

## REPRISK CASE STUDY

# Takata

### Product defects lead to fatalities, global recalls, and reputational risk for buyers

#### What happened

The Japanese company Takata Corporation (Takata) has seen its share price fall dramatically from JPY 3,200 (USD 30) in January 2014 to just under JPY 400 (USD 4) as of August 2016, due to ongoing and systematic defects in its automobile safety airbags. The faulty airbags, which were fitted to vehicles manufactured by 14 automobile companies, including Ford, General Motors, Honda, and Volkswagen, have so far been blamed for 14 deaths and more than 100 injuries worldwide.

The problem concerns airbags that can allegedly explode and project metal fragments into the faces of passengers. In November 2014, the New York Times suggested that Takata was alerted to possible faults in its airbags as early as 2004, and subsequently carried out secret tests, which confirmed serious problems with the airbag inflators. However, the company allegedly destroyed the test data and failed to notify federal safety regulators.

At the end of 2014, Stefan Stocker, the President and CEO of Takata, resigned over the scandal.

In December 2014, a group of car manufacturers formed an Independent Testing Coalition and hired a company called Orbital ATK to carry out tests on Takata airbag inflators. In February 2015, the Coalition reported that the ruptures were a combination of three factors: the use of ammonium nitrate, faults with Takata's

#### Case Study Timeline

**2013**

**April**

China-based NetEast, announces recall of 3.4 million vehicles worldwide due to faulty Takata airbags.

**June**

NHTSA begins investigations into vehicles with Takata-made parts.

**2014**

**November**

The New York Times alleges Takata knew about faults as early as 2004, but destroyed the test data.

**December**

Takata's President and CEO, Stefan Stocker, resigns.

**2015**

**February**

The Independent Testing Commission reports that ruptures are due to use of ammonium nitrate, faults with Takata's manufacturing, and exposure to heat and humidity.

**June**

Rupture of Takata's newer model, a side airbag, prompts the NHTSA to expand investigations into airbags from all model years.

**November**

NHTSA fines Takata USD 70 million and warns of additional USD 130 million penalty if Takata fails to resolve the problem.

**2016**

**March**

Cost of recalling every single faulty Takata airbag estimated at USD 24 billion.

**July**

Takata airbag inflators estimated to be in more than 100 million vehicles around the world and will need to be replaced before 2019.

**August**

New CEO Shigehisa Takada announces resignation.

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manufacturing processes, and exposure to heat and humidity.

On May 19, 2015, the US National Highway Traffic Safety Administration (NHTSA) recalled 34 million vehicles that had been fitted with faulty Takata-manufactured airbags. However, the number of affected car models continued to rise, and in July 2016, the NGO Consumer Reports estimated that the Takata airbag inflators in more than 100 million vehicles around the world would need to be replaced before 2019. The recall, considered the largest in the US automotive industry, is being coordinated by the NHTSA.

In August 2016, Shigehisa Takada, the new chief executive and grandson of the company's founder, announced his resignation.

The recalls have now spread to a number of countries and regions including Australia, China, the Middle East, Singapore, and South Korea.

### Consequences for Takata Corporation

As a result of the airbag scandal, the company's share price has fallen by over 85 percent and two CEOs have resigned. As of June 2016, over 60 million Takata-made airbags had been recalled across roughly 17 vehicle brands. Many major

## RepRisk identified problems with Takata's airbags in April 2013, when NetEast, a Chinese Internet Technology Company, announced that Honda, Mazda, Nissan, and Toyota had recalled 3.4 million vehicles worldwide due to faulty airbags.

automobile manufacturers have suffered severe reputational damage and escalating costs as they struggle to cope with the recalls and the shortage of spare parts to repair the vehicles. Several automobile manufacturers including Ford, Honda, Mazda, Nissan, and Toyota have announced that they would no longer purchase airbags from Takata.

The company is facing class action lawsuits in the US and Canada, as well as investigations by the US Department of Justice. In March 2016, a Takata insider alleged that the company



Figure 1: Takata share price (closing price in JPY). Source: [Google Finance®](#).

had manufactured more than 280 million airbag inflators with ammonium nitrate, and estimated that the cost of recalling every single airbag would be around USD 24 billion.

### Was it predictable?

RepRisk identified problems with Takata's airbags in April 2013, when NetEast, a Chinese Internet Technology Company, announced that Honda, Mazda, Nissan, and Toyota had recalled 3.4

million vehicles worldwide due to faulty airbags sourced from Takata.

### Company Description

**Takata Corporation** is an automotive systems engineering company with global distribution and subsidiaries. The company is mainly engaged in the development, manufacture, and sale of safety products for automobiles.

## What RepRisk data captured

**April 2013** The Chinese company NetEast announces that Honda, Mazda, Nissan, and Toyota, have recalled a total of 3.4 million vehicles worldwide due to faulty Takata airbags.

**June 2014** Toyota recalls 650,000 cars in Japan due to the problems with Takata airbags. Honda begins examining its cars equipped with Takata airbags.