

February 14, 2020
Kobe Steel, Ltd.

Settlement of Civil Complaint Filed Against Kobe Steel and its Group Company

As announced in the “Civil Complaint Filed Against Kobe Steel, Ltd. and A Few Other Kobe Group Companies” dated March 14, 2018, a civil complaint was filed against Kobe Steel, Ltd. (hereinafter referred to as “**Kobe Steel**”) and Kobe Steel USA Inc. (100% of its equity held by Kobe Steel (Note 1)) (hereinafter referred to as the “**Lawsuit**”) in the United States District Court, Northern District of California (hereinafter referred to as the “**Court**”). On February 13, 2020 (local time), an agreement on the basic principles of settlement was reached with the plaintiffs regarding the Lawsuit.

(Note 1) The percentage of equity held is inclusive of Kobe Steel’s indirect shareholding.

1. History from the Commencement of Lawsuit to the Settlement

The Lawsuit relates to certain metal products manufactured by Kobe Steel (hereinafter referred to as the “**Products**”) allegedly used in certain vehicle models of a specific automotive manufacturer which was once one of the co-defendants in the Lawsuit. The plaintiffs were a purchaser and a lessee of vehicles manufactured with certain metal products allegedly manufactured by Kobe Steel.

[History (Dates are Local Times)]

March 5, 2018

The plaintiffs filed the Lawsuit, claiming damages arising from the violation of warranties and other causes of action alleging that, because of the use of the Products not complying with the required specifications in their vehicles, the resale value of their vehicles has diminished (Note 2).

September 27, 2018

The Court first granted the motion to dismiss filed by the defendants as to the original complaint, finding that the plaintiffs had failed to state a claim against the defendants. Simultaneously, the Court also granted the plaintiffs leave to amend the complaint (On February 25, 2019, the plaintiffs filed their first amended complaint).

July 18, 2019

The Court again granted the motion to dismiss filed by the defendants. The Court granted the plaintiffs leave to amend the complaint one last time (Note 3).

August 8, 2019

The plaintiffs filed a second amended complaint (Note 4).

[Particulars of the Settlement]

On October 8, 2019 (local time), the Court denied the defendants' motion to dismiss the second amended complaint. Kobe Steel and a few other Kobe Group defendants (hereinafter referred to as the "**Kobe Defendants**") have been responding to the Lawsuit, while discussing with the Court and the plaintiffs several issues including the case development process. During the discussions, the Kobe Defendants and the plaintiffs agreed to start settlement negotiations, and jointly filed a stipulation to dismiss without prejudice Kobe Steel International (USA) Inc. (100% of its equity held by Kobe Steel (Note5)) and Kobe Aluminum Automotive Products, LLC (60% of its equity held by Kobe Steel (Note5)), thereby ending the Lawsuit against them.

During the settlement negotiations, the Kobe Defendants have never admitted any liability by Kobe Steel Group for damages or otherwise, but on February 13, 2020 (local time), the Kobe Defendants, after due consideration of various factors, reached an agreement on the basic principles of settlement and executed a term sheet with the plaintiffs.

The parties to the Lawsuit will need to draft and execute a formal settlement agreement, after which the parties will jointly seek dismissal of the Lawsuit.

(Note 2) Kobe Steel's Press Release dated March 14, 2018 "Civil Complaint Filed Against Kobe Steel, Ltd. and A Few Other Group Companies"

(URL: https://www.kobelco.co.jp/english/releases/1199090_15581.html)

(Note 3) Kobe Steel's Press Release dated July 23, 2019 "Court Granted the Motion to Dismiss the First Amended Civil Complaint Filed Against Kobe Steel, Ltd. and A Few Other Group Companies"

(URL: https://www.kobelco.co.jp/english/releases/1201661_15581.html)

(Note 4) Kobe Steel's Press Release dated August 9, 2019 "A Second Amended Civil Complaint Filed Against Kobe Steel, Ltd. and A Few Other Group Companies"

(URL: https://www.kobelco.co.jp/english/releases/1201905_15581.html)

(Note 5) The percentage of equity held is inclusive of Kobe Steel's indirect shareholding.

2. Overview of the Named Plaintiffs

- (1) Alejandro Nava, who is a resident of Oakland, California
- (2) Shantnu Malhotra, who is a resident of Sunnyvale, California

3. Terms and Conditions of the Settlement

Given the inherent uncertainty and expense of litigation in the United States, the Kobe Defendants decided to settle the Lawsuit, which is expected to result in the dismissal with prejudice and release of all the pending claims by the named plaintiffs against the Kobe Defendants and the termination of the Lawsuit.

In accordance with the confidentiality obligations stipulated in the term sheet, Kobe Steel refrains from disclosing the details of the terms and conditions of the settlement, including the settlement amount.

4. Impact on Business Performance

We believe the effect that the end of the Lawsuit will have on the business performance of the Kobe Steel Group is insignificant and we will not have to report an extraordinary loss arising from the settlement amount.