

## Takata's U.S. Guilty Plea Sets Stage for Sale of Air-Bag Maker

by Margaret Cronin Fisk, Steven Raphael, and Kevin Buckland

February 27, 2017

A U.S. judge has accepted [Takata Corp.](#)'s guilty plea, made as part of a \$1 billion settlement deal with the Justice Department, removing another obstacle to the Japanese air-bag maker's sale.

The approval of the formal plea by U.S. District Judge George Caram Steeh settles the Justice Department's investigation. The manufacturer is seeking a financial savior to help it complete the biggest product recall in history, expected to cover more than 100 million air bags after the defective devices were linked to 17 deaths worldwide.

The focus for Tokyo-based Takata and prospective buyer Key Safety Systems Inc. is now on whether to restructure the manufacturer through a court-mandated bankruptcy in Japan, a major bone of contention in the sale. Takata is aiming to sign an agreement with the successful bidder by March, people familiar with the discussions have said.

[Key Safety Systems](#), a Michigan-based air bag manufacturer that's owned by China's Ningbo Joyson Electronic Corp., was preferred over Sweden's Autoliv Inc. as the bidder for Takata because a sale to the Chinese-owned company would have fewer antitrust concerns, people familiar with the matter have said. Key Safety is also open to the option of letting Takata avoid a court-mandated restructuring in Japan, even though the preference is still for a court-directed process, a person familiar has said.

Takata spokeswoman Akiko Watanabe said the company had no comment on the guilty plea and sale process. A representative for Key Safety Systems didn't immediately respond to a request for comment.

Takata's shares were unchanged as of 10:48 a.m. in Tokyo trading. The benchmark Topix index gained 1 percent.

### 'Best Opportunity'

Steeh's decision on Monday comes six weeks after a \$1 billion deal with the U.S. [Justice Department](#). He rejected a request by people injured by defective air bags to delay accepting the guilty plea, saying the agreement represents the "best opportunity" to maximize compensation for the victims.

Takata will be subject to an independent compliance monitor while on probation for three years. Under the agreement, Takata has to pay the \$25 million criminal fine and the \$125 million for victims within 30 days of entry of the plea. The \$850 million to automakers has to be paid in full within five days after closing of the anticipated sale of the company, according to court papers.

The U.S. has also charged three former Takata executives for their alleged roles in hiding the risk since 2000. The three -- Hideo Nakajima, Tsuneo Chikaraishi and Shinichi Tanaka -- are Japanese citizens who worked at Takata until about 2015, according to court papers.

## [Why It Seems Like Open Season on Car Companies: QuickTake Q&A](#)

### Shrapnel Lawsuits

Takata has been sued by dozens of drivers and passengers in the U.S. claiming shrapnel injuries caused by the bags. The lawsuits allege that the company knew the air bags could fail, hid negative test results and stalled recalls.

The company is also facing complaints by injured plaintiffs who allege that the propellant can cause excessive-force deployments, often in low-speed collisions, without releasing shrapnel. Injuries and deaths claimed in those accidents aren't included in the NHTSA total. Most of the shrapnel cases have been settled, according to court filings reviewed by Bloomberg News.

Most of the injury and death lawsuits are combined before a Miami federal judge, who is also handling car owners' claims for economic losses related to the defects and recalls. Lead lawyers for the combined suits claimed Monday that [Honda Motor Co.](#), Toyota Motor Corp. and other automakers bought Takata air bags for years despite knowing they could rupture and injure people.

Honda denied the claims. "The suggestion that Honda chose to use Takata air bag inflators -- despite knowing of the risk of rupture -- because they were less expensive than other inflators is categorically false," the company said in a statement Monday.

"When Honda learned of the risks that these air bag inflators presented, Honda reacted promptly and appropriately by issuing safety recalls and replacing the affected Takata air bag inflators at no charge to its customers," the company said.

Brian Lyons, a Toyota spokesman, declined to comment on the allegations.

The criminal case is U.S. v. Takata Corp., 16-cr-20810, U.S. District Court, Eastern District of Michigan (Detroit). The civil suits are combined in In re: Takata Airbag Product Liability Litigation, 15-md-02599, U.S. District Court, Southern District of Florida (Miami).