

## Takata pleads guilty, pays \$1bn fine in US exploding airbags probe

Three executives from Japanese company indicted for their roles in scandal



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Takata, the Japanese automotive supplier at the centre of a global recall crisis over exploding airbags, agreed to plead guilty on Friday and pay a \$1bn criminal penalty in the US for fraud, as three of its executives were indicted for their roles in the scandal.

The company will be subject to an independent compliance monitor and be placed on probation for three years after admitting to wire fraud for misleading US regulators, consumers and carmakers about the safety of the airbags, subject of the largest recall in history.

The \$1bn payment will include a fine of \$25m paid to the US government and \$975m in restitution paid to carmakers who bought the airbags and consumers who were injured by them. Of the restitution funds, \$850m will go to cover replacement costs incurred by vehicle manufacturers.

Earlier in the day, the Department of Justice issued indictments for Shinichi Tanaka, Hideo Nakajima and Tsuneo Chikaraishi. All three men were long-time Takata employees with decades of motor industry experience. They are each charged with one count of conspiracy to commit wire fraud and five additional

counts of wire fraud.

“Automotive suppliers who sell products that are supposed to protect consumers from injury or death must put safety ahead of profits,” said US attorney Barbara McQuade, announcing the plea agreement in a Detroit press conference. She added that she would seek extradition of the Takata executives who are in Japan.

The DoJ actions against the automotive supplier came as the Obama administration targets the global motor industry with a [final burst of fines](#) over environmental and safety issues.



The three men charged “routinely discussed the fabrication of test information and data, the removal of unfavourable test information and data, and the manipulation of test information and data” involving the company’s air bag inflators, according to the indictment.

Takata shares rose more than 16 per cent in Tokyo on Friday as retail investors bet on a criminal settlement accelerating talks to find an [outside investor](#) to help the company survive the safety scandal. The company will not pay the nearly \$1bn in restitution until it is sold or within a year if there is no sale.

The episodes were linked to at least 17 deaths and more than 100 injuries worldwide, triggering a recall that could affect more than 100 vehicle types sold by at least 13 carmakers.

The legal fallout from the airbag recall extends well beyond Takata, legal experts said, since carmakers that bought the bags from the Japanese supplier are still being sued by consumers as part of a national class-action lawsuit.

“The automakers have separate and independent civil liability to their consumers who bought their cars not from Takata but from the automakers, all of whom represented that their cars were safe,” said Peter Prieto, head lawyer for the consumer class-action plaintiffs.

The Obama administration was eager before leaving office to add Takata to its list of automotive conquests, including [Volkswagen](#) this week. Motor industry analysts expect the incoming Trump administration to take a more relaxed approach to environmental and safety regulation.

Only hours before the Takata news, Fiat Chrysler said that it could be facing a fine of up to \$4.6bn after the Environmental Protection Agency accused the company of violating US emissions laws. Volkswagen earlier agreed to pay a \$4.3bn criminal fine for deliberately evading US pollution laws.

Takata is understood to be pursuing talks on a possible [restructuring](#) to deal with the costs of the global recall, and could seek US bankruptcy protection to clear the way for a takeover, said people close to the company.

“A settlement with US authorities is at least a starting point. But so many problems remain unresolved with the ongoing civil lawsuits and the search for a financial sponsor,” said Mitsushige Akino, chief fund manager at

Ichiyoshi Investment Management.

*Additional reporting by Jessica Dye in New York*