



Takata Airbag Inflator Recall Update 7/8/16

July 8, 2016

Please take a moment to review this important video message from Senior Vice President Bruce Smith with updated information regarding the Takata airbag inflator recalls.

Hi everyone, Bruce Smith here with a number of important updates about Takata airbag inflator recalls.

First, I'd like to speak to last week's announcement by American Honda and the National Highway Traffic Safety Administration about test data on a subset of older Takata inflators with extremely high rupture rates.

These inflators, which we now refer to as "Alpha" Inflators, were installed in the models and model years shown on screen. Initially, certain manufacturing process issues identified by Takata caused these inflators to be the subject of the first recalls more than 5 years ago.

These Alpha inflators that have not yet been replaced have now been in the market for 13 to 15 years. Over this period, exposure to consistently high temperatures and humidity have combined to deteriorate the propellant. These issues – manufacturing errors and exposure to the elements over time – have combined to make the replacement of all remaining Alpha inflators an urgent concern.

Although we've already replaced more than 70% of these inflators, we have around 300,000 vehicles left to repair. To complete this challenge, American Honda has committed to additional outreach efforts including targeted internet outreach, additional mailings, additional phone calls, and if necessary, the continued use of private investigators.

We have appointed associates dedicated solely to getting these VINs remedied. But we need your help, too. Be sure to work the e-responsibility report, and do everything you can to find recalled vehicles and get them into your dealership for repair.

In addition, please note that you may be contacted directly by customers who have vehicles with these Alpha Inflators and who request that you arrange to pick up or tow the vehicle to your dealership for repair. Because getting these Alpha Inflators repaired is extremely important, American Honda is authorizing dealers to pick up or provide towing of these vehicles to the dealership, at no charge to the customer.

In order to have a warranty claim paid for the pick up or tow, it is required that the VIN is attached to an unrepaired Honda or Acura model and model year associated with this Alpha Inflator vehicle population. You will receive further specifics on this policy through the iN system and I ask that you continue to review all iN communications daily.

Now ... let me give you an update about the recall of PSDI-5 type driver's side inflators and related parts supply. The PSDI-5 inflators include multiple part numbers, and the recall covers model year 2007 through 2016 vehicles. So far, we've shipped around 240,000 replacement parts in April, May and June, ahead of our initial plan of about 230,000 inflators. The supply plan for July and August is 217,000 and 178,000 units, respectively, which will increase again in the fall. I assure you, we're doing everything we can to distribute parts as quickly as possible.

While we continue this effort, we have extended the trade-in-assistance program through September 30th in order to continue to provide you support for vehicles awaiting parts.

It's important that as you receive these parts- You reach out first to those concerned customers who are currently driving rental cars. This is critical in terms of customer satisfaction, as we know these customers want to get back in their own vehicles ... and some have been displaced from their vehicles for months. This will also help us manage the significant cost of rental expenses.

The next group I'd like to discuss involves the passenger side inflator recalls that were announced on May 4th. These recalls will be implemented in 5 phases over a period of time based on a schedule established by NHTSA. The vehicle recall schedule is based on the relative risk of an inflator rupture, and includes factors such as geographic location and the age of the vehicle. We have begun mailing notifications to affected customers in the first phase, and these mailings will be completed by around July 22, to a total of approximately 4.5 million customers.

As a result of these letters, the customer response will be very high. This means your good communication to reassure our customers will be very important. We anticipate receiving approximately one million replacement parts by early August ... which is literally just weeks away ... so we'll be able to make a substantial number of repairs this summer. For that reason, these VINs are not part of the Trade-in-Assistance program.

Finally, we continue to work on the original set of recalls that were our focus throughout 2015. These recalls affected 6.28 million customers and we've repaired approximately 58% of these vehicles. While we've made substantial progress, we're seeing the response rate of the remaining VINs decline. I want you to know that we're making a strong effort to reach these customers and ... here again ... we need your support.

You're probably thinking that managing these recalls is growing more complex, and I don't disagree. To make things simple, for every vehicle coming to your dealership, make checking the VIN for a recall the very first thing you do. Further, work the e-responsibility report and do everything you can to get customers into your store for a repair. These resources provide the most current information, so if in doubt, defer to them. In most cases, we have plenty of parts.

We have a substantial amount of work ahead of us. As always, I thank you for your efforts to take care of our customers. I'll continue to update you through videos and iN messages, so keep a look out for my messages. Thank you.

Bruce T Smith

Senior Vice President

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