

Update on safety verification status concerning improper conduct in the Kobe Steel Group

We once again deeply apologize for the considerable trouble we have caused to our customers, suppliers, shareholders and many others concerning the improper conduct in Kobe Steel, Ltd. and its group companies. With regard to the verification status of the safety of its nonconforming products used in customers' products, Kobe Steel reports on the progress it has made at this time (as of January 19).

After this release, Kobe Steel plans to issue an update when a certain amount of progress has been achieved in safety verification.

Verification status of safety of nonconforming products used in customers' products (as of January 19)

(1) Customers' responses at present

For customers to whom nonconforming products, which the Kobe Steel Group found in its self-investigation over the past one year, were shipped and for products other than those delivered directly to customers, Kobe Steel at this time has not confirmed cases that would require the immediate suspension of use or immediate recall of the products.

(2) Current progress of safety verification

Owing to the enormous amount of cooperation from its customers, the Kobe Steel Group is earnestly proceeding to verify the safety of the nonconforming products. At this time as outlined in Table 1, the Kobe Steel Group delivered nonconforming products to 525 companies. Out of this total, safety has been confirmed at 510 companies under the three levels below, from A to C.

Safety verification by level

A: Customers have completed safety verification.

B: Customers have concluded that no problems exist at this time, but continue further verification.

C: Kobe Steel has concluded that safety can be assumed with a high degree of certainty in its technical opinion and has informed customers to this effect.

Table 1

Improper products	Company name	Material	Main use	No. of customers	A	B	C	Total (A-C)
Aluminum & Copper	Aluminum & Copper Business, Kobe Steel, Ltd. (October 8, 2017)	Aluminum flat-rolled products	Can stock Cars	57	<u>36</u>	<u>15</u>	0	51
		Aluminum cast & forged parts	Aircraft Rolling stock	67	<u>4</u>	<u>63</u>	0	67
		Aluminum extrusions	Cars Rolling stock	34	<u>23</u>	<u>9</u>	0	32
		Copper sheets	Semiconductors Terminals	38	<u>15</u>	<u>16</u>	0	<u>31</u>
	Kobelco & Materials Copper Tube Co., Ltd. (October 8 and 26, 2017))	Copper tubes	Air conditioning	23	17	6	0	23
	Shinko Metal Products Co., Ltd. (October 13, 2017)	Copper alloy tubes Molds	Electrical machinery Steelmaking equipment	176	<u>165</u>	<u>4</u>	7	176
Domestic subsidiary: 1 Overseas subsidiaries: 3 ¹ (October 13, 2017)	Copper tubes Copper strips Aluminum wires	Air conditioning Terminals	36	<u>24</u>	<u>9</u>	<u>3</u>	36	
Kobelco Research Institute, Inc. (October 11, 2017)	Target materials	FPD Optical disks	70	70	0	0	70	
Other	Steel Powder Division, Iron & Steel Business, Kobe Steel, Ltd. (October 11, 2017)	Steel powder	Sintered parts	1	0	1	0	1
	Domestic subsidiaries, etc.: 2 Overseas subsidiaries, etc.: 2 ² (October 13, 2017)	Steel wires Stainless steel wires	Bearings Springs	22	22	0	0	22
	Shinko Kohan Kako, Ltd. (October 20, 2017)	Heavy plate processing	Heavy plate processed products	1	<u>1</u>	<u>0</u>	0	1
Total				525	<u>377</u>	<u>123</u>	<u>10</u>	<u>510</u>

Previous report (December 22)	525	362	127	16	505
Initial report (October 26)	525	229	91	117	437

Total number of customers

1. Shinko Aluminum Wire Co., Ltd., Kobelco & Materials Copper Tube (M) Sdn. Bhd., Kobelco & Materials Copper Tube (Thailand) Co., Ltd., Suzhou Kobe Copper Technology Co., Ltd.
2. Nippon Koshuha Steel Co., Ltd., Shinko Wire Stainless Company, Ltd., Jianguyin Sugita Fasten Spring Wire Co., Ltd., Kobelco Spring Wire (Foshan) Co., Ltd.
3. Changes in the number of companies reported on December 22 are underlined.

In order to complete the safety verification at an early time, the Kobe Steel Group is whole-heartedly devoting itself to cooperating with its customers in the verification.