

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

We once again deeply apologize for the enormous amount of trouble we have caused to our customers, suppliers, shareholders and many others concerning the improper conduct in Kobe Steel, Ltd. and its group companies.

On October 26, October 31 and November 7, 2017, Kobe Steel reported on the verification status of the safety of its nonconforming products used in customers' products. Today (as of November 10), Kobe Steel reports on the progress it has made on the verification.

Verification status of safety of nonconforming products used in customers' products (as of November 10)

(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 confirmation is proceeding at 474 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 from 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	29	<u>6</u>	0	<u>35</u>
		Aluminum cast & forged parts	Aircraft Rolling stock	67	<u>2</u>	<u>65</u>	0	67
		Aluminum extrusions	Cars Rolling stock	34	15	<u>15</u>	0	<u>30</u>
		Copper sheets	Semiconductors Terminals	38	8	<u>6</u>	0	<u>14</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>133</u>	9	<u>33</u>	<u>175</u>
	Domestic subsidiary: 1 Overseas subsidiaries: 3 ¹ (October 13, 2017)	Copper tubes Copper strips Aluminum wires	Air conditioning Terminals	36	21	2	13	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	0	1	0	1
Total				525	<u>317</u>	<u>111</u>	<u>46</u>	<u>474</u>

Previous report (November 7)	525	292	109	69	470
October 31 report	525	252	90	101	443
October 26 report	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., Jiangyin Sugita Fasten Spring Wire Co., Ltd., Kobelco Spring Wire (Foshan) Co., Ltd.
3. Changes in the number of companies reported on November 7 are underlined.

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