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February 25, 2015

O. Kevin Vincent
Chief Counsel
National Highway Traffic Safety Administration
1200 New Jersey Avenue, S.E.
Washington, D.C. 20590

Re: NHTSA's Penalty Demand Letter of February 20, 2015

Dear Mr. Vincent:

As the Chairman of Takata Corporation assured the Administrator in their recent meeting, we remain fully committed to working with you to address and resolve the issues raised by NHTSA's investigation into the potential for airbag rupturing. We were encouraged by the expressed mutual desire for an ongoing dialogue.

We were therefore stunned to receive your penalty demand letter of February 20, 2015. TK Holdings Inc. ("Takata") has cooperated and continues to cooperate with all facets of NHTSA's investigation, and there is no fair, reasonable, or factual basis to claim we are in violation of the Special Orders. We did not receive prior notice of your intent to issue the penalty demand and the accompanying press release, and your letter does not provide an understandable explanation of why you have taken this action.

Takata has devoted tremendous resources to responding to NHTSA's expansive requests in the Special Orders, and we have been in close communication with your staff every step of the way. As your letter acknowledges, to date, Takata has produced to NHTSA an enormous volume of responsive materials in an extraordinarily short period of time, and we are proceeding apace to complete that massive production effort at the earliest opportunity. In addition, we responded to every substantive question in your Special Orders on time and in detail. NHTSA has voiced no concerns over our substantive answers. In short, at enormous cost and notwithstanding the diversion of critical company resources involved in these efforts, Takata has responded diligently and in good faith to the Special Orders.

Furthermore, we have made repeated requests for guidance in focusing the agency's broad requests so that our document collection, review, and production efforts can concentrate on the

issues of most importance to NHTSA's investigation. We have also consistently expressed our desire to work cooperatively with your staff to prioritize our common efforts toward resolving the issues without prolonging the process. Unfortunately, we have received very little guidance and assistance. As a result, the uncompromising breadth of the requests in the Special Orders has required us to deploy our team in a broad-scale, nearly round-the-clock project of document review.

Your letter cites Instruction No. 4 of the Special Orders as the basis for claiming failure to comply; however, at no point in our interactions with the agency has there been an effort to identify for us any documents or categories of documents that may require supplemental explanation under Instruction No. 4. We are unaware of any requirement in NHTSA's rules, in the administrative practices of other federal agencies, or in the rules of civil discovery that would affirmatively require a party to prepare an explanation of each responsive document where the significance and context of the document may not be fully apparent from its face. We do not think Instruction No. 4 is properly read to impose such an unreasonable obligation, and we do not believe that the grounds stated in your letter provide a justification for the imposition of a penalty.

Separate and apart from Instruction No. 4, your staff asked for a "roadmap" to the vast document production, to assist the staff with its review, and on February 4, we produced a detailed index of the entire production to date, as well as more specific indices identifying particular batches of documents on topics specified by NHTSA. In addition, your staff has also asked for briefings on key issues and materials from the production, as a means to help guide our mutual discussions over a potential resolution of the investigation, and we have assured the staff that we will cooperate with that request.

Indeed, on February 10, in Armada, Michigan, Takata's general counsel Bruce Angiolillo spoke with your trial attorney about the staff's interest in these briefings and assured her of our cooperation. And on February 18, he wrote a letter reconfirming that assurance, stating: "I have instructed our legal team to work with you and Tim Goodman in arranging for briefings on key issues and materials from our document production, and they will be reaching out to you to discuss those arrangements." Accordingly, it is not accurate to say that Takata has refused to provide substantive information requested by the staff.

Notably, your letter fails to acknowledge the productive and substantive presentations that Takata's engineers and outside expert gave to NHTSA's investigation team in Armada on February 10 and 11. In those meetings, Takata provided extensive briefings on the design and production of the company's inflators, our process for handling and preserving returned inflators, the current status and results of Takata's ongoing testing and analysis of inflators, and an in-depth review of the research conducted by our experts at the Fraunhofer Institute and our own engineers

into the root cause of the so-called "Beta" rupture incidents. Based on the discussions with the investigators from the Office of Defects Investigation, we are confident they agree that Takata has made very substantial progress on the root cause analysis, and we are committed to advancing that work forward to help NHTSA determine the appropriate scope of any actions needed to address the safety issues raised by the Beta ruptures. Takata values its strong and constructive working relationship with ODI, and we are determined to continue that positive relationship, notwithstanding your demand letter.

Finally, the letter also makes reference to "Takata's conduct earlier this week on a separate matter," which we take to mean the issue of ensuring proper coordination between NHTSA's interest in overseeing the preservation and testing of returned inflators and the needs of private litigants in the civil litigation. As I informed Tim Goodman on February 19, Takata responded promptly to NHTSA's concerns on that issue and advised the Court in the multidistrict litigation proceeding on February 20 that we support NHTSA's interest in taking the lead in that area. We have since had successful discussions with your staff to reach mutual agreement on the Preservation Order and Testing Control Plan that NHTSA issued today.

In light of the above, we regret that there has been such miscommunication and misunderstanding. We appreciate that you took the time on Monday and again yesterday to have constructive conversations with Bruce Angiolillo and Andy Levander about how we can improve communications and get back on the right track. They have also shared with me how we may better help focus NHTSA's review of the materials we have produced. Accordingly, as we work together toward our common goals, Takata respectfully asks that you reconsider your penalty demand.

Very truly yours,



Steven Gill Bradbury

cc: Bruce D. Angiolillo
Andrew J. Levander