

Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

Friday, January 13, 2017

Takata Corporation Agrees to Plead Guilty and Pay \$1 Billion in Criminal Penalties for Airbag Scheme

Three Takata Executives Charged with Wire Fraud and Conspiracy

Tokyo-based Takata Corporation, one of the world's largest suppliers of automotive safety-related equipment, agreed to plead guilty to wire fraud and pay a total of \$1 billion in criminal penalties stemming from the company's fraudulent conduct in relation to sales of defective airbag inflators. An indictment was also unsealed charging three Takata executives with wire fraud and conspiracy in relation to the same conduct.

U.S. Attorney Barbara McQuade of the Eastern District of Michigan, Chief Andrew Weissmann of the Fraud Section of the Justice Department's Criminal Division, Special Agent in Charge David P. Gelios of the FBI's Detroit Field Office and Inspector General Calvin L. Scovel III of the U.S. Department of Transportation Office of Inspector General made the announcement.

"Automotive suppliers who sell products that are supposed to protect consumers from injury or death must put safety ahead of profits," said U.S. Attorney McQuade. "If they choose instead to engage in fraud, we will hold accountable the individuals and business entities who are responsible."

"For more than a decade, Takata repeatedly and systematically falsified critical test data related to the safety of its products, putting profits and production schedules ahead of safety," said Fraud Section Chief Weissmann. "This announcement is the latest in the automotive industry enforcement actions the Fraud Section has taken to protect U.S. consumers against fraud."

"Today's criminal charges of the Takata Corporation and three of its employees should be a reminder to other corporations and their employees that if they commit fraud, the FBI and its law enforcement partners will ensure they are held accountable for their actions," said Special Agent in Charge Gelios. "Whether it is the manipulation of test results which impact customer safety, defective product development or any other type of fraud, we will continue to aggressively investigate corporate fraud allegations to protect consumers in the United States and elsewhere."

"I offer my deepest sympathies to the families and friends of those who died and to those who were injured as a result of the Takata Corporation's failure to fulfill its obligation to ensure the safety of its airbag systems," said Inspector General Scovel. "Because safety is and will remain the highest priority for my office, we will continue to work tirelessly with our law enforcement and prosecutorial partners in pursuing those who commit criminal violations of transportation-related laws and regulations. Along with similar settlements with General Motors in September 2015 and Toyota in March 2014, today's agreement makes clear to all auto manufacturers and parts suppliers their duty in keeping the public safe."

According to the company's admissions, in the late 1990s, Takata began developing airbag inflators that relied upon ammonium nitrate as their primary propellant. From at least in or around 2000, Takata knew that certain ammonium nitrate-based inflators were not performing to the specifications required by the auto manufacturers. Takata also knew that certain inflators had sustained failures, including ruptures, during testing. Nevertheless, Takata induced its customers to purchase these airbag systems by submitting false and fraudulent reports and other information that concealed the true condition of the inflators. This fraudulent data made the performance of the company's airbag inflators appear better than it actually was, including by omitting that, in some instances, inflators ruptured during testing. Takata employees – including a number of key executives – routinely discussed the falsification of test reports being provided to Takata's customers in email and in verbal communications. Even after the inflators began to experience repeated problems in the field – including ruptures causing injuries and deaths – Takata executives continued to withhold the true and accurate inflator test information and data from their customers.

In addition, Takata took no disciplinary actions against those involved in the falsification of test data until 2015, despite the fact that senior executives had been made aware of the fraudulent conduct years earlier.

Takata has agreed to plead guilty to a one-count criminal information filed today in the Eastern District of Michigan and assigned to U.S. District Judge George Caram Steeh, charging the company with one count of wire fraud. Under the terms of the agreement, Takata will pay a total criminal penalty of \$1 billion, including \$975 million in restitution and a \$25 million fine. Two restitution funds will be established: a \$125 million fund for individuals who have been physically injured by Takata's airbags and who have not already reached a settlement with the company, and a \$850 million fund for airbag recall and replacement costs incurred by auto manufacturers who were victims of Takata's fraud scheme. A court-appointed special master will oversee administration of the restitution funds. Takata has also agreed to implement rigorous internal controls, retain a compliance monitor for a term of three years and cooperate fully with the department's ongoing investigation, including its investigation of individuals.

The three Takata executives – Shinichi Tanaka, 59; Hideo Nakajima, 65; and Tsuneo Chikaraishi, 61, all Japanese citizens – were each charged in an indictment filed on Dec. 7, 2016, in the Eastern District of Michigan with one count of conspiracy to commit wire fraud and five counts of wire fraud for their alleged conduct in connection with the above-described fraud scheme.

The department reached this resolution based on a number of factors, including Takata's extensive cooperation with the government's investigation. However, the company did not receive more significant mitigation credit, either in the penalty or the form of resolution, because of the nature of the conduct to which the company is pleading guilty, including the approximate 15-year duration of the fraud, the pervasiveness of the scheme into the executive level of management and the potential risk the fraud posed to drivers and passengers.

An indictment is merely an allegation and all defendants are presumed innocent unless and until proven guilty beyond a reasonable doubt in a court of law.

The FBI and the U.S. Department of Transportation's Office of Inspector General investigated the case. Assistant Chief Robert Zink and Trial Attorneys Brian K. Kidd, Christopher D. Jackson and Andrew R. Tyler of the Criminal Division's Fraud Section and Assistant U.S. Attorneys John K. Neal, Erin S. Shaw and Andrew J. Yahkind of the Eastern District of Michigan are prosecuting the case. The Criminal Division's Office of International Affairs also provided assistance.

Court Documents:

[Takata Information](#)

[Takata Plea Agreement](#)

[Tanaka et al Indictment](#)

17-060

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Updated January 13, 2017