend.
14 As had happened previously, the ODI closed its investigation by the end of the
15 following month, and Toyota did not issue a recall or notify consumers of the
16 *known* dangers.

17 80. By July 2004, unintended acceleration problems were frequently
18 observed by Toyota dealers. For example, in July 2004, Michael Bumstead, the
19 parts and service manager for the Lexus division of Toyota Canada, questioned the
20 Company’s decision to test-drive customers’ cars to assess complaints of
21 unintended acceleration before taking action, writing in an email: “Surely they
22 don’t really need to drive these cars. *Surely everyone knows these conditions by*
23 *now*. I hope everyone understands the problems this has caused.” Minutes from
24 an August 2004 technical service meeting also indicate how pervasive the defect
25 was and how seriously the complaints were viewed by Toyota dealers, stating:
26
27

28 ²¹ NHTSA Opening Resume, PE04021, www-odi.nhtsa.dot.gov.

1 “Lexus dealer owners are using the term ‘*franchise threatening*’ regarding this
2 issue.”²²

3 81. Defendants similarly recognized that serious damage to Toyota’s
4 business and reputation would likely ensue if Toyota’s unintended acceleration
5 problems became publicly known and if the Company was forced to recall and fix
6 millions of potentially dangerous vehicles. Indeed, as Toyota acknowledged: “It is
7 critical to maintain and develop a brand image. In order to maintain and develop a
8 brand image, it is necessary to further increase customers’ confidence by providing
9 safe, high-quality products that meet customer preferences and demands.”²³ As
10 such, during the Class Period, Defendants attempted to conceal the unintended
11 acceleration problems from investors, regulators, and consumers by continuing to
12 promote the purported superior safety and quality of Toyota vehicles in press
13 releases, filings with the SEC and Tokyo Stock Exchange, conference calls,
14 comments to the media, and other public statements.

15 **B. Class Period Events**

16 **1. Defendants Concealed Serious**
17 **Problems Of Unintended Acceleration**

18 82. Despite the serious decline in quality, the major safety issues, and
19 even warnings from Toyota’s own employees, Defendants represented during the
20 Class Period that Toyota was not only continuing its focus on high quality but, in
21 fact, was “maintaining the world’s highest levels of quality.” For example, on May
22 10, 2005, the first day of the Class Period, Toyota filed a Form 6-K with the SEC,
23 which represented, among other things, that the Company was committed to “strict
24 compliance” with the laws of every nation, to manufacturing “safe” products, and
25 to maintaining “the world’s highest levels of quality.” These and numerous other

26
27 ²² Ian Austen, “In Canadian Case, Filings Say Toyota Knew of Risk,” *New York Times*, April 12, 2010.

28 ²³ Toyota Form 20-F, filed with the SEC on June 25, 2010.

1 Class Period statements by the Defendants were materially false and misleading
2 because they failed to disclose Defendants’ knowledge of the extent and causes of
3 serious unintended acceleration problems with Toyota vehicles. Defendants knew
4 but chose not to disclose that Toyota’s cost-cutting sacrificed quality and safety to
5 such an extent that it led to injuries and deaths. Defendants withheld information
6 about Toyota’s unintended acceleration problems and misled regulators to avoid
7 issuing recalls that would damage the Company’s reputation and sales. In the past,
8 Toyota had seen sales drop by 20 percent after a recall, but in light of the severity
9 of the unintended acceleration problem, Defendants were concerned that the sales
10 drop would be much larger if this problem was disclosed.

11 83. During the Class Period, Toyota’s vehicle quality continued to
12 deteriorate. According to former Toyota field technical specialist CW5, Toyota
13 product quality and reliability began noticeably declining in 2005. “There were
14 reliability issues with [the Lexus GS300], and every vehicle that they came out
15 with after had questions You could tell the company was changing culture.”
16 Toyota became focused on getting products out faster than BMW and Mercedes.
17 CW5 noted that the time it took to develop new products was approximately 15 to
18 16 months before 2005, but decreased to 12 months after 2005. After 2005,
19 “products were significantly sub-par to what we were used to.” CW6, a production
20 team member who worked at Toyota’s chassis assembly line in Kentucky from
21 May 2005 to June 2008, also confirmed that, contrary to the “Toyota Production
22 System,” which was supposed to ensure that vehicles were manufactured without
23 defects, production supervisors routinely required workers to “bounce” a car
24 forward on the production line without making the necessary repairs when a defect
25 was detected in order to maximize production.

26 84. The decline in the quality of Toyota vehicles was so great and posed
27 such danger to consumer safety that, in the fall of 2006, six long-term Toyota
28 factory workers in Japan sent a memo directly to Defendant Watanabe, Toyota’s

1 President, warning him about the dangerous safety and manpower shortcuts that
2 had been made to achieve lower costs and boost production. The memo pointed
3 out that “the company is threatened by: combining vehicle platforms, the sharing
4 of parts between models, the outsourcing of planning, a shortage of experimental
5 data on prototypes because of shortened development time, a shortage of
6 experienced specialists and an increase in working hours for employees.” *Toyota’s*
7 *failure to act*, the two-page notice warned in Japanese, may “*become a great*
8 *problem that involves the company’s survival.*” They further stated: “*We are*
9 *concerned about the processes which are essential for producing safe cars, but*
10 *that may ultimately be ignored . . . in the name of competition.*”²⁴ *The Times*
11 (London) later reported that Toyota confirmed that senior management had seen
12 the original memo.²⁵

13 85. As a result of quality and safety problems with Toyota vehicles,
14 NHTSA continued to receive hundreds of reports of unintended acceleration
15 despite Toyota’s efforts to conceal or surreptitiously address the unintended
16 acceleration problems. Although NHTSA commenced more investigations during
17 the Class Period, Toyota repeatedly withheld information from the regulators in
18 order to limit or resolve investigations without issuing costly recalls. For example,
19 on August 5, 2005, NHTSA opened a defect petition to investigate a formal request
20 by Jordan Ziprin of Phoenix, Arizona, who had experienced unintended
21 acceleration in a 2002 Camry. Ziprin directed NHTSA’s attention to approximately
22 1,172 Vehicle Owner Questionnaire reports from which NHTSA’s ODI identified
23 432 reports that alleged “abnormal throttle events.”²⁶ Although it received the
24

25 ²⁴ John M. Glionna, “Toyota workers raised safety concerns with bosses in 2006
26 memo,” *Los Angeles Times*, March 8, 2010.

27 ²⁵ Leo Lewis, “‘Smoking gun’ memo reveals Toyota workers’ safety fears,” *The*
28 *Times* (London), March 11, 2010.

²⁶ Defect Petition DP05002, www-odi.nhtsa.dot.gov.

1 petition and reviewed the underlying complaints, Toyota failed to conduct any
2 investigation on its own, but instead urged NHTSA to deny the petition, citing
3 “lack of evidence supporting concurrent failure of the vehicle braking systems.”
4 However, Toyota received concrete evidence supporting Ziprin’s claim in the form
5 of its own Field Technical Reports, including a February 7, 2006 report regarding
6 floor mat interference with an accelerator pedal in a 2005 Prius, a July 2006 report
7 regarding a sticking accelerator pedal in a Toyota Avalon, as well as thousands of
8 complaints related to “surging” or unintended acceleration involving the Camry.

9 86. Even though Toyota also was receiving increasing complaints related
10 to unintended acceleration from customers through its call center in California, the
11 Company persisted in denying the unintended acceleration problems, claiming that
12 it was “impossible” for vehicles to accelerate uncontrollably with the brakes
13 applied. For example, a 2005 Toyota Tacoma owner reported an October 16, 2006
14 crash in which the driver hit four parked cars after the accelerator pedal stuck and
15 the vehicle continued to accelerate even with the brakes applied. A Toyota claims
16 manager wrote to the owner on November 9, 2006, that it was “virtually
17 impossible” for such an accident to occur because “the brakes will always override
18 the accelerator.”

19 87. Contrary to Toyota’s claim, however, Toyota knew that it was possible
20 for its vehicles to accelerate uncontrollably with the brakes applied, because
21 Toyota itself duplicated this same unintended acceleration condition. According to
22 CW4, a former field technical specialist, Toyota replicated the same unintended
23 acceleration condition in Tacoma models when a Tacoma driven by Toyota field
24 technical specialist Kyle Whitaker accelerated out of control and crashed into a
25 garage in 2005 or 2006. Whitaker reported this incident to Toyota. Defendants,
26 however, failed to disclose that Toyota had replicated the condition. Instead, in
27 public filings with the SEC and the Tokyo Stock Exchange and other public
28 statements, Defendants repeatedly affirmed the Company’s dedication to providing

1 safe products and its focus on vehicle safety technologies.

2 **2. Defendants Used “Countermeasures”**
3 **To Mislead Regulators And The Public**
4 **Regarding Unintended Acceleration**

5 88. Recognizing that Toyota was experiencing increasing unintended
6 acceleration problems and that such problems could harm Toyota’s reputation, Jim
7 Press, President of Toyota NA, discussed “countermeasures” and promotion of the
8 safety theme to keep investors and consumers from becoming aware of the
9 problems, according to a September 20, 2006 internal Toyota presentation that only
10 recently became public. These countermeasures included false and deceptive
11 claims to NHTSA, Toyota vehicle owners and investors. For example, Toyota
12 wrote letters to NHTSA arguing that reports of unintended acceleration were
13 unrelated to defects in Toyota vehicles, including November 15, 2005
14 correspondence from Tinto asking NHTSA to drop a preliminary probe into
15 unintended acceleration because “there is no factor or trend indicating that a
16 vehicle or component defect exists.” Tinto’s denial of any adverse factors or trends
17 was, however, untrue because by this time Toyota had received over 60,000 reports
18 of “surging” in Camry models during 2004 alone.²⁷

19 89. In December 2005, in connection with an investigation into the Lexus
20 IS250 floor mat, Toyota sent letters to Lexus IS250 vehicle owners concerning
21 their floor mats. However, as newly-revealed internal documents show, Toyota
22 deliberately avoided disclosing information that would have alerted owners to
23 potential unintended acceleration problems in connection with floor mats. For
24 example, according to an email with the subject line “CONFIDENTIAL – IS250
25 AWD Draft Owner Letter and Q&A,” from Toyota Quality Compliance Manager
26 George Marino that was made public after the end of the Class Period, Toyota

27
28 ²⁷ TOY-MDLID00083551, cited in Economic Loss Master Consolidated
Complaint, No. 8:10ML2151 JVS (FMOx) (C.D. Cal.).

1 purposely deleted from the letter any reference to speed control. Marino wrote:
2 ***“They pulled out the ‘vehicle speed control’ part.*** NHTSA may come back, but
3 TMC wanted to try.”

4 90. Although repeatedly representing to investors during the Class Period
5 that it was in “strict compliance” with laws and regulations and honored the law of
6 every nation, Toyota failed to do so. Prior to and throughout the Class Period,
7 Toyota failed to fulfill its timely reporting requirements under the TREAD Act and
8 simultaneously lobbied NHTSA to limit or resolve investigations without requiring
9 Toyota to issue expensive recalls. For example, in the “TMA-DC Safety Monthly
10 Report” for November 2006, dated December 12, 2006, Tinto notified Toyota’s
11 Japanese headquarters that NHTSA had issued a “broad testing and analysis
12 question” regarding Camry and Solara engine surging.²⁸ However, according to
13 Tinto, Toyota’s Washington office had “negotiated [with NHTSA] to reduce the
14 response to include” less data than NHTSA had requested.

15 91. While Toyota told NHTSA that its vehicles did not have safety
16 defects, Toyota continued to receive additional confirmation during the Class
17 Period of the extent and causes of unintended acceleration in its vehicles, which it
18 failed to disclose. For example, Defendant Lentz, Toyota USA’s President,
19 personally received customer complaints of unintended acceleration, including a
20 March 14, 2007 letter from a Toyota customer complaining about unintended
21 acceleration in his 2003 Toyota Camry. The driver said that he was pressing on the
22 brake, and not the accelerator, when the event occurred. A June 8, 2007 Field
23 Technical Report also stated that Toyota technicians in Hong Kong experienced
24 unintended acceleration during routine maintenance of a vehicle at a Lexus service
25 center. The report stated that “[a]lthough the accelerator pedal had been released,
26 the engine still maintained at high speed (over 5500 rpm) and it went on to the red
27

28 ²⁸ “Strange Bedfellows at Toyota,” *CBS News*, Feb. 25, 2010.

1 zone.” According to the report, “[t]he accelerator pedal was inspected, but no
2 abnormality was found, no Diagnostic Trouble Code (‘DTC’) was found, and the
3 carpet was genuine Lexus parts and no aftermarket carpet was fitted.” The
4 technicians *“strongly request[ed] TMC to investigate this case in a very top
5 priority, since the case is highly related to vehicle safety and there is a highly
6 potential danger of severe traffic accident.”*

7 **3. Defendants Blamed Driver Error**
8 **And Floor Mats In Toyota Camry**
9 **And Lexus Sedans For Reported**
10 **Incidents Of Unintended Acceleration**

11 92. In response to increasing complaints of unintended acceleration and
12 mounting regulatory pressure, Toyota stepped up its efforts to avoid addressing any
13 design or mechanical defect and instead convinced NHTSA that reported incidents
14 were due to driver error or driver-caused floor mat interference. Defendants failed
15 to inform NHTSA that it was aware of other potential causes for unintended
16 acceleration, and even deliberately kept a key Toyota engineer from attending a
17 NHTSA demonstration. According to a February 27, 2007 email from Michiteru
18 Kato, a Toyota executive in the customer quality engineering group in Japan, to
19 Santucci, Toyota’s NHTSA liaison: “[I]f the engineer who knows the failures well
20 attends the meeting, NHTSA will ask a bunch of questions about the ECU. (I want
21 to avoid such situation).”²⁹ Toyota, however, had known about potential issues
22 with the ETCS (an ECU component) since at least May 2004, when a Toyota
23 forensic technologist and mechanical engineer examined a vehicle that had
24 experienced unintended acceleration and determined that the vehicle’s ETCS was
25 not operating correctly. The technician noted his conclusions in a report that was
26 forwarded to Toyota on January 13, 2005, but not provided to NHTSA.

27
28 ²⁹ The “ECU” (or “Engine Control Unit”) controls the fuel injection system,
ignition timing, and the idle speed control system.

1 93. In 2007, NHTSA also asked Toyota to consider modifying its push-
2 button ignition and installing “brake override” software, a safety feature that other
3 manufacturers had already adopted. The Company refused to implement these
4 safety measures even though the Company internally recognized the seriousness of
5 the unintended acceleration problems. In fact, according to a September 1, 2009
6 email by Koji Sakakibara, a Toyota manager in Torrance, in 2007, even Toyota
7 USA suggested to Toyota that there should be “a fail safe option similar to that
8 used by other companies to prevent unintended acceleration.”

9 94. On March 29, 2007, NHTSA opened a preliminary investigation into
10 pedal entrapment by floor mats in 2007 model year Lexus ES350 sedans after
11 receiving consumer complaints. Toyota, however, attempted to dismiss the
12 complaints, and assured the government in April 2007 that there was “no
13 possibility of pedal interference with the all-weather floor mat if it’s placed
14 properly and secured,” according to a February 21, 2010 *Associated Press* article.
15 Having thus downplayed the problem, Toyota avoided more extensive NHTSA
16 action that might lead to a recall and, instead, offered to send a letter to owners
17 “reminding them not to install all weather mats on top of existing mats.” Internally
18 at Toyota, however, Tinto warned that “NHTSA feels that they have too many
19 complaints on this one vehicle to drop the issue; the results of a stuck throttle are
20 ‘*catastrophic.*’”

21 95. On April 11, 2007, Toyota issued a TSB advising dealers that floor
22 mats could interfere with accelerator pedals in Lexus ES350 sedans and
23 recommending that dealers inspect and replace the floor mats. From April 24 to
24 May 11, 2007, Toyota notified customers and dealers in a mailing about proper
25 installation of floor mats and provided a caution label warning against pedal
26 entrapment. Toyota, however, had known about possible pedal entrapment that
27 might cause unintended acceleration in the Lexus model since at least as early as
28 2003, when it issued a recall in Canada for certain Lexus vehicles because of the

1 “potential” danger of pedal entrapment.

2 96. After additional complaints were filed, NHTSA upgraded its
3 investigation of Lexus floor mats to an “engineering analysis” on August 8, 2007.
4 An engineering analysis involves full-fledged vehicle testing, rather than a mere
5 review of complaints or data analysis. The Opening Resume for the investigation
6 stated: “[T]he agency has 40 complaints; eight crashes and 12 injuries.
7 Complainants interviewed by ODI stated that they applied the throttle pedal to
8 accelerate the vehicle and then experienced unwanted acceleration after release.
9 Subsequent (and sometimes repeated) application of the brake pedal reduced
10 acceleration but did not stop the vehicle. In some incidents drivers traveled
11 significant distances (miles) at high vehicle speeds (greater than 90 mph) before
12 the vehicle stopped”

13 97. Despite the investigation’s escalation to an “engineering analysis” and
14 Toyota’s own knowledge of other possible causes for unintended acceleration,
15 Toyota continued to blame incorrectly sized or installed floor mats. According to a
16 February 8, 2010 *Wall Street Journal* article: “In their probe, NHTSA investigators
17 asked Toyota, ‘Are you sure it’s not the gas pedal?’ Ms. Nason [then NHTSA’s
18 Administrator] said, ‘[t]hey assured us it’s just the floor mat.’”

19 **4. Defendants Continued To Conceal**
20 **The Extent And Causes Of Unintended**
21 **Acceleration Even As Scrutiny Mounted**

22 98. Although Toyota attempted to keep unintended acceleration problems
23 quiet, the *Detroit Free Press* reported on August 15, 2007 that NHTSA had
24 expanded an earlier investigation into safety problems with Toyota’s Lexus brand
25 to a much broader investigation that would include an engineering analysis. On
26 August 16, 2007, the *Wall Street Journal* similarly reported that “the federal
27 government upgraded an investigation into the 2007 Lexus ES350 sedan after at
28 least 12 people were injured when the vehicle accelerated without warning” and
that NHTSA “said in a report issued this week that an all weather floor mat can

1 trap the throttle pedal when the mat isn't properly secured, resulting in unwanted
2 acceleration." The truth remained concealed, however, Toyota did not disclose the
3 extent or the impact of the unintended acceleration problems, or information
4 Toyota knew about its causes.

5 99. In late August 2007, NHTSA informed Toyota's Washington staff at a
6 meeting that the agency was considering expanding the scope of its Lexus
7 investigation to include other models. NHTSA also proposed a larger meeting that
8 would involve Toyota quality officials from Japan to discuss "an expanded owner
9 notification, next steps and actions toward a solution." Toyota, however, again
10 prevented NHTSA from discovering the truth regarding the scope or causes of its
11 unintended acceleration problems by negotiating to limit the terms that would be
12 used to search for relevant complaints. In September 2007, for example, in
13 response to NHTSA's inquiry, the Company searched for incidents regarding only
14 the term "mats" and did not search using the term "surging." A search for incidents
15 including the term "surging" would have revealed tens of thousands more
16 complaints, including 60,000 complaints on the Camry in 2004 alone. Toyota did
17 not reveal to NHTSA the number of surging complaints it had received.

18 100. On September 13, 2007, officials from Toyota's Customer Quality
19 Engineering division in Japan and its U.S. regulatory staff met with NHTSA
20 officials in Washington to discuss the unintended acceleration issue. In response to
21 NHTSA's concerns, on September 21, 2007, Toyota warned its U.S. dealers of
22 pedal entrapment risk in all 2008 model year Toyota and Lexus vehicles, advising
23 dealers not to install optional floor mats before sale. To further placate NHTSA,
24 on September 26, 2007, Toyota recalled 55,000 all-weather floor mats in Lexus
25 ES350 and Toyota Camry sedans. NHTSA also warned Toyota vehicle owners to
26 remove or properly secure mats in the 2007 and 2008 model year Lexus ES350 and
27 Toyota Camrys because if an all-weather mat was unsecured or placed on top of
28 another floor mat, "it could move forward during the vehicle usage and it may

1 interfere with the accelerator pedal.” Toyota insisted, however, that no defect
2 existed in the mats or the vehicles themselves, stating: “Toyota concluded that the
3 mats do not contain a safety-related defect; however, Toyota agrees that an
4 unsecured All Weather Floor Mat, especially one that is stacked on top of another
5 floor mat, can migrate toward the accelerator pedal, potentially preventing it from
6 returning to idle.”

7 101. In September 2007, NHTSA ended its probe without examining any
8 possible causes of the unintended acceleration problem other than floor mats, and
9 without examining floor mat risk in Toyota vehicles other than the Lexus ES350
10 and Camry. As a result, Toyota was again able to avoid a costly vehicle recall.
11 Internally, Toyota executives boasted of saving more than \$100 million by
12 convincing NHTSA to allow the much cheaper, limited “equipment recall.” An
13 internal Toyota email dated September 14, 2007, from Tinto to Josephine Cooper,
14 Toyota’s vice president of public policy and government/industry affairs, stated:
15 “Of note, *NHTSA was beginning to look at vehicle design parameters as being a*
16 *culprit, focusing on the accelerator pedal geometry couple[d] with the push*
17 *button ‘off’ switch. We estimate that had the agency instead pushed hard for*
18 *recall of the throttle pedal assembly (for instance), we would be looking at*
19 *upwards of \$100M+* Special thanks should be noted for the TMS-service
20 guys, as they did the lion[’]s share of the work at the last minute, providing enough
21 good information to convince the agency that this issue is NOT unique to Toyota
22 products.” The email also noted that “*we will NOT declare that a ‘safety defect’*
23 *exist [sic] in either the vehicles or the mat.*” The next day, Cooper forwarded
24 Tinto’s message to senior Toyota executives, including Defendants Lentz and
25 Carter and Japanese executives, stating: “*Thought you would be interested in the*
26 *outcome – and the avoidance of much bigger issues (and costs)*” and adding that
27 Toyota’s safety team did “*a good job.*”
28

1 102. On January 31, 2008, NHTSA launched a probe into 365 reported
2 unintended acceleration incidents involving Toyota Tacoma pickups – the eighth
3 investigation by NHTSA into unintended acceleration in Toyota vehicles since
4 2003. The investigation closed on August 27, 2008, without requiring Toyota to
5 take any action to notify the public about the serious unintended acceleration
6 dangers. Internally, a January 2008 presentation from Santucci noted Toyota’s
7 “close relationship with staff and management at NHTSA” but that “some of the
8 [Toyota] quality issues are showing up in defect investigations . . . [and] we have a
9 less defensible product.”³⁰

10 103. In April 2008, NHTSA opened its ninth investigation in five years in
11 response to consumer reports of unintended acceleration in 2004 model year
12 Toyota Sienna minivans. At that time, Toyota had known for at least *five years*
13 about defects in the Sienna that could lead to unintended acceleration, but failed to
14 notify NHTSA. Toyota had experienced unintended acceleration during
15 production testing of a Sienna in April 2003. That incident was caused by a
16 missing retaining clip that allowed the center console trim panel to trap the
17 accelerator pedal after it had been depressed. Toyota, however, did not notify
18 NHTSA or issue a recall, and thousands of vehicles manufactured with the
19 potentially dangerous defect were sold to consumers without warning. It was not
20 until January 2009 – nearly six years after discovering the problem – that Toyota
21 recalled 26,501 Sienna minivans with the problem. Despite the fact that Toyota
22 violated U.S. law by failing to report and notify NHTSA of safety defects,
23 Defendants represented during the Class Period that Toyota “honor[ed] . . . the law
24 of every nation” and was committed to “strict compliance with laws and
25 regulations.”

26
27
28 ³⁰ TOY-SCOM-00007916-32.

1 104. By August 2008, NHTSA had received more than 2,600 complaints
2 regarding “runaway” Toyota vehicles. Although Toyota publicly continued to
3 insist that Toyota vehicles were not defective and that the unintended acceleration
4 problems reported by consumers were caused by driver error or inspired by
5 publicity, a “classified” internal Toyota memo titled “Unwanted Accelerations
6 Investigation on Toyota Vehicles,” drafted in response to “increased scrutiny” from
7 NHTSA and sent to Toyota’s Japanese headquarters, asked the Company to
8 conduct a feasibility study to evaluate ways “to reduce throttle opening/engine
9 power.” Notwithstanding their knowledge of these problems, Defendants
10 continued to emphasize the Company’s focus on product safety and the
11 development of technologies “designed to prevent accidents in the first instance” in
12 Toyota’s public filings with the SEC and Tokyo Stock Exchange.

13 105. In April 2009, NHTSA received another petition for an investigation
14 into Toyota vehicles for throttle-control problems unrelated to floor mat issues
15 after the owner of a Lexus experienced unintended acceleration. Toyota, however,
16 was able to persuade NHTSA to limit the scope of its investigation to incidents
17 lasting less than a second. A May 5, 2009 email from Santucci to Takeharu
18 Nishida, a Toyota engineer, indicated that Santucci was pleased that NHTSA would
19 not ask Toyota to disclose all reports related to throttle issues, stating: “They
20 [NHTSA] are struggling with sending an IR [Information Request] letter, because
21 they shouldn’t ask us about floor mat issues because the petitioner contends that
22 NHTSA did not investigate throttle issues other than floor mat-related. So they
23 should ask us for non-floor mat related reports, right? But they are concerned that
24 if they ask for other reports, they will have many reports that just cannot be
25 explained. And since they do not think that they can explain them, they don’t
26 really want them. Does that make sense? I think it is good news for Toyota.” On
27 October 27, 2009, NHTSA denied the petition without requiring Toyota to fully
28 disclose the actual numbers of customer reports of unintended acceleration events

1 it had received.

2 106. As regulators, consumer activists and the news media increasingly
3 focused on Toyota's unintended acceleration problems, the Company continued to
4 claim that its vehicles had no safety problems. Company representatives even
5 attempted to blame drivers, stating: "They're not stepping on the brake."³¹

6 107. Internally, Toyota attempted to limit the number of field reports to
7 further conceal the unintended acceleration problem. In approximately February or
8 March 2009, Toyota secretly instituted a "Lexus unintended acceleration inspection
9 process," under which a report would be generated only if the customer explicitly
10 claimed unintended acceleration or brake failure, according to CW5.³² By
11 instructing field technicians not to generate reports unless the customer specifically
12 claimed unintended acceleration or brake failure, Toyota limited both the *number*
13 of reports – data that Toyota was required to regularly report to NHTSA under the
14 TREAD Act – and the paper-trail of unintended acceleration-related reports.

15 108. On June 23, 2009, Toyota replaced nearly its entire management team,
16 appointing Akio Toyoda, the grandson of Toyota's founder, as the Company's
17 President and Chief Executive Officer, replacing Defendant Cho. The management
18 changes were prompted by the burgeoning safety and quality issues in Toyota
19 vehicles, including unintended acceleration, which were concealed from the public.
20 According to the Company's July 2009 message to shareholders, the change in
21 management was prompted to ensure a "strong focus on on-site operational
22 management." Commenting on the change, Akio Toyoda stated: "[W]e are
23 implementing a stronger product-oriented management model focused on making
24 better cars. We have also taken a fresh look at what it means to be an automobile

25
26 ³¹ Paul Knight, "The Prius can take owners on a wild ride," *Westword*, April 23,
27 2009.

28 ³² CW5 is a former Lexus field technical specialist from May 2004 through April
2010.

1 manufacturer, and are redoubling our commitment to the Customer First and
2 *genchi genbutsu* [*i.e.*, to “go and see” to truly understand a situation] philosophies
3 that are an integral part of Toyota’s corporate heritage.”

4 109. Despite Toyota’s repeated public claims of its commitment to
5 customers, an internal presentation on July 6, 2009 by Defendant Inaba
6 demonstrated that Toyota was pleased with the way it had warded off recalls that
7 would have forced the Company to address “key safety issues,” including
8 “‘Sudden Acceleration’ on ES/Camry, Tacoma, LS, etc.” Among other things, the
9 presentation touted Toyota “wins,” including “*favorable recall outcomes*” and the
10 “[n]egotiated ‘equipment recall’ for the Toyota Camry and Lexus ES models in
11 which NHTSA found “no defect,” saving the Company more than \$100 million.

12 C. The Truth Began To Emerge

13 1. Defendants Acknowledged Unintended 14 Acceleration Problems In Toyota Vehicles

15 110. On August 28, 2009, California Highway Patrolman Mark Saylor and
16 three family members were killed when the 2009 Lexus ES350 Saylor was driving
17 accelerated out of control and crashed in Santee, California. The accident spurred
18 national news coverage of unintended acceleration in Toyota vehicles and heavy
19 scrutiny by government regulators and Congress. Three days after the accident, an
20 internal email from Koji Sakakibara, a Toyota manager in Torrance, California,
21 discussed the need for brake override measures and the potential for floor mat
22 entrapment of accelerator pedals and warned Toyota executives of repercussions
23 from regulators, noting that “NHTSA is furious over Toyota’s handling of things.”

24 111. Meanwhile, Toyota started phasing out potentially faulty accelerator
25 pedals from its European manufacturing lines beginning in August 2009 after
26 receiving numerous complaints of unintended acceleration from European
27 consumers. Toyota, however, failed to report to NHTSA the incidents or the
28 change in European production.

1 112. On September 14, 2009, Toyota USA issued a statement claiming that
2 preliminary information from law enforcement investigators indicated that the
3 Saylor accident might have been caused by interference between an all-weather
4 floor mat and the accelerator pedal, and instructed Lexus and Toyota dealers to
5 inspect and assure that floor mats were properly secured. Although Toyota had
6 already changed the design and construction of accelerator pedals on all vehicles
7 being produced in Europe to prevent unintended acceleration, Toyota continued to
8 implicate only improperly sized or positioned floor mat interference with the
9 accelerator pedal as the cause of the Saylor accident and other unintended
10 acceleration incidents, stating: “We want to make sure everyone understands how
11 important it is that the mat in the vehicle is made for that vehicle and is properly
12 attached.”

13 113. On September 15, 2009, the *Associated Press* reported that Toyota
14 said it would order dealers to inspect their cars for mismatched floor mats. On
15 September 16, 2009, the *San Diego Union Tribune* reported that Toyota “today will
16 order its dealers to inspect the floor mats in all of their vehicles amid reports that a
17 wrong-sized mat may have played a role in the recent Santee crash that killed four
18 people in a runaway Lexus,” and that the unusual order would be sent in a letter to
19 1,400 U.S. dealers. On these disclosures, the price of Toyota ADSs dropped to
20 \$82.46 and Toyota common stock fell to ¥3,710.

21 114. On September 29, 2009, Toyota USA announced the recall of seven
22 Lexus and Toyota models manufactured over the prior six years – approximately
23 3.8 million vehicles in total. The Company also issued a “safety advisory” asking
24 owners to take out any removable floor mats until the Company “develops a
25 remedy.” Toyota Canada soon followed suit. Despite the recall announcement and
26 safety advisory, Toyota insisted that its vehicles were “among the safest on the road
27 today.”
28

1 115. Internally, Toyota knew that improperly sized or positioned floor mats
2 could not fully explain all reported unintended acceleration incidents. By limiting
3 the recall to floor mats, Toyota continued to mislead the public about serious safety
4 defects in its automobiles, as it led consumers and investors to believe that the
5 reported instances of unintended acceleration were attributable to a vehicle
6 accessory (*i.e.*, the floor mat) and not an actual mechanical or design defect in the
7 automobile. However, information released by NHTSA in late 2009 shows that
8 reports of unintended acceleration in Toyota and Lexus vehicles continued even
9 after the recall and after Toyota had purportedly “redesigned” (without disclosure)
10 the floor mat. Moreover, Defendant Lentz later acknowledged that, ***not later than***
11 ***October 2009, Defendants knew that Toyota vehicles had a “sticky” accelerator***
12 ***problem that could also cause a vehicle to accelerate out of control.*** In fact,
13 according to a document submitted by Toyota to NHTSA on March 24, 2010,
14 Toyota received reports about the sticky accelerator pedal problem as early as July
15 2006, internally confirmed the problem by January 2008, and internally decided to
16 implement a design change for the accelerator pedals on a rolling basis in July
17 2009. However, these facts were not disclosed.

18 116. Toyota steadfastly wanted to avoid a recall that would require the
19 Company to spend billions of dollars to correct defects in the accelerator pedal or
20 other more significant aspects of its automobiles and damage the Company’s
21 reputation for quality and safety. In an internal document, Toyota NA noted that
22 Toyota “will most likely not easily budge from their position that there is no
23 vehicle defect. ***Especially considering the global ramifications.***”

24 117. To avoid potential “global ramifications,” Defendants continued to
25 falsely assure the public that unintended acceleration was caused by improperly
26 sized or positioned floor mats and not defects in Toyota’s vehicles. In response,
27 the *Associated Press Worldstream* noted that the floor mat recall was a “blight” on
28 Toyota’s image but likely would have little effect on Toyota’s “bottom line.”

1 Analyst Mamoru Katou of Tokai Tokyo Research said: “It’s making big headlines
2 because of the big numbers [of cars involved], but in terms of the company’s
3 profits, it is not likely to have a big impact.” Analyst Kurt Sanger of Deutsche
4 Banc Securities, Inc. also commented that the recall would have little impact on the
5 Company *if* limited to floor mats: “While the scale is massive, financially we
6 believe the impact will be limited to ¥5bn-¥10bn. Generally in the case of recalls
7 it is the labor cost that is of concern. We see the cost here as very limited. To us
8 the risk seems more reputational as the scale of the recall is sure to make national
9 headlines.” Mizuho Investors analyst Ryoichi Saito similarly noted that “changing
10 a floor mat was likely not as expensive as dealing with a defective transmission or
11 engine.”

12 118. However, contrary to statements by Toyota USA that “the only defect
13 trend related to vehicle speed control . . . [involves] out of position or inappropriate
14 floor mat installation,” Defendants knew that floor mats could not explain all of the
15 unintended acceleration events. Indeed, in a letter to Defendant Lentz dated
16 February 22, 2010, the Chairman of the House Energy and Commerce Committee,
17 Rep. Henry Waxman, wrote that Toyota’s public statements about the adequacy of
18 its recent recalls “appear to be misleading.”

19 119. In a further attempt to mislead the public, on November 2, 2009,
20 Toyota USA issued a press release announcing that it had begun mailing a letter
21 regarding the potential for an unsecured or incompatible driver’s floor mat to
22 interfere with the accelerator pedal, and that the letter, reviewed by NHTSA,
23 confirmed that no defect existed. The press release also stated that NHTSA
24 concluded that the only defect trend “involved the potential for accelerator pedals
25 to become trapped near the floor by out-of-position or inappropriate floor mat
26 installations.” Just two days later, NHTSA refuted Toyota USA’s assertions about
27 the agency’s conclusions. According to a November 4, 2009 article by the
28 *Associated Press*:

1 “The matter is not closed until Toyota has effectively addressed the
2 defect by providing a suitable vehicle based solution,” NHTSA said in
3 the statement, which the department said was issued to correct
4 **“inaccurate and misleading information” from the automaker.**

5 120. On November 25, 2009, Toyota admitted for the first time that
6 unintended acceleration was caused by a design defect in addition to the defective
7 accessory floor mat. According to the Company’s announcement, Toyota would
8 reconfigure the shape of the accelerator pedal and the shape of the floor surface
9 underneath the pedal in certain models. Toyota also announced that it would install
10 a brake override system in Camry, Avalon, and Lexus ES350, IS350 and IS250
11 models.

12 121. On December 15, 2009, NHTSA officials, including Ronald Medford,
13 NHTSA’s Deputy Administrator, flew to Japan to explain to about 100 Toyota
14 executives and engineers Toyota’s obligation to comply with U.S. law. During that
15 trip, Medford bluntly told a smaller group of Toyota executives that Toyota was
16 taking too long to respond to safety issues and reminded them that Toyota was
17 obligated under U.S. law to find and report defects promptly, as a *Reuters* article
18 later reported.³³

19 122. On January 16, 2010, Defendant Miller acknowledged in an internal
20 email that Toyota had tried to keep secret from the public other problems that could
21 cause unintended acceleration. The email from Miller to Katsuhiko Koganei,
22 Toyota USA’s Executive Coordinator for Corporate Communications, states: “I
23 hate to break this to you but **WE HAVE a tendency for MECHANICAL failure in**
24 **accelerator pedals of certain manufacturer on certain models.** We are not
25 protecting our customers by keeping this quiet. **The time to hide this one is over.**
26

27
28 ³³ Nathan Layne, Taiga Uranaka and Kevin Krolicki, “Inside Toyota’s Epic
Breakdown,” *Reuters*, Feb. 9, 2010.

1 We need to come clean and I believe that Jim Lentz and Yoshi are on the way to
2 DC for meetings with NHTSA to discuss options. We better just hope that they can
3 get NHTSA to work with us in coming up with a workable solution that does not
4 put us out of business.” Despite Miller’s warning about the pedal defect, on
5 January 16, 2010, Koganei wrote to Mike Michels at Toyota that “*we should not*
6 *mention about the mechanical failure of acc[elerator] pedal, because we have*
7 *not clarified the real cause of the sticking accelerator pedal formally, and the*
8 *remedy for the matter has not been confirmed.*”

9 123. On January 19, 2010, in a closed-door meeting in Washington, two
10 executives from Toyota revealed to David Strickland, NHTSA’s new
11 Administrator, that *Toyota’s Japan headquarters knew of a problem in its*
12 *accelerator pedals for more than a year.* As the *Wall Street Journal* reported on
13 February 8, 2010, NHTSA officials “were steamed” by this revelation.³⁴

14 **2. Toyota Issued The Largest Vehicle**
15 **Recalls In History To Address**
16 **Unintended Acceleration Problems**
17 **Caused By Defective Toyota Vehicles**

18 124. On January 21, 2010, Toyota announced the recall of 2.3 million
19 vehicles in the United States to correct defective accelerator pedals that could
20 “mechanically stick” even absent floor mats. Combined with Toyota’s prior
21 unintended acceleration-related recalls, the total recall of approximately 10 million
22 Toyota vehicles to address unintended acceleration was enormous, totaling more
23 than all of the vehicles Toyota sold in North America in fiscal year 2009.
24 Moreover, Toyota’s announcement admitted that yet another “vehicle-based”
25 defect (other than defective accessory floor mats and in addition to the defective
26 accelerator pedal and defective floor well) was a cause of unintended acceleration,

27
28 ³⁴ Kate Linebaugh, Dionne Searcey and Norihiko Shirouzu, “Secretive Culture
Led Toyota Astray,” the *Wall Street Journal*, Feb. 8, 2010.

1 despite its prior repeated denials of any “vehicle-based” defect. The announcement
2 prompted a sell-off in Toyota shares. The price for Toyota ADSs declined \$2.25 to
3 close at \$88.17 on January 22, 2009. Toyota common stock also declined from
4 ¥4,190 to close at ¥4,055.

5 125. On January 25, 2010, *Reuters* reported that Toyota had offered to
6 repair about 2 million cars in Europe to fix potentially faulty accelerator pedals that
7 had led to a massive recall in the United States the week before, but was still in the
8 process of considering a recall in Europe. On this disclosure, the price of Toyota
9 ADSs dropped further to \$87.71, and Toyota common stock dropped from ¥3,970
10 to ¥3,870.

11 126. On January 26, 2010, after the close of trading in the United States,
12 Toyota announced that it was suspending U.S. sales of eight models involved in the
13 recall for sticking accelerator pedals announced on January 21, 2010, including its
14 best-selling Camry and Corolla sedans. Toyota further announced that it would
15 halt production for the first week of February. The eight affected models
16 accounted for 57% of Toyota’s 2009 sales in the United States. Following this
17 shocking announcement, Toyota ADSs plunged \$7.01 per share on high volume to
18 close at \$79.77 per share on January 27, 2010, and Toyota common stock fell from
19 ¥3,870 to ¥3,705 per share. As *RTT News* noted, Toyota’s stock “slumped 4.26%
20 after the company announced the recall of 8 of its models from U.S. markets for
21 defective accelerator pedals.” In light of the announcement, *Consumer Reports*
22 withdrew its recommendations on all eight models; car rental companies Avis and
23 Enterprise pulled Toyota vehicles from their rental fleets and announced they
24 would seek compensation from Toyota; and major auto insurers announced they
25 were evaluating seeking subrogation from Toyota for a spike in claims made on
26 accidents involving the eight recalled models.

27 127. Securities analysts and news reports linked the accelerator pedal recall
28 news to the stock price declines. For example, on January 27, 2010, *RTT News*

1 observed: “Shares of Toyota Motor Corp. opened weak on concerns about a
2 possible sharp decline in earnings following the company’s decision to suspend
3 sales of recalled cars.” Another news report, *The Razor’s Edge (Newstex LLC)*, on
4 January 27, 2010, called Toyota’s decision to suspend sales and production a
5 “**bombshell**,” concluding that “investors are rightly worried about the company
6 losing some of its most popular models that accounted for 65% of sales.” A
7 Deutsche Banc Securities analyst report estimated that the sales stoppage would
8 cost the Company between \$446 million and \$502 million per week.

9 128. On January 27, 2010, Toyota announced that it had sent a letter to
10 NHTSA amending its October 5, 2009 defect report regarding the potential risk for
11 floor mat entrapment to include certain other models in the recall. Approximately
12 1.1 million cars and trucks would be added to the Company’s original floor mat
13 recall. On January 28, 2010, *Forbes* published an article titled “Toyota Tumbles
14 After Third Recall,” stating that “Fitch Ratings may downgrade the automaker and
15 recently placed its credit rating of ‘A+’ on watch negative [because] the avalanche
16 of recalls and safety issues raised questions about Toyota’s ‘reputation for quality’
17 at a time when the automaker is still vulnerable from the downturn.” On these
18 disclosures, Toyota’s ADS prices fell again the next day, January 28, 2010, to
19 \$77.67 per share. Similarly, Toyota’s common stock price fell from ¥3,705 to
20 ¥3,560, another 4%.

21 129. On January 28, 2010, commenting on the decline, Macquarie Equities
22 Research stated: “Toyota has fallen 14% in absolute terms since last Thursday
23 [January 21, 2010], wiping off almost ¥1.9tr of equity value. Relative to the
24 market, the decline has been 10%, equivalent to ¥1.3tr in value.”

25 130. On February 1, 2010, in an interview with the NBC Today Show,
26 Defendant Lentz admitted that Toyota had “been investigating this [unintended
27 acceleration] for a long time.” Moreover, Lentz admitted that Toyota had known
28 about the “sticky” accelerator pedal defect since at least October 2009.

1 131. On February 2, 2010, Toyota announced more bad news related to
2 unintended acceleration, reporting a 16% decline in its U.S. sales for January
3 compared with a year earlier. Monthly U.S. sales had dropped below 100,000 for
4 the first time in more than a decade, and Toyota's U.S. market share had fallen to
5 its lowest level since January 2006. That day, the *Associated Press* published an
6 article titled "US Jan. Auto Sales Rise; Safety Fears Trip Toyota," stating that
7 Toyota "lost an estimated 20,000 sales after it stopped selling eight models because
8 of defective gas pedals," and that sales "slipped 16 percent" at a time when overall
9 U.S. sales of cars and light trucks "rose 6 percent." Also on February 2, 2010,
10 NHTSA announced it was renewing its investigation into Toyota's ETCS.
11 Transportation Secretary LaHood stated: "While Toyota is taking responsible
12 action now, it unfortunately took an enormous effort to get to this point." On these
13 disclosures, the price of Toyota ADSs fell from \$79.94 to \$78.18, and Toyota
14 common stock dropped from ¥3,605 to ¥3,400, another 5.7%.

15 132. On February 3, 2010, before the market opened, *Bloomberg News*
16 reported that the Toyota recalls to fix accelerator pedals involved 2.5 million
17 vehicles in the United States and Canada, 1.71 million vehicles in Europe, and
18 thousands throughout the rest of the world, including the top-selling Camry and
19 Corolla. It also reported that Toyota was separately recalling 5.35 million vehicles
20 in the United States because of floor mats that could jam accelerator pedals.
21 According to *Bloomberg News*, Toyota expected sales to drop by more than 20
22 percent as a result of the recalls. *Bloomberg News* also quoted Toyota executive
23 Shinichi Sasaki, who said: "In the past, we have seen sales drop by 20 percent
24 after a recall, but with this recall, we are worried that the sales drop will be bigger
25 than that."

26 133. On February 3, 2010, Transportation Secretary LaHood urged Toyota
27 owners concerned about their vehicles to stop driving them and take them to their
28 Toyota dealerships to be repaired immediately, and urged all vehicle owners

1 covered by the recall to get their vehicles fixed as soon as possible. Moreover,
2 LaHood called for a meeting with Toyota's President, Akio Toyoda, to discuss the
3 recent safety concerns involving Toyota vehicles and the Company's handling of
4 the recall, and told Congress that NHTSA was considering a civil penalty against
5 the Company over its handling of the recalls. On these disclosures, the price of
6 Toyota ADSs dropped \$4.69 per share, or 6%, closing at \$73.49 per share on
7 February 3, 2010, on record high volume of approximately 25 times the average in
8 the preceding year, and Toyota common stock dropped approximately 3.5%. In a
9 February 3, 2010 report, J.P. Morgan estimated the total direct cost of the two
10 recalls at approximately ¥200 billion and commented that: "Given the increasingly
11 uncertain outlook for near-term earnings due to these recalls, we think the stock
12 will probably lose its traditional value premium."

13 **3. Aftermath: The Government Initiated Investigations**
14 **As Defendants Admitted Their Class Period**
15 **Knowledge Of Unintended Acceleration Problems**

16 134. In the wake of Toyota's massive recalls, Congress held hearings into
17 unintended acceleration of Toyota vehicles and Defendants' conduct. Defendants'
18 wrongful conduct is also the subject of ongoing investigations by NHTSA, the
19 SEC, the FBI, various state attorneys general, and regulators in Canada and other
20 countries. Japan commenced its own investigation of unintended acceleration
21 incidents after Transport Minister Seiji Maehara stated that "*there is a high*
22 *possibility that Toyota has not firmly revealed . . . information*" about possible
23 defects.

24 135. Toyota is actively defending itself in numerous proceedings in the
25 United States related to unintended acceleration, including hundreds of lawsuits in
26 U.S. courts against the Company and its subsidiaries and a multi-district litigation
27 pending in the Central District of California in which Toyota is taking and
28 responding to discovery. In connection with these proceedings, Toyota has
produced hundreds of thousands of documents related to unintended acceleration

1 problems with Toyota vehicles, including discovery relating to the manner and
2 timeliness of Toyota's and its executives' responses to these problems. In addition,
3 Toyota directors, officers and employees have provided sworn testimony in the
4 United States regarding Toyota's unintended acceleration problems, including
5 several days of sworn testimony before members of the U.S. Congress by
6 Defendants Toyoda, Cho and Lentz.

7 136. The damage to Toyota's reputation in the wake of the recalls is
8 enormous. In addition to the revenue lost when Toyota was forced to halt sales and
9 manufacture of its best-selling models, Toyota has reported four quarterly U.S.
10 sales declines in 2010. Total sales for Toyota and Lexus brands declined by as
11 much as 45%. As the *Dow Jones Newswire* reported on September 1, 2010, Toyota
12 is the only major automaker to report declining sales in the first eight months of the
13 year and, following the recalls, Toyota has "faced difficult challenges to regain its
14 reputation for quality."

15 137. On February 24, 2010, Toyota President and CEO Akio Toyoda
16 testified before the House Oversight and Government Reform Committee. In
17 prepared remarks, Toyoda admitted that the recalls were caused by the Company's
18 "rapid" expansion over the past few years, which "may have been too quick."
19 Toyoda admitted that the Company had "pursued growth over the speed at which
20 we were able to develop our people and our organization," which resulted in the
21 safety issues at the Company. Moreover, Toyoda acknowledged that, in pursuit of
22 growth, *the Company's priorities of "first, safety; second, quality; third, volume"*
23 *"became confused."* As a former top executive from Toyota USA and Toyota NA
24 explained in a statement quoted by the *Wall Street Journal*, Toyota had become
25 dominated by "financially-oriented pirates."

26 138. On April 7, 2010, the Company issued a statement publicly
27 acknowledging that "*the company did a poor job communicating [with customers*
28 *and regulators] during the period preceding our recent recalls."*

1 139. On April 19, 2010, Toyota agreed to pay a \$16.4 million fine to
2 NHTSA – the largest possible civil penalty and the largest in NHTSA’s history –
3 after NHTSA determined that Toyota failed to timely inform the public of safety
4 problems, as required by law. Transportation Secretary LaHood concluded: “We
5 now have proof that *Toyota failed to live up to its legal obligations* Worse
6 yet, they *knowingly hid a dangerous defect . . .* from U.S. officials and did not
7 take action to protect millions of drivers and their families.”

8 140. In an interview with *Fortune* magazine, Toyota President Akio Toyoda
9 admitted that the Company “*slacked in . . . attention to the basics of*
10 *manufacturing.*” Toyoda said, “*It was as if we were engaged in car*
11 *manufacturing in a virtual world and became insensitive to vehicle failings and*
12 *defects in the market.*”

13 141. As a result of Defendants’ cover-up of serious defects in Toyota
14 vehicles, Moody’s Investors Service on April 21, 2010, downgraded Toyota’s
15 credit rating on senior, unsecured long-term debt from Aa1 to Aa2, which is equal
16 to Toyota’s lowest historical rating, with a negative outlook, citing among the
17 reasons “product quality and recall challenges.” Toyota also booked recall costs of
18 ¥170-180 billion in the fourth quarter of its 2010 fiscal year. Furthermore,
19 according to news reports, Toyota Executive Vice President Satoshi Ozawa stated
20 at Toyota’s shareholder meeting on June 24, 2010, that costs related to recalls for
21 the fiscal year ended March 31, 2010, totaled ¥380 billion, or \$4 billion.

22 **VII. DEFENDANTS MADE FALSE AND MISLEADING**
23 **STATEMENTS AND OMISSIONS OF**
24 **MATERIAL FACT DURING THE CLASS PERIOD**³⁵

25 142. **May 10, 2005 Form 6-K**: On May 10, 2005, Toyota filed with the
26 SEC a Form 6-K, reviewed and authorized by Defendant Cho, Toyota’s President,

27 _____
28 ³⁵ Defendants’ false and misleading statements and omissions of material fact are
set forth below and in the chart attached as Appendix A.

1 announcing the results of the Company's operations for the fiscal year ended
2 March 31, 2005 ("5/10/05 6-K"). A Japanese-language version of this document
3 was filed with the Tokyo Stock Exchange on May 10, 2005. In the 5/10/05 6-K,
4 the Company announced that it had achieved record high revenues in its 2005
5 fiscal year, and that, in North America, "[t]he increase in operating income was
6 mainly due to increases in both production volume and vehicle units sold, cost
7 reduction efforts made by local manufacturing subsidiaries and strong financial
8 performance by Toyota's financing subsidiaries in the United States of America."
9 With respect to Toyota's management policy, or "Guiding Principles," Toyota
10 affirmed:

11 The "Guiding Principles at Toyota Motor Corporation" are as follows:

12 (1) *Honor the language and spirit of the law of every nation and*
13 *undertake open and fair corporate activities to be a good corporate*
14 *citizen of the world (3) Dedicate ourselves to providing clean*
15 *and safe products*

16 143. In the 5/10/05 6-K, Toyota also promoted its focus on vehicle safety
17 technologies and the fact that Toyota was working to "maintain[] the world's
18 highest levels of quality," as follows:

19 Toyota [] continues to *focus on the development of vehicle safety*
20 *technologies* and their incorporation into products [I]n addition
21 to *maintaining the world's highest levels of quality* and reinforcing
22 cost competitiveness, Toyota is working to increase overall group
23 capabilities, develop optimal global business structures, and pursue
24 compatibility between growth and efficiency

25 Toyota further represented: "[W]e reaffirm our commitment to corporate ethics,
26 including *strict compliance with laws and regulations*, and seek to become a
27 global corporation, with sincerity and humility, that contributes to the development
28 of a prosperous society and is trusted around the world."

1 144. **June 24, 2005 Form 20-F:** On June 24, 2005, Toyota filed with the
2 SEC its Annual Report on Form 20-F for the fiscal year ended March 31, 2005
3 (“6/24/05 20-F”), which was reviewed and authorized by Defendant Kinoshita,
4 who signed a certification pursuant to Section 302 of the Sarbanes-Oxley Act. In
5 the 6/24/10 20-F, Toyota attributed its preeminence and growth to its “safety
6 technologies” and “focus on high quality and low-cost manufacturing,” stating:

7 Toyota believes that *its preeminence in the Japanese automotive*
8 *industry, its growth in the United States and Europe and its overall*
9 *position as the world’s third largest automobile producer have*
10 *resulted from the following factors:*

- 11 • its timely introduction of new products that meet consumer demands
12 and incorporate superior design and environmental and *safety*
13 *technologies*, [and]
14 • *its continuing focus on high quality and low-cost manufacturing,*
15 its commitment to investment in research and development and its
16 sales and production infrastructure

17 145. The 6/24/05 20-F also emphasized Toyota’s focus on safety,
18 representing:

19 Toyota believes that its long-term success will depend on being a
20 leader in automotive research and development. To that end, Toyota
21 is focusing its research and development on the promotion of
22 environmentally sound technologies, *product safety* and information
23 technologies.

24 * * *

25 “Toyota actively invests in technologies designed to increase *the*
26 *safety of its vehicles.* Toyota is developing technologies to increase
27 the availability of existing safety systems to all segments of the
28 market.”

* * *

“Toyota’s research and development actively focuses on the environment, *vehicle safety*, information technology and product development.”

* * *

“Toyota’s work in the area of vehicle safety is focused on the development of technologies designed to prevent accidents in the first instance.”

146. **Reasons Why False:** The foregoing statements contained in Toyota’s 5/10/05 6-K and 6/24/05 20-F (and in the Japanese-language version of the 5/10/05 6-K) were materially false and misleading when made for the following reasons:

(a) While Defendants emphasized that Toyota was working on “maintaining the world’s highest level of quality,” that the Company focused on the development of “vehicle safety technologies,” and that Toyota was dedicated to providing safe products, Defendants knew or recklessly disregarded, as detailed in ¶¶54-81, that Toyota vehicles were experiencing serious unintended acceleration problems, and failed to disclose this potentially catastrophic problem to Toyota’s customers, shareholders, or regulators.

(b) While Defendants reported that Toyota had achieved record revenues and increased operating income in large part due to cost reductions, Defendants knew or recklessly disregarded, as detailed in ¶¶54-81, 82-85, that (i) the cost reductions had not only resulted in record income, but also had resulted in a material upsurge of serious safety and quality problems in Toyota’s vehicles, including most prominently, the serious unintended acceleration problems that could lead to injury or death; and (ii) the reported record results and cost reductions were achieved only because Toyota had refused to disclose to its customers that its vehicles were experiencing serious and potentially catastrophic problems with unintended acceleration and refused to issue a recall necessary to

1 address the wide scope of the problem.

2 (c) While Defendants represented that Toyota “honor[ed] the . . .
3 spirit of the laws of every nation” and was in “strict compliance with laws and
4 regulations,” Defendants knew or recklessly disregarded, as detailed in ¶¶54-81,
5 that Toyota had failed to comply with U.S. laws requiring Toyota to notify NHTSA
6 about potentially dangerous conditions and that it had used various means to
7 conceal material information concerning defects from NHTSA in order to prevent
8 massive recalls.

9 (d) Defendants further knew or were reckless in disregarding that
10 Toyota’s surreptitious attempts to correct defects causing unintended acceleration,
11 including “running changes,” had not resolved the problem.

12 147. **November 4, 2005 Form 6-K:** On November 4, 2005, Toyota filed a
13 Form 6-K with the SEC to report its “record high” financial results for the six
14 months ended September 30, 2005 (“11/4/05 6-K”). The 11/4/05 6-K, reviewed
15 and authorized by Defendant Watanabe, Toyota’s President, again promoted
16 Toyota’s emphasis on safety and quality by representing that Toyota was
17 “maintaining the world’s highest levels of quality,” that Toyota’s strategies
18 included “continu[ing] to focus on the development of vehicle safety technologies
19 and their incorporation into products,” and reaffirming Toyota’s “commitment to
20 corporate ethics, including strict compliance with laws and regulations” The
21 Form 6-K also repeated that Toyota’s basic management policy was to honor the
22 laws of every nation and to provide clean and safe products. The Japanese-
23 language version of this document was filed with the Tokyo Stock Exchange.

24 148. **Reasons Why False:** The foregoing statements contained in Toyota’s
25 11/4/05 6-K (and in the Japanese-language version of the 11/4/05 6-K) were
26 materially false and misleading when made for the following reasons:

27 (a) While Defendants continued to represent that Toyota was
28 “maintaining the world’s highest levels of quality” and was “continuing to focus on

1 vehicle safety technologies,” at the time of their statements, Defendants were
2 aware or recklessly disregarded, as detailed in ¶¶54-81, 85-87, that Toyota had
3 received additional information about safety and quality problems with its vehicles.
4 Among other things, Toyota had documented floor mat interference with the
5 accelerator pedal, the sticking of the accelerator pedal, and reproduced an
6 unintended acceleration incident involving a Toyota Tacoma pickup. Moreover,
7 the unintended acceleration problem was frequently discussed internally at Toyota.
8 According to a June 14, 2005 internal email exchange between Toyota USA
9 attorney Dimitrios Biller and Toyota executive Webster Burns: “[T]his issue
10 [unintended acceleration] had been the subject of a number of meetings and the
11 exchange of a number of documents between TMS and TMC.”

12 (b) Moreover, while Defendants continued to reaffirm Toyota’s
13 “strict compliance with laws and regulations” and its policy to honor the spirit of
14 the laws of every nation, Defendants knew or recklessly disregarded, as detailed in
15 ¶¶54-81, that Toyota had violated United States law by failing to report material
16 information concerning unintended acceleration events to NHTSA and by
17 persuading NHTSA that there was a lack of evidence of unintended acceleration in
18 its vehicles when Toyota possessed evidence of a pattern of these incidents from
19 customer complaints, recalls that Toyota had conducted in other countries, and
20 Field Technical Reports.

21 (c) Defendants further knew or were reckless in disregarding that
22 Toyota’s surreptitious attempts to correct defects causing unintended acceleration,
23 including “running changes,” had not resolved the problem.

24 149. **May 10, 2006 Form 6-K:** On May 10, 2006, Toyota filed with the
25 SEC a Form 6-K, reviewed and authorized by Defendant Watanabe, reporting its
26 results for the fiscal year ended March 31, 2006 (“5/10/06 6-K”). The 5/10/06 6-K
27 reported “record high net revenues, operating income and net income,” and stated
28 that, in North America, “[t]he increase in operating income was mainly due to solid

1 performance as a result of increases in both local production volume and vehicle
2 units sold, as well as cost reduction efforts.” The 5/10/06 6-K also repeated that
3 Toyota’s basic management policy included honoring the laws of every nation and
4 dedicating itself to providing clean and safe products. The 5/10/06 6-K also stated
5 that Toyota’s “[m]edium- to long-term strategies include, first of all, focus on
6 development of cutting-edge technologies and their use in products to continue
7 providing customers around the world with products that are environmentally-
8 friendly, safe, comfortable, and attractive.” It further stated that “Toyota strives to
9 be a company with energy and dignity that fulfills its social responsibilities . . .
10 through corporate ethics including full compliance with applicable laws and
11 regulations.” The Form 6-K further represented that increases in operating income
12 in Toyota’s automotive segment and North America were due, in part, to “cost
13 reduction efforts.” The Form 6-K further emphasized that “the entire Toyota
14 Group is making concerted efforts to maintain and improve the world’s highest
15 levels of quality.” The Japanese-language version of this document was filed with
16 the Tokyo Stock Exchange on May 10, 2006

17 150. **June 26, 2006 Form 20-F**: On June 26, 2006, Toyota filed with the
18 SEC its Annual Report on Form 20-F for the fiscal year ended March 31, 2006
19 (“6/26/06 20-F”), reviewed and authorized by Defendants Cho, Toyota’s Chairman,
20 and Kinoshita, Toyota’s Executive Vice President and a Member of the Board, each
21 of whom signed Sarbanes-Oxley certifications included in the Form 20-F. In the
22 6/26/06 20-F, Toyota attributed its “preeminence in the Japanese automotive
23 industry, its growth in the United States and Europe and its overall position as the
24 world’s third largest automobile producer” to, among other things, products that
25 “incorporate superior design and environmental and safety technologies” and its
26 “continuing focus on manufacturing high quality products at low-costs.”
27 Regarding quality, the Form 20-F represented that “the Toyota Production System
28 seeks to increase manufacturing efficiency and product quality internally through

1 on-site identification and analysis of problems, improving transparency throughout
2 the production process, and resolving problems at the source.” The Form 20-F also
3 promoted Toyota’s focus on safety, including that “Toyota is focusing its research
4 and development on the promotion of . . . product safety”; “Toyota actively invests
5 in technologies designed to increase the safety of its vehicles”; “Toyota is
6 developing technologies to increase the availability of existing safety systems to all
7 segments of the market”; “Toyota’s research and development actively focuses on .
8 . . . vehicle safety”; and “Toyota’s work in the area of vehicle safety is focused on
9 the development of technologies designed to prevent accidents in the first
10 instance.”

11 151. **June 26, 2006 Form 6-K**: On June 26, 2006, Toyota also filed with
12 the SEC a Form 6-K (“6/26/06 6-K”), reviewed and authorized by Defendant
13 Watanabe, Toyota’s President, which contained statements about Toyota’s focus on
14 “providing customers around the world with products that are . . . safe”; “efforts to
15 maintain and improve the world’s highest levels of quality”; and Toyota’s “full
16 compliance with applicable laws and regulations.” The Japanese-language version
17 of this document was filed with the Tokyo Stock Exchange on June 5, 2006.

18 152. **November 7, 2006 Form 6-K**: On November 7, 2006, Toyota filed
19 with the SEC a Form 6-K, reviewed and authorized by Defendant Watanabe,
20 announcing its financial results for the six months ended September 30, 2006
21 (“11/7/06 6-K”). The Form 6-K included a press release quoting Defendant
22 Kinoshita, who said: “For the first half, Toyota posted record consolidated results
23 across the board. Our first half revenues exceeded ten trillion yen and operating
24 income exceeded one trillion yen for the first time. We believe our efforts to build
25 a solid operational foundation contributed to these results . . . [W]e aim to achieve
26 higher levels of revenues and profits through further increase of vehicle sales and
27 cost reductions.” The Form 6-K also represented that Toyota’s Guiding Principles
28 included honoring the law of every nation and providing safe products. The Form

1 6-K again represented that Toyota’s medium- to long-term strategies included,
2 “first of all, focus on development of cutting-edge technologies and their use in
3 products to continue providing customers around the world with products that are .
4 . . safe” The Form 6-K further represented that Toyota “strives to be a
5 company with energy and dignity that fulfills its social responsibilities . . . through
6 corporate ethics including full compliance with applicable laws and regulations.”
7 The Form 6-K repeated that “the entire Toyota Group is making concerted efforts
8 to maintain and improve the world’s highest levels of quality.” The Japanese-
9 language version of this document was filed with the Tokyo Stock Exchange on
10 November 7, 2006.

11 153. **Reasons Why False:** The foregoing statements contained in Toyota’s
12 5/10/06 6-K, 6/26/06 20-F, 6/26/06 6-K, and 11/7/06 6-K (and in the Japanese-
13 language versions of the 5/10/06 6-K, the 6/26/06 6-K, and the 11/7/07 6-K) were
14 materially false and misleading when made for the following reasons:

15 (a) While Defendants continued to promote Toyota’s “high quality
16 products,” “concerted efforts to maintain and improve the world’s highest levels of
17 quality,” dedication to providing “safe products,” and focus on “vehicle safety
18 technologies,” Defendants knew or recklessly disregarded, as detailed in ¶¶54-81,
19 85-87, that Toyota vehicles experienced serious unintended acceleration problems
20 resulting in injuries and deaths. Defendants were also aware that there had been
21 significant deterioration in Toyota’s vehicle quality because, among other things, in
22 the fall of 2006, six long-term Toyota factory workers sent a memo directly to
23 Defendant Watanabe, Toyota’s President, stating that “[w]e are concerned about the
24 processes which are essential for producing safe cars” and warned him that
25 “Toyota’s failure to act may become a great problem that involves the company’s
26 survival.” According to a March 11, 2010 article in *The Times* (London), Toyota
27 acknowledged that senior management had seen the original memo.

28 (b) While Defendants continued to report “record high” net

1 revenues, operating income and net income due, in large part, to “cost reduction
2 efforts,” Defendants knew or recklessly disregarded, as detailed in ¶¶54-81, 82-85,
3 that (i) the cost reductions had not only resulted in record income, but also had
4 resulted in a material upsurge of serious safety and quality problems in Toyota’s
5 vehicles, including most prominently, the serious unintended acceleration problems
6 that could lead to injury or death; and (ii) the reported record results and cost
7 reductions were achieved only because Toyota had refused to disclose to its
8 customers that its vehicles were experiencing a serious and potentially catastrophic
9 problem with unintended acceleration and refused to issue a recall necessary to
10 address the wide scope of the problem. Indeed, as a Toyota executive later
11 acknowledged, Defendants were aware that a massive recall was likely to impact
12 sales by more than 20 percent and was likely to damage the Company’s carefully
13 cultivated reputation for quality.

14 (c) While Defendants continued to represent that Toyota
15 “honor[ed] . . . the spirit of the laws of every nation,” was in “strict compliance
16 with laws and regulations,” and that its corporate ethics included “full compliance
17 with applicable laws and regulations,” Defendants knew or recklessly disregarded,
18 as detailed in ¶¶54-81, 85, 88-91, that Toyota failed to comply with the TREAD
19 Act reporting requirements by withholding material information concerning
20 unintended acceleration in Toyota vehicles from NHTSA. Among other things,
21 through complaints filed with Toyota’s customer complaint center and Toyota’s
22 own Field Technical Reports, Defendants were aware that Toyota vehicles had
23 experienced serious unintended acceleration problems. Nonetheless, Toyota
24 withheld customer complaints from NHTSA and wrote letters to NHTSA
25 representing that there was no trend of unintended acceleration problems.

26 (d) Defendants further knew or were reckless in disregarding that
27 Toyota’s surreptitious attempts to correct defects causing unintended acceleration,
28 including “running changes,” had not resolved the problem.

1 154. **December 22, 2006 Bloomberg News and Associated Press Articles:**

2 On December 22, 2006, in a press release entitled “Toyota Announces
3 Sales/Production Plans for 2007,” Toyota announced aggressive targets for
4 worldwide production and sales for fiscal 2007. That same day, in an article
5 entitled “Toyota May Surpass GM in 2007 With Record Car Sales,” *Bloomberg*
6 *News* reported that Toyota President Katsuaki Watanabe credited the superior
7 quality of Toyota vehicles for Toyota’s aggressive sales and performance targets.
8 The article quoted Defendant Watanabe as stating, “[q]uality is ‘Toyota’s lifeline.
9 *We are seeing progress in the quality projects we have been working on.’*”
10 Watanabe did not disclose that Toyota’s quality had deteriorated to such an extent
11 that it led to defects such as serious unintended acceleration problems that could
12 cause injuries and fatalities. Also on December 22, 2006, the *Associated Press*
13 published an article entitled “Toyota Quietly Ascending to No. 1 Spot.” The article
14 included statements by Mr. Watanabe crediting the high quality of the Company’s
15 automobiles for Toyota’s sales and performance. According to the article,
16 Watanabe stated: “*There will be no growth without quality.*”

17 155. **Reasons Why False:** The foregoing statements by Toyota and
18 Watanabe quoted in the December 22, 2006 *Bloomberg News* and *Associated Press*
19 articles were materially false and misleading when made. While Toyota and
20 Watanabe proclaimed that “quality is Toyota’s lifeline,” “we are seeing progress in
21 the quality projects we have been working on,” and “there will be no growth
22 without quality,” Toyota and Watanabe knew or recklessly disregarded, as detailed
23 in ¶¶54-81, 84, that Toyota vehicles were experiencing serious unintended
24 acceleration problems, and failed to disclose this potentially catastrophic problem
25 to Toyota’s customers, shareholders, or regulators. Indeed, Watanabe was directly
26 notified of the severe decline in Toyota quality in a memo from Toyota employees,
27 addressed to him, warning him about dangerous safety and manpower shortcuts
28 that had been made to achieve lower costs and boost production, and that “Toyota’s

1 failure to act may become a great problem that involves the company’s survival.”
2 Defendants further knew or were reckless in disregarding that Toyota’s
3 surreptitious attempts to correct defects causing unintended acceleration, including
4 “running changes,” had not resolved the problem.

5 156. **June 25, 2007 Form 20-F:** On June 25, 2007, Toyota filed with the
6 SEC its Annual Report on Form 20-F (“6/25/07 20-F”) for the fiscal year ended
7 March 31, 2007, which was reviewed and authorized by Defendants Cho, Toyota’s
8 Chairman, and Kinoshita, Toyota’s Executive Vice President and a member of the
9 Board, each of whom signed the Sarbanes-Oxley certifications included in the
10 report. The Form 20-F represented that the safety of Toyota’s vehicles was
11 providing the Company with an edge, stating that “Toyota believes that its research
12 and development initiatives, particularly the development of environmentally
13 friendly new vehicle technologies, vehicle safety and information technology,
14 provide it with a strategic advantage.” Toyota further stated that “the Toyota
15 Production System seeks to increase manufacturing efficiency and product quality
16 internally through on-site identification and analysis of problems, improving
17 transparency throughout the production process, and resolving problems at the
18 source.” Toyota also stated that “Toyota actively invests in technology
19 development designed to increase the safety of its vehicles,” and that “Toyota’s
20 work in the area of vehicle safety is focused on the development of technologies
21 designed to prevent accidents in the first instance, as well as the development of
22 technologies that protect passengers and reduce the damage on impact in the event
23 of an accident.”

24 157. **Reasons Why False:** The foregoing statements in the 6/25/07 20-F
25 were materially false and misleading when made. While Defendants continued to
26 promote Toyota’s “product quality,” “vehicle safety,” and the development of
27 “vehicle safety technology,” Defendants were aware or recklessly disregarded, as
28 detailed in ¶¶54-81, 85-87, 91, 93, that Toyota vehicles were experiencing serious

1 unintended acceleration problems, and failed to disclose this potentially
2 catastrophic problem, which had continued to escalate unabated, to its customers,
3 shareholders, or regulators. Among other things, by the time Defendants made the
4 foregoing statements, Toyota had been alerted to even more unintended
5 acceleration incidents, including in letters sent directly to senior Toyota executives.
6 Toyota's Field Technical Reports also continued to document the problem. For
7 example, a June 8, 2007 Field Technical Report stated that Toyota technicians in
8 Hong Kong experienced unintended acceleration during routine maintenance of a
9 vehicle at a Lexus service center and "strongly request[ed] TMC to investigate this
10 case in a very top priority, since the case is highly related to vehicle safety and
11 there is a highly potential danger of severe traffic accident." Furthermore, by
12 2007, the unintended acceleration problems were so pervasive that even Toyota
13 USA suggested that Toyota put in "a fail safe option similar to that used by other
14 companies to prevent unintended acceleration." Defendants further knew or were
15 reckless in disregarding that Toyota's surreptitious attempts to correct defects
16 causing unintended acceleration, including "running changes," had not resolved the
17 problem.

18 158. **October 16, 2007 Bloomberg News Article:** On October 16, 2007,
19 *Bloomberg News* reported that, according to *Consumer Reports'* annual reliability
20 survey covering 1998 through 2007 models and based on reader surveys, Toyota's
21 vehicle quality had declined. *Bloomberg News* reported:

22 Jim Lentz, executive vice president of Toyota's U.S. sales unit, said
23 . . . [that] Toyota's own information *doesn't show deterioration*
24 "We look at warranty data, and the warranty numbers have actually
25 been falling quite rapidly in the last three or four years," he said in an
26 interview. "*Everything we're seeing indicates that quality is in fact*
27 *getting better.*"
28

1 159. **October 17, 2007 New York Times Article:** The next day, the *New*
2 *York Times* also published an article concerning *Consumer Reports'* reliability
3 ratings entitled "Toyota Falls to No. 3 in Reliability Rankings." In the article,
4 Toyota's representatives continued to reassure the public of the high quality of
5 Toyota's vehicles:

6 A Toyota spokesman, John McCandless, said the company needed to
7 analyze the survey data before commenting in detail on the problems
8 that it identified . . . "*None of our internal indicators indicated any*
9 *problems with the three models that didn't get recommended,*" Mr.
10 McCandless said.

11 But Steve St. Angelo, manager of Toyota's complex in Georgetown,
12 Ky., where the Camry is built, said the transmission complaints could
13 be linked to defects Toyota discovered in a few early models of the
14 latest Camry. Mr. St. Angelo said those *issues had been addressed.*
15 "*Don't worry about the Camry,*" Mr. St. Angelo said Tuesday night
16

17 160. **Reasons Why False:** The foregoing statements by Toyota and Lentz,
18 quoted by *Bloomberg News* and the *New York Times* on October 16 and 17, 2007,
19 respectively, were false and misleading at the time they were made. While
20 proclaiming that "quality is in fact getting better," Defendant Lentz was well aware
21 or recklessly disregarded, as detailed in ¶¶54-81, 91, 101, 130, that Toyota vehicles
22 were experiencing serious unintended acceleration problems, and failed to disclose
23 this potentially catastrophic problem to Toyota customers, shareholders, or
24 regulators. Lentz was aware that Toyota's customer complaint center in Torrance,
25 California, received thousands of complaints regarding the problem and that
26 Toyota USA even recommended that Toyota implement safety features to prevent
27 deaths and injuries. Indeed, in later Congressional hearings, when Defendant
28 Lentz was asked whether he had "any reason to believe that out of the thousands

1 upon thousands of complaints, that Toyota or Lexus owners are inventing these
2 terrifying stories about their driving experiences,” Lentz replied: “No”
3 Moreover, while Toyota representatives stated that “none of our internal indicators
4 indicated any problems with the three models that didn’t get recommended” by
5 *Consumer Reports*, and that the public should not “worry about the Camry,”
6 Defendants were aware or recklessly disregarded that Toyota vehicles, including
7 the popular Camry, were prone to unintended acceleration. By then, NHTSA had
8 commenced (but closed, after being misled by Toyota) several investigations
9 concerning unintended acceleration involving the Camry. Further, the Company
10 had received numerous complaints about unintended acceleration, including
11 60,000 “surging” complaints about the Camry in 2004 alone, which it deliberately
12 withheld from NHTSA. Defendants also knew or were reckless in disregarding
13 that Toyota’s surreptitious attempts to correct defects causing unintended
14 acceleration, including “running changes,” had not resolved the problem.

15 161. **April 7, 2008 Detroit Free Press Article:** On April 7, 2008, in
16 response to increased media reports of unintended acceleration in Toyota Tacoma
17 pickup trucks, a Toyota spokesman quoted in the *Detroit Free Press* denied that
18 any problem existed with Toyota’s accelerator pedals. According to the article
19 entitled “Toyota Pickup Probe Pushed; Sudden Acceleration Claims Hard to Pin
20 Down”:

21 *Toyota spokesman Bill Kwong says the company has found no*
22 *problems with the Tacoma that would explain the complaints.*

23 *“We don’t feel it’s an issue with the vehicle,”* he said. Regulators
24 *“get sudden acceleration complaints from consumers for various*
25 *manufacturers . . . and in most cases they have found it’s a*
26 *misapplication of the pedals by the driver.”*

27 162. **May 8, 2008 Form 6-K:** On May 8, 2008, Toyota filed with the SEC
28 a Form 6-K, reporting Toyota’s “record net revenues, operating income and net

1 income” for the fiscal year ended March 31, 2008 (“5/8/08 6-K”), which was
2 reviewed and authorized by Defendant Watanabe. In the financial results included
3 in the Form 6-K – of which a Japanese-language version was filed with the Tokyo
4 Stock Exchange on May 8, 2008 – Toyota stated that “[t]he increase in operating
5 income [for the automotive operations] was mainly due to increases in both
6 production volume and vehicle units sold and cost reduction efforts” Under
7 the heading “Management Policy” in the consolidated financials, Toyota stated:

8 *With respect to quality, by implementing “jikotei kanketsu (the*
9 *concept of defect-free process completion to ensure that no defective*
10 *product leaves any production process)”, we will strive to maintain*
11 *and enhance quality at the world’s highest level and raise cost*
12 *competitiveness to support high quality and sustainable growth*

13 Toyota fulfills its social responsibility (CSR) through philanthropic
14 activities undertaken through corporate ethics including *full*
15 *compliance with applicable laws and regulations.”*

16 163. **June 10, 2008 Detroit Free Press Article:** On June 10, 2008, the
17 *Detroit Free Press* published an article entitled “Toyota Denies Tacoma is
18 Defective; Media Inspired Acceleration Claims, it says.” In statements quoted in
19 this article, Toyota continued to assert that unintended acceleration incidents
20 involving Toyota Tacoma pickups were not related to any safety defects:

21 Some 431 customers from around the country have reported
22 unintended or sudden acceleration in their Toyota Tacoma pickups,
23 resulting in 51 crashes and 12 injuries, but the automaker said there
24 are no flaws in the trucks and that many reports were “inspired by
25 publicity.”

26 It also said “extensive media coverage” spurred additional reports and
27 could explain why no other pickup has similar complaints.
28

1 “Toyota believes that it is likely that many of the consumer
2 complaints about the general issue of unwanted acceleration . . . as
3 well as many of the complaints about this subject that have been
4 received by Toyota, were *inspired by publicity*,” Toyota said in a
5 letter to the NHTSA released Thursday.

6 “But even taking them at face value, it is clear that the majority of the
7 complaints are related to minor drivability issues and *are not*
8 *indicative of a safety-related defect.*”

9 Toyota spokesman Bill Kwong said *tests by the automaker and the*
10 *NHTSA revealed no problems that would explain the complaints.*

11 He said the problems were not as prevalent as the number of
12 complaints suggested, saying NHTSA asked for any cases where
13 engine idle speed increased.

14 “*We remain confident in the safety of the vehicles,*” Kwong said.

15 164. **June 25, 2008 Form 20-F:** On June 25, 2008, Toyota filed with the
16 SEC its Annual Report on Form 20-F for the fiscal year ended March 31, 2008
17 (“6/25/08 20-F”), which was reviewed and authorized by Defendants Cho and
18 Kinoshita, who both signed Sarbanes-Oxley certifications included in the report.
19 In the 6/25/08 20-F, Toyota stated that “Toyota’s corporate goal is to maintain its
20 position as a market leader in the automotive industry and to continue its growth,
21 while enhancing profitability and shareholder returns. In order to achieve this
22 corporate goal, Toyota strives to further enhance its technology, production and
23 marketing, supported by improvements in quality control, strengthening of cost-
24 competitiveness and personnel development.” Toyota also continued to promote
25 its development of vehicle safety technology and ability to identify and resolve
26 problems at the source, stating: “Toyota believes that its research and development
27 initiatives, particularly the development of environmentally friendly new vehicle
28 technologies, vehicle safety and information technology, provide it with a strategic

1 advantage as a global competitor”; “Toyota is focusing its research and
2 development on the promotion of . . . product safety technologies”; “[Toyota] is
3 focusing its initiatives on . . . the improvement of technologies that pursue driving
4 and vehicle safety”; “the Toyota Production System seeks to increase
5 manufacturing efficiency and product quality internally through on-site
6 identification and analysis of problems, improving transparency throughout the
7 production process, and resolving problems at the source”; “Toyota’s research and
8 development activities focus on . . . vehicle safety”; and “Toyota’s work in the area
9 of vehicle safety is focused on the development of technologies designed to
10 prevent accidents in the first instance, as well as the development of technologies
11 that protect passengers and reduce the damage on impact in the event of an
12 accident.”

13 165. **Reasons Why False:** The foregoing statements made in the
14 5/8/08 6-K (and in the Japanese-language version of the 5/8/08 6-K), the 4/7/08
15 and 6/10/08 *Detroit Free Press* articles, and the 6/25/08 20-F were materially false
16 and misleading when made for the following reasons:

17 (a) While Defendants reported that Toyota had achieved “record”
18 operating income due, in large part, to cost reduction efforts, Defendants knew or
19 recklessly disregarded, as detailed in ¶¶54-81, 85-87, 91, 93, that (i) the cost
20 reduction had not only resulted in record income, but also had resulted in a
21 material upsurge of serious safety and quality problems in Toyota’s vehicles,
22 including most prominently, the serious unintended acceleration problems that
23 could lead to injury or death; and (ii) the reported record results and cost
24 reductions were achieved only because Toyota had refused to disclose to its
25 customers that its vehicles were experiencing a serious and potentially catastrophic
26 problem with unintended acceleration and refused to issue a recall necessary to
27 address the wide scope of the problem.
28

1 (b) While Toyota claimed that the Company had found no problems
2 with the Tacoma that would explain the unintended acceleration, that “we don’t
3 feel it’s an issue with the vehicle,” that tests by Toyota and NHTSA revealed no
4 problem that would explain consumer complaints, and blamed the problem on
5 misapplication of the pedal by the driver and on publicity, the Company knew or
6 recklessly disregarded, as detailed in ¶¶86-87, 102, that the Tacoma had a history
7 of unintended acceleration and that a Toyota field technical specialist had even
8 reproduced the same unintended acceleration being reported by Tacoma owners.

9 (c) While Defendants promoted the Company’s safety technology,
10 product quality, focus on vehicle safety, and represented that its management
11 policy was to “maintain and enhance quality at the world’s highest level,”
12 Defendants knew or recklessly disregarded, but failed to disclose, as detailed in
13 ¶¶54-81, 85-87, 91, 93, that Toyota vehicles were experiencing serious unintended
14 acceleration problems, and failed to disclose this potentially catastrophic problem
15 to Toyota’s customers, shareholders, or regulators.

16 (d) While Defendants continued to represent that the Company’s
17 corporate ethics included “full compliance with applicable laws and regulations,”
18 Defendants knew or recklessly disregarded, as detailed in ¶¶54-81, 88-104, that
19 Toyota had failed to timely or accurately report information to NHTSA, as required
20 by the TREAD Act. Among other things, by this time, Defendants were aware that
21 NHTSA had opened additional investigations, including an investigation in April
22 2008, in response to consumer reports of unintended acceleration in Sienna
23 minivans. However, Toyota had known about unintended acceleration in Sienna
24 minivans *five years earlier*, but failed to notify NHTSA.

25 (e) Defendants, further, knew or were reckless in disregarding that
26 Toyota’s surreptitious attempts to correct defects causing unintended acceleration,
27 including “running changes,” had not resolved the problem.
28

1 166. **April 23, 2009 Westword Article:** In an April 23, 2009 article in the
2 *Westword*, a Denver, Colorado weekly newspaper, Toyota again denied any
3 problems with Toyota’s acceleration systems and attempted to blame drivers:

4 “You get these customers that say, ‘I stood on the brake with all my
5 might and the car just kept on accelerating.’ *They’re not stepping on*
6 *the brake,*” says corporate Toyota spokesman Bill Kwong. “People
7 are so under stress right now, people have so much on their minds.
8 With pagers and cell phones and IM, people are just so busy with kids
9 and family and boyfriends and girlfriends. So you’re driving along,
10 and the next thing you know, you’re two miles down the road and you
11 don’t remember driving, because you’re thinking about something
12 else.”³⁶

13 167. **June 24, 2009 Form 20-F:** On June 24, 2009, Toyota filed with the
14 SEC its Annual Report on Form 20-F for the fiscal year ended March 31, 2009
15 (“6/24/09 20-F”), which was authorized by Defendant Cho, Toyota’s Chairman,
16 who signed a Sarbanes-Oxley certification included in the report. In the 6/24/09
17 20-F, Toyota continued to promote the Company’s focus on vehicle safety, stating,
18 among other things, that: “Toyota believes that its research and development
19 initiatives, particularly the development of . . . vehicle safety . . . provide it with a
20 strategic advantage”; “Toyota is focusing its research and development on the
21 promotion of . . . product safety technologies”; “[Toyota] is focusing its initiatives
22 on the following areas: . . . the improvement of technologies that pursue driving
23 and vehicle safety”; “the Toyota Production System seeks to increase
24 manufacturing efficiency and product quality internally through on-site
25 identification and analysis of problems, improving transparency throughout the
26

27 _____
28 ³⁶ Paul Knight, “The Prius can take owners on a wild ride,” *Westword*, April 23,
2009.

1 production process, and resolving problems at the source”; “Toyota’s research and
2 development activities focus on . . . vehicle safety”; and “Toyota’s work in the area
3 of vehicle safety is focused on the development of technologies designed to
4 prevent accidents in the first instance, as well as the development of technologies
5 that protect passengers and reduce the damage on impact in the event of an
6 accident.”

7 168. **Reasons Why False:** The foregoing statements in the 4/23/09
8 *Westword* article and Toyota’s 6/24/09 20-F were materially false and misleading
9 when made for the following reasons:

10 (a) While Toyota attempted to blame unintended acceleration on
11 drivers “not stepping on the brake,” Defendants knew or recklessly disregarded, as
12 detailed in ¶¶54-81, that driver error could not explain the mounting number of
13 unintended acceleration incidents and that problems such as floor mat entrapment
14 and sticky accelerator pedals could cause unintended acceleration. Among other
15 things, Defendants knew that Toyota had replaced some floor mats in the U.K. in
16 2000 because of possible “interference with the accelerator pedal”; that Sienna
17 minivans had problems with a trim panel that could come loose and cause the
18 accelerator pedal to stick; and that Toyota had recalled vehicles in Canada in 2003
19 because of the potential danger that the driver’s-side floor mat could interfere with
20 the accelerator pedal. As confirmed by CW7, a former systems engineer who
21 worked at Toyota Motor Engineering and Manufacturing in Kentucky (Toyota NA)
22 from February 2008 to August 2009, while the Company made statements
23 attempting to blame drivers for unintended acceleration, in reality Toyota knew –
24 and had known for some time – that defects existed with its vehicles that caused
25 unintended acceleration. Defendants further knew or were reckless in disregarding
26 that Toyota’s surreptitious attempts to correct defects causing unintended
27 acceleration, including “running changes,” were ineffective.

1 (b) While Defendants continued to promote Toyota's focus on
2 "vehicle safety" and "product safety" technologies and "product quality,"
3 Defendants knew or recklessly disregarded, as detailed in ¶¶54-81, 83-87, 91, 93,
4 that Toyota vehicles were experiencing serious unintended acceleration problems
5 but nevertheless deliberately chose not to implement brake override systems to
6 ensure customer safety.

7 169. **September 14, 2009 Press Release:** Following the August 28, 2009
8 fatal Saylor accident, on September 14, 2009, Toyota USA issued a press release
9 titled "Lexus ES350 Accident Investigation," attributing the accident to an "all-
10 weather floor mat from a different Lexus model which, if installed incorrectly in
11 the ES350, could cause it to interfere with the accelerator. All-weather floor mats
12 are installed by dealers or customers [*i.e.* not the manufacturer] as an accessory
13 item." Toyota also claimed that the issue was not unique to Toyota: "Driver's floor
14 mat interference with the accelerator pedal is possible in any vehicle make with
15 any combination of floor mats when the floor mat is not properly secured or if it is
16 not the factory designed floor mat for the vehicle."

17 170. **Reasons Why False:** Defendants' statements in the foregoing press
18 release were materially false and misleading at the time they were made. While
19 Defendants attributed the Saylor accident to improper floor mats, they were aware
20 but recklessly disregarded, for the reasons detailed in ¶¶54-81, 111, 115, that
21 improperly installed floor mats alone could not explain the serious unintended
22 acceleration problems, as they were aware of other problems such as defective
23 accelerator pedals. Further, a *Los Angeles Times* review of an earlier investigation
24 of Lexus vehicles showed that NHTSA had found that the Lexus ES braking
25 system loses power-assist when the throttle is fully opened, increasing braking
26 distance fivefold. Moreover, a NHTSA report also indicated that the Lexus
27 accelerator pedal design may have contributed to the risk of floor mat entrapment.
28

1 171. **November 2, 2009 Press Release:** Despite the announced recall of
2 3.8 million vehicles, Toyota continued to claim that no mechanical or electrical
3 defects existed. On November 2, 2009, Toyota USA issued a press release titled
4 “Toyota Begins Interim Notification to Owners Regarding Future Voluntary Safety
5 Recall Related to Floor Mats,” in which Toyota claimed that NHTSA had
6 confirmed no defects exist where the driver’s floor mat was compatible with the
7 vehicle and properly secured:

8 Toyota Motor Sales (TMS), U.S.A., Inc., today announced that it has
9 begun mailing letters to owners of certain Toyota and Lexus models
10 regarding the potential for an unsecured or incompatible driver’s floor
11 mat to interfere with the accelerator pedal and cause it to get stuck in
12 the wide-open position.

13 *The letter, in compliance with the National Traffic and Motor*
14 *Vehicle Safety Act and reviewed by the National Highway Traffic*
15 *Safety Administration (NHTSA) also confirms that no defect exists*
16 *in vehicles in which the driver’s floor mat is compatible with the*
17 *vehicle and properly secured.*

18 The Toyota finding is consistent with a recent decision by NHTSA
19 denying a request for an additional investigation of unwanted and
20 unintended acceleration of model year 2007 Lexus ES350 vehicles
21 and model years 2002-2003 Lexus ES300. After conducting an
22 extensive technical review of the issue, including interviews with
23 consumers who had complained of unwanted acceleration, *NHTSA*
24 *concluded that “. . . the only defect trend related to vehicle speed*
25 *control in the subject vehicles involved the potential for accelerator*
26 *pedals to become trapped near the floor by out-of-position or*
27 *inappropriate floor mat installations.”*
28

1 This is the sixth time in the past six years that NHTSA has undertaken
2 such an exhaustive review of allegations of unintended acceleration
3 on Toyota and Lexus vehicles and the sixth time the agency has found
4 no vehicle based cause for the unwanted acceleration allegations.

5 “The question of unintended acceleration involving Toyota and Lexus
6 vehicles has been repeatedly and thoroughly investigated by NHTSA,
7 *without any finding of defect other than the risk from an unsecured*
8 *or incompatible driver’s floor mat,” said Bob Daly, TMS senior vice*
9 *president*

10 172. November 2, 2009 Conference Call: In a November 2, 2009
11 conference call with media representatives at the Thomson Reuters Autos Summit,
12 Defendant Carter again asserted that the explanation for the unintended
13 acceleration problem was confined to the floor mats. When asked about the floor
14 mat recall, Carter emphatically stated that there was “absolutely no evidence” of
15 any other causes for unintended acceleration:

16 Media: And then Bob might be remiss, too, but I am going to ask
17 about the floor mat recall. I understand the customer letters went out
18 Friday. What is the latest there? Where are you in developing that?

19 Carter: We are working very closely with NHTSA on this
20 situation. *There is a concern which we immediately once we became*
21 *aware of this concern, that there is a potential of incompatible floor*
22 *mat, for a floor mat that is not appropriately attached in the vehicle*
23 *coming in contact and fouling the accelerator pedal. With that, we*
24 *immediately released a consumer alert, and we are working with*
25 *NHTSA on developing appropriate actions as we go forward.* Our
26 consumer report was to advise the consumer that it is extremely
27 important that they have a compatible floor mat in the vehicle, that is
28 designed for the vehicle, and it be properly attached. We are also

1 working with the Association of Carwashes to make sure that car
2 washes take floor mats in and out, they don't create a situation on
3 behalf of the consumer. Beyond that, we are working with them, the
4 NHTSA, to develop what the future engineering – what can possibly
5 be engineered for the future. There has been some speculation in the
6 media that says that the –

7 Media: It's not just the floor mat Yes.

8 Carter: It is not just the floor mat. *There has been speculation*
9 *and theories that there are some concerns with our fuel delivery*
10 *systems, our braking systems, our throttle systems. I will tell you*
11 *there is absolutely no evidence to support any of that.* In fact, last
12 week NHTSA just closed another investigation of a vehicle that was
13 looked at, and again they concluded that the source was an
14 incompatible floor mat or a floor mat that was not attached properly . . .

15 Media: But at the moment though, as this moves to recall, I guess
16 what you said will happen. *The focus is just the floor mat, floor mat*
17 *design, nothing beyond that?*

18 Carter: *Absolutely. Absolutely. There is no evidence that goes*
19 *beyond that.*

20 173. **Reasons Why False:** The foregoing statements in Toyota USA's
21 November 2, 2009 press release and conference call were misleading at the time
22 they were made. While Defendants represented that NHTSA had confirmed that
23 "no defect exists in vehicles in which the driver's floor mat is compatible with the
24 vehicle and properly secured," and that NHTSA had concluded that "the only
25 defect trend related to vehicle speed control in the subject vehicles involved the
26 potential for accelerator pedals to become trapped near the floor by out-of-position
27 or inappropriate floor mat installations," and that "[a]bsolutely there is "no
28 evidence that goes beyond [floor mats]," Defendants were aware or recklessly

1 disregarded, as detailed in ¶¶54-81, 111, 115, that the unintended acceleration
2 problems could not be explained by incompatible or unsecured floor mats alone,
3 and that NHTSA had not concluded that floor mats were the only defect trend
4 related to vehicle-speed control. In fact, just two days after Toyota’s press release
5 and conference call, NHTSA refuted Toyota’s claims and admonished Toyota for
6 making an “inaccurate and misleading” statement.

7 174. **November 29, 2009 New York Times Article:** Despite the rebuke by
8 NHTSA, Defendants continued to represent that the unintended acceleration
9 problem had been resolved. On November 29, 2009, the *New York Times* reported
10 that in a November 25, 2009 press conference Defendant Miller stated: “*We are*
11 *very, very confident that we have addressed this issue.* We can come up with no
12 indication whatsoever that there is a throttle or electronic control system
13 malfunction.” Miller further stated: “*We have come to the conclusion this is*
14 *pedal misapplication or pedal entrapment.* We continue to find no reason to
15 believe that there is a problem with the electronic control systems.”

16 175. **Miller’s December 9, 2009 Response to the Los Angeles Times:** On
17 December 5, 2009, the *Los Angeles Times* printed an editorial describing an
18 incident involving Eric Weiss, who had stopped his Tacoma pickup at an
19 intersection in Long Beach in October 2009 when the truck, on its own, suddenly
20 accelerated toward oncoming traffic. According to the article, “Weiss says the
21 mats weren’t the problem – he’d removed them months ago on his dealer’s
22 advice.” In response, Defendant Miller wrote a letter to the *Los Angeles Times*,
23 dated December 5 and published on December 9, 2009, stating, “*we are highly*
24 *confident that we have addressed the root cause of unwanted acceleration – the*
25 *entrapment of the accelerator pedal.*”

26 176. **Miller’s December 23, 2009 Response to the Los Angeles Times:**
27 On December 23, 2009, in response to a story in the *Los Angeles Times*, Defendant
28

1 Miller issued a release in Toyota USA's Point of View newsroom on Toyota's
2 website entitled "Setting the Record Straight," which stated:

3 Today the Los Angeles Times published an article that wrongly and
4 *unfairly attacks Toyota's integrity and reputation.*

5 While outraged by the Times' attack, we were not totally surprised.
6 The tone of the article was foreshadowed by the phrasing of a lengthy
7 list of detailed questions that the Times emailed to us recently. The
8 questions were couched in accusatory terms.

9 Despite the tone, we answered each of the many questions and sent
10 them to the Times. Needless to say, we were disappointed by the
11 article that appeared today, and in particular by the fact that so little of
12 our response to the questions appeared in the article and much of what
13 was used was distorted.

14 *Toyota has a well-earned reputation for integrity* and we will
15 vigorously defend it.

16 177. **Reasons Why False:** The foregoing statements on November 29,
17 2009, December 5, 2009, and December 23, 2009 were materially false and
18 misleading when made. While Defendant Miller represented that "we are very,
19 very confident that we have addressed [the unintended acceleration] issue," "we
20 have come to the conclusion this is pedal misapplication or pedal entrapment," "we
21 are highly confident that we have addressed the root cause of unwanted
22 acceleration – the entrapment of the accelerator pedal," and Toyota's integrity and
23 reputation were being "unfairly attack[ed]," Miller and other Defendants were
24 aware or recklessly disregarded, as detailed in ¶¶54-81, 111, 115, that floor mats
25 could not account for all of the unintended acceleration incidents. Among other
26 things, in mid-August 2009, Toyota made a design change on all vehicles being
27 produced for sale in Europe, lengthening the arm of the accelerator pedal friction
28 lever and also changing the material used in construction of the accelerator pedal to

1 prevent unintended acceleration. Despite this knowledge and similarities in the
2 manufacturing process, Toyota did not investigate or make changes to its U.S.
3 vehicles.

4 **VIII. LOSS CAUSATION**

5 178. Plaintiffs and other members of the Class suffered economic losses as
6 the price of Toyota's ADSs and common stock fell in response to the issuance of
7 partial corrective disclosures or the materialization of risks concealed by the
8 Defendants from Toyota's investors.

9 179. Throughout the Class Period, as detailed above, the price of Toyota's
10 ADSs and common stock was artificially inflated as a direct result of Defendants'
11 material misrepresentations and omissions regarding the safety and quality of
12 Toyota vehicles and their concealment of the unintended acceleration problem. As
13 the truth began to be revealed, however, the inflation that had been caused by
14 Defendants' materially false and misleading statements and omissions was
15 eliminated from the price of the Company's securities, causing significant damages
16 to Plaintiffs and the other members of the Class. Toyota's securities reacted to
17 information in the market, including, but not limited to, the following.

18 180. On September 14, 2009, Toyota USA issued a statement that the
19 deaths of Officer Saylor and his family might have been due to an all-weather floor
20 mat from a different Lexus model that caused interference with the accelerator
21 pedal. The press release instructed Lexus and Toyota dealers to inspect and assure
22 that floor mats were properly installed and secured. On September 15, 2009, the
23 *Associated Press* reported that Toyota said it would order dealers to inspect their
24 cars for mismatched floor mats. On September 16, 2009, news media such as the
25 *San Diego Union Tribune* reported that Toyota would order dealers to inspect floor
26 mats in all of their vehicles. On these disclosures, the price of Toyota ADSs
27 dropped to \$82.46 and Toyota common stock fell to ¥3,710.

1 181. On January 21, 2010, after the market close, Toyota USA announced
2 that it would recall 2.3 million Toyota vehicles in North America because of
3 “sticky” accelerator pedals. The next day, the price of Toyota ADSs fell \$2.25 to
4 close at \$88.17, and the price of Toyota common stock fell from ¥4,190 to ¥4,055.

5 182. On January 25, 2010, *Reuters* reported that Toyota had offered to
6 repair about 2 million cars in Europe to fix potentially faulty accelerator pedals but
7 was still in the process of considering a recall in Europe. On this disclosure, the
8 price of Toyota ADSs dropped further to \$87.71, and Toyota common stock
9 dropped from ¥3,970 to ¥3,870.

10 183. On January 26, 2010, after the close of the market, Toyota announced
11 that it was temporarily suspending the sale of eight models involved in the recall
12 for sticking accelerator pedals announced on January 21, 2010, and that it would
13 shut down assembly lines at its North American plants for one week. As a result of
14 this news, Toyota’s ADSs plunged \$7.01 per share to close at \$79.77 per share on
15 January 27, 2010, on high volume, a drop of 8%, and Toyota common stock fell
16 from ¥3,870 to ¥3,705 per share, a drop of another 4%.

17 184. On January 27, 2010, after the close of the market, Toyota announced
18 that it had amended its October 5, 2009 defect report regarding the potential risk
19 for floor mat entrapment to include certain other models in the recall campaign,
20 adding approximately 1.1 million vehicles to the floor mat recall. On January 28,
21 2010, *Forbes* published an article stating that Fitch Ratings might downgrade
22 Toyota and that Fitch had recently placed Toyota’s credit rating on watch negative
23 due in part to questions about Toyota’s reputation for quality. On these disclosures,
24 Toyota’s ADS prices fell again the next day, to \$77.67 per share. Toyota’s common
25 stock price also fell, from ¥3,705 to ¥3,560, another 4%.

26 185. On February 2, 2010, Toyota USA reported January sales of 98,796
27 vehicles, a decrease of 16% compared to January 2009. The *Associated Press*
28 stated that Toyota “lost an estimated 20,000 sales after it stopped selling eight

1 models because of defective gas pedals” and sales “slipped 16 percent.” On these
2 disclosures, the price of Toyota ADSs dropped again from \$79.94 to \$78.18, and
3 Toyota common stock dropped from ¥3,605 to ¥3,400, another 5.7%.

4 186. On February 3, 2010, before the market opened, *Bloomberg News*
5 reported that Toyota expected sales to drop by more than 20% as a result of the
6 recalls. That day, pre-market, Toyota also announced that it had received reports of
7 brake problems in its 2010 model year Prius hybrid. Also on February 3, 2010,
8 Transportation Secretary LaHood urged owners to stop driving their Toyota
9 vehicles and take them to Toyota dealerships to be repaired immediately. LaHood
10 also called for a meeting with Toyota’s Chief Executive Officer, Akio Toyoda, to
11 discuss the safety concerns and the Company’s handling of the recall and told
12 Congress that NHTSA was considering a civil penalty against the Company over
13 its handling of the recalls. On these disclosures, the price of Toyota ADSs dropped
14 \$4.69 per share, closing at \$73.49 per share on February 3, 2010, or 6%, on high
15 volume, and Toyota common stock dropped approximately 3.5% to ¥3,280.

16 187. The price of Toyota’s ADSs and common stock fell after each of the
17 above revelations. Compared to the Class Period high, the price of the Company’s
18 ADSs and common stock declined approximately 46% at the end of the Class
19 Period.³⁷ The drop removed the inflation from Toyota’s securities prices, causing
20 losses to investors who had purchased Toyota securities during the Class Period.

21 **IX. APPLICABILITY OF PRESUMPTION OF**
22 **RELIANCE: FRAUD-ON-THE-MARKET DOCTRINE**

23 188. Plaintiffs are entitled to rely upon the presumption of reliance
24 established by the fraud-on-the-market doctrine in that, among other things:
25
26

27 _____
28 ³⁷ The percentage accounts for the currency fluctuation with respect to Toyota’s
common stock.

1 (a) The Defendants made public misrepresentations or failed to
2 disclose material facts during the Class Period;

3 (b) The misrepresentations and omissions were material;

4 (c) Toyota's ADSs and common stock traded in an efficient market;

5 (d) The misrepresentations and omissions alleged would induce a
6 reasonable investor to misjudge the value of Toyota's ADSs and common stock;
7 and

8 (e) Plaintiffs and other members of the Class purchased Toyota
9 securities between the time Defendants misrepresented or failed to disclose
10 material facts and the time the true facts were disclosed, without knowledge of the
11 misrepresented or omitted facts.

12 189. At all relevant times, the market for Toyota's publicly traded ADSs
13 and common stock was an efficient market for the following reasons:

14 (a) Toyota's ADSs were listed and actively traded on the NYSE,
15 and Toyota's common stock was listed on the NYSE and actively traded on the
16 Tokyo Stock Exchange;

17 (b) As a registered issuer, Toyota filed periodic reports with the
18 SEC and the Tokyo Stock Exchange;

19 (c) Toyota was a "well-known seasoned issuer" as defined in SEC
20 Rule 405 and was eligible as such to register its securities on Form F-3;

21 (d) Toyota regularly communicated with public investors via
22 established market communication mechanisms, including through regular
23 dissemination in English of annual and quarterly reports and press releases that
24 were carried by the media, newswires and on the Internet in the U.S. and
25 throughout the world, as well as through presentations to investors and analysts,
26 and conference calls with analysts that were conducted by Toyota in English in the
27 U.S.; and
28

1 (e) Toyota was followed by numerous analysts who wrote reports
2 that were published, distributed and entered the public market.

3 190. As a result of the foregoing, the market for Toyota's publicly traded
4 ADSs and common stock promptly digested current information with respect to the
5 Company from publicly available sources and reflected such information in the
6 price of Toyota ADSs and common stock.

7 **X. CLASS ACTION ALLEGATIONS**

8 191. Plaintiffs bring this Action as a class action on behalf of themselves
9 and all other persons and entities as follows: (1) with respect to the claims under
10 the Exchange Act, (a) all persons and entities who purchased or otherwise acquired
11 Toyota ADSs between May 10, 2005, and February 2, 2010, inclusive, and (b) all
12 persons and entities who purchased or otherwise acquired Toyota common stock
13 between May 10, 2005, and February 2, 2010, inclusive, in domestic transactions;
14 and (2) with respect to the claims under Japanese law, all persons and entities who
15 purchased or otherwise acquired Toyota common stock between May 10, 2005,
16 and February 2, 2010, inclusive (collectively, the "Class"). Excluded from the
17 Class are Defendants herein, members of their immediate families and their legal
18 representatives, heirs, successors or assigns, and any entity in which Defendants
19 have or had a controlling interest.

20 192. The members of the Class are so numerous that joinder of all
21 members is impracticable. While the exact number of Class members is unknown
22 to Plaintiffs at this time and can only be ascertained through appropriate discovery,
23 Plaintiffs believe that there are thousands of members of the Class. Record owners
24 and other members of the Class may be identified from records maintained by
25 Toyota, its transfer agents and its depository bank and may be notified of the
26 pendency of this action by mail, using a form of notice similar to that customarily
27 used in securities class actions.
28

1 193. Plaintiffs' claims are typical of the claims of the other members of the
2 Class, as all members were similarly affected by the Defendants' wrongful
3 conduct.

4 194. Plaintiffs will fairly and adequately protect the interests of the
5 members of the Class and have retained counsel competent and experienced in
6 class and securities litigation.

7 195. Common questions of law and fact exist as to all members of the
8 Class and predominate over any questions solely affecting individual members.
9 Among the questions of law and fact common to the Class are:

10 (a) Whether Defendants' documents, press releases, and other
11 statements disseminated to the investing public and the Company's ADR holders
12 and common stock holders misrepresented material facts about the quality and
13 safety of Toyota vehicles;

14 (b) Whether statements made by Defendants to the investing public
15 misrepresented or omitted material facts;

16 (c) Whether the market price of Toyota's ADSs and common stock
17 was artificially inflated due to the material misrepresentations and failures to
18 disclose material facts complained of herein; and

19 (d) The extent to which members of the Class have sustained
20 damages.

21 196. A class action is superior to all other available methods for the fair
22 and efficient adjudication of this controversy since joinder of all members is
23 impracticable. Furthermore, as the damages suffered by individual Class members
24 may be relatively small, the expense and burden of individual litigation makes it
25 impossible for members of the Class to individually redress the wrongs done to
26 them. There will be no difficulty in the management of this suit as a class action.
27
28

1 **XI. TOYOTA ADRs AND COMMON STOCK ARE**
2 **LISTED AND REGISTERED IN THE UNITED STATES**

3 197. At all relevant times during the Class Period, Toyota's ADSs were
4 listed and actively traded on the NYSE and registered with the SEC. At all
5 relevant times during the Class Period, Toyota's common stock was listed on the
6 NYSE, registered with the SEC, and actively traded on the Tokyo Stock Exchange,
7 London Stock Exchange and other stock exchanges. Each Toyota ADS represents
8 the right to receive two shares of Toyota common stock.

9 198. Toyota sponsored a "Level 3" ADR program in the United States, the
10 highest level, which included registration of shares issued under the Securities Act
11 of 1933, annual report filings on Form 20-F, and registration and listing of the
12 ADRs under the Exchange Act to enable them to trade on the NYSE. By setting up
13 a Level 3 ADR program, Toyota not only took steps to permit shares of common
14 stock to be deposited into the ADR program and traded in the U.S., but it was
15 issuing such shares to raise capital.

16 199. To register its ADRs, Toyota filed a Form F-1 registration statement
17 with the SEC on September 7, 1999, that offered for sale in the United States
18 "45,000,000 shares of common stock in the form of shares or American Depositary
19 Shares." As described in Toyota's prospectus filed with the SEC on September 7,
20 1999: "Holders [of ADRs] are entitled to receive the deposited securities
21 underlying the ADSs [*i.e.*, Toyota common stock] upon surrender of ADRs to the
22 depository with delivery instructions for the deposited securities."

23 200. On November 3, 1999, Toyota also applied to the NYSE for the listing
24 of a maximum of 1.8 billion ADSs, with each ADS representing the right to receive
25 two shares of Toyota common stock. In its application, Toyota stated that
26 "application is also made to list 3,760,650,129 shares of Common Stock for which
27 there will be no trading privileges."
28

1 201. On November 7, 2006, Toyota further offered in the United States
2 43,411,700 shares of “Common stock in the form of Shares or American
3 Depository Shares.” Toyota filed a shelf registration statement on Form F-3 for its
4 common stock and a separate registration statement on Form F-6 for its ADSs with
5 the SEC on November 7, 2006. According to Toyota’s Notice Concerning Offer
6 for Sale of Shares dated November 7, 2006, attached to its Form 6-K filed with the
7 SEC, “investors may elect to take delivery of American Depository Shares
8 (‘ADSs’) instead of the Shares. Each ADS will represent two (2) Shares.”

9 202. Further, in each of Toyota’s annual reports on Form 20-F filed with
10 the SEC in the United States during the Class Period, Toyota represented that the
11 securities covered by the annual report were Toyota’s common stock and that such
12 securities were registered with the NYSE.

13 203. In addition, Defendants explicitly promoted and solicited investors to
14 purchase Toyota securities in the United States. As a result of the solicitation in the
15 United States, U.S. investors purchased large amounts of Toyota’s ADSs and
16 common stock. Defendants engaged in directed selling efforts and other activities
17 that were undertaken for the purpose of, or could reasonably be expected to have
18 the effect of, conditioning the market within the United States with respect to
19 Toyota’s securities. For example, in connection with the sale of its ADSs and
20 common stock, Defendants issued notices regarding Toyota’s offerings in the
21 United States and promoted Toyota’s securities in the United States during
22 conferences and meetings with investors and analysts, including shareholder
23 presentations in the United States on September 10, 2004, September 12, 2005,
24 October 6, 2006, September 10, 2007, and September 5, 2008. Toyota also
25 maintained a website focused on attracting U.S. investors that contains many of the
26 press releases, quarterly reports and annual reports alleged herein to be false and
27
28

1 misleading.³⁸ The website includes, among other things, a financial calendar
2 listing Toyota’s investor conferences in the United States and presentations from
3 select conferences, information about Toyota’s business, facts concerning its
4 common stock and ADSs, and financial information about the Company. The
5 website also provides detailed stock quotes for Toyota common stock and ADSs.
6 Toyota also markets itself, including in promotional brochures, as being “listed on
7 the New York Stock Exchange.”

8 **FIRST CLAIM**
9 **(For Violations Of Section 10(b) Of The Exchange Act And Rule 10b-5**
10 **Promulgated Thereunder Against All Defendants)**

11 204. Plaintiffs incorporate and reallege each of the foregoing paragraphs as
12 though fully set forth herein and further allege as follows.

13 205. Defendants, individually or in concert, by the use of means or
14 instrumentalities of interstate commerce and of the United States mails (1)
15 employed devices, schemes, and artifices to defraud; (2) made untrue statements of
16 material fact and omitted to state material facts necessary to make the statements
17 made not misleading; (3) deceived Plaintiffs, as alleged herein; (4) artificially
18 inflated and maintained the market price of Toyota securities; and (5) caused
19 Plaintiffs to purchase Toyota ADSs and common stock at artificially inflated prices
20 and suffer losses. Defendants were primary participants in the wrongful and illegal
21 conduct charged herein.

22 206. Defendants violated § 10(b) of the Exchange Act and Rule 10b-5 in
23 that they: (a) employed devices, schemes and artifices to defraud; (b) made untrue
24 statements of material fact or omitted to state material facts necessary in order to
25 make the statements made, in light of the circumstances under which they were
26 made, not misleading; or (c) engaged in acts, practices and a course of conduct that

27 _____
28 ³⁸ www.toyota.com/about/our_business/investor_relations/.

1 operated as a fraud or deceit upon Plaintiffs and others similarly situated in
2 connection with their purchases of Toyota securities during the Class Period.

3 207. Additional facts supporting the Insider Defendants' liability include
4 the following: (i) each was a high-level executive or director of Toyota, Toyota
5 NA, or Toyota USA; (ii) by virtue of his responsibilities and activities as a senior
6 executive officer or director of Toyota, Toyota NA, or Toyota USA, each had
7 contact with other members of the Company's management team and access to
8 internal reports and other data and information about the safety and quality of
9 Toyota vehicles at all relevant times; and (iii) each was aware of the Company's
10 dissemination of information to the investing public that he knew or recklessly
11 disregarded was materially false and misleading.

12 208. Defendants had actual knowledge of the misrepresentations and
13 omissions of material facts set forth herein or acted with reckless disregard for the
14 truth in that they failed to ascertain and disclose such facts, even though such facts
15 were readily available to them. Defendants' material misrepresentations and
16 omissions were made knowingly or recklessly and for the purpose and effect of
17 concealing Toyota's product defects from Plaintiffs and the investing public and
18 supporting the artificially inflated price of its securities.

19 209. As a result of the dissemination of the materially false and misleading
20 information and failure to disclose material facts, as set forth above, the market
21 price of Toyota ADSs and common stock was artificially inflated, and caused loss
22 to Plaintiffs when Plaintiffs purchased Toyota ADSs and common stock at
23 artificially inflated prices and the price of such securities later fell in response to
24 the issuance of partial corrective disclosures and the materialization of risks
25 previously concealed by the Defendants.

26 210. Plaintiffs' purchases of Toyota ADSs and common stock were made in
27 domestic transactions. Defendants' solicitations to investors included
28 communications in the United States, and were directed to U.S. investors.

1 Plaintiffs' evaluation of the investments was performed in the United States, the
2 decision to purchase the securities was made in the United States, and the
3 transactions were initiated in the United States. Further, the losses were incurred
4 by Plaintiffs in the United States. In addition, investors were explicitly solicited by
5 Defendants to purchase both Toyota's common stock and ADSs in the United
6 States. Among other things, Toyota filed a registration statement and prospectus
7 with the SEC on September 7, 1999, in connection with its initial public offering of
8 "45,000,000 shares of common stock of Toyota Motor Corporation in the form of
9 shares or ADSs." Toyota also filed a registration statement and prospectus with the
10 SEC on November 7, 2006, in connection with another public offering of
11 "15,194,100 shares in the form of shares or ADSs in the United States."
12 Defendants also participated in numerous investor presentations in the U.S.,
13 including shareholder presentations in New York every year from 2004 to 2008.
14 Additionally, various Toyota representatives, including the Insider Defendants,
15 transmitted information concerning Toyota through conference calls, press
16 releases, annual reports, SEC filings, Toyota's website and other means into the
17 United States. As a result of the explicit solicitation in the United States, investors
18 bought Toyota ADSs and common stock.

19 211. By virtue of the foregoing, the Defendants each violated Section 10(b)
20 of the Exchange Act and Rule 10b-5 promulgated thereunder.

21 212. This claim was brought within two years after the discovery of the
22 fraud and within five years of the making of the statements alleged herein to be
23 materially false and misleading.

24 213. As a direct and proximate result of the Defendants' wrongful conduct,
25 Plaintiffs suffered damages in connection with their purchases of Toyota's
26 securities.

1 liable under Section 20(a) of the Exchange Act. As a direct and proximate result of
2 the Insider Defendants' wrongful conduct, Plaintiffs suffered damages in
3 connection with their purchases of the Company's securities.

4 **THIRD CLAIM**
5 **(For Violations Of Article 21-2 Of Japan's Financial Instruments And**
6 **Exchange Act Against Defendants Toyota, Watanabe And Cho)**

7 219. Plaintiffs incorporate and reallege ¶¶1-203 as though fully set forth
8 herein and further allege as follows. This Count is based on negligence or strict
9 liability.

10 220. This Count is asserted against Defendants Toyota, Watanabe and Cho,
11 on behalf of Plaintiffs and all members of the Class who purchased or otherwise
12 acquired Toyota common stock during the Class Period, under Article 21-2 of the
13 Financial Instruments and Exchange Act (available in English at
14 www.japaneselawtranslation.go.jp/law/detail/?id=1911&vm=02&re=02).

15 221. During the Class Period, Defendants Toyota, Watanabe and Cho
16 submitted quarterly, semi-annual, annual reports and other Toyota documents to the
17 Tokyo Stock Exchange that were made available for public inspection ("Toyota
18 Reports"). Many of these Toyota Reports were translated into English and filed
19 with the SEC in the United States.

20 222. As alleged herein, certain of the Toyota Reports included materially
21 false and misleading statements, omitted to state material facts that should have
22 been disclosed, or omitted to state material facts that were necessary to avoid
23 misunderstanding, in violation of Article 21-2 of Japan's Financial Instruments and
24 Exchange Act.

25 223. Toyota was the issuer and Insider Defendants Watanabe and Cho were
26 the representatives of the Company responsible for the contents, submission, and
27 dissemination of the Toyota Reports. These Defendants signed the Toyota Reports
28 and caused and participated in the issuance and submission of the Toyota Reports
to the Tokyo Stock Exchange.

1 Defendants' wrongdoing, in an amount to be proven at trial, including interest
2 thereon;

3 2. Awarding punitive and exemplary damages;

4 3. Awarding Plaintiffs their reasonable costs and expenses incurred in
5 this action, including counsel fees and expert fees; and

6 4. Such other and further relief as the Court may deem just and proper.

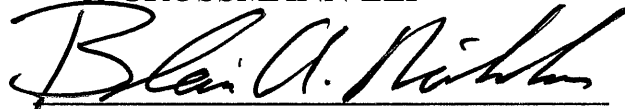
7 **DEMAND FOR JURY TRIAL**

8 Plaintiffs demand a trial by jury.

9 Dated: October 4, 2010

Respectfully submitted,

10 BERNSTEIN LITOWITZ BERGER
& GROSSMANN LLP

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-and-

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Liaison Counsel for the Class

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*Counsel for Lead Plaintiff Maryland State
Retirement and Pension System*

EXHIBIT 1

**CERTIFICATION PURSUANT TO
THE FEDERAL SECURITIES LAWS**

I, Roberto L. Peña, on behalf of the Fresno County Employees' Retirement Association ("FCERA"), hereby certify, as to the claims asserted under the federal securities laws:

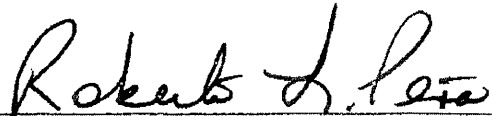
1. I am the Retirement Administrator for FCERA. I have reviewed the Consolidated Class Action Complaint in this matter and have authorized Bernstein Litowitz Berger & Grossmann LLP to file the Consolidated Complaint on its behalf.
2. FCERA did not purchase the securities that are the subject of this action at the direction of counsel or in order to participate in any action arising under the federal securities laws.
3. FCERA is willing to serve as a representative party on behalf of the Class, including providing testimony at depositions and trial, if necessary.
4. FCERA's transactions in the Toyota Motor Corporation securities that are the subject of this action are set forth in the chart attached hereto. The chart was prepared for me and verified by FCERA personnel after a diligent and thorough review of FCERA's records.
5. FCERA has sought to serve as a lead plaintiff and representative party on behalf of a class in the following actions under the federal securities laws filed during the three-year period preceding the date of this Certification:

In re BP P.L.C. Sec. Litig., Case No. 10-md-02185-KPE (S.D. Tex.)

6. FCERA will not accept any payment for serving as a representative party on behalf of the Class beyond FCERA's pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the Class, as ordered or approved by the Court.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 30th day of September, 2010.



Roberto L. Peña
Retirement Administrator
Fresno County Employees' Retirement Association

FRESNO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Transactions in Toyota Motor Corporation Securities

American Depository Shares (NYSE: TM)			
Date	Transaction	Number of Shares	Price per Share
02/19/2008	Purchase	10,490	\$116.2531
05/21/2008	Purchase	4,830	\$100.9954
09/10/2008	Purchase	4,530	\$90.9492
09/23/2008	Purchase	2,770	\$88.9709
10/14/2008	Purchase	1,800	\$71.8786
10/15/2008	Purchase	610	\$68.5520

Common Stock (Tokyo Stock Exchange: 7203)			
Date	Transaction	Number of Shares	Price per Share
10/17/2005	Purchase	12,800	\$46.0698

EXHIBIT 2

**CERTIFICATION PURSUANT TO
THE FEDERAL SECURITIES LAWS**

I, Robert Moss, hereby certify, as to the claims asserted under the federal securities laws:

1. I have reviewed the Consolidated Class Action Complaint in this matter and have authorized Bernstein Litowitz Berger & Grossmann LLP to file the Consolidated Complaint on my behalf.
2. I did not purchase the securities that are the subject of this action at the direction of counsel or in order to participate in any action arising under the federal securities laws.
3. I am willing to serve as a representative party on behalf of the Class, including providing testimony at depositions and trial, if necessary.
4. My transactions in the Toyota Motor Corporation securities that are the subject of this action are set forth in the chart attached hereto. The chart was prepared for me and verified by me after a diligent and thorough review of my records.
5. I have not sought to serve as a lead plaintiff in any action under the federal securities laws filed during the three-year period preceding the date of this Certification.
6. I will not accept any payment for serving as a representative party on behalf of the Class beyond my pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the Class, as ordered or approved by the Court.
7. Nothing herein shall be construed to be or constitute a waiver of my attorney-client privilege.
8. I certify under penalty of perjury that the foregoing is true and correct.

Executed on October 1, 2010 Signature:



SCHEDULE A

BUY/SELL	SECURITY	TRADE DATE	NO. OF SHARES	PRICE PER SHARE
Buy	TM	7/28/08	45	\$88.53
Buy	TM	8/11/08	13	\$92.59
Buy	TM	10/21/08	21	\$71.87
Sell	TM	12/29/08	11	\$63.50
Sell	TM	1/23/09	15	\$61.71
Buy	TM	2/9/09	9	\$71.32
Buy	TM	3/18/09	20	\$61.32
Buy	TM	7/15/09	8	\$75.75
Buy	TM	11/12/09	18	\$78.30
Sell	TM	12/18/09	40	\$82.55
Sell	TM	1/22/10	5	\$88.77

APPENDIX

**Appendix to Consolidated Class Action Complaint
In re Toyota Motor Corporation Securities Litigation, Master File No. CV 10-922 DSF (AJWx)**

Stmnt. #	The Speaker(s), Date(s), And Medium	False And Misleading Statements	Reasons Why Statements Were False And Misleading When Made	Facts Giving Rise To A Strong Inference of Scienter
1	<p>When: 05/10/05</p> <p>Where: Form 6-K for fiscal year ended March 31, 2005 (“5/10/05 6-K”)</p> <p>Speakers: Toyota; Cho (¶¶142-43)</p>	<p>“The ‘Guiding Principles’ at Toyota Motor Corporation are as follows: . . . ‘<i>Dedicate ourselves to providing clean and safe products</i>’”</p> <p>“Toyota [] continues to <i>focus on the development of vehicle safety technologies</i> and their incorporation into products . . . [I]n addition to <i>maintaining the world’s highest levels of quality</i> and reinforcing cost competitiveness, Toyota is working to increase overall group capabilities, develop optimal global business structures, and pursue compatibility between growth and efficiency . . .”</p>	<p>At the same time that Toyota was promoting the safety and quality of its vehicles, Toyota vehicles were experiencing serious and potentially catastrophic problems with unintended acceleration. Among other things:</p> <ul style="list-style-type: none"> • Unlike other major automakers, Toyota did not have fail-safe mechanisms in its vehicles necessary to prevent unintended acceleration. (¶93). • By June 2004, Toyota had received over a hundred consumer complaints relating to unintended acceleration, and tens of thousands of “surging” complaints. In its report to NHTSA, however, Toyota excluded “long duration” incidents and the “surging” complaints that could relate to unintended acceleration. (¶78). • Toyota recalled vehicles in the U.K. in 2000 and Canada in 2003 to replace floor mats that could interfere with the accelerator pedal, but did not report the recalls to NHTSA. (¶67). • Data from NHTSA provided to Toyota in 2004 showed a 400% increase in “vehicle speed” complaints from consumers related to Camrys with the electronic throttle control system. (¶74). • In April 2003, Toyota engineers discovered that a trim panel could come loose in the Sienna minivan and cause the gas pedal to stick, potentially making the vehicle accelerate out of control. Toyota, however, did not notify NHTSA or conduct a recall until six years later. (¶71). 	<p>Allegations in a securities complaint cannot be assessed in isolation. To the extent that this Appendix isolates individual facts from the Complaint, they must be read holistically and in context with the additional allegations in the Complaint. Moreover, “[b]ecause ‘falsity and scienter in private securities fraud cases are generally strongly inferred from the same set of facts,’ [] the two requirements may be combined into a unitary inquiry under the PSLRA.”²</p> <p>The allegations from the Complaint, taken as a whole, raise a strong inference of scienter. Together with the facts supporting falsity:</p> <ul style="list-style-type: none"> • Toyota Misled NHTSA: Toyota hired former NHTSA personnel who withheld relevant, material information and persuaded NHTSA to close or limit investigations relating to unintended acceleration. (¶61). As Joan Claybrook, former NHTSA Administrator, later bluntly stated: “Toyota bamboozled NHTSA.” (¶61). Toyota later agreed to pay a \$16.4 million fine to NHTSA – the largest possible civil penalty and the largest in NHTSA’s history – after NHTSA determined that Toyota “failed to live up to its legal obligations.” (¶139). • The Duration, Scope and Severity of the Problems in Toyota Vehicles: Since at least 2000, Defendants knew about unintended acceleration problems with Toyota vehicles from recalls conducted in other countries, Field Technical Reports, consumer complaints and NHTSA probes. (¶¶66-80). • Toyota’s Top Officers Knew Facts Important to Toyota’s Core Business: Defendant Cho, as Toyota’s President, was aware of facts important to Toyota’s U.S. business, which was Toyota’s largest market and accounted for two-thirds of the Company’s profits. (¶36). Among other things, Toyota promoted the “Toyota Way” – a highly centralized management structure that <i>required</i> Toyota’s top executives to be

¹ *Tellabs, Inc. v. Makor Issues & Rights, Ltd.*, 551 U.S. 308, 326 (2007) (“[T]he court’s job [in a securities fraud action] is not to scrutinize each allegation in isolation but to assess all the allegations holistically.”).

² *In re Daou Sys., Inc. Sec. Litig.*, 397 F.3d 704, 711 (9th Cir. 2005).

Appendix to Consolidated Class Action Complaint
In re Toyota Motor Corporation Securities Litigation, Master File No. CV 10-922 DSF (AJWx)

Stmnt. #	The Speaker(s), Date(s), And Medium	False And Misleading Statements	Reasons Why Statements Were False And Misleading When Made	Facts Giving Rise To A Strong Inference of Scienter
			<ul style="list-style-type: none"> • A Toyota field technician documented unintended acceleration problems in 2003 and requested immediate action due to the “extremely dangerous problem.” (¶73). • By July 2004, unintended acceleration problems were frequently observed by Toyota dealers. For example, minutes from an August 2004 technical service meeting stated: “Lexus dealer owners are using the term ‘franchise threatening’ regarding this issue [of unintended acceleration.]” (¶80). • Toyota issued Technical Service Bulletins to dealers regarding unintended acceleration problems on thousands of vehicles. (¶¶69, 70). 	<p>informed about all important issues, including the quality and safety of Toyota vehicles. (¶54).</p> <ul style="list-style-type: none"> • Toyota’s Top Officers Received Reports Concerning Vehicle Quality and Safety: Cho, as a top Toyota officer, received or had access to reports concerning quality and safety of Toyota vehicles, including Field Technical Reports and complaints reported to Toyota’s call-center. According to a former Toyota USA employee in Torrance, Toyota USA faxed problem reports to Japan every night, and Japan was kept well-informed of any issues. Defendant Lentz, President of Toyota USA, has also confirmed that Toyota received “feedback from a number of different sources,” including “customers that call in or contact us online,” “the Internet,” “NHTSA data,” “reports from our dealers,” and “product reports,” and that “[a]ll of that information ... gets put together in reports, and they go to Japan, to the quality side” and “[d]efect decisions, recalls specifically, are in fact made in Japan.” (¶55). • Toyota Internally Discussed the Unintended Acceleration Problem: The unintended acceleration problem was the subject of frequent discussions between Toyota USA and Toyota. For example, a June 14, 2005 internal email exchange between Toyota USA’s then in-house counsel Dimitrios Biller and Toyota USA executive Webster Burns stated: “This issue [unintended acceleration] had been the subject of a number of meetings and the exchange of a number of documents between TMS [Toyota USA] and TMC [Toyota]” (¶59). • Toyota Deliberately Withheld Information Concerning Unintended Acceleration: According to Toyota USA’s then in-house counsel Dimitrios Biller, Toyota maintained secret “Books of Knowledge” relating to defects, including unintended acceleration problems, but withheld the information from the public and in litigation. The House Committee, after examining documents submitted by Biller “found evidence that Toyota deliberately withheld relevant electronic records” regarding defects in Toyota vehicles and that Toyota engaged in “systematic disregard for the law.” (¶¶63-65).

**Appendix to Consolidated Class Action Complaint
In re Toyota Motor Corporation Securities Litigation, Master File No. CV 10-922 DSF (AJWx)**

Stmnt. #	The Speaker(s), Date(s), And Medium	False And Misleading Statements	Reasons Why Statements Were False And Misleading When Made	Facts Giving Rise To A Strong Inference of Scienter
2	<p>When: 05/10/05</p> <p>Where: 5/10/05 6-K</p> <p>Speakers: Toyota; Cho (¶142)</p>	<p>Toyota announced that it had achieved record high revenues in its 2005 fiscal year, and that, in North America, “[t]he increase in operating income was mainly due to increases in both production volume and vehicle units sold, <i>cost reduction efforts</i> made by local manufacturing subsidiaries and strong financial performance by Toyota’s sales financing subsidiaries in the United States of America.”</p>	<p>At the time that Toyota announced it had achieved record revenues and increased operating income mainly due to cost reductions, Defendants failed to disclose that: (i) the cost reductions resulted in undisclosed serious and potentially catastrophic safety and quality problems in Toyota’s vehicles, including unintended acceleration; and (ii) the reported record results and cost reductions were achieved only because Toyota had not disclosed that its vehicles were experiencing serious problems with unintended acceleration, as described above in this column for Statement No. 1.</p>	<p>As set forth above in this column for Statement No. 1, the same facts that explain why the statements are false and misleading also demonstrate Defendants’ scienter. Moreover, the Complaint’s allegations must be viewed in totality, not in isolation.</p> <p>In addition to the facts described above:</p> <ul style="list-style-type: none"> • Toyota President Akio Toyoda Admitted That Growth and Cost Reductions Impacted Safety and Quality: In February 2010, Akio Toyoda, Toyota’s President, admitted to Congress that, in pursuit of growth, Toyota’s priorities of “first, safety; second, quality; third, volume,” “became confused.” Mr. Toyoda also admitted in an interview with <i>Forbes</i> magazine that the Company “slacked in ... attention to the basics of manufacturing.” (¶¶137, 140). • Toyota’s Top Officers Knew That Aggressive Growth and Cost Cutting Led to Deterioration in Quality: Defendant Cho, as Toyota’s President, was aware of facts important to Toyota’s business. Cho was aware that Toyota launched an aggressive growth campaign in 2002 to expand manufacturing capacity by 25 percent and to secure 15 percent of the global auto industry by 2010, but that such rapid growth compromised quality. For example, according to a former Toyota field technical specialist, the time it took to develop new products was reduced from approximately 15 to 16 months before 2005, to 12 months after 2005, and after 2005 Toyota “products were significantly sub-par to what we were used to.” (¶¶52, 83).

**Appendix to Consolidated Class Action Complaint
In re Toyota Motor Corporation Securities Litigation, Master File No. CV 10-922 DSF (AJWx)**

Stmnt. #	The Speaker(s), Date(s), And Medium	False And Misleading Statements	Reasons Why Statements Were False And Misleading When Made	Facts Giving Rise To A Strong Inference of Scienter
3	<p>When: 05/10/05</p> <p>Where: 5/10/05 6-K</p> <p>Speakers: Toyota; Cho</p> <p>(¶¶142-43)</p>	<p>The “Guiding Principles at Toyota Motor Corporation” are as follows:...</p> <p>Honor the . . . spirit of the law of every nation and undertake open and fair corporate activities to be a good corporate citizen of the world”</p> <p>“[W]e reaffirm our commitment to corporate ethics, including strict compliance with laws and regulations, and seek to become a global corporation, with sincerity and humility, that contributes to the development of a prosperous society and is trusted around the world.”</p>	<p>At the same time that Toyota represented that it “honored . . . the spirit of the law of every nation” and was in “strict compliance with laws and regulations,” Toyota was violating U.S. laws requiring Toyota to notify NHTSA about potentially dangerous conditions, and was concealing material information concerning defects from NHTSA in order to prevent massive recalls. Among other things:</p> <ul style="list-style-type: none"> • Toyota recalled cars in the U.K. in 2000 and in Canada in 2003 because the driver’s side floor mat could interfere with the accelerator pedal, but did not notify NHTSA, conduct similar recalls or warn Toyota owners in the United States, as required by law. (¶67). • By April 2003, Toyota knew that a trim panel could come loose in the Toyota Sienna minivan and cause the accelerator pedal to stick, potentially making the vehicle accelerate out of control, but did not notify NHTSA. (¶71). • Toyota did not notify NHTSA that there were problems with “surging” in the Camry and that Toyota received approximately 60,000 reports of “surging” in the Camry in 2004 alone. (¶¶78, 88). • Toyota excluded incidents of “long duration” unintended acceleration and other problems such as “surging” in reports to NHTSA. (¶78). 	<p>As set forth above in this column for Statement Nos. 1 and 2, the same facts that explain why the statements are false and misleading also demonstrate Defendants’ scienter. Moreover, the Complaint’s allegations, viewed in totality, raise a strong inference of scienter.</p>

**Appendix to Consolidated Class Action Complaint
In re Toyota Motor Corporation Securities Litigation, Master File No. CV 10-922 DSF (AJWx)**

Stmt. #	The Speaker(s), Date(s), And Medium	False And Misleading Statements	Reasons Why Statements Were False And Misleading When Made	Facts Giving Rise To A Strong Inference of Scienter
4	<p>When: 06/24/05</p> <p>Where: Form 20-F for the fiscal year ended March 31, 2005 (“6/24/05 20-F”)</p> <p>Speakers: Toyota; Kinoshita</p> <p>(¶¶144-45)</p>	<p>“Toyota believes that <i>its preeminence in the Japanese automotive industry, its growth in the United States and Europe and its overall position as the world’s third largest automobile producer have resulted from ... its timely introduction of new products that meet consumer demands and incorporate superior design and environmental and safety technologies, [and] its continuing focus on high quality and low-cost manufacturing . . .</i>”</p> <p>“Toyota is focusing its research and development on the promotion of environmentally sound technologies, <i>product safety</i> and information technologies.”</p> <p>“Toyota actively invests in technologies designed to increase <i>the safety of its vehicles.</i>”</p> <p>“Toyota’s research and development actively focuses on the environment, <i>vehicle safety</i>, information technology and product development.”</p> <p>“Toyota’s work in the area of vehicle safety is focused on the development of technologies designed to <i>prevent accidents in the first instance.</i>”</p>	<p>At the same time that Toyota was promoting the safety and quality of its vehicles, Toyota vehicles continued to experience serious and potentially catastrophic problems with unintended acceleration, as described above in this column in Statement No. 1.</p> <p>Additionally, contrary to Defendants’ statements concerning Toyota’s safety technologies, Toyota failed to implement “brake override” technologies in Toyota vehicles, even though the technology was widely available, had been implemented by other major automakers, and was necessary to prevent unintended acceleration. (¶93).</p>	<p>As explained above in this column for Statement Nos. 1 and 2, the same facts that explain why the statements are false and misleading also demonstrate Defendants’ scienter. Moreover, the Complaint’s allegations, viewed in totality, raise a strong inference of scienter.</p> <p>The facts described above in this column in Statement Nos. 1 and 2 continued to give rise to a strong inference of scienter as of the date of these statements.</p>

**Appendix to Consolidated Class Action Complaint
In re Toyota Motor Corporation Securities Litigation, Master File No. CV 10-922 DSF (AJWx)**

Stmt. #	The Speaker(s), Date(s), And Medium	False And Misleading Statements	Reasons Why Statements Were False And Misleading When Made	Facts Giving Rise To A Strong Inference of Scienter
5	<p>When: 11/04/05</p> <p>Where: Form 6-K for the six months ended September 30, 2005 (“11/4/05 6-K”)</p> <p>Speakers: Toyota; Watanabe (¶147)</p>	<p>“The ‘Guiding Principles,’ at Toyota Motor Corporation are as follows: ... <i>‘Dedicate ourselves to providing clean and safe products ...’</i>”</p> <p>The Form 6-K continued to promote Toyota’s emphasis on safety and quality, representing that Toyota was “<i>maintaining the world’s highest levels of quality</i>,” and that Toyota’s strategies included “continuing] to focus on the development of vehicle <i>safety technologies</i> and their incorporation into products.”</p>	<p>At the same time that Toyota was promoting the safety and quality of its vehicles, Toyota vehicles continued to experience serious and potentially catastrophic problems with unintended acceleration, as described above in this column in Statement Nos. 1 and 4, and Toyota continued to receive complaints regarding unintended acceleration problems.</p> <p>In addition, NHTSA continued to receive additional consumer complaints about unintended acceleration in Toyota vehicles. For example, on August 5, 2005, NHTSA opened a defect petition to investigate unintended acceleration in a 2002 Camry. The petitioner directed NHTSA’s attention to approximately 1,172 Vehicle Owner Questionnaire reports from which NHTSA’s ODI identified 432 reports that alleged “abnormal throttle events.” (¶85).</p>	<p>As explained above in this column for Statement Nos. 1 and 2, the same facts that explain why the statements are false and misleading also demonstrate Defendants’ scienter. Moreover, the Complaint’s allegations, viewed in totality, raise a strong inference of scienter.</p> <p>The facts described above in this column in Statement Nos. 1 and 2 continued to give rise to a strong inference of scienter as of the date of these statements.</p> <p>Moreover, by this time, Defendants were aware of additional complaints to NHTSA concerning unintended acceleration. For example, after receiving the petition to investigate the unintended acceleration in the 2002 Camry and reviewing the underlying complaints, Toyota did not conduct any investigation on its own, but instead urged NHTSA to deny the petition, citing “lack of evidence supporting concurrent failure of the vehicle braking systems,” according to Toyota’s response to the petition. (¶85).</p>
6	<p>When: 11/04/05</p> <p>Where: 11/4/05 6-K</p> <p>Speakers: Toyota; Watanabe (¶147)</p>	<p>The “Guiding Principles” at Toyota Motor Corporation are as follows: ... <i>“Honor the . . . spirit of the law of every nation</i> and undertake open and fair corporate activities to be a good corporate citizen of the world.”</p> <p><i>“[W]e reaffirm our commitment to corporate ethics, including strict compliance with laws and regulations”</i></p>	<p>At the same time that Toyota represented that it “honor[ed] the . . . spirit of the law of every nation” and was in “strict compliance with laws and regulations,” Toyota was violating U.S. laws that required Toyota to notify NHTSA about potentially dangerous conditions, and was concealing from NHTSA material information concerning defects in order to prevent massive recalls, as described above in this column in Statement No. 3.</p>	<p>As set forth above in this column for Statement Nos. 1 and 2, the same facts that explain why the statements are false and misleading also demonstrate Defendants’ scienter. Moreover, the Complaint’s allegations, viewed in totality, raise a strong inference of scienter.</p> <p>The facts described above in this column in Statement Nos. 1 and 2 continued to give rise to a strong inference of scienter as of the date of these statements.</p>

**Appendix to Consolidated Class Action Complaint
In re Toyota Motor Corporation Securities Litigation, Master File No. CV 10-922 DSF (AJWx)**

Stmt. #	The Speaker(s), Date(s), And Medium	False And Misleading Statements	Reasons Why Statements Were False And Misleading When Made	Facts Giving Rise To A Strong Inference of Scienter
7	<p>When: 05/10/06</p> <p>Where: Form 6-K for the fiscal year ended March 31, 2006 (“5/10/06 6-K”)</p> <p>Speakers: Toyota; Watanabe (¶149)</p>	<p>The “Guiding Principles,” at Toyota Motor Corporation are as follows:... “Dedicate ourselves to providing clean and <i>safe products</i> ...”</p> <p>“[T]he entire Toyota Group is making concerted efforts to <i>maintain and improve the world’s highest levels of quality.</i>”</p> <p>“Medium- to long-term strategies include, first of all, focus on development of cutting-edge technologies and their use in products <i>to continue providing customers around the world with products that are environmentally-friendly, safe, comfortable, and attractive.</i>”</p>	<p>At the same time that Toyota was promoting the safety and quality of its products, Toyota vehicles continued to experience serious and potentially catastrophic problems with unintended acceleration, described above in this column in Statement Nos. 1, 4 and 5, and Toyota continued to receive complaints regarding unintended acceleration problems.</p> <p>In addition, by the time of these statements, Toyota’s Field Technical Reports documenting the unintended acceleration problems in Toyota vehicles continued to build, and Toyota was even able to replicate some of the unintended acceleration problems being experienced by its customers. For example, on February 7, 2006, Toyota received a Field Technical Report regarding floor mat interference with an accelerator pedal in a model year 2005 Prius and, according to a former Toyota employee, in 2005 or 2006, a Toyota Field Technical Specialist reproduced the same unintended acceleration condition in a Toyota Tacoma pickup being reported by customers. (¶¶85-87).</p>	<p>As set forth above in this column for Statement Nos. 1, 2 and 5, the same facts that explain why the statements are false and misleading also demonstrate Defendants’ scienter. Moreover, the Complaint’s allegations, viewed in totality, raise a strong inference of scienter.</p> <p>The facts described above in this column in Statement Nos. 1, 2 and 5, continued to give rise to a strong inference of scienter as of the date of these statements.</p> <p>In addition, Toyota continued to deliberately conceal material information about unintended acceleration. For example, in November 2005, Toyota’s NHTSA liaison urged NHTSA to drop its preliminary probe into unintended acceleration by representing to NHTSA that “there is no factor or trend indicating that a vehicle or component defect exists.” However, Toyota had received over 60,000 reports of “surging” in the Camry in just 2004 alone. (¶88). Likewise, in December 2005, in connection with an investigation into the Lexus IS250 floor mat, Toyota sent letters to vehicle owners. Toyota, however, deliberately omitted from the letter any reference to “vehicle speed control.” According to an internal email with the subject line “CONFIDENTIAL – IS250 AWD Draft Owner Letter and Q&A,” from Toyota Quality Compliance Manager George Marino: “They pulled out the ‘vehicle speed control’ part. NHTSA may come back, but TMC wanted to try.” (¶89).</p>

**Appendix to Consolidated Class Action Complaint
In re Toyota Motor Corporation Securities Litigation, Master File No. CV 10-922 DSF (AJWx)**

Stmnt. #	The Speaker(s), Date(s), And Medium	False And Misleading Statements	Reasons Why Statements Were False And Misleading When Made	Facts Giving Rise To A Strong Inference of Scienter
8	<p>When: 05/10/06</p> <p>Where: 5/10/06 6-K</p> <p>Speakers: Toyota; Watanabe</p> <p>(¶149)</p>	<p>The 5/10/06 6-K reported “record high net revenues, operating income and net income,” and stated that, in North America, “[t]he increase in operating income was mainly due to solid performance as a result of increases in both local production volume and vehicle units sold, as well as <i>cost reduction efforts</i>.”</p>	<p>At the same time Toyota announced that it had achieved increased operating income in part due to cost, Defendants failed to disclose that: (i) the cost reductions resulted in undisclosed serious safety and quality problems in Toyota’s vehicles, including unintended acceleration problems; and (ii) the reported record results and cost reductions were achieved only because Toyota had not disclosed that its vehicles were experiencing problems with unintended acceleration, as described above in this column in Statement Nos. 1, 4, 5 and 7.</p>	<p>As set forth above in this column for Statement Nos. 1, 2, 5 and 7, the same facts that explain why the statements are false and misleading also demonstrate Defendants’ scienter. Moreover, the Complaint’s allegations, viewed in totality, raise a strong inference of scienter.</p> <p>The facts described above in this column in Statement Nos. 1, 2, 5 and 7 continued to give rise to a strong inference of scienter as of the date of this statement.</p>
9	<p>When: 05/10/06</p> <p>Where: 5/10/06 6-K</p> <p>Speakers: Toyota; Watanabe</p> <p>(¶149)</p>	<p>“Toyota strives to be a company with energy and dignity that fulfills its social responsibilities . . . through corporate ethics including <i>full compliance with applicable laws and regulations</i>.”</p> <p>The “Guiding Principles” at Toyota Motor Corporation are as follows: . . . “<i>Honor the . . . spirit of the law of every nation</i> and undertake open and fair corporate activities to be a good corporate citizen of the world.”</p>	<p>At the same time that Toyota represented that it “honor[ed] the . . . spirit of the law of every nation” and was in “full compliance with applicable laws and regulations,” Toyota was violating U.S. laws requiring Toyota to notify NHTSA about potentially dangerous conditions, and was concealing from NHTSA material information concerning defects in order to prevent massive recalls, as described above in this column in Statement No. 3.</p>	<p>As set forth above in this column for Statement Nos. 1, 2, 5 and 7, the same facts that explain why the statements are false and misleading also strongly infer Defendants’ scienter. Moreover, the Complaint’s allegations, viewed in totality, raise a strong inference of scienter.</p> <p>The facts described above in this column in Statement Nos. 1, 2, 5 and 7 continued to give rise to a strong inference of scienter as of the date of these statements.</p>

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Stmt. #	The Speaker(s), Date(s), And Medium	False And Misleading Statements	Reasons Why Statements Were False And Misleading When Made	Facts Giving Rise To A Strong Inference of Scienter
10	<p>When: 06/26/06</p> <p>Where: Form 20-F for the fiscal year ended March 31, 2006 (“6/26/06 20-F”)</p> <p>Speakers: Toyota; Cho; Kinoshita (¶150)</p>	<p>“[Toyota’s] preeminence in the Japanese automotive industry, its growth in the United States and Europe and its overall position as one of the world’s largest automobile producer have resulted from . . . [products that] <i>incorporate</i> superior design and environmental and <i>safety technologies</i> [and Toyota’s] continuing focus on manufacturing <i>high quality products</i> at low-costs.”</p> <p>“<i>Toyota actively invests in technologies designed to increase the safety of its vehicles</i>”</p> <p>“Toyota is focusing its research and development on the promotion of environmentally sound technologies, <i>product safety</i> and information technologies”</p> <p>“Toyota is developing technologies to increase the availability of existing <i>safety systems</i> to all segments of the market”</p> <p>“Toyota’s research and development actively focuses on the environment, <i>vehicle safety</i>, information technology and product development”</p> <p>“Toyota’s work in the area of <i>vehicle safety</i> is focused on the development of technologies designed to <i>prevent</i></p>	<p>At the same time that Toyota was promoting the safety and quality of its vehicles, Toyota vehicles continued to experience serious and potentially catastrophic problems with unintended acceleration, described above in this column in Statement Nos. 1, 4, 5 and 7, and Toyota continued to receive complaints regarding unintended acceleration problems.</p>	<p>As set forth above in this column for Statement Nos. 1, 2, 5 and 7, the same facts that explain why the statements are false and misleading also demonstrate Defendants’ scienter. Moreover, the Complaint’s allegations, viewed in totality, raise a strong inference of scienter.</p> <p>The facts described above in this column in Statement Nos. 1, 2, 5 and 7 continued to give rise to a strong inference of scienter as of the date of these statements.</p>

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Stmt. #	The Speaker(s), Date(s), And Medium	False And Misleading Statements	Reasons Why Statements Were False And Misleading When Made	Facts Giving Rise To A Strong Inference of Scienter
11	<p>When: 06/26/06</p> <p>Where: Form 6-K (*6/26/06 6-K*)</p> <p>Speakers: Toyota; Watanabe (¶151)</p>	<p><i>accidents in the first instance.</i>”</p> <p>“[T]he Toyota Production System seeks to increase manufacturing efficiency and <i>product quality</i> internally through on-site identification and analysis of problems, improving transparency throughout the production process, and <i>resolving problems at the source.</i>”</p>	<p>At the same time that Toyota was promoting the safety and quality of its vehicles, Toyota vehicles continued to experience serious and potentially catastrophic problems with unintended acceleration, described above in this column in Statement Nos. 1, 4, 5, and 7, and Toyota continued to receive complaints regarding unintended acceleration problems.</p>	<p>As set forth above in this column for Statement Nos. 1, 2, 5 and 7, the same facts that explain why the statements are false and misleading also demonstrate Defendants’ scienter. Moreover, the Complaint’s allegations, viewed in totality, raise a strong inference of scienter.</p> <p>The facts described above in this column in Statement Nos. 1, 2, 5 and 7 continued to give rise to a strong inference of scienter as of the date of these statements.</p>

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Stmnt. #	The Speaker(s), Date(s), And Medium	False And Misleading Statements	Reasons Why Statements Were False And Misleading When Made	Facts Giving Rise To A Strong Inference of Scienter
12	<p>When: 06/26/06</p> <p>Where: 6/26/06 6-K</p> <p>Speakers: Toyota; Watanabe</p> <p align="center">(¶151)</p>	<p>“Toyota strives to be a company with energy and dignity that fulfills its social responsibilities . . . through corporate ethics including full compliance with applicable laws and regulations.”</p>	<p>At the same time that Toyota represented that it was in “full compliance with applicable laws and regulations,” Toyota failed to comply with U.S. laws requiring Toyota to notify NHTSA about potentially dangerous conditions and was concealing material information concerning defects from NHTSA in order to prevent massive recalls, as described above in this column in Statement No. 3.</p>	<p>As set forth above in this column for Statement Nos. 1, 2, 5 and 7, the same facts that explain why the statements are false and misleading also demonstrate Defendants’ scienter. Moreover, the Complaint’s allegations, viewed in totality, raise a strong inference of scienter.</p> <p>The facts described above in this column in Statement Nos. 1, 2, 5 and 7 continued to give rise to a strong inference of scienter as of the date of these statements.</p>
13	<p>When: 11/07/06</p> <p>Where: Form 6-K for the six months ended September 30, 2006 (“11/7/06 6-K”)</p> <p>Speakers: Toyota; Watanabe Kinoshita</p> <p align="center">(¶152)</p>	<p>“For the first half, Toyota posted record consolidated results across the board. Our first half revenues exceeded ten trillion yen and operating income exceeded one trillion yen for the first time. We believe our efforts to build a solid operational foundation contributed to these results. . . . [W]e aim to achieve higher levels of revenues and profits through further increase of vehicle sales and cost reductions.”</p>	<p>At the time that Toyota announced that it had achieved record revenues and increased operating income in large part due to cost reductions, Defendants failed to disclose that: (i) the cost reductions resulted in undisclosed serious safety and quality problems in Toyota’s vehicles, including the unintended acceleration problems; and (ii) the reported record results and cost reductions had been achieved only because Toyota had not disclosed that its vehicles were experiencing problems with unintended acceleration, as described in this column in Statement Nos. 1, 4, 5, and 7.</p>	<p>As set forth above in this column for Statement Nos. 1, 2, 5 and 7, the same facts that explain why the statements are false and misleading also demonstrate Defendants’ scienter. Moreover, the Complaint’s allegations, viewed in totality, raise a strong inference of scienter.</p> <p>The facts described above in this column in Statement Nos. 1, 2, 5 and 7 continued to give rise to a strong inference of scienter as of the date of these statements.</p>

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14	<p>When: 11/07/06</p> <p>Where: 11/7/06 6-K</p> <p>Speakers: Toyota; Watanabe (¶152)</p>	<p>“Guiding Principles” at Toyota Motor Corporation are as follows: . . . “Dedicate ourselves to providing clean and safe products . . .” “[T]he entire Toyota Group is making concerted efforts to maintain and improve the world’s highest levels of quality.” Medium- to long-term strategies include, “first of all, focus on development of cutting-edge technologies and their use in products to continue providing customers around the world with products that are environmentally-friendly, safe, comfortable and attractive.”</p>	<p>At the same time that Toyota was promoting the safety and quality of its vehicles, Toyota vehicles continued to experience serious and potentially catastrophic problems with unintended acceleration, as described above in Statement Nos. 1, 4, 5 and 7, and Toyota continued to receive complaints regarding unintended acceleration problems.</p>	<p>As set forth above in this column for Statement Nos. 1, 2, 5 and 7, the same facts that explain why the statements are false and misleading also demonstrate Defendants’ scienter. Moreover, the Complaint’s allegations, viewed in totality, raise a strong inference of scienter.</p> <p>The facts described above in this column in Statement Nos. 1, 2, 5 and 7 continued to give rise to a strong inference of scienter as of the date of these statements.</p>

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Stmnt. #	The Speaker(s), Date(s), And Medium	False And Misleading Statements	Reasons Why Statements Were False And Misleading When Made	Facts Giving Rise To A Strong Inference of Scienter
15	<p>When: 11/07/06</p> <p>Where: 11/7/06 6-K</p> <p>Speakers: Toyota; Watanabe (¶152)</p>	<p>“Guiding Principles” at Toyota Motor corporation are as follows: . . . “Honor the . . . spirit of the law of every nation and undertake open and fair corporate activities to be a good corporate citizen of the world.”</p> <p>“[Toyota] strives to be a company with energy and dignity that fulfills its social responsibilities by . . . thorough corporate ethics including full compliance with applicable laws and regulations.”</p>	<p>At the same time that Toyota represented that it “honor[ed] the spirit of the laws of every nation” and was in “full compliance with applicable laws and regulations,” Toyota failed to comply with U.S. laws requiring Toyota to notify NHTSA about potentially dangerous conditions and was concealing material information concerning defects from NHTSA in order to prevent massive recalls, as described above in this column in Statement No. 3.</p>	<p>As set forth above in this column for Statement Nos. 1, 2, 5 and 7, the same facts that explain why the statements are false and misleading also demonstrate Defendants’ scienter. Moreover, the Complaint’s allegations, viewed in totality, raise a strong inference of scienter.</p> <p>The facts described above in this column in Statement Nos. 1, 2, 5 and 7 continued to give rise to a strong inference of scienter as of the date of these statements.</p> <p>In addition, despite representing that Toyota honored the laws of every nation and was in full compliance with applicable laws and regulations, Defendants knew that Toyota continued to withhold material information from NHTSA. For example, in the “TMA-DC Safety Monthly Report” for November 2006, Christopher Tinto, Toyota’s vice president for regulatory affairs, notified Toyota’s Japanese headquarters that NHTSA was requesting a “broad testing and analysis question” regarding Camry and Solara engine surging. However, according to Tinto, Toyota’s Washington, D.C. office had “negotiated [with NHTSA] to reduce the response to include” less data than NHTSA had requested. (¶90).</p> <p>Moreover, in an effort to keep Toyota vehicle owners and Toyota investors from becoming aware of the problems, Jim Press, President of Toyota NA, discussed “countermeasures” and “promot[ion] of the safety theme” in a September 20, 2006 internal Toyota presentation. (¶188).</p>

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16	<p>When: 12/22/06</p> <p>Where: <i>Bloomberg</i> and <i>Associated Press</i> Articles</p> <p>Speakers: Toyota; Watanabe (¶154)</p>	<p>“<i>Quality is Toyota’s lifeline.</i> We are seeing progress in the quality projects we have been working on.”</p> <p>“<i>There will be no growth without quality.</i>”</p>	<p>At the same time that Watanabe was declaring that “quality is Toyota’s lifeline” and that “there will be no growth without quality,” Watanabe failed to disclose that Toyota’s quality had deteriorated and led to defects such as unintended acceleration problems that could cause serious injuries and fatalities, described above in this column in Statement Nos. 1, 4, 5 and 7.</p>	<p>As set forth above in this column for Statement Nos. 1, 2, 5, 7 and 15, the same facts that explain why the statements are false and misleading also demonstrate Defendants’ scienter. Moreover, the Complaint’s allegations, viewed in totality, raise a strong inference of scienter.</p> <p>The facts described above in this column in Statement Nos. 1, 2, 5, 7 and 15 continued to give rise to a strong inference of scienter as of the date of these statements.</p> <p>In addition, Defendant Watanabe, Toyota’s President, knew that his statements concerning quality were false and misleading because he received a memo warning him about safety problems as a result of production shortcuts. In the fall of 2006, six long-term Toyota factory workers sent a memo directly to Watanabe warning him that “the company is threatened by: combining vehicle platforms, the sharing of parts between models, the outsourcing of planning, a shortage of experimental data on prototypes because of shortened development time, a shortage of experienced specialists and an increase in working hours for employees.” Toyota’s failure to act, the two-page notice warned in Japanese, may “become a great problem that involves the company’s survival.” They further stated: “We are concerned about the processes which are essential for producing safe cars, but that may ultimately be ignored . . . in the name of competition.” <i>The Times</i> (London) later reported that Toyota confirmed that senior management had seen the original memo. (¶84).</p>

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17	<p>When: 06/25/07</p> <p>Where: Form 20-F for the fiscal year ended March 31, 2007 (“6/25/07 20-F”)</p> <p>Speakers: Toyota; Cho; Kinoshita (¶156)</p>	<p>“Toyota’s work in the area of <i>vehicle safety</i> is focused on the development of technologies <i>designed to prevent accidents in the first instance</i>, as well as the development of technologies that protect passengers and reduce the damage on impact in the event of an accident.”</p> <p>“[T]he Toyota Production System seeks to increase <i>manufacturing efficiency and product quality</i> internally through on-site identification and analysis of problems, improving transparency throughout the production process, and <i>resolving problems at the source</i>.”</p> <p>“Toyota believes that its research and development initiatives, particularly the development of environmentally friendly <i>new vehicle technologies, vehicle safety</i> and information technology, <i>provide it with a strategic advantage</i>.”</p> <p>“Toyota actively invests in technology development designed to increase the safety of its vehicles”</p>	<p>At the same time that Toyota was promoting the safety and quality of its vehicles, Toyota vehicles continued to experience serious and potentially catastrophic problems with unintended acceleration, described above in this column in Statement Nos. 1, 4, 5 and 7, and Toyota continued to receive complaints regarding unintended acceleration problems.</p> <p>In addition, Toyota Field Technical Reports continued to document the unintended acceleration problem and the importance of immediate remediation. For example, a June 8, 2007 Field Technical Report stated that a Toyota technician in Hong Kong experienced unintended acceleration during routine maintenance of a vehicle at a Lexus service center. The technician “<i>strongly requested TMC to investigate this case in a very top priority, since the case is highly related to vehicle safety and there is a highly potential danger of severe traffic accident.</i>” (¶91).</p>	<p>As set forth above in this column for Statement Nos. 1, 2, 5, 7, 15 and 16, the same facts that explain why the statements are false and misleading also demonstrate Defendants’ scienter. Moreover, the Complaint’s allegations, viewed in totality, raise a strong inference of scienter.</p> <p>The facts described above in this column in Statement Nos. 1, 2, 5, 7, 15 and 16 continued to give rise to a strong inference of scienter as of the date of these statements. In addition, the following facts were known by this time:</p> <ul style="list-style-type: none"> • Toyota’s Continued Attempts to Mislead NHTSA: In 2007, following additional complaints of unintended acceleration, Toyota continued to falsely represent to NHTSA that reported incidents were due to driver error or floor mat interference. Moreover, Toyota shielded from NHTSA engineers who could expose potential problems to NHTSA. For example, a February 27, 2007, internal email, referring to Toyota’s meeting with NHTSA, stated: “[I]f the engineer who knows the failures well attends the meeting, NHTSA will ask a bunch of questions about the ECU [electronic control unit]. (I want to avoid such situation).” (¶92). • Toyota USA’s Recommendation That Toyota Put a Fail Safe Option in Its Vehicles: By 2007, Toyota USA – responsible for approximately one-third of all Toyota sales – internally suggested that Toyota put in “a fail safe option similar to that used by other companies to prevent unintended acceleration.” Toyota, however, refused to do so. (¶93). • Toyota Internally Recognized That Revelation of the Truth Could Be “Catastrophic”: On March 29, 2007, NHTSA opened a preliminary investigation into pedal entrapment by floor mats in 2007 model-year Lexus ES350 sedans after receiving consumer complaints. Toyota, however, attempted to prevent NHTSA from opening the investigation, offering to send a letter to owners “reminding them not to install all

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18	<p>When: 10/16/07</p> <p>Where: <i>Bloomberg</i> Article</p> <p>Speakers: Toyota; Toyota NA; Toyota USA; Lentz (¶158)</p>	<p><i>Bloomberg</i> reported that Defendant Lentz denied any deterioration in the quality of Toyota vehicles:</p> <p>“Jim Lentz, executive vice president of Toyota’s U.S. sales unit, said he will study Consumer Reports’ data. Toyota’s own information doesn’t show deterioration, he said. ‘We look at warranty data, and the warranty numbers have actually been falling quite rapidly in the last three or four years,’ he said in an interview. ‘Everything we’re seeing indicates that quality is in fact getting better.’”</p>	<p>Contrary to Defendant Lentz’s statement that “quality is in fact getting better,” Toyota vehicles were experiencing serious and potentially catastrophic problems with unintended acceleration, as described above in this column in Statement Nos. 1, 4, 5, 7 and 17, and Toyota continued to receive complaints regarding unintended acceleration.</p> <p>NHTSA also continued to receive complaints. For example, on August 8, 2007, NHTSA upgraded its investigation of Lexus floor mats to an “engineering analysis” after “the agency [received] 40 complaints; eight crashes and 12 injuries. Complainants interviewed by ODI stated that they applied the throttle pedal to accelerate the vehicle and then experienced unwanted acceleration after release.” (¶96).</p>	<p>weather mats on top of existing mats.” Acknowledging the potential harm, Christopher Tinto wrote internally that “NHTSA feels that they have too many complaints on this one vehicle to drop the issue; the results of a stuck throttle are ‘catastrophic.’” (¶94).</p> <p>As set forth above in this column for Statement Nos. 1, 2, 5, 7, 15, 16 and 17, the same facts that explain why the statements are false and misleading also demonstrate Defendants’ scienter. Moreover, the Complaint’s allegations, viewed in totality, raise a strong inference of scienter.</p> <p>The facts described above in this column in Statement Nos. 1, 2, 5, 7, 15, 16 and 17 continued to give rise to a strong inference of scienter as of the date of these statements.</p> <p>In addition, the following facts were known by this time:</p> <ul style="list-style-type: none"> • Lentz Was Aware of the Numerous Complaints Concerning Unintended Acceleration: As President of Toyota USA based in Torrance, California, Lentz was aware that Toyota’s customer complaint center in Torrance received thousands of complaints regarding the unintended acceleration problem. Indeed, in later Congressional hearings, when Defendant Lentz was asked whether he had “any reason to believe that out of the thousands upon thousands of complaints, that Toyota or Lexus owners are inventing these terrifying stories about their driving experiences,” Lentz replied: “No” (¶160). • Lentz Personally Received Customer Complaints Concerning Unintended Acceleration: Defendant Lentz also personally received complaints from customers about unintended acceleration problems. For example, on March 14, 2007, Lentz received a letter at his office in Torrance from a consumer, about an unintended acceleration event in a 2003 Toyota Camry. (¶91). • Toyota Misled NHTSA and Toyota Customers in Order to Achieve Costs Savings: Defendant Lentz and other executives, including Defendant Carter, received an internal Toyota email dated September

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19	<p>When: 10/17/07</p> <p>Where: <i>New York Times</i> Article</p> <p>Speakers: Toyota; Toyota NA; Toyota USA (¶159)</p>	<p>According to a <i>New York Times</i> article concerning Consumer Reports' reliability ratings entitled "Toyota Falls to No. 3 in Reliability Rankings":</p> <p>"A Toyota spokesman, John McCandless, said the company needed to analyze the survey data before commenting in detail on the problems that it identified. . . . <i>None of our internal indicators indicated any problems with the three models that didn't get recommended</i>," Mr. McCandless said.</p> <p>But Steve St. Angelo, manager of Toyota's complex in Georgetown, Ky., where the Camry is built, said the transmission complaints could be linked to defects Toyota discovered in a few early models of the latest Camry. Mr. St. Angelo said <i>those issues had been addressed</i>. <i>'Don't worry about the Camry,' Mr. St. Angelo said Tuesday night. . . .</i>"</p>	<p>Contrary to the statements reassuring the public that there were no problems with Toyota vehicles, Toyota vehicles had experienced serious and potentially catastrophic problems with unintended acceleration, described above in this column in Statement Nos. 1, 3, 4, 5, 7, 17 and 18, and Toyota continued to receive complaints regarding unintended acceleration problems.</p> <p>While Toyota represented that no "internal indicators" indicated any problems with the models that Consumer Reports did not recommend, and that the public should not "worry about the Camry," Toyota vehicles, including the Camry, were prone to unintended acceleration. By then, NHTSA had commenced (but closed, after being misled by Toyota) several investigations concerning unintended acceleration involving the Camry. (¶¶74-75, 77, 79). Further, the Company had received numerous complaints about unintended acceleration, including 60,000 "surging" complaints involving the Camry in 2004 alone, which it deliberately withheld from NHTSA. (¶88). Defendants also knew or were reckless in disregarding that Toyota's surreptitious attempts to correct defects causing unintended acceleration, including "running changes," were ineffective. (¶¶6, 62).</p>	<p>14, 2007, noting that "NHTSA was beginning to look at vehicle design parameters as being a culprit, focusing on the accelerator pedal geometry couple[d] with the push button 'off' switch. <i>We estimate that had the agency instead pushed hard for recall of the throttle pedal assembly (for instance), we would be looking at upwards of \$100M+....</i>" The email also noted that "<i>we will NOT declare that a 'safety defect' exist [sic] in either the vehicles or the mat.</i>" (¶101).</p>
				<p>As set forth above in this column for Statement Nos. 1, 2, 5, 7, 15, 16, 17 and 18, the same facts that explain why the statements are false and misleading also demonstrate Defendants' scienter. Moreover, the Complaint's allegations, viewed in totality, raise a strong inference of scienter.</p> <p>The facts described above in this column in Statement Nos. 1, 2, 5, 7, 15, 16, 17 and 18 continued to give rise to a strong inference of scienter as of the date of these statements.</p>

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20	<p>When: 04/07/08</p> <p>Where: <i>Detroit Free Press</i> Article</p> <p>Speakers: Toyota; Toyota NA; Toyota USA (¶161)</p>	<p>According to a <i>Detroit Free Press</i> article entitled “Toyota Pickup Probe Pushed; Sudden Acceleration Claims Hard to Pin Down”:</p> <p><i>“Toyota spokesman Bill Kwong says the company has found no problems with the Tacoma that would explain the complaints.</i></p> <p><i>‘We don’t feel it’s an issue with the vehicle,’</i> he said. Regulators ‘get sudden acceleration complaints from consumers for various manufacturers . . . and in most cases they have found <i>it’s a misapplication of the pedals by the driver.’”</i></p>	<p>Contrary to the statement that Toyota has found no problem with sudden acceleration claims in the Tacoma, that “we don’t feel it’s an issue with the vehicle,” and that “it’s a misapplication of the pedals by the driver,” Toyota knew or recklessly disregarded that the Tacoma had a history of unintended acceleration and that a Toyota Field Technical Specialist had even reproduced the same unintended acceleration that was being reported by Tacoma owners. (¶187).</p>	<p>As set forth above in this column for Statement Nos. 1, 2, 5, 7, 15, 16, 17 and 18, the same facts that explain why the statements are false and misleading also demonstrate Defendants’ scienter. Moreover, the Complaint’s allegations, viewed in totality, raise a strong inference of scienter.</p> <p>The facts described above in this column in Statement Nos. 1, 2, 5, 7, 15, 16, 17 and 18 continued to give rise to a strong inference of scienter as of the date of these statements.</p>
21	<p>When: 05/08/08</p> <p>Where: Form 6-K for the fiscal year ended March 31, 2008 (“5/8/08 6-K”)</p> <p>Speakers: Toyota; Watanabe</p>	<p>Toyota announced that it had achieved “record net revenues, operating income and net income” for the fiscal year ended March 31, 2008. The financial results included in the Form 6-K Toyota stated that “[t]he increase in operating income [for the automotive operations] was mainly due to increases in both production volume and vehicle units sold and cost reduction efforts . . .”</p>	<p>At the same time Toyota was announcing that it had achieved record revenues and increased operating income in large part due to cost reductions, Defendants failed to disclose that: (i) the cost reductions resulted in undisclosed serious safety and quality problems in Toyota’s vehicles, including the unintended acceleration problems; and (ii) the reported record results and cost reductions were achieved only because Toyota had not disclosed that its vehicles were experiencing problems with unintended acceleration, as described above in this column in Statement Nos. 1, 3, 4, 5, 7, 17, 18 and 19.</p>	<p>As set forth above in this column for Statement Nos. 1, 2, 5, 7, 15, 16, 17 and 18, the same facts that explain why the statements are false and misleading also demonstrate Defendants’ scienter. Moreover, the Complaint’s allegations, viewed in totality, raise a strong inference of scienter.</p> <p>The facts described above in this column in Statement Nos. 1, 2, 5, 7, 15, 16, 17 and 18 continued to give rise to a strong inference of scienter as of the date of these statements.</p>

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Stmt. #	The Speaker(s), Date(s), And Medium	False And Misleading Statements	Reasons Why Statements Were False And Misleading When Made	Facts Giving Rise To A Strong Inference of Scienter
	(¶162)			
22	<p>When: 05/08/08</p> <p>Where: 5/8/08 6-K</p> <p>Speakers: Toyota; Watanabe</p> <p>(¶162)</p>	<p>Under the heading “Management Policy” in the consolidated financials, Toyota stated:</p> <p><i>“With respect to quality, by implementing jikotei kanketsu (the concept of defect-free process completion to ensure that no defective product leaves any production process), we will strive to maintain and enhance quality at the world’s highest level and raise cost competitiveness to support high quality and sustainable growth. . . . [W]ith respect to ‘Technology,’ we will make even greater efforts on development of cutting-edge technologies and commercialization related to the environment, energy and safety”</i></p>	<p>Contrary to the statements concerning quality and safety, Toyota vehicles continued to experience serious and potentially catastrophic problems with unintended acceleration, described above in this column in Statement Nos. 1, 3, 4, 5, 7, 17, 18 and 19, and Toyota continued to receive complaints regarding unintended acceleration problems.</p>	<p>As set forth above in this column for Statement Nos. 1, 2, 5, 7, 15, 16, 17 and 18, the same facts that explain why the statements are false and misleading also demonstrate Defendants’ scienter. Moreover, the Complaint’s allegations, viewed in totality, raise a strong inference of scienter.</p> <p>The facts described above in this column in Statement Nos. 1, 2, 5, 7, 15, 16, 17 and 18 continued to give rise to a strong inference of scienter as of the date of these statements.</p>
23	<p>When: 05/08/08</p> <p>Where: Form 6-K for the fiscal year ended March 31, 2008 (“5/8/08 6-K”)</p>	<p>Under the heading “Management Policy” in the consolidated financials, Toyota stated:</p> <p><i>“Toyota fulfills its social responsibility (CSR) through philanthropic activities undertaken through corporate ethics including full compliance with applicable laws</i></p>	<p>At the same time that Toyota represented that it was in “full compliance with applicable laws and regulations,” Toyota was violating U.S. laws that required Toyota to notify NHTSA about potentially dangerous conditions, and was concealing from NHTSA material information in order to prevent massive recalls, as described above in this column in Statement No. 3.</p>	<p>As set forth above in this column for Statement Nos. 1, 2, 5, 7, 15, 16, 17 and 18, the same facts that explain why the statements are false and misleading also demonstrate Defendants’ scienter. Moreover, the Complaint’s allegations, viewed in totality, raise a strong inference of scienter.</p> <p>The facts described above in this column in Statement Nos. 1, 2, 5, 7, 15, 16, 17 and 18 continued to give rise to a strong inference of scienter as of the date of these statements.</p>

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In re Toyota Motor Corporation Securities Litigation, Master File No. CV 10-922 DSF (AJWx)**

Stmnt. #	The Speaker(s), Date(s), And Medium	False And Misleading Statements	Reasons Why Statements Were False And Misleading When Made	Facts Giving Rise To A Strong Inference of Scienter
	<p>Speakers: Toyota; Watanabe (¶162)</p>	<p><i>and regulations.</i>”</p>		
24	<p>When: 06/10/08 Where: <i>Detroit Free Press</i> Article Speakers: Toyota; Toyota NA; Toyota USA (¶163)</p>	<p>According to the <i>Detroit Free Press</i> article entitled “Toyota Denies Tacoma is Defective; Media Inspired Claims, It Says”: “Some 431 customers from around the country have reported unintended acceleration in their Toyota Tacoma pickups, resulting in 51 crashes and 12 injuries, but <i>the automaker said there are no flaws in the trucks and that many reports were ‘inspired by publicity.’</i> It also said ‘extensive media coverage’ spurred additional reports and could explain why no other pickup has similar complaints. ‘Toyota believes that it is likely that many of the consumer complaints about the general issue of unwanted acceleration . . . as well as many of the complaints about this subject that have been received by Toyota, <i>were inspired by publicity.</i>’ Toyota said in a letter to the NHTSA released Thursday. ‘But even taking them at face value, it is clear that the majority of the complaints are related to minor drivability issues and are <i>not indicative of a safety-related defect.</i>’</p>	<p>Contrary to the statement that there were no flaws in the Tacoma, the Tacoma had a history of unintended acceleration and a Toyota Field Technical Specialist had even reproduced the same unintended acceleration that was being reported by Tacoma owners. (¶87). Moreover, contrary to the statements that the complaints were not indicative of a safety-related defect, that they were inspired by publicity, and that Toyota vehicles were safe, Toyota vehicles were experiencing serious and potentially catastrophic problems with unintended acceleration, described above in this column in Statement Nos. 1, 3, 4, 5, 7, 17, 18, 19, and 20.</p>	<p>As set forth above in this column for Statement Nos. 1, 2, 5, 7, 15, 16, 17 and 18, the same facts that explain why the statements are false and misleading also demonstrate Defendants’ scienter. Moreover, the Complaint’s allegations, viewed in totality, raise a strong inference of scienter. The facts described above in this column in Statement Nos. 1, 2, 5, 7, 15, 16, 17 and 18 continued to give rise to a strong inference of scienter as of the date of these statements.</p>

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		<p>Toyota spokesman Bill Kwong said <i>tests by the automaker and the NHTSA revealed no problems that would explain the complaints</i>. He said the problems were not as prevalent as the number of complaints suggested, saying NHTSA asked for any cases where engine idle speed increased. <i>“We remain confident in the safety of the vehicles,” Kwong said.”</i></p>		

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Stmnt. #	The Speaker(s), Date(s), And Medium	False And Misleading Statements	Reasons Why Statements Were False And Misleading When Made	Facts Giving Rise To A Strong Inference of Scienter
25	<p>When: 06/25/08</p> <p>Where: Form 20-F for the fiscal year ended March 31, 2008 (“6/25/08 20-F”)</p> <p>Speakers: Toyota; Cho; Kinoshita (¶164)</p>	<p>“Toyota’s work in the area of <i>vehicle safety</i> is focused on the development of technologies <i>designed to prevent accidents in the first instance</i>, as well as the development of technologies that protect passengers and reduce the damage on impact in the event of an accident.”</p> <p>“the Toyota Production System seeks to increase manufacturing efficiency and <i>product quality</i> internally through on-site identification and analysis of problems, improving transparency throughout the production process, and <i>resolving problems at the source</i>”</p> <p>“Toyota believes that its research and development initiatives, particularly the development of environmentally friendly new vehicle technologies, <i>vehicle safety</i> and information technology, <i>provide it with a strategic advantage as a global competitor</i>”</p> <p>“<i>Toyota is focusing its research and development on the promotion of environmentally sound technologies, and product safety technologies</i>”</p>	<p>At the same time that Toyota was promoting the safety and quality of its vehicles, Toyota vehicles continued to experience serious and potentially catastrophic problems with unintended acceleration, described above in this column in Statement Nos. 1, 3, 4, 5, 7, 17, 18, 19 and 20, and Toyota continued to receive complaints regarding unintended acceleration problems.</p>	<p>As set forth above in this column for Statement Nos. 1, 2, 5, 7, 15, 16, 17 and 18, the same facts that explain why the statements are false and misleading also demonstrate Defendants’ scienter. Moreover, the Complaint’s allegations, viewed in totality, raise a strong inference of scienter.</p> <p>The facts described above in this column in Statement Nos. 1, 2, 5, 7, 15, 16, 17 and 18 continued to give rise to a strong inference of scienter as of the date of these statements.</p>

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Stmnt. #	The Speaker(s), Date(s), And Medium	False And Misleading Statements	Reasons Why Statements Were False And Misleading When Made	Facts Giving Rise To A Strong Inference of Scienter
		<p>“[Toyota] is focusing its initiatives on the following areas: . . . the improvement of <i>technologies that pursue driving and vehicle safety</i>”</p> <p>“Toyota’s corporate goal is to maintain its position as a market leader in the automotive industry and to continue its growth, while enhancing profitability and shareholder returns. In order to achieve this corporate goal, <i>Toyota strives to further enhance its technology, production and marketing, supported by improvements in quality control, strengthening of cost-competitiveness and personnel development.</i>”</p> <p>“Toyota’s research and development activities focus on the environment, <i>vehicle safety</i>, information technology and product development”</p>		

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Stmnt. #	The Speaker(s), Date(s), And Medium	False And Misleading Statements	Reasons Why Statements Were False And Misleading When Made	Facts Giving Rise To A Strong Inference of Scienter
26	<p>When: 04/23/09</p> <p>Where: <i>Westword</i> Article</p> <p>Speakers: Toyota; Toyota NA; Toyota USA (¶166)</p>	<p>According to the article:</p> <p>“You get these customers that say, ‘I stood on the brake with all my might and the car just kept on accelerating.’ <i>They’re not stepping on the brake,</i>” says corporate Toyota spokesman Bill Kwong. “People are so under stress right now, people have so much on their minds. With pagers and cell phones and IM, people are just so busy with kids and family and boyfriends and girlfriends. So you’re driving along, and the next thing you know, you’re two miles down the road and you don’t remember driving, because you’re thinking about something else.”</p>	<p>As Defendants denied problems with Toyota’s acceleration systems and blamed the problem on driver error, Toyota vehicles continued to experience serious and potentially catastrophic problems with unintended acceleration, described above in this column in Statement Nos. 1, 3, 4, 5, 7, 17, 18, 19, and 20, and Toyota continued to receive complaints regarding unintended acceleration problems. In addition, Defendants were aware that driver error could not account for all of the unintended acceleration problems. Among other things:</p> <ul style="list-style-type: none"> • By August 2008, NHTSA had received more than 2,600 complaints regarding “runaway” Toyota vehicles. (¶104). • Toyota received reports about problems with sticky accelerator pedals as early as July 2006, and had confirmed the problem by January 2008. (¶115). 	<p>As set forth above in this column for Statement Nos. 1, 2, 5, 7, 15, 16, 17 and 18, the same facts that explain why the statements are false and misleading also demonstrate Defendants’ scienter. Moreover, the Complaint’s allegations, viewed in totality, raise a strong inference of scienter.</p> <p>The facts described above in this column in Statement Nos. 1, 2, 5, 7, 15, 16, 17 and 18 continued to give rise to a strong inference of scienter as of the date of these statements.</p> <p>In addition, the following facts were known by this time:</p> <ul style="list-style-type: none"> • Defendants Knew That Toyota Vehicles Had Accelerator Pedal Defects: While Defendants blamed the unintended acceleration problems on driver error, by this time, they were aware of gas pedal defects in Toyota vehicles. As Toyota executives later privately admitted to NHTSA in a meeting in January 2010, not only was there a mechanical defect in the gas pedals of certain vehicles, but <i>Toyota internally had known about the defect for more than a year before January 2010.</i> (¶123). • Defendants Internally Acknowledged That Driver Error Could Not Account for All of the Unintended Acceleration Problems: Contrary to public statements, and recognizing that driver error could not account for all of the unintended acceleration problems, a “classified” internal Toyota memo titled “Unwanted Accelerations Investigation on Toyota Vehicles,” drafted in response to “increased scrutiny” from NHTSA and sent to Toyota’s Japan headquarters, asked the Company to conduct a feasibility study to evaluate ways “to reduce throttle opening/engine

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27	<p>When: 06/24/09</p> <p>Where: Form 20-F for the fiscal year ended March 31, 2009 (“6/24/09 20-F”)</p> <p>Speakers: Toyota; Cho (¶167)</p>	<p>“Toyota’s work in the area of vehicle safety is focused on the development of technologies designed to <i>prevent accidents in the first instance</i>, as well as the development of technologies that protect passengers and reduce the damage on impact in the event of an accident.”</p> <p>“[T]he Toyota Production System seeks to increase manufacturing efficiency and <i>product quality</i> internally through on-site identification and analysis of problems, improving transparency throughout the production process, and <i>resolving problems at the source</i>”</p> <p>“Toyota believes that its research and development initiatives, particularly the development of environmentally friendly new vehicle technologies, <i>vehicle safety</i> and information technology, <i>provide it with a strategic advantage</i>”</p> <p>“Toyota is focusing its research and development on the promotion of</p>	<p>At the same time that Toyota was promoting the safety and quality of its vehicles, Toyota vehicles continued to experience serious and potentially catastrophic problems with unintended acceleration, as described above in this column in Statement Nos. 1, 3, 4, 5, 7, 17, 18, 19, 20 and 26, and Toyota continued to receive complaints regarding unintended acceleration problems.</p>	<p>power.” (¶104).</p> <p>As set forth above in this column for Statement Nos. 1, 2, 5, 7, 15, 16, 17, 18 and 26, the same facts that explain why the statements are false and misleading also demonstrate Defendants’ scienter. Moreover, the Complaint’s allegations, viewed in totality, raise a strong inference of scienter.</p> <p>The facts described above in this column in Statement Nos. 1, 2, 5, 7, 15, 16, 17, 18 and 26 continued to give rise to a strong inference of scienter as of the date of these statements.</p> <p>In addition, the following facts were known by this time:</p> <ul style="list-style-type: none"> • Toyota Changes Management: On June 23, 2009, Toyota replaced nearly its entire management team, appointing Akio Toyoda, the grandson of Toyota’s founder, as the Company’s President and Chief Executive Officer. Akio Toyoda later admitted that the Company’s priorities of “first, safety; second, quality, third, volume” “became confused.” (¶¶ 108, 137). • Toyota Continued to Mislead NHTSA: Toyota’s continued attempts to mislead NHTSA further demonstrate Defendants’ scienter. For example, in April 2009, NHTSA received a petition for an investigation into Toyota vehicles for throttle-control problems unrelated to floor mats after a Lexus owner experienced unintended acceleration. However, Toyota persuaded NHTSA to limit the scope of its investigation to incidents lasting less than a second and to deny the petition without requiring Toyota to fully disclose the numbers of customer reports of unintended acceleration events it had received. (¶105). • Toyota’s Top Officers Knew About the Unintended Acceleration

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28	<p>When: 09/14/09</p> <p>Where: Press Release “Lexus ES350 Accident Investigation”</p> <p>Speakers: Toyota; Toyota NA; Toyota USA; Inaba (¶169)</p>	<p>environmentally sound technologies, and <i>product safety</i> technologies”</p> <p>“[Toyota] is focusing its initiatives on the following areas: . . . the improvement of technologies that pursue driving and <i>vehicle safety</i>”</p> <p>“Toyota’s research and development activities focus on the environment, <i>vehicle safety</i>, information technology and product development”</p>	<p>While Defendants blamed floor mats and claimed that the issue was not unique to Toyota, Toyota vehicles continued to experience serious and potentially catastrophic problems with unintended acceleration, as described above in this column in Statement Nos. 1, 3, 4, 5, 7, 17, 18, 19, 20, and 26, and Toyota continued to receive complaints regarding unintended acceleration problems.</p> <p>In addition, Defendants were aware or recklessly disregarded that improperly installed floor mats alone could not explain the serious unintended acceleration problems and knew there were other problems such as defective accelerator pedals. A <i>Los Angeles Times</i> review of an earlier investigation of Lexus vehicles showed that NHTSA had found that the Lexus ES braking system loses power assist when the throttle is fully opened, increasing braking distance fivefold. Moreover, a NHTSA report indicated that the Lexus accelerator pedal design may have contributed to the risk of floor mat entrapment. (¶170).</p>	<p>Problem Because They Discussed the Avoidance of Recalls as a “Win”: An internal presentation on July 6, 2009 by Defendant Inaba – the President and COO of Toyota NA, Chairman and CEO of Toyota USA, and a Director of Toyota – demonstrated that Toyota was more concerned about “[p]romot[ing] Toyota’s agenda,” “protect[ing] our interests,” and “maintain[ing] a] receptive environment to grow our business,” than about consumer safety. In the internal presentation, Defendant Inaba cited various “wins” for Toyota involving the unintended acceleration issue, including “[f]avorable recall outcomes” and the negotiation of an “equipment” recall in which NHTSA found “no defect,” saving the Company more than \$100 million. (¶109).</p> <p>As set forth above in this column for Statement Nos. 1, 2, 5, 7, 15, 16, 17, 18, 26 and 27, the same facts that explain why the statements are false and misleading also demonstrate Defendants’ scienter. Moreover, the Complaint’s allegations, viewed in totality, raise a strong inference of scienter.</p> <p>The facts described above in this column in Statement Nos. 1, 2, 5, 7, 15, 16, 17, 18, 26 and 27 continued to give rise to a strong inference of scienter as of the date of these statements.</p> <p>Additionally, by this time, demonstrating knowledge of the undisclosed defect that existed in the United States, Defendants changed the pedal design in Europe. In mid-August 2009, Toyota made a design change on all vehicles being produced for sale in Europe which lengthened the arm of the accelerator pedal friction lever and also changed the material used in construction of the accelerator pedal to prevent unintended acceleration. However, it did not do so in the United States. (¶177).</p>

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29	<p>When: 11/02/09</p> <p>Where: Press Release "Toyota Begins Interim Notification to Owners Regarding Future Voluntary Safety Recall Related to Floor Mats"</p> <p>Speakers: Toyota; Toyota NA; Toyota USA; Daly; Inaba (¶171)</p>	<p>According to the press release: "Toyota Motor Sales (TMS), U.S.A., Inc., today announced that it has begun mailing letters to owners of certain Toyota and Lexus models regarding the potential for an unsecured or incompatible driver's floor mat to interfere with the accelerator pedal and cause it to get stuck in the wide-open position. <i>The letter, in compliance with the National Traffic and Motor Vehicle Safety Act and reviewed by the National Highway Traffic Safety Administration (NHTSA) also confirms that no defect exists in vehicles in which the driver's floor mat is compatible with the vehicle and properly secured,</i>" and that NHTSA had concluded that "the only defect trend related to vehicle speed control in the subject vehicles involved the potential for accelerator pedals to become trapped near the floor by out-of-position or inappropriate mat installations." Defendants were aware or recklessly disregarded that Toyota's unintended acceleration problems could not be explained by incompatible or unsecured floor mats alone, and that NHTSA had not concluded that floor mats were the only defect trend related to vehicle speed control. In fact, just two days after Toyota's press release, NHTSA refuted Toyota's claims and admonished Toyota for making an "inaccurate and misleading" statement. (¶119).</p>	<p>While Defendants blamed floor mats, Toyota vehicles continued to experience serious and potentially catastrophic problems with unintended acceleration, as described above in this column in Statement Nos. 1, 3, 4, 5, 7, 17, 18, 19, 20, 26 and 28, and Toyota continued to receive complaints regarding unintended acceleration problems.</p> <p>In addition, while Defendants represented that NHTSA had confirmed that "no defect exists in vehicles in which the driver's floor mat is compatible with the vehicle and properly secured," and that NHTSA had concluded that "the only defect trend related to vehicle speed control in the subject vehicles involved the potential for accelerator pedals to become trapped near the floor by out-of-position or inappropriate mat installations," Defendants were aware or recklessly disregarded that Toyota's unintended acceleration problems could not be explained by incompatible or unsecured floor mats alone, and that NHTSA had not concluded that floor mats were the only defect trend related to vehicle speed control. In fact, just two days after Toyota's press release, NHTSA refuted Toyota's claims and admonished Toyota for making an "inaccurate and misleading" statement. (¶119).</p>	<p>The same facts that explain why the statements are false and misleading also demonstrate Defendants' scienter. Moreover, the Complaint's allegations, viewed in totality, raise a strong inference of scienter. The facts that were known, as described above in this column in Statement Nos. 1, 2, 5, 7, 15, 16, 17, 18, 26, 27 and 28, were still known internally as of the date of this statement.</p> <p>The facts described above in this column in Statement Nos. 1, 2, 5, 7, 15, 16, 17, 18, 26, 27 and 28 continued to give rise to a strong inference of scienter as of the date of these statements.</p> <p>In addition, the following facts were known by this time:</p> <ul style="list-style-type: none"> • Defendant Lentz Admitted Defendants Knew Toyota had a "Sticky" Accelerator Problem by October 2009: In a subsequent interview on television, Defendant Lentz acknowledged that by October 2009, Defendants knew that Toyota vehicles had a "sticky" accelerator problem that could also cause a vehicle to accelerate out of control. (¶130). • NHTSA Found That Toyota's Statements Were Misleading and Inaccurate: Just two days after the press release, NHTSA stated that the 11/2/09 statement was "misleading and inaccurate." NHTSA further announced that the recalled vehicles might well have an "underlying defect" involving the design of the accelerator pedal or the driver's foot well. (¶¶10, 119).

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		<p>including interviews with consumers who had complained of unwanted acceleration, <i>NHTSA concluded that ‘... the only defect trend related to vehicle speed control in the subject vehicles involved the potential for accelerator pedals to become trapped near the floor by out-of-position or inappropriate floor mat installations.’</i> This is the sixth time in the past six years that NHTSA has undertaken such an exhaustive review of allegations of unintended acceleration on Toyota and Lexus vehicles and the sixth time the agency has found no vehicle based cause for the unwanted acceleration allegations. ‘The question of unintended acceleration involving Toyota and Lexus vehicles has been repeatedly and thoroughly investigated by NHTSA, <i>without any finding of defect other than the risk from an unsecured or incompatible driver’s floor mat,’ said Bob Daly, TMS senior vice president.</i>’</p>		

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30	<p>When: 11/02/09</p> <p>Where: Conference Call with media representatives at the Thomson Reuters Autos Summit</p> <p>Speakers: Toyota; Toyota NA; Toyota USA; Carter</p> <p>(¶172)</p>	<p><u>Media:</u> And then Bob might be remiss, too, but I am going to ask about the floor mat recall. I understand the customer letters went out Friday. What is the latest there? Where are you in developing that?</p> <p><u>Carter:</u> We are working very closely with NHTSA on this situation. <i>There is a concern which we immediately once we became aware of this concern, that there is a potential of incompatible floor mat, for a floor mat that is not appropriately attached in the vehicle coming in contact and fouling the accelerator pedal. With that, we immediately released a consumer alert, and we are working with NHTSA on developing appropriate actions as we go forward.</i> Our consumer report was to advise the consumer that it is extremely important that they have a compatible floor mat in the vehicle, that is designed for the vehicle, and it be properly attached. We are also working with the Association of Carwashes to make sure that car</p>	<p>While Defendants blamed floor mats, Toyota vehicles continued to experience serious and potentially catastrophic problems with unintended acceleration, as described above in this column in Statement Nos. 1, 3, 4, 5, 17, 18, 19, 20, 26, 28 and 29, and Toyota continued to receive complaints regarding unintended acceleration problems.</p> <p>In addition, while Defendant Carter represented that the only problem involving unintended acceleration related to floor mats, Defendant Carter was aware or recklessly disregarded that the unintended acceleration problems could not be explained by incompatible or unsecured floor mats alone and that, among other things, Toyota vehicles had a sticky accelerator pedal problem. (¶¶103, 115, 122-23).</p>	<p>As set forth above in this column for Statement Nos. 1, 2, 7, 15, 16, 17, 18, 26, 27, 28 and 29 the same facts that explain why the statements are false and misleading also demonstrate Defendants' scienter. Moreover, the Complaint's allegations, viewed in totality, raise a strong inference of scienter.</p> <p>The facts described above in this column in Statement Nos. 1, 2, 7, 15, 16, 17, 18, 26, 27, 28 and 29 continued to give rise to a strong inference of scienter as of the date of these statements.</p>

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		<p>washes take floor mats in and out, they don't create a situation on behalf of the consumer. Beyond that, we are working with them, the NHTSA, to develop what the future engineering – what can possibly be engineered for the future. <i>There has been some speculation in the media that says that the –</i></p> <p><u>Media:</u> It's not just the floor mat Yes.</p> <p><u>Carter:</u> <i>It is not just the floor mat. There has been speculation and theories that there are some concerns with our fuel delivery systems, our braking systems, our throttle systems. I will tell you there is absolutely no evidence to support any of that.</i> In fact, last week NHTSA just closed another investigation of a vehicle that was looked at, and again they concluded that the source was an incompatible floor mat or a floor mat that was not attached properly. . . .</p> <p><u>Media:</u> But at the moment though, as this moves to recall, I guess what you said will happen. <i>The focus is just the floor mat, floor mat design, nothing beyond that?</i></p> <p><u>Carter:</u> <i>Absolutely. Absolutely.</i></p>		

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		<p><i>There is no evidence that goes beyond that.</i></p>		
31	<p>When: 11/29/09 <i>New York Times</i> Article</p> <p>Speakers: Toyota; Toyota NA; Toyota USA; Miller (¶174)</p>	<p>The <i>New York Times</i> reported that in a November 25, 2009 press conference Defendant Miller stated: “We are very, very confident that we have addressed this issue. We can come up with no indication whatsoever that there is a throttle or electronic control system malfunction.” Miller further stated: “We have come to the conclusion this is pedal misapplication or pedal entrapment. We continue to find no reason to believe that there is a problem with the electronic control systems.”</p>	<p>Contrary to the statements, Toyota vehicles continued to experience serious and potentially catastrophic problems with unintended acceleration, as described above in this column in Statement Nos. 1, 3, 4, 5, 17, 18, 19, 20, 26, 28, 29 and 30, and Toyota continued to receive complaints regarding unintended acceleration problems.</p> <p>In addition, at the time Defendant Miller stated that “we are very, very confident that we have addressed this [unintended acceleration] issue” and that “we have come to the conclusion this is pedal misapplication or pedal entrapment,” he and other Defendants were aware or recklessly disregarded that floor mats could not account for all of the unintended acceleration incidents. Among other things, in mid-August 2009, Toyota made a design change on all vehicles being produced for sale in Europe, lengthening the arm of the accelerator pedal friction lever and also changing the material used in construction of the accelerator pedal to prevent unintended acceleration. Despite this knowledge and similarities in the manufacturing process, Toyota did not investigate or make changes to its U.S. vehicles. (¶177).</p>	<p>As set forth above in this column for Statement Nos. 1, 2, 7, 15, 16, 17, 18, 26, 27, 28 and 29, the same facts that explain why the statements are false and misleading also demonstrate Defendants’ scienter. Moreover, the Complaint’s allegations, viewed in totality, raise a strong inference of scienter.</p> <p>The facts described above in this column in Statement Nos. 1, 2, 7, 15, 16, 17, 18, 26, 27, 28 and 29 continued to give rise to a strong inference of scienter as of the date of these statements.</p> <p>In addition, Defendant Miller knew that the problem was not only pedal entrapment by floor mats, but that there was also mechanical failure in the accelerator pedals. As Miller later admitted in a January 16, 2010 email: “I hate to break this to you but WE HAVE a tendency for MECHANICAL failure in accelerator pedals of certain manufacturer on certain models. We are not protecting our customers by keeping this quiet. The time to hide this one is over. We need to come clean . . .” (¶122).</p>

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In re Toyota Motor Corporation Securities Litigation, Master File No. CV 10-922 DSF (AJWx)**

Stmt. #	The Speaker(s), Date(s), And Medium	False And Misleading Statements	Reasons Why Statements Were False And Misleading When Made	Facts Giving Rise To A Strong Inference of Scienter
32	<p>When: 12/05/09</p> <p>Where: Response Letter in the <i>Los Angeles Times</i></p> <p>Speakers: Toyota; Toyota NA; Toyota USA; Miller</p> <p>(¶175)</p>	<p>Defendant Miller wrote a letter to the <i>Los Angeles Times</i> stating, “<i>we are highly confident that we have addressed the root cause of unwanted acceleration – the entrapment of the accelerator pedal.</i>”</p>	<p>Defendant Miller’s statement that “the root cause of unwanted acceleration – the entrapment of the accelerator pedal” was false and misleading when made for the same reasons described above in this column in Statement No. 31.</p>	<p>As set forth above in this column for Statement Nos. 1, 2, 7, 15, 16, 17, 18, 26, 27, 28 and 29, the same facts that explain why the statements are false and misleading also demonstrate Defendants’ scienter. Moreover, the Complaint’s allegations, viewed in totality, raise a strong inference of scienter.</p> <p>The facts described above in this column in Statement Nos. 1, 2, 7, 15, 16, 17, 18, 26, 27, 28 and 29 continued to give rise to a strong inference of scienter as of the date of these statements.</p>

**Appendix to Consolidated Class Action Complaint
In re Toyota Motor Corporation Securities Litigation, Master File No. CV 10-922 DSF (AJWx)**

Stmt. #	The Speaker(s), Date(s), And Medium	False And Misleading Statements	Reasons Why Statements Were False And Misleading When Made	Facts Giving Rise To A Strong Inference of Scienter
33	<p>When: 12/23/09</p> <p>Where: Response Letter in the <i>Los Angeles Times</i> on Toyota USA's Point of View newsroom on Toyota's website entitled "Setting the Record Straight,"</p> <p>Speakers: Toyota; Toyota NA; Toyota USA; Miller (¶176)</p>	<p>"Today the Los Angeles Times published an article that <i>wrongly and unfairly attacks Toyota's integrity and reputation</i>. While outraged by the Times' attack, we were not totally surprised. The tone of the article was foreshadowed by the phrasing of a lengthy list of detailed questions that the Times emailed to us recently. The questions were couched in accusatory terms. Despite the tone, we answered each of the many questions and sent them to the Times. Needless to say, we were disappointed by the article that appeared today, and in particular by the fact that so little of our response to the questions appeared in the article and much of what was used was distorted. <i>Toyota has a well-earned reputation for integrity</i> and we will vigorously defend it."</p>	<p>At the same time that Defendants maintained that Toyota's integrity and reputation were being wrongly attacked, Defendants were aware that Toyota had violated U.S. laws and regulations (including the TREAD Act), and that Toyota was misleading NHTSA, consumers, and investors regarding the unintended acceleration problems in Toyota vehicles, as described above in this column in Statement Nos. 1, 3, 4, 5, 17, 18, 19, 20, 26, 28, 29 and 30.</p>	<p>As set forth above in this column for Statement Nos. 1, 2, 7, 15, 16, 17, 18, 26, 27, 28 and 29, the same facts that explain why the statements are false and misleading also demonstrate Defendants' scienter. Moreover, the Complaint's allegations, viewed in totality, raise a strong inference of scienter.</p> <p>The facts described above in this column in Statement Nos. 1, 2, 7, 15, 16, 17, 18, 26, 27, 28 and 29 continued to give rise to a strong inference of scienter as of the date of these statements.</p>