

September 12, 2018

Kubota Corporation

Kubota Corporation's Statement on its Rolling Mill Roll Inspection Process

Today Kubota Corporation released the following statement regarding its rolling mill roll inspection process.

We have learned of a number of inappropriate changes made to the inspection reports submitted to our steel plate customers, such as stating values different from those in the actual inspection, in rolling mill rolls which are metal consumable parts used in some of the production equipment for steel plates.

It is most regrettable that such an incident has been discovered, and we sincerely apologize for causing concern and inconvenience to all our customers and concerned parties – and commit to making changes that reduce the likelihood this misbehavior could continue.

An external law firm has begun a thorough investigation, and we will be reporting its findings as soon as we are able.

The following is the general outline of the incident.

1. Outline of the product in question

- (1) Product name: Rolling mill roll
- (2) Composition of material: Alloy such as metal, nickel, chrome and molybdenum. The combination ratio is determined individually with each customer.
- (3) Purpose: Used as consumable parts in some of the production equipment at steel plants, etc., to process solid metal blanks into steel plates and shaped steel. "Rolling" refers to a metal processing technology where heated solid metal blanks are processed into thin, flat, steel plates and shaped steel by running it through two (or more), rotating, rolling mill rolls.
- (4) Standards, etc.: There are no official standards that apply to the product in question; the specifications of the products are determined based on agreements with each customer. The inspection is conducted based on the determined specification, inside the company.
- (5) Major customers: Steel manufacturers inside and outside Japan (99 companies)
(Of this, 85 companies are confirmed to have purchased the product in question.)
- (6) Sales (FY2017): Approx. 4.4 billion yen
- (7) Production plant: Hanshin Plant, Amagasaki Office (64, Nishimukojima-cho, Amagasaki-shi, Hyogo prefecture)

2. Chronology of the Conduct's Discovery

Inappropriate conduct was confirmed in an internal investigation initiated based on a report from an employee made on July 25.

3. How the matter was handled thus far

- July 25 Internal investigation initiated
- August 9 President informed
- August 10 Outside law firm begins investigation
- August 28 Kubota started to explain the situation to customers
- September 11 Kubota provided a preliminary report to 48 of 99 customer companies .
- September 11 Kubota provided preliminary report to Ministry of Economy, Trade and Industry

4. Details of the inappropriate conduct (Facts that have come to light up to now with the internal investigation)

(1) Providing incorrect inspection results in report.

It was confirmed that when reports were made on the “degree of hardness,” which determines the hardness of the surface of the product in question, and “the components’ combination ratio” deviates from those determined with the customer, the value written in the inspection results documentation was different from that of the actual inspection result.

(2) Attachment of metallographic structure micrograph that is different from the actual product which was shipped

It was confirmed that the metallographic structure micrograph associated with the inspection results report of the product in question was a recycled photo of a different product that met the requirements.

(3) Quantity of products confirmed as applicable to date

*Total shipment: 21,035 (Shipped between October 2013 and July 2018)

Item	Hardness data	Component combination data	Micrograph
Applicable product quantity	3,512 (16.7%)	121 (0.6%)	765 (3.6%)

5. Where inaccurate information has been shared on products:

(1) Effect on quality of customer’s end product

- The misconduct does not directly affect the quality of the steel plate, etc. Of the products in question, once delivered to the customer, many are used as a part of the customer’s production equipment after they are mounted and adjusted for the re-processing of a roll and rolling equipment. The product in question is not typically used in products used by consumers and is not of the type to be incorporated to such.
- At this point, no safety or quality incidents have been confirmed with regards to the product in question.

(2) Effect to customer’s production process

At this point, no safety or quality incidents in the customer’s production process have been confirmed with regards to the use of the products in question.

6. Corrective measures

Since the discovery of the incident, we have reached out directly to each impacted customer to explain the situation. Meanwhile, we have sought an external law firm to conduct an investigation to analyze the cause and identify facts. We plan to announce these findings as soon as the investigation is completed. Once the facts and analysis of motivations become clear, we will implement preventative measures and strive fully to recover the trust of our customers as we work to assure this type of behavior never occurs again.

(End)