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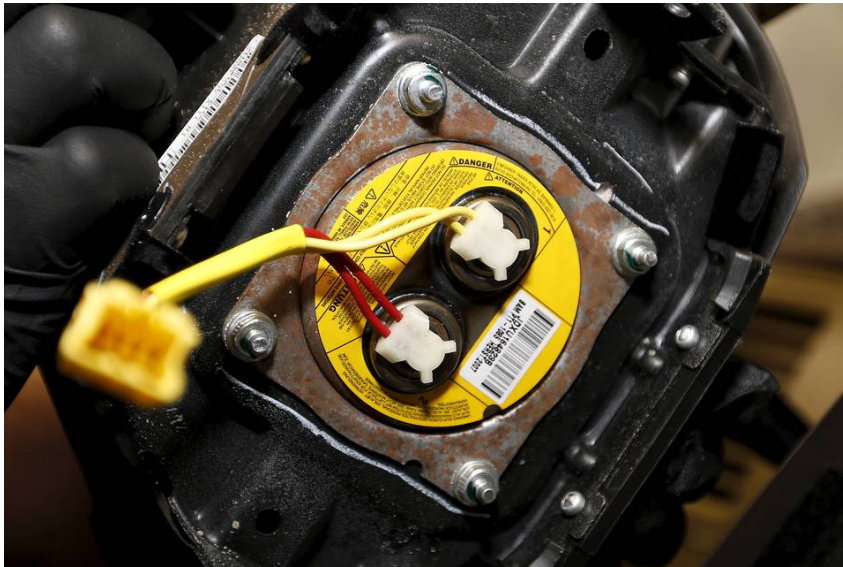
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<http://www.wsj.com/articles/federal-regulators-set-to-hit-takata-with-70-million-fine-1446568993>

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U.S. Auto Regulator Hits Takata With \$70 Million Fine in Air-Bag Settlement

Case involves long-running investigation of Japanese supplier's handling of safety problem



A recalled Takata air bag inflator. The Japanese company agreed to phase out its use of a suspect chemical by 2018.

PHOTO: ASSOCIATED PRESS

By **MIKE SPECTOR**

Updated Nov. 3, 2015 4:53 p.m. ET

U.S. auto-safety regulators hit Takata Corp. with a \$70 million fine for lapses with rupture-prone air bags and ordered the company eventually to stop using a controversial propellant in the safety devices.

The Japanese air-bag manufacturer agreed to the penalty for failing to alert regulators in a timely manner to a defect in some air-bag inflators that can cause them to explode and spray shrapnel in vehicle cabins, the National Highway Traffic Safety

Administration said. Takata also agreed to fire some employees that regulators declined to name.

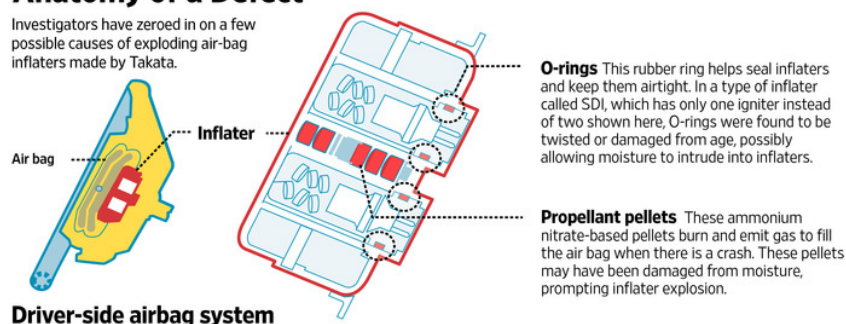
Takata had misled regulators by providing incomplete or inaccurate information on the safety defect dating back to at least 2009, regulators said. That included providing misleading test reports and failing to clarify inaccurate information in a January 2012 presentation to regulators, according to the settlement.

Takata will pay the \$70 million in six installments over five years under the settlement's terms. The company will be forced to pay an additional \$130 million if it violates terms of the settlement or federal law. Regulators described the possible \$200 million payout as a record penalty.

"We deeply regret the circumstances that led to this," said Takata Chief Executive Shigehisa Takada, adding the company is "committed to being part of the solution." He pledged to comply with terms of the settlement, which will "enable us to focus on rebuilding the trust of auto makers, regulators and the driving public."

Anatomy of a Defect

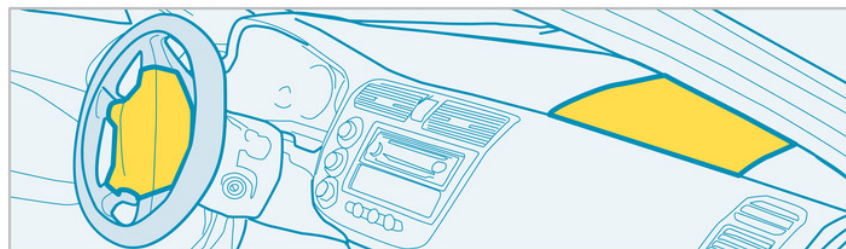
Investigators have zeroed in on a few possible causes of exploding air-bag inflators made by Takata.



O-rings This rubber ring helps seal inflators and keep them airtight. In a type of inflator called SDI, which has only one igniter instead of two shown here, O-rings were found to be twisted or damaged from age, possibly allowing moisture to intrude into inflators.

Propellant pellets These ammonium nitrate-based pellets burn and emit gas to fill the air bag when there is a crash. These pellets may have been damaged from moisture, prompting inflator explosion.

Driver-side airbag system



Passenger-side airbag system

Holes Gas is emitted from these holes to fill the air bag. These holes are covered by a tape seal to keep inflators airtight, but in a type of inflator called SPI, Takata said the adhesive appears to have failed in some cases.

Sources: Takata, WSJ analysis
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Regulators assigned an independent monitor to audit the company's safety practices for five years, including requirements to eventually stop using phase-stabilized ammonium nitrate in air-bag inflators by the end of 2018.

U.S. officials have cited the chemical as being prone in some instances to destabilizing and leading to explosions. Takata will start reducing the use of ammonium nitrate on a variety of fronts in driver-side and passenger-side air bags starting this year. Still, Takata will be allowed to honor

contracts entered before Oct. 31 to keep selling air-bag inflators using the chemical,

though regulators can later order those, too, to be phased out, according to the settlement.

“This has been a mess,” said U.S. Transportation Secretary Anthony Foxx during a Tuesday news conference, describing a pattern at Takata of misleading regulators and withholding information that “caused a serious problem to become a massive crisis.” The Wall Street Journal reported details of the settlement earlier on Tuesday.

The settlement with Takata caps a long-running back and forth between the company and regulators over the problematic air bags that are at the center of one of the largest and most-complex recalls in U.S. history. Regulators started investigating Takata in June 2014 and later hit the company with smaller fines for an alleged failure to cooperate with inquiries that were later suspended. The agency also issued special orders compelling the Japanese company to provide information to government officials.

The air-bag recalls, now covering more than 19 million vehicles in the U.S., could expand. Volkswagen AG and General Motors Co. have reported recent ruptures in newer side air-bags not currently covered as part of the far-reaching safety actions.

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Older
air
bags

employing ammonium nitrate as the propellant have been linked to deaths and injuries around the world, with Takata and regulators pointing to long-term exposure to humid climates as a main contributor to ruptures. Regulators on Tuesday said millions of additional vehicles are likely to be recalled, though they conceded they couldn't yet offer a precise figure. Regulators said Takata, after eight years, hasn't determined a root cause for the air-bag ruptures.

“Today's actions are long overdue, but I remain concerned that Takata will be able to sell some inflators with ammonium nitrate until the end of 2018,” said Florida Sen. Bill Nelson, the ranking Democrat on the Senate Commerce Committee. “We urgently need

to redouble efforts to get the recalled vehicles fixed and get the old ammonium nitrate-based inflators out. If an independent monitor can't help quickly move things along, then NHTSA ought to do it.”

Regulators also issued an unprecedented order to the company and other manufacturers to speed recalls of the problematic air bags amid concerns repairs are lagging. The agency prioritized repairs of vehicles with older air bags with prolonged exposure to humid climates, ordering car manufacturers to fix those vehicles by the end of 2017.

As of late October, auto makers had so far addressed 22.5% of the more than 19 million affected vehicles in the U.S. Takata still could later face another hefty financial penalty depending on the outcome of a U.S. Justice Department investigation. The company has said it is cooperating with probes. GM paid a \$35 million fine to regulators in 2014 and received an additional \$900 million penalty from federal prosecutors as part of a criminal settlement in September for mishandling defective ignition switches linked to more than 100 deaths. Takata also faces widespread lawsuits over its problematic air bags.

Five auto makers— Honda Motor Co. , BMW AG , Fiat Chrysler Automobiles NV, Ford Motor Co. and Mazda Motor Corp. —account for 14 million of the recalled vehicles and 18 million of the inflators, regulators said in October. Honda, which received a \$70 million regulatory fine at the end of last year for reporting lapses that included issues with Takata air bags, on Tuesday said it was deeply troubled by alleged misbehavior by the supplier.

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