



June 26, 2017

News Release

TAKATA CORPORATION
TSE 7312

TAKATA CORPORATION AND KEY SAFETY SYSTEMS REACH AGREEMENT IN PRINCIPLE REGARDING SALE OF SUBSTANTIALLY ALL OF TAKATA'S ASSETS

TO IMPLEMENT SALE AND ADDRESS COSTS AND LIABILITIES RELATED TO AIRBAG INFLATOR RECALLS, TAKATA CORPORATION AND ITS JAPANESE SUBSIDIARIES COMMENCE PROCEEDINGS UNDER CIVIL REHABILITATION ACT IN JAPAN, AND TK HOLDINGS, INC. AND CERTAIN NORTH AMERICAN AFFILIATES AND SUBSIDIARIES FILE FOR CHAPTER 11 IN U.S.

Company Working with Customer Group Composed of 14 Automotive Vehicle Manufacturers to Provide Takata Corporation and TK Holdings with Substantial Accommodations and Liquidity Enhancements to Finance Restructuring

Global Operations and Customer Shipments Expected to Continue Without Interruption and Company Will Continue to Produce Replacement Kits for Recalled Vehicles

Proceeds from Sale Will Be Used to Meet Requirements of Plea Agreement with U.S. Department of Justice, to Satisfy Administrative Costs and Expenses of the Restructuring, and to Fund Unsecured Creditor Recoveries

Tokyo and Sterling Heights, MI – June 26, 2017 – Takata Corporation (“Takata,” “TKJP” or the “Company”), a leading global supplier of automotive safety systems such as seat belts, airbags and child seats, and Key Safety Systems (“KSS”), a global leader in mobility safety, headquartered in Sterling Heights, Michigan, USA, announced today that they have reached an agreement in principle to sponsor a restructuring plan for the sale of substantially all of Takata’s global assets and operations to KSS for an aggregate purchase price of approximately ¥175 billion (\$1.588 billion), subject to certain adjustments at closing.

Under the agreement, KSS will acquire substantially all of Takata’s assets, except for certain assets and operations that relate to the Company’s manufacturing and sale of phase-stabilized ammonium nitrate (PSAN) airbag inflators (collectively, the “PSAN Assets”). It is expected that Takata’s PSAN-related operations will be run by a reorganized Takata following the transaction closing and eventually will be wound down. Takata expects to continue to meet demand for airbag inflator replacements without interruption.

By combining substantially all of Takata with KSS, the transaction would form a leading global



safety-supply auto parts company with approximately 60,000 employees in 23 countries focused on serving customers and providing superior products and innovation in the rapidly evolving auto safety industry.

Jason Luo, President & CEO of KSS, said: “Takata has deep management talent, a dedicated work force and a long history of exceptional customer service. Although Takata has been impacted by the global airbag recall, the underlying strength of its skilled employee base, geographic reach, and exceptional steering wheels, seat belts and other safety products has not diminished. We look forward to finalizing definitive agreements with Takata in the coming weeks, completing the transaction and serving both our new and long-standing customers while investing in the next phase of growth for the new KSS.”

Shigehisa Takada, Chairman & CEO of Takata, said: “KSS is the ideal sponsor as we address the costs related to airbag inflator recalls, and an optimal partner to the Company’s customers, suppliers and employees. The combined business would be well positioned for long-term success in the global automotive industry. Throughout this process, our top priorities have been providing a steady supply of products to our valued customers, including replacement parts for recalls, and a stable home for our exceptional employees. This agreement would allow that to continue.”

The proposed structure for the potential transaction is intended to minimize supply chain disruption concerns for Takata’s OEM customers. The companies anticipate a quick and seamless integration, utilizing the combined strengths of their respective management teams to implement a smooth transition.

KSS will continue to support Takata’s customers, suppliers and employees and embrace and honor Takata’s Japanese heritage:

- KSS plans to retain substantially all of Takata’s employees across the world on comparable employment terms as currently provided.
- KSS has held in-depth discussions with Takata’s major OEM customers and has jointly developed a transaction structure and operating plan to facilitate ongoing supply of Takata parts. This should provide continuity of supply to Takata’s customers and confidence to Takata’s employees, suppliers and other key stakeholders.
- KSS plans to continue to support and utilize Takata’s presence in Japan, and does not intend to shut down any of Takata’s manufacturing facilities there. Furthermore, KSS intends to establish an Asia regional headquarters in Tokyo, which should create new jobs in Japan, and plans to retain Takata’s existing non-PSAN supplier contracts to maintain an



uninterrupted supply chain. KSS also intends to invest in many of Takata's other worldwide manufacturing facilities and technology and R&D centers.

KSS has substantially completed its due diligence, and Takata and KSS are working toward finalizing a definitive agreement in the coming weeks, with an expected transaction close in the first quarter of 2018.

Hideaki Sudo, Chairman of Takata's Steering Committee and Partner at Tokyo Fuji Law office, said, "Since February 2016, the Steering Committee has been working diligently, with assistance from our financial and legal advisors, to develop a path forward for Takata that resolves the recall costs and liabilities on a consensual basis in partnership with Takata's automotive customers. After a rigorous global process, the Committee has recommended KSS as the best sponsor candidate based on a variety of factors including strategic fit, valuation, and certainty of closing. We are pleased that Takata has accepted such recommendation. We appreciate the cooperation of the affected automotive manufacturers, who have worked closely with us to devise this restructuring plan, which we firmly believe is in the best interests of the Company and its stakeholders."

Civil Rehabilitation and Chapter 11 Proceedings

Excluding recall-related costs and liabilities, Takata has continued to produce healthy profits and cash flows from its existing businesses. Nevertheless, Takata has determined that it is in the best interests of the Company and its stakeholders to address the recall-related issues in conjunction with the proposed sale. Accordingly, with the expected support of a group of its OEM customers representing more than 80% of Takata's annual sales (the "Customer Group") and KSS as plan sponsor, TKJP and its Japanese subsidiaries have commenced proceedings under the Civil Rehabilitation Act in Japan in the Tokyo District Court (the "Tokyo Court"). In addition, TKJP's main U.S. subsidiary, TK Holdings, Inc. ("TKH"), and certain of its North America affiliates and subsidiaries, filed for Chapter 11 in the United States Bankruptcy Court for the District of Delaware (the "Delaware Court").

The Japanese OEMs have committed to provide Takata with valuable accommodations and liquidity enhancements during the Civil Rehabilitation and the Company is working with the Customer Group on an agreement to do so on a global basis. Takata intends to use the Civil Rehabilitation Act and Chapter 11 processes to continue to work with its Customer Group and KSS to finalize and execute restructuring support agreements (each an "RSA") that would include comprehensive terms of the restructuring. The RSAs will reflect the commitment of the Customer Group and KSS to the restructuring transactions to be effectuated pursuant to the Chapter 11 Plan of Reorganization (the "Plan") that would be subject to approval of the Delaware Court, as well as the business transfer to be implemented by the Tokyo Court. The transaction with KSS would also be subject to approval by the Tokyo Court and the Delaware Court, as well as a number of other conditions, including regulatory and other third-party approvals.



It is contemplated that upon the anticipated effective date of the Plan, Takata's global PSAN Assets will be transferred to TKH or one of its subsidiaries, as reorganized under the Plan ("RTK" or "Reorganized Takata"), and all of the PSAN Assets, including PSAN contracts, will be transferred to RTK. It is expected that RTK will emerge from the Chapter 11 process and operate independently from KSS under the supervision of a Plan administrator and oversight board. RTK will continue to manufacture PSAN airbag inflators for recalls and the ongoing production needs of Takata's customers.

It is expected that the proceedings under the Civil Rehabilitation Act in Japan and Chapter 11 process in the U.S. will be completed in the first quarter of 2018.

Proceeds of Sale to Be Used to Address PSAN Related Costs and Liabilities and Capitalize RTK

As contemplated and as expected to be detailed in the Plan, Takata intends to use the Civil Rehabilitation and Chapter 11 processes to address the costs and liabilities related to airbag inflator recalls, including to fund its remaining obligations under the terms of the plea agreement with the U.S. Department of Justice ("DOJ") that was announced on January 13, 2017 ("the DOJ Plea Agreement") and Consent Orders entered into by Takata with the National Highway Traffic Safety Administration ("NHTSA").

Pursuant to the DOJ Plea Agreement, Takata paid \$25 million as a fine to the DOJ and was required to fund two restitution funds: (1) a fund of \$125 million to meet liabilities to current or future personal injury claimants and (2) a fund of \$850 million to satisfy a portion of the claims of OEM customers who purchased airbags containing PSAN inflators. Each of the restitution funds will be administered by a special master in accordance with the DOJ Plea Agreement. The \$125 million fund for personal injury claimants was funded on March 29, 2017. Consistent with the DOJ Plea Agreement, the agreements in principle with the Customer Group and the proposed restructuring terms provide for the proceeds of the sale to KSS to be used to fund the \$850 million OEM restitution fund.

After setting aside sufficient funds to capitalize RTK following completion of the Chapter 11 process, any remaining sale proceeds after satisfaction of the foregoing obligations and the payment of other claims entitled to priority or payment in full would be used to fund recoveries to holders of general unsecured claims.

Mr. Takada said, "We believe taking these actions in Japan and the U.S. is the best way to address the ongoing costs and liabilities of the airbag inflator issues with certainty and in an organized manner while ensuring that Takata's operations worldwide continue in the ordinary course and without interruption. During the Civil Rehabilitation proceedings and Chapter 11 process and beyond, Takata remains fully committed to supporting all actions that advance vehicle safety. We deeply regret the circumstances that have led to this situation, but we are



grateful to have reached a resolution that will allow us to continue to promote the safety of the driving public.”

The commencement of Civil Rehabilitation proceedings in Japan and the Chapter 11 filing in the U.S. should have no effect on the ability of drivers to get replacements for recalled Takata airbag inflators free of charge. Vehicle owners in the U.S. should continue to visit <https://www.airbagrecall.com/> for more information on airbag inflator replacements.

Debtor-in-Possession (DIP) Financing and Customer Accommodations

TKJP has obtained a commitment for up to a ¥25 billion (U.S. \$227 million) revolving credit facility debtor-in-possession (“DIP”) financing to be provided by Sumitomo Mitsui Banking Corporation.

Additionally, the Japanese OEMs have committed to provide Takata with valuable accommodations and liquidity enhancements during the Civil Rehabilitation and the Company is working with the Customer Group on an agreement to do so on a global basis. Upon approval by the supervisor appointed by the Tokyo Court and approval by the Delaware Court, the DIP financing in Japan and the accommodations and additional liquidity support from the Customer Group in both Japan and the U.S., along with Takata’s cash flow from operations, are expected to provide Takata with sufficient liquidity to continue to operate its business and serve automotive customers globally in the ordinary course and without any significant disruptions.

Uninterrupted Global Operations

Shigehisa Takada, said “We are committed to ensuring that the restructuring process has as little impact as possible on our employees, customers and suppliers across the world, as well as on drivers whose safety is always our primary focus.”

The Company has requested Court approval in the U.S. to continue to pay its employees without interruption and in the same manner as before the filing and expects the request to be granted as part of the Court's "first day" orders. Also, under the Civil Rehabilitation Act, the salaries of the Company’s employees will be statutorily protected. As a result, the Company’s salaried and hourly employees should continue to be paid on the normal schedule. Additionally, there are expected to be no changes to various employee benefit programs.

With the additional liquidity to be provided by the DIP financing in Japan and the accommodations and other liquidity enhancements to be provided globally by the Customer Group, the Company’s suppliers can be assured that Takata has the ability to pay its



post-petition obligations on a timely basis and intends to do so as required under the Civil Rehabilitation Act and the U.S. Bankruptcy Code, which grants priority status to goods and services received after the Civil Rehabilitation and Chapter 11 filing date.

Mr. Takada added, "I would like to thank all of our constituents for their continued support during this process. In particular, I and the rest of our management team recognize that the Company's success is dependent upon our talented and dedicated employees, and we are grateful for their hard work and loyalty. We are taking these actions to ensure that Takata remains a stable and financially secure employer for thousands of workers in Japan, the U.S. and across the world."

Information Resources

Additional information regarding TKJP's restructuring is available at www.takata.com.

Additional information regarding TKH's restructuring, including court filings and information about the claims process, is available at www.TKrestructuring.com, or by calling TKH's claims agent, Prime Clerk, at 1-844-822-9229 (Toll free in U.S. and Canada) or 1-347-338-6502 (International).

Nagashima Ohno & Tsunematsu and Weil, Gotshal & Manges LLP are serving as legal counsel to Takata. PricewaterhouseCoopers is serving as financial advisor, and Lazard is serving as investment banker to Takata.

Skadden, Arps, Slate, Meagher & Flom LLP is serving as legal counsel, KPMG is serving as financial advisor, Jefferies LLC is acting as lead financial advisor while UBS Investment Bank also provides financial advice to KSS.

* * * * *

About Takata

Takata Corporation is a leading global innovator and supplier of automotive safety systems, including airbag systems, seat belts, steering wheels, electronics, sensors, and child restraint systems, and supplies all major automotive manufacturers in the world. Headquartered in Tokyo, Japan, it operates 56 plants in 20 countries with approximately 46,000 global employees worldwide.

About Key Safety Systems

Key Safety Systems (KSS) is a global leader in mobility safety through the system integration



and performance of safety-critical components to the automotive and non-automotive markets serving the active safety, passive safety and specialty product sectors. Through highly specialized design, development, and manufacturing, KSS' technology is featured in more than 300 vehicle models produced by over 60 well-diversified customers worldwide. Since commencing business as a United States start-up, serving Detroit automakers in 1916, KSS continues today with an entrepreneurial and pioneering spirit. KSS is headquartered in Sterling Heights, Michigan, with a global network of more than ~13,000 employees in 32 sales, engineering, and manufacturing facilities. The company has 5 main technical centers located in the key regions of the Americas, Europe and Asia. It is a wholly owned subsidiary of Ningbo Joyson Electronic Corp. (SHA: 600699) ("Joyson Electronics").

Forward-Looking Statements

This press release contains, and oral statements made from time to time by our representatives may contain, forward-looking statements that are based upon our current expectations and assumptions concerning future events, which are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated. The words "expect," "anticipate," "estimate," "forecast," "initiative," "objective," "plan," "goal," "project," "outlook," "priorities," "target," "intend," "evaluate," "pursue," "commence," "seek," "may," "would," "could," "should," "believe," "potential," "continue," or the negative of any of those words or similar expressions is intended to identify forward-looking statements. All statements contained in this press release, other than statements of historical fact, including, without limitation, statements about our operations, financial condition and liquidity, strategies, business initiatives, prospects, expectations regarding future events and our financial performance and the development of the industry in which we operate, are forward-looking statements that involve certain risks and uncertainties. While these statements represent Takata's current judgment on what the future may hold, and Takata believes these judgments are based upon reasonable assumptions, these statements are not guarantees of any events or financial results, and the Company's actual results may differ materially.

You should not place undue reliance on the forward-looking statements contained in this press release. These forward-looking statements speak only as of the date on which the statements were made. Takata undertakes no obligation to update publicly or otherwise revise any forward-looking statements, except where expressly required by law.

*** ENDS***



Media Contacts

TAKATA:

U.S./U.K.

Jared Levy/Devin Broda/Kelsey Markovich
Sard Verbinnen & Co
212-687-8080
media@takata.com

Japan

Dan Underwood
Ashton Consulting
+81 (0) 3 5425-7220
media@takata.com

Germany/Europe

Georg Lamerz
Hering Schuppener Consulting
+49.211.430.79-276
Takata-hs@heringschuppener.com

KEY SAFETY SYSTEMS:

Global

Jean-Luc Blancou
KSS
+1 586 726 4046
blancoj2@keysafetyinc.com

Chad Tandler, Nadia Damouni
Edelman
+1 917 868 6899
+1 646 239 5723
chad.tandler@edelman.com
nadia.damouni@edelman.com

Japan

Deborah Hayden
Edelman
+81 3 80-8741-0417
deborah.hayden@edelman.com