



# KOBE STEEL: RESPONDING TO FRAUD



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Sandia National Laboratories

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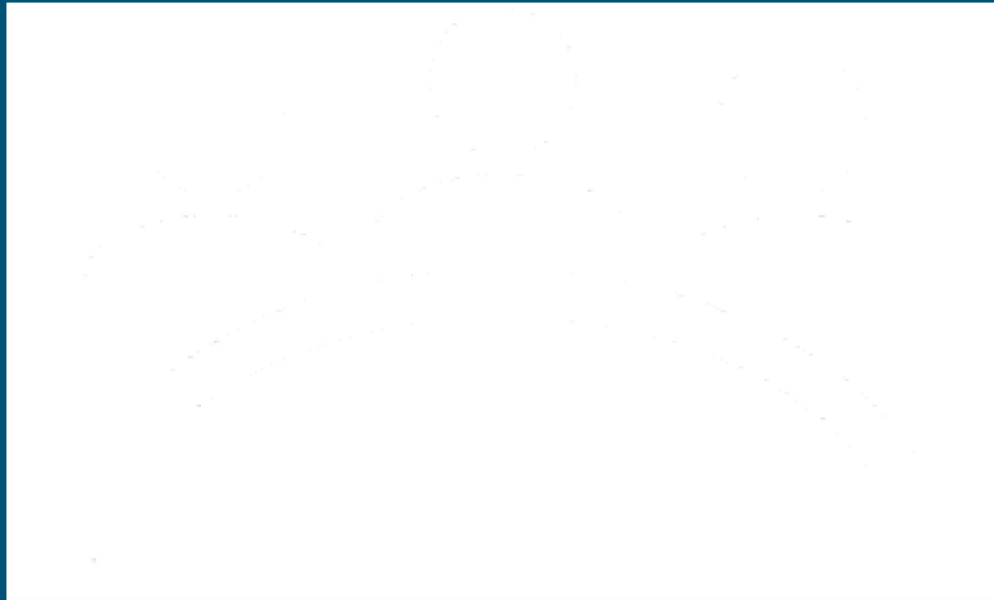
- October 2017- Kobe admits publicly to fraud
- October 17<sup>th</sup>- US Justice Department requests docs and records from Kobe Steel USA
- October 19<sup>th</sup>- DOE releases DCS1934
- October 26<sup>th</sup>- Kobe Steel contacts affected customers
- November 2017- Kobe Steel states that further independent investigation will occur and will be finished by the end of February 2018

- March 6th, 2018- Kobe Steel issues “Report on the Kobe Steel Group’s Misconduct” which is available at [www.Kobelco.co.jp/english](http://www.Kobelco.co.jp/english)
- March 9<sup>th</sup>, the CEO of Kobe Steel announces his resignation and Mitsugu Yamaguchi is appointed as CEO with an effective date of April 1<sup>st</sup>, 2018
- To date investigations still have not publicly identified any specific products or parts that may be affected but customers who procured fraudulent product have been contacted. A list of affected companies also has not been provided publicly.

- Lack of information from Kobe Steel(i.e. specific products, affected companies, part numbers, etc.)
- Kobe Steel is a large manufacturer with many subsidiaries that can make many different materials for various applications
- Large and complex supply chains used
- Kobe Steel may not be a direct supplier but may have supplied your suppliers supplier or could be included in assembled product

# RECOMMENDED PATH FORWARD

- Perform extent of condition review of supply chain and procurement data for possible use of Kobe Steel and subsidiaries products
- If products are found, treat the products as suspect/counterfeit, evaluate with engineering and quality assurance, take appropriate action to mitigate risks associated with failure (i.e. if items are in a safety related or safety critical application)
- Report findings and any cost impact estimates to DOE, Larry Adkinson at [Larry.Adkinson@ha.doe.gov](mailto:Larry.Adkinson@ha.doe.gov) and NNSA, Thomas Rotella at [Thomas.Rotella@nnsa.doe.gov](mailto:Thomas.Rotella@nnsa.doe.gov)
- Check Kobelco website periodically for updates or additional information on this alert at [www.Kobelco.co.jp/english](http://www.Kobelco.co.jp/english)



# BACK-UP SLIDE: SANDIA EXTENT OF CONDITION PROCESS

