

**UNITED STATES DEPARTMENT OF TRANSPORTATION
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION**
1200 New Jersey Avenue SE
Washington D.C. 20590

In re:)
))
EA15-001)
Air Bag Inflator Rupture)
_____)

CONSENT ORDER

This Consent Order is issued pursuant to the authority of the National Highway Traffic Safety Administration (“NHTSA”), an operating administration of the U.S. Department of Transportation, and sets forth the requirements and performance obligations in connection with the determination by TK Holdings Inc. (“Takata”) that a defect related to motor vehicle safety may arise in some of the air bag inflators that Takata manufactured for certain vehicles sold or registered in the United States (the “Takata Inflators”). This Consent Order, together with the Defect Information Reports filed by Takata with NHTSA on May 18, 2015, pursuant to the National Traffic and Motor Vehicle Safety Act of 1966 as amended and recodified, 49 U.S.C. § 30101 *et seq.* and 49 C.F.R. § 573.6(c), which are hereby incorporated by reference, contains Takata’s obligations under the terms and conditions incorporated herein.

I. NATURE OF THE ACTION.

1. On May 18, 2015, pursuant to its legal obligations under the National Traffic and Motor Vehicle Safety Act of 1966 as amended and recodified, 49 U.S.C. § 30101 *et seq.* (the “Safety Act”) and 49 C.F.R. § 573.6(c), Takata filed four Defect Information Reports (“DIRs”) with NHTSA. In the DIRs, Takata stated “that a defect related to motor vehicle safety may arise in some of the subject inflators.”

2. Specifically, Takata's DIRs state, in part, "The propellant wafers in some of the subject inflators may experience an alteration over time, which could potentially lead to over-aggressive combustion in the event of an air bag deployment. Depending on the circumstances, this potential condition could create excessive internal pressure when the air bag is deployed, which could result in the body of the inflator rupturing upon deployment. Based upon Takata's investigation to date, the potential for such ruptures may occur in some of the subject inflators after several years of exposure to persistent conditions of high absolute humidity. In addition, Takata's test results and investigation indicate that this potential for rupturing may also depend on other factors, including vehicle design factors and manufacturing variability. In the event of an inflator rupture, metal fragments could pass through the air bag cushion material, which may result in injury or death to vehicle occupants." Copies of Takata's DIRs are attached hereto as Exhibit A and are publicly available at NHTSA's website at www.safercar.gov.

3. NHTSA issues this Consent Order pursuant to its authority under the Safety Act, 49 U.S.C. § 30101, *et seq.*, as delegated by the Secretary of Transportation, 49 C.F.R. §§ 1.95, 501.2(a)(1), to inspect and investigate, 49 U.S.C. § 30166(b)(1), to ensure that defective vehicles and equipment are recalled, 49 U.S.C. §§ 30118-30119, to ensure the adequacy of recalls, 49 U.S.C. § 30120(c), and to require any person to file reports or answers to specific questions, 49 U.S.C. § 30166(g). It is AGREED by Takata and ORDERED by NHTSA as follows:

4. Takata shall continue to cooperate in all future regulatory actions and proceedings that are part of NHTSA's ongoing investigation and oversight of the Takata Inflators and accompanying remedial actions. This cooperation includes, but is not limited to, testing reasonably directed by NHTSA; the agency's evaluation of the adequacy of the remedy under 49 U.S.C. § 30120(c)(1); and the coordination of the recall and remedy programs, including the organization and prioritization of the remedy under 49 U.S.C. § 30120(c)(3) and 49 C.F.R. § 573.14, and if appropriate as indicated by the data received from any source in any proceeding, a phased

schedule for the implementation of the remedy. Takata's material refusal to reasonably cooperate in any way pursuant to the terms of this Consent Order may subject Takata to civil penalties pursuant to 49 U.S.C. § 30165(a)(3) and 49 C.F.R. § 578.6(a)(3).

5. NHTSA will not seek any civil penalties, as demanded in its letter dated February 20, 2015, beyond those that may be applicable before May 18, 2015.

6. NHTSA's investigation in EA15-001 shall remain open until such time as NHTSA reasonably concludes, in its sole discretion and determination, that all issues thereunder, including all science, engineering and legal issues, as well as issues related to the scope of the population of recalled inflators, geographic scope of the recalls and adequacy of the remedy have been satisfactorily resolved. Any and all subsequent actions taken by NHTSA involving the investigation into the Takata Inflators may be included as part of EA15-001.

7. Takata shall continue to cooperate with NHTSA in its ongoing investigation and oversight of the Takata Inflators. Takata shall meet its obligations under the Safety Act and all regulations thereunder to take all actions and do all things reasonably necessary to comply with this Consent Order. Takata's cooperation will include, but is not limited to, the following:

(i) Upon receipt of additional Defect Information Reports submitted by a vehicle manufacturer pursuant to 49 C.F.R. § 573.6, the subject of which is a type of Takata air bag inflator not already covered by a previously existing DIR (submitted by Takata or any vehicle manufacturer), Takata shall meet with NHTSA, in an expedited manner and not less than five business days following NHTSA's receipt of the DIR, to discuss all issues related to the subject matter of that DIR. Upon written request of NHTSA, Takata shall file the required regulatory filing(s) if any.

(ii) Upon receipt of a Notice of Deposition pursuant to 49 C.F.R. § 510.6, Takata will use its reasonable best efforts to produce its employees and corporate representatives, regardless of the location of their employment worldwide, to testify in administrative depositions

with respect to the subject matter of EA15-001 or any other related NHTSA investigation, under oath and subject to the penalty of perjury. Depositions will be conducted at the United States Department of Transportation Headquarters in Washington D.C., the Washington D.C. offices of Dechert LLP, or such other location as the parties hereto agree;

(iii) Takata shall use its reasonable best efforts to continue to respond truthfully, completely, and in a timely fashion to all ongoing and future NHTSA requests for information, whether served via formal process or otherwise, pertaining to any issue in EA15-001, or any other NHTSA inquiry or investigation, formal or otherwise, regardless of whether Takata was the subject of the investigation. To the extent specifically requested by NHTSA going forward, Takata will continue to produce documents responsive to the Special Orders and General Order previously issued in this matter;

(iv) Takata shall continue to provide to NHTSA on an ongoing and requested basis all test results and data relating to the Takata Inflators as well as any non-privileged information and documents that Takata reasonably believes to be relevant to NHTSA's investigation of the Takata Inflators; and

(v) Takata shall provide prompt notice to NHTSA in the event any requirement of this Consent Order cannot be met or timely met.

8. Nothing in this Consent Order releases Takata from any civil penalties pursuant to NHTSA's authority under the Safety Act or regulations thereunder in EA15-001 or any other investigation or inquiry, formal or informal, however, NHTSA, in its sole discretion, will take into account Takata's cooperation, including, but not limited to, its submission of the DIRs attached hereto as Exhibit A, in seeking civil penalties, if any, against Takata. Nothing in this Consent Order limits NHTSA's ability to pursue or utilize any and all of its powers under the Safety Act or regulations thereunder in any future proceeding or investigation of any type. Nothing in this Consent Order requires NHTSA to obtain Takata's consent before NHTSA takes

any future action concerning any other investigation, investigatory phase or other proceeding involving EA15-001 or any other formal or informal investigation or inquiry, concerning any potential past violation of the Safety Act by Takata. This Consent Order does not release Takata from potential civil or criminal liabilities that may be asserted by the United States, the Department of Transportation, NHTSA, or any other governmental entity. This Consent Order is not binding upon any other federal agencies, state or local law enforcement agencies, licensing authorities or any other regulatory authorities, local or federal.

9. It is contemplated that NHTSA will convene one or more meetings with Takata and the vehicle manufacturers affected by the DIRs in an attempt to organize and coordinate the safety recalls and remedy programs. It is contemplated that the meetings will include, but not be limited to, issues surrounding the organization and prioritization for remedying vehicles containing the Takata Inflators, and may also include the staging of remedies set forth in the DIRs. In addition, it is contemplated that NHTSA shall retain authority to issue orders addressing the potential geographic expansion of recalls for the PSPI and PSPI-L Takata Inflators covered by two of the DIRs attached hereto. Any order requiring the geographic expansion of such recalls shall be issued only after consultation with Takata and the affected vehicle manufacturers and shall be based on a finding by NHTSA that the then-current results of testing and analysis, from any source, of the relevant Takata Inflators as well as the consideration of the risk to safety that is presented necessitate the expansion of the recall. NHTSA will consider any relevant data, including, but not limited to test results showing performance failures that NHTSA deems to be significant and which involve the subject inflators from specific makes and models of vehicles in regions outside the States previously covered by the applicable recalls. It is contemplated that NHTSA will participate in all or some of these meetings, or parts thereof, to the extent it deems necessary, but has no obligation to do so. Takata will attend and take all reasonable steps to cooperate with

NHTSA and the affected vehicle manufacturers at any meeting convened by NHTSA pursuant to this paragraph.

10. No later than 60 days after the execution of this Consent Order, Takata shall submit a plan to NHTSA that outlines the steps Takata will take, both independently and in concert with the affected vehicle manufacturers, to achieve the objectives of the Safety Act and this Consent Order. This plan shall be comprised of the following two components:

a. After consulting with the relevant vehicle manufacturers, Takata shall propose a plan that, to the extent reasonably possible, maximizes recall completion rates for all recalls involving Takata frontal air bag inflators. This component of the plan shall specify the steps that Takata will take to assist the vehicle manufacturers in customer outreach, whether by engaging with vehicle owners through new and traditional media, direct contacts with vehicle owners, and other innovative means of bringing consumer attention to this safety issue. Takata will prepare the plan described above as it relates to each of the affected vehicle manufacturers without regard to the supplier of the remedy parts.

b. Takata will also propose a plan to provide NHTSA with test data NHTSA deems sufficient or other information regarding the service life and safety of the remedy inflators currently being manufactured by Takata.

11. This Consent Order shall remain in effect throughout the pendency EA15-001 and all related NHTSA proceedings thereunder, unless the NHTSA Administrator issues a written order providing notice of prior termination. Any breach of the obligations under this Consent Order may, at NHTSA's option, be immediately enforceable in any United States District Court. Takata agrees that it will not raise any objection as to venue.

12. This Consent Order shall not be construed to create rights in, or grant any cause of action to, any third party not party to this Consent Order.

13. This Consent Order cannot be modified, amended or waived except by an instrument in writing signed by all parties, and no provision may be modified, amended or waived other than by a writing setting forth such modification, amendment or waiver and signed by the party making the modification, amendment or waiver.

14. Nothing in this Consent Order shall be interpreted or construed in a manner inconsistent with, contravening, or waiving any federal law, rule, or regulation in effect at the time of the execution of this Consent Order, or as amended thereafter.

15. Nothing herein constitutes, and shall not be construed to be, a waiver of any right or defense and does not constitute, and shall not be construed to be, an admission of liability by Takata as to any claim, or an admission by Takata that any claim could properly be asserted against it, or that any claim brought against Takata would have any basis in law or fact.

16. Should any condition or other provision contained herein be held invalid, void or illegal by any court of competent jurisdiction, it shall be deemed severable from the remainder of this Consent Order and shall in no way affect, impair or invalidate any other provision of this Consent Order.

17. Takata shall provide written notice of each required submission under this Consent Order by electronic mail to NHTSA's Acting Associate Administrator for Enforcement (currently Frank Borris, Frank.Borris@dot.gov), and with a copy to NHTSA's Assistant Chief Counsel for Litigation and Enforcement (currently Timothy H. Goodman, Tim.Goodman@dot.gov). NHTSA will provide notice to Takata if the individuals holding these positions or their e-mail addresses change.

18. The parties who are the signatories to this Consent Order have the legal authority to enter into this Consent Order, and each party has authorized its undersigned to execute this Consent Order on its behalf.

19. This Consent Order may be executed in counterparts, each of which shall be considered effective as an original signature.

20. This Consent Order is a fully integrated agreement and shall in all respects be interpreted, enforced and governed under the federal law of the United States. This Consent Order and the DIRs appended hereto as Exhibit A, set forth the entire agreement between the parties with regard to the subject matter hereof. There are no promises, agreements or conditions, expressed or implied, other than those set forth in this Consent Order and the DIRs in Exhibit A hereto.

APPROVED AND SO ORDERED:

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

Dated: May 18, 2015

By: //ORIGINAL SIGNED BY//

Mark R. Rosekind, Ph.D.
Administrator

Dated: May 18, 2015

By:  _____

Timothy H. Goodman
Assistant Chief Counsel
for Litigation & Enforcement

Dated: May 18, 2015

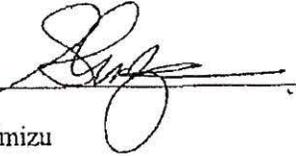
By:  _____

Christie L. Iannetta
Senior Trial Attorney

AGREED:

Dated: May 18, 2015

TK HOLDINGS INC.

By: 

Shunkichi Shimizu
President

By: 

Andrew J. Levander
Dechert LLP
Counsel for TK Holdings Inc.
Approved as to Form