

Business Report

April 1, 2021, to March 31, 2022

1. Matters concerning the State of the Corporate Group

(1) Progress and Outcomes of Business Operations

During the consolidated period under review, the global economy fared well, with the USA, China, and other major economies recovering, in general, from the impact of the pandemic. The Japanese economy, likewise, experienced a modest recovery, with continued growth in exports. However, economic optimism was dampened by soaring prices for raw materials, volatility in finance and capital markets, and concern about the Ukraine situation.

As for our performance, in December 2021, our biomass materials business earned Green Gold Label (GGL) certification, providing assurance that our biomass products are from legal and sustainable sources. We started supplying the products in earnest in April 2022. In China, we acquired a manufacturer of ion implanters for semiconductors and flat-panel displays. The manufacturer is now a consolidated subsidiary of ours named Kobelco Precision Parts (Yangzhou) Co., Ltd. We also tightened business coordination with Kobelco Precision Parts (Suzhou) Co., Ltd.

On October 29, the Board of Directors resolved that the company should opt to be listed on the Prime market of the Tokyo Stock Exchange (one of the new market segments). It also resolved a plan to establish Sustainability Committee to advise the board on strategies for integrating sustainability into our businesses. These actions will help our organization achieve sustained growth and build enterprise value over the medium to long term in a way that earns strong stakeholder confidence and contributes to Prosperous Society in line with our corporate philosophy.

Our consolidated financial results were as follows: We recorded ¥494,351 million in sales (-), ¥10,054 million in operating income (up 125.7% from the previous year), ¥9,726 million in ordinary income (up 139.2%), and ¥7,136 million in net income attributable to shareholders of parent (up 224.7%).

Iron & Steel

Although automobile production was harmed by the global chip shortage, demand continued to recover on the whole, most notably in construction and shipbuilding. We saw sales growth in both special steel products and in steel plate/sheet materials. We also saw earnings growth thanks to higher sales prices.

Consequently, the Iron & Steel Segment saw sales of ¥201,619 million (-). Segment income amounted to ¥4,132 million (up 565.1%).

Ferrous Raw Materials

Amid brisk crude steel production in Japan, we saw a higher volume of sales, especially to Kobe Steel. Earnings also increased thanks primarily to higher sales prices of the main raw material.

Consequently, the Ferrous Raw Materials Segment saw sales of ¥45,265 million (-). Segment income amounted to ¥718 million (up 127.0%).

Nonferrous Metals

The segment recorded earnings growth with brisk demand for copper products among automakers and chipmakers and for aluminum products among automakers and air conditioner makers. Earnings were further buoyed by nonferrous raw materials, with higher orders for copper scrap and secondary aluminum ingots.

Consequently, the Nonferrous Metals Segment saw sales of ¥168,546 million (-). Segment income totaled ¥3,033 million (up 63.6%).

Machinery & Electronics

The segment posted earnings growth with strong orders for construction machinery parts, battery-related materials, and semiconductor testing equipment. Another contributor was an increase in construction orders among domestic subsidiaries.

Consequently, the Machinery & Electronics Segment saw sales of ¥55,430 million (-), and segment income of ¥1,582 million (up 29.2%).

Welding

The segment posted earnings growth with strong sales of for steel-frame building construction and construction machinery, along with strong exports of welding materials for shipbuilding and automaking. Consequently, the Welding Segment saw sales of ¥23,327 million (-), and segment income of ¥324 million (up 126.2%).

(Note) From the start of the period under review, we have adopted the ASBJ Accounting Standard for Revenue Recognition (ASBJ 29, March 31, 2020). As a result of adopting ASBJ 29, sales revenue in the period under review was significantly less than it was in the previous year. Accordingly, in disclosing the sales results, we have omitted numerical and percentage comparisons with the previous year.

Sales and Income by Segment

Segment	103rd term		104th term		Year-on-year change	
	Sales	Segment income	Sales	Segment income	Sales	Segment income
	Million yen	Million yen	Million yen	Million yen	%	%
Iron & Steel	264,226	621	201,619	4,132	-	565.1
Ferrous Raw Materials	233,521	316	45,265	718	-	127.0
Nonferrous Metals	185,556	1,853	168,546	3,033	-	63.6
Machinery & Electronics	64,836	1,225	55,430	1,582	-	29.2
Welding	35,843	143	23,327	324	-	126.2
Other	443	(93)	439	(65)	-	-
Adjustment	(268)	-	(275)	-	-	-
Total	784,160	4,067	494,351	9,726	-	139.2

(2) Capital Expenditure

In the current fiscal year, capital expenditure (including in intangible fixed assets) totaled approximately ¥1.1 billion. A large share of the expenditure was in facilities and equipment of our Australian coal mine and in Grand Blanc Processing, L.L.C., a North American subsidiary that processes special steel.

(3) Ongoing Challenges

The global economy generally remains on a recovery path and Western economies have fared well thanks to the fiscal measures adopted by countries around the world and signs that the pandemic was abating. The Japanese economy, likewise, has experienced a modest upturn with the vaccine rollout gradually easing the Covid gloom and with continued export growth amid economic recovery overseas. However, the outlook has now grown worse with soaring prices of raw materials and the situation in Ukraine.

To achieve growth in this business climate, we have a medium-term plan for 2021–2023 (year ended March 2022 to year ending March 2024) in which we will strengthen existing businesses, forge new businesses, invest toward business growth, and actively integrate sustainability into our businesses. Our key tasks are as follows:

- (i) **Improving profitability, investing effectively**
Optimizing the functions of our affiliates and deploying them strategically
We will strengthen our three overseas hubs (USA, Thailand, China) so that they can drive our global business development.

In Japan, we will focus on expanding our business field in the construction civil engineering sector. We will also concentrate our construction civil engineering resources into Shinsho Steel Products Corporation. The subsidiary will then upgrade its network of sales offices and diversify its lineup.

Changing our portfolio

We will continue to invest in non-trading businesses, and our operating companies will ramp up capital expenditure. However, we will also shake up existing businesses when necessary as part of a portfolio change designed to improve profitability.

- (ii) **Strengthening our trading function**
Growing SDG-linked businesses
We recognize that our business activities form part of our corporate social responsibility and we are committed to sustainable business practices that contribute toward the SDGs agenda. As part of this commitment, we will invest in businesses that help build a circular economy (such as businesses that offer a stable supply of biomass fuels, market cold-formed iron globally, or recycle non-ferrous scrap) and in products that will help achieve carbon neutrality (such as compressors and heat pumps).

Strengthening entrepreneurship

Cultivating startups requires efforts that span organizational silos. Accordingly, we have launched an organization-wide project team to spearhead such efforts. In this way, we will cultivate startups to achieve our long-term vision: being a trading company that supports manufacturing for tomorrow and contributes to society.

- (iii) **Bolstering the Business Foundation**
Tightening Corporate Governance

In April 2022, the Tokyo Stock Exchange restructured its stock market into three new segments. Of these, we opted to be listed on the Prime market. The listing requirements for this market include tight corporate governance. Accordingly, we have committed to complying with all principles in

Japan's Corporate Governance Code, including the principle that independent outside directors should make up over a third of board membership.

We have also taken action to improve our ESG/sustainability performance. In April 2022, we established the Sustainability Committee, which advises the Board of Directors on sustainability matters. We have also adopted the recommendations of the Task Force on Climate-Related Financial Disclosures.

To improve stakeholder engagement, we have started compiling our first integrated report. The report should be ready for publication in autumn.

New Approach to Talent Management

In April 2022, we launched a new talent management system. The new system is designed to provide career courses that emphasize professional development, provide a job rotation scheme that spans business segments, and enhance performance evaluations (with more nuanced, multifaceted evaluations) and internal training.

We are also planning to establish a dedicated department for promoting workplace diversity.

Building Risk Management Infrastructure

We prepare actions plans for risk management. We also have the Risk Management Committee, which monitors risks and advises the Board of Directors on how to respond to priority issues.

We have established the Business & Risk Management Department to coordinate all risk management operations throughout the organization. To bolster risk management throughout our corporate group, we assist our subsidiaries and affiliates in managing risk and we monitor health and safety in our manufacturing companies.

Digital Transformation

Recognizing that a digital transformation will boost our enterprise value, we have set a vision for digital transformation and have launched a team to prepare the organizational infrastructure for such a transformation.

To achieve the vision, we will cultivate a team of digital experts and deploy them throughout the organization. We will also use customer analytics to identify effective marketing strategies and to guide the development of new services that will enhance our supply chains.

(4) Assets and Income

(i) Assets and Income of the Corporate Group

Segment/ income	101st term (FY2018)	102nd term (FY2019)	103rd term (FY2020)	104th term (FY2021) (Current)
Sales (millions of yen)	952,507	936,031	784,160	494,351
Ordinary income (millions of yen)	8,016	3,943	4,067	9,726
Net income attributable to shareholders of parent (millions of yen)	5,019	1,629	2,198	7,136
Earnings per share (yen)	566.81	184.03	248.24	805.91
Total assets (millions of yen)	307,590	284,477	286,233	364,029
Total equity (millions of yen)	54,921	54,571	57,185	63,753

(ii) Assets and Income of Shinsho Corporation

Segment/ income	101st term (FY2018)	102nd term (FY2019)	103rd term (FY2020)	104th term (FY2021) (Current)
Sales (millions of yen)	773,925	760,698	646,529	345,607
Ordinary income (millions of yen)	4,552	4,372	4,044	6,382
Net income attributable to shareholders of parent (millions of yen)	2,179	2,318	2,313	4,928
Earnings per share (yen)	246.08	261.78	261.23	556.56
Total assets (millions of yen)	222,809	205,784	215,371	267,265
Total equity (millions of yen)	37,696	38,355	42,176	45,552

(5) Parent Company and Significant Consolidated Subsidiaries

(i) Significant Consolidated Subsidiaries

Company name	Paid-in capital	Investment ratio%	Main Business Lines
Shinsho Steel Products Corporation	310 million JPY	100	Trading of construction materials and special steel products
MORIMOTO KOSAN Co., Ltd.	30 million JPY	100	Trading of steel products; cutting, processing, and trading of steel-plate and sheet materials
Shinsho Non-Ferrous Metals Corp.	90 million JPY	100	Cutting, processing, and trading of aluminum and copper products
Shinsho Metals Corporation	30 million JPY	100	Trading of raw nonferrous metals and processed products
Matsubo Corporation	465 million JPY	100	Import, export, and trading (in Japan) of industrial machinery and plants; contracted installation of machinery
SC Welding Corporation	44 million JPY	100	Trading of welding materials, welding equipment, and welding robot systems
Shinsho Business Support Co., Ltd.	10 million JPY	100	Contracted personnel operations; temporary staffing
Shinsho American Corp.	19 million USD	100	Import, export, and trading of products related to iron & steel, ferrous raw materials, nonferrous metals, machinery, and information industry
Grand Blanc Processing, L.L.C.	18 million USD	*70	Secondary processing of special steel wire products
Aiken Wire Processing, L.L.C.	2.617 million USD	*100	Wire drawings for special steel wire rod

Shinsho Mexico S.A. de C.V.	1.5 million USD	*100	Import, export, and trading of iron & steel products
Kobelco CH Wire Mexicana, S.A. de C.V.	11.941 million USD	40	Manufacture and trading of cold heading (CH) steel wire
SC Tech de Mexico, S.A. de C.V.	4.295 million USD	*100	Manufacture and trading of automotive equipment production facilities and processed products
Shinsho Europe GmbH	1 million EUR	100	Import, export, and trading of products related to iron & steel, nonferrous metals, machinery, information industry, and welding
Kobelco Trading Australia Pty. Ltd.	1.7 million AUD	100	Investment in mineral rights
Kobelco Trading (Shanghai) Co., Ltd.	13 million USD	100	Import, export, and trading of products related to iron & steel, ferrous raw materials, nonferrous metals, machinery, information industry, and welding
Suzhou Shinko-Shoji Material Co., Ltd.	8.82 million USD	100	Slitting, shirring, processing, and trading of aluminum rolling materials
Kobelco Precision Parts (Suzhou) Co., Ltd.	450 million JPY	80	Precision-processing of products for liquid crystal displays and semiconductor equipment; bonding-processing of target materials
Kobelco Precision Parts (Yangzhou) Co., Ltd.	400 million JPY	100	Processing and trading of semiconductor equipment, flat-panel display equipment, and other products
Shinsho Osaka Seiko (Nantong) Corp.	5 million USD	55	Manufacture, processing, and trading of automotive parts
Shanghai Shinsho Trading Co., Ltd.	0.2 million USD	100	Import, export, and trading of products related to iron & steel, nonferrous metals, machinery, information industry, and welding
Thai Escorp Ltd.	300 million THB	100	Import, export, and trading of products related to iron & steel, ferrous raw materials, nonferrous metals, machinery, information industry, and welding
Shinko Shoji Singapore Pte. Ltd.	2.4 million SGD	100	Import, export, and trading of products related to ferrous raw materials, nonferrous metals, and welding
PT. Kobelco Trading Indonesia	1.75 million USD	*100	Import, export, and trading of products related to iron & steel, ferrous raw materials, nonferrous metals, machinery, information industry, and welding
Kobelco Trading Vietnam Co., Ltd.	1.5 million USD	100	Import, export, and trading of products related to iron & steel, ferrous raw materials, nonferrous

Kobelco Trading India Private Limited	45 million INR	*100	metals, machinery, and information industry Import, export, and trading of products related to iron & steel, ferrous raw materials, nonferrous metals, machinery, information industry, and welding
Kobelco Plate Processing India Private Limited	621.724 million INR	51	Manufacture and trading of cutting steel plates and parts for can manufacture
Shinsho Korea Co., Ltd.	400 million KRW	100	Import, export, and trading of products related to iron & steel, ferrous raw materials, nonferrous metals, machinery, information industry, and welding
Shinsho (Philippines) Corp.	15 million PHP	100	Import, export, and trading of products related to nonferrous metals and welding
Shinsho (Malaysia) Sdn.Bhd.	1 million MYR	*100	Import, export, and trading of products related to nonferrous metals and welding
Taiwan Shinsho Corp.	5 million TWD	100	Import, export, and trading of products related to nonferrous metals, machinery, information industry, and welding

(Notes) 1. An asterisk (*) indicates that the shares include indirect investment.

2. On July 1, 2021, Shinsho Steel Products Corporation increased its capital from ¥90 million to ¥310 million.

(ii) Other

Company name	Paid-in capital	Main Business Lines
Kobe Steel, Ltd.	250,930 million JPY	Manufacture and trading of steel & aluminum, advanced materials, and machinery, etc.

(Note) Kobe Steel, Ltd. is a major shareholder. The company holds 3,085,000 shares of our stock (an investment ratio of 34.83%), including contributions to the retirement benefit trust. Kobe Steel is also a major supplier and client.

(6) Main Business Lines

The main business lines include the import, export and trading of products related to iron and steel, ferrous raw materials, nonferrous metals, machinery, information industry and welding.

Segment	Main business lines
Iron & Steel	Pig iron, semi-worked iron & steel products, carbon steel products, special steel products, secondary and tertiary iron & steel products, construction materials and processed products, titanium products, stainless products, steel powders, steel castings, and forgings
Ferrous Raw Materials	Iron ore, coal, coke, coke breeze, iron scrap, pig iron for steelmaking, hot briquetted iron (HBI), alloy iron, auxiliary materials for pig iron and steel production, titanium materials, petroleum products, slag products, chemical products, and renewable-energy materials (refused paper and plastic fuel [RPF], sawdust, palm kernel shells [PKS], wood pellets)
Nonferrous Metals	Copper products, aluminum products, nonferrous metal ingot and scrap, copper and aluminum processed products, and aluminum/magnesium castings and forgings
Machinery & Electronics	Tire and rubber machinery, manufacturing machinery for iron and nonferrous metals, chemical machinery, vacuum deposition apparatus, furnaces, compressors, steam devices, environmental equipment, all other kinds of industrial machinery, metallic materials for panel wiring and electronic equipment and parts
Welding	Welding materials, welding equipment, welding robot systems, electrode drying ovens, all other kinds of welding equipment, high-pressure gas cylinders, welding raw materials, auxiliary materials, raw materials for processing

(7) Main Business Offices and Worksites

(i) Shinsho Corporation

Name	Location	Name	Location
Osaka Head Office	Osaka, Japan	Sapporo Branch	Hokkaido, Japan
Tokyo Head Office	Tokyo, Japan	Tokuyama Office	Yamaguchi, Japan
Nagoya Branch Office	Aichi, Japan	Gifu Office	Gifu, Japan
Kobe Branch Office	Hyogo, Japan	Dubai Representative Office	United Arab Emirates
Kyushu Branch Office	Fukuoka, Japan	Sydney Representative Office	Australia
Chugoku Branch	Hiroshima, Japan		
Kakogawa Branch	Hyogo, Japan		
Shizuoka Branch	Shizuoka, Japan		
Hokuriku Branch	Toyama, Japan		

(ii) Consolidated Subsidiaries

Name	Location	Name	Location
Shinsho Steel Products Corporation	Osaka and Tokyo, Japan	Suzhou Shinko-Shoji Material Co., Ltd.	China
MORIMOTO KOSAN Co., Ltd.	Osaka, Japan	Kobelco Precision Parts (Suzhou) Co., Ltd.	China
Shinsho Non-Ferrous Metals Corp.	Osaka and Tokyo, Japan	Kobelco Precision Parts (Yangzhou) Co., Ltd.	China
Shinsho Metals Corporation	Tokyo, Japan	Shinsho Osaka Seiko (Nantong) Corporation	China
Matsubo Corporation	Tokyo and Osaka, Japan	Shanghai Shinsho Trading Co., Ltd.	China
SC Welding Corporation	Osaka, Japan	Thai Escorp Ltd.	Thailand
Shinsho Business Support Co., Ltd.	Osaka, Japan	Shinko Shoji Singapore Pte. Ltd.	Singapore
Shinsho American Corp.	United States	PT. Kobelco Trading Indonesia	Indonesia
Grand Blanc Processing, L.L.C.	United States	Kobelco Trading Vietnam Co., Ltd.	Vietnam
Aiken Wire Processing, L.L.C.	United States	Kobelco Trading India Private Limited	India
Shinsho Mexico S.A. de C.V.	Mexico	Kobelco Plate Processing India Private Limited	India
Kobelco CH Wire Mexicana, S.A. de C.V.	Mexico	Shinsho Korea Co., Ltd.	South Korea
SC Tech de Mexico, S.A. de C.V.	Mexico	Shinsho (Philippines) Corp.	Philippines
Shinsho Europe GmbH	Germany	Shinsho (Malaysia) Sdn. Bhd.	Malaysia
Kobelco Trading Australia Pty. Ltd.	Australia	Taiwan Shinsho Corporation	Taiwan
Kobelco Trading (Shanghai) Co., Ltd.	China		

(8) Employees

(i) Employees of the Corporate Group

Employees	Change from previous fiscal year
1,396	-171

(Note) The number of employees does not include the 101 temporary employees.

(ii) Employees of Shinsho Corporation

Employees	Change from previous fiscal year	Average age	Average years of service
565	-12	39 years and 4 months	14 years and 2 months

(Notes) 1. The number of employees includes the 112 seconded employees.

2. The number of employees does not include the 58 temporary employees.

(9) Major Lenders

Lender	Amount borrowed
Mizuho Bank, Ltd.	16,177 million yen
MUFG Bank, Ltd.	13,228
Sumitomo Mitsui Banking Corporation	11,801

2. Notes on the Company's Shares

(1) Total number of authorized shares	27,000,000
(2) Total number of shares outstanding	8,855,785(excluding the 4,777 shares of treasury stock)
(3) Number of shareholders	3,406(decrease of 30 from the previous fiscal year)
(4) Major shareholders (top 10)	

Major shareholder	Number of shares held	Ownership ratio
	(1,000 shares)	(%)
Mizuho Trust & Banking Co., Ltd. (account for Kobe Steel's retirement benefit trust)	1,906	21.52
Kobe Steel, Ltd.	1,179	13.31
Shinsho Client Shareholding Association	805	9.10
The Master Trust Bank of Japan, Ltd. (trust account)	559	6.31
Shinsho Employees' Shareholding Association	249	2.82
SSBTC CLIENT OMNIBUS ACCOUNT	207	2.35
Custody Bank of Japan, Ltd. (trust account)	191	2.16
SINFONIA TECHNOLOGY CO., LTD.	150	1.69
DFA INTL SMALL CAP VALUE PORTFOLIO	112	1.13
MUFG Bank, Ltd.	109	1.23

(Note) Treasury stock has been excluded from the calculation of the ownership ratio.

3. Notes on the Company's Executive Officers

(1) Process for Appointing Directors and Audit & Supervisory Board Members

All candidates for the office of director are nominated with one-year terms of office by resolution of the Board of Directors, and are then appointed by resolution of the Ordinary General Meeting of Shareholders. Candidate members or substitute members of the Audit & Supervisory Board are nominated by resolution of the Board of Directors upon the approval of the Audit & Supervisory Board, and are then appointed by resolution of the Ordinary General Meeting of Shareholders. To ensure that the Board of Directors' decision making process for nominations is transparent and fair, the Board of Directors first seeks the opinion of the Advisory Committee on Appointments, in which Outside Officers (persons who hold the position of outside director or outside Audit & Supervisory Board member) make up the majority.

(2) Directors and Audit & Supervisory Board Members

Corporate title	Name	Role(s), including any significant roles in other organizations
President and CEO	Takafumi Morichi	Outside Director of Sanoh Industrial Co., Ltd.
Representative Director	Hiroshi Kato	General Manager of the Nonferrous Metals Division Supervisor of Machinery & Electronics Division and Overseas Regions
Representative Director	Kyoya Mukai	General Manager of Iron & Steel Division, Supervisor of Ferrous Raw Materials Division and Welding Division
Director	Yasuyuki Watanabe	Responsible for the Corporate Planning Department, Business & Risk Management Department, Personnel Department, Audit Department and Finance Department Supervisor of the General Affairs Department, Credit and Legal Department
Director	Tsukasa Komiyama	Certified public accountant Representative Partner of Kyobashi & Co. GMA TAX Corporation Komiyama Office: President Auditor (part time) of KT Group Co., Ltd.
Director	Kiyoshi Sakamoto	Attorney at law, director/non-standing auditor (part-time) of Asahi Shinkin Bank Auditor (part-time) of Zen-Noh Business Support Co., Ltd.
Audit & Supervisory Board member (standing)	Yoshihiro Maeda	
Audit & Supervisory Board member (standing)	Akira Ichikawa	
Audit & Supervisory Board member	Hiroko Kaneko	Attorney at law, Matsuo & Kosugi (law firm) Director (part-time) of Topy Industries, Ltd.
Audit & Supervisory Board member	Shinya Miyawaki	President of The Hyogo Industrial Association

- (Notes) 1. The following personnel changes were implemented on June 25, 2021:
- | | |
|--------------|--|
| Appointments | After Yasuyuki Watanabe's nomination was approved, he became a director. |
| Resignation | After Hiroshi Watanabe' term of office ended, he resigned as Representative Director.
After Kenji Onishi, Satoshi Muta, and Shinya Yoshida's terms of office ended, they resigned as directors. |
- Tsukasa Komiyama and Kiyoshi Sakamoto are both outside directors as provided for in Article 2, Paragraph 15, of the Companies Act. We have designated them as independent officers as prescribed by the TSE Securities Listing Regulations and registered them with the TSE.
 - Hiroko Kaneko and Shinya Miyawaki are both outside Audit & Supervisory Board members as provided for in Article 2, Paragraph 16, of the Companies Act.
 - Yoshihiro Maeda (Audit & Supervisory Board Member) has formidable insight into accounting and finance, having served as head of the Corporate Planning Department and as an officer responsible for the Finance Department.
 - We have entered into agreements with our outside directors and Audit & Supervisory Board members limiting their liability under Article 423, Paragraph 1, of the Companies Act. Based on these agreements, the amount of liability is limited to the extent stipulated in Article 425, Paragraph 1, of the said Act.
 - We have taken out insurance specified in Article 430-3, Paragraph 1 of the Companies Act. The insurance covers the costs (including the legal costs) of damages claims awarded, during the coverage period, against any director, member of the Audit & Supervisory Board, or executive officer of our company or of our subsidiaries, who is found liable for

wrongful acts in the performance of his or her duties. The policy does not cover cases in which the insured party found liable had intentionally obtained unlawful gain or favor, or had intentionally engaged in illegal activity, malpractice, fraud, or any activity that violated a relevant law or regulation.

We pay the entirety of the premiums for each insured party.

7. We have entered into indemnity agreements with all directors and Audit & Supervisory Board members in which we may indemnify defense costs (as defined in Item 1 of Article 430-2, Paragraph 1, of the Companies Act) and losses (as defined in Item 2 of said paragraph) to the extent permitted by law. However, to ensure that these agreements do not discourage the parties from acting in a professional, legal, and ethical manner, a compensation committee formed of Audit & Supervisory Board members and an external lawyer will determine the criteria for indemnification and extent to which we would cover the costs and losses. The indemnity agreements do not cover cases in which the corporate officer is revealed to have exploited his or her position for improper gains or to have deliberately executed business in a way that would cause harm to the company, or cases in which the corporate officer faces a damages claim as a result of committing malice or gross negligence in his or her duties.
8. When nominating individuals for the Board of Directors and Audit & Supervisory Committee, we select individuals who have the extensive experience and specialized professional expertise necessary to help our organization achieve sustainable business growth and build enterprise value over the medium to long term. The following table shows the areas of strategic and business management in which each nominee offers expertise.

Name	Corporate title	Business leadership	Global business development	Sales, marketing	Finance, accounting	Legal, compliance	Sustainability, governance
Takafumi Morichi	Representative Director and President	○	○		○	○	○
Hiroshi Kato	Representative Director	○	○	○			○
Kyoya Mukai	Representative Director	○	○	○			○
Yasuyuki Watanabe	Director	○	○		○		○
Tsukasa Komiyama	Outside Director				○		
Kiyoshi Sakamoto	Outside Director					○	
Yoshihiro Maeda	Audit & Supervisory Board Member	○			○	○	○
Akira Ichikawa	Audit & Supervisory Board Member		○	○		○	○

Hiroko Kaneko	Outside Audit & Supervisory Board member		○			○	
Shinya Miyawaki	Audit & Supervisory Board Member	○		○			

9. The names of the officers and their responsibilities as of March 31, 2022, are shown below.

Corporate title	Name	Role(s)
President and CEO*	Takafumi Morichi	
Senior Executive Officer*	Hiroshi Kato	General Manager of the Nonferrous Metals Division, Supervisor of Machinery & Electronics Division and Overseas Regions
Senior Executive Officer*	Kyoya Mukai	General Manager of Iron & Steel Division, Supervisor of Ferrous Raw Materials Division and Welding Division
Senior Executive Officer*	Satoshi Muta	Responsible for the General Affairs Department, Credit and Legal Department General Manager of the Ferrous Raw Materials Division
Managing Executive Officer	Masahito Adachi	Deputy General Manager of the Nonferrous Metals Division President of Suzhou Shinko-Shoji Material Co., Ltd. President of Kobelco Precision Parts (Suzhou) Co., Ltd.
Managing Executive Officer	Satoshi Nishimura	Responsible for North America and Europe region Deputy General Manager of the Iron & Steel Division
Managing Executive Officer	Masato Matsubayashi	Responsible for ASEAN, India & Middle East regions, Deputy General Manager of the Nonferrous Metals Division and Business Planning Office, President and Representative Director of PT. Kobelco Trading Indonesia
Managing Executive Officer	Shinya Yoshida	General Manager of the Machinery & Electronics Division
Managing Executive Officer*	Yasuyuki Watanabe	Responsible for the Corporate Planning Department, Business & Risk Management Department, the Personnel Department, Audit Department, and the Finance Department Supervisor of the General Affairs Department and the Credit and Legal Department
Officer	Hiroshi Tanaka	Responsible for Branches & Offices, Deputy General Manager of the Ferrous Raw Materials Division and Manager of the Osaka Raw Materials Department, Manager of Kakogawa Branch
Officer	Masaaki Takada	Deputy General Manager of the Iron & Steel Division
Officer	Shinji Urade	Deputy General Manager of the Machinery & Electronics Division

Officer	Yoshihisa Okamoto	Responsible for the China region President of Kobelco Trading (Shanghai) Co., Ltd.
Officer	Hiroyuki Arizono	General Manager of the Welding Division President of SC Welding Corporation
Officer	Hironobu Takashita	Deputy General Manager of the Nonferrous Metals Division and Manager of West Japan Nonferrous Metals Department

(Note) An asterisk (*) indicates that the officer is also a director.

(3) Amounts of Remuneration for Directors and Audit & Supervisory Board Members

- (i) Basis for determining remuneration for each recipient; breakdown of remuneration
Disclosed below is our basis for determining the remuneration for each recipient and the breakdown of the remuneration. This basis was established by resolution of the Board of Directors.

Remuneration consists of a base salary, which is tied to rank, and performance-linked pay. The purpose of latter is to motivate eligible directors to contribute toward the organization's performance and growth in value.

To ensure objectively and impartially, we have set 12 levels of performance-linked pay tied to consolidated operating income and other performance indicators.

Each performance level adds or subtracts an increment of 2% from the reference value, the reference being the recipient's base salary.

In other words, depending on company performance, an eligible director could receive up to 12% more or 12% less of his or her base salary.

Outside directors earn only a base salary, which encourages them to fulfill their expected oversight role (monitoring the management from an independent standpoint).

- (ii) Grounds on which the Board of Directors determined that the remuneration for each recipient in the relevant fiscal year was consistent with the above policy
The latter reviewed whether the remuneration paid to directors was appropriate in view of the basic policy on corporate governance stipulated in Japan's Corporate Governance Code. The board considered the committee's findings and resolved a level of remuneration within the range approved at the General Meeting of Shareholders.
- (iii) Shareholder resolution concerning the remuneration of directors and Audit & Supervisory Board members
At the 99th General Meeting of Shareholders, held on June 28, 2017, the shareholders resolved that remuneration for directors should be capped at 352 million yen a year and that remuneration for outside directors should be capped at 29 million yen a year. At the time of the meeting, there were six directors, two of whom were outside directors.

At the 99th General Meeting of Shareholders, held on June 28, 2017, the shareholders resolved that remuneration for Audit & Supervisory Board member should be capped at 75 million yen a year and that remuneration for outside Audit & Supervisory Board member should be capped at 22 million yen a year.

At the close of the meeting, there were four Audit & Supervisory Board members, two of whom were outside Audit & Supervisory Board members.

In addition, to ensure transparency and impartiality in the Board of Directors' decisions regarding remuneration, all such decisions are preceded by a review by the Advisory Committee on Remuneration, the majority of whose membership consists of outside directors or outside Audit & Supervisory Board members.

(iv) Amounts of Remuneration for Directors and Audit & Supervisory Board Members

Category	Amount of remuneration	Breakdown			Recipients
	(millions of yen)	Base salary	Performance-linked pay	Non-monetary compensation	
Director	184	186	-2	-	10
(Outside director)	(14)	(14)	(0)	(-)	(2)
Audit & Supervisory Board member	67	67	0	-	4
(Outside Audit & Supervisory Board member)	(14)	(14)	(0)	(-)	(2)

(Note) Eligible persons contribute part of their remuneration into a directors' shareholding association in accordance with internal rules. Owning company stock encourages directors to identify more strongly with the interests of shareholders.

(4) Notes on Outside Directors and Audit & Supervisory Board Members

(i) Shinsho Corporation's Relationship with the Organizations in which its Directors and Audit & Supervisory Board Members Hold Significant Concurrent Positions

Tsukasa Komiyama (director) holds concurrent positions in Kyobashi & Co., GMA Tax Corporation Komiyama Office, and KT Group Co., Ltd. We have no significant transactional or other relationships with these organizations.

Kiyoshi Sakamoto (director) holds concurrent positions in Asahi Shinkin Bank, and Zen-Noh Business Support Co., Ltd. We have no any significant transactional or other relationships with these organizations.

Hiroko Kaneko (Audit & Supervisory Board member) holds concurrent positions in Topy Industries and Matsuo & Kosugi. We have no any significant transactional or other relationships with these organizations.

Shinya Miyawaki (Audit & Supervisory Board member) holds a concurrent position in the Hyogo Industrial Association. We have no any significant transactional or other relationships with this organization.

(ii) Major Activities during the Current Fiscal Year

i) Board Attendance

	Board of Directors	Audit & Supervisory Board
	Attendance frequency	Attendance frequency
Tsukasa Komiyama (director)	All 20 meetings	-
Kiyoshi Sakamoto (director)	All 20 meetings	-

Hiroko Kaneko (Audit & Supervisory Board member)	All 20 meetings	All 11 meetings
Shinya Miyawaki (Audit & Supervisory Board member)	All 20 meetings	All 11 meetings

ii) Board Engagement, Services Rendered

Tsukasa Komiyama (director) offered impartial advice and suggestions on ensuring reasonable and appropriate decision-making, drawing primarily on his abundant experience and insight as a certified public accountant and certified tax accountant. He also chaired the Nomination and Remuneration Committee. In that role, he oversaw the management from an independent perspective.

Kiyoshi Sakamoto (director) offered impartial advice and suggestions on ensuring reasonable and appropriate decision-making, drawing primarily on his abundant experience and insight as an attorney. He was also a member the Nomination and Remuneration Committee. In that role, he oversaw the management from an independent perspective.

Hiroko Kaneko (Audit & Supervisory Board member) offered advice and suggestions on ensuring reasonable and appropriate decision-making, drawing primarily on her legal expertise. She also attended regular opinion-exchange sessions with the top executives and assessed the execution of business operations.

Shinya Miyawaki (Audit & Supervisory Board member) offered advice and suggestions on ensuring reasonable and appropriate decision-making, drawing primarily on his engineering and business management knowledge. He also attended regular opinion-exchange sessions with the top executives and assessed the execution of business operations.

Hiroko Kaneko and Shinya Miyawaki (both Audit & Supervisory Board members) exchanged opinions regarding audit results and discussed important audit-related matters at the Audit & Supervisory Board.

Hiroko Kaneko (Audit & Supervisory Board member) additionally attended all meetings of the Compliance Committee held during the current fiscal year as a member of the Committee. During these meetings, she expressed her opinion on the fairness and transparency of Shinsho Corporation's efforts to comply with laws and regulations.

4. Accounting Auditor

(1) KPMG AZSA LLC

(2) Remuneration

	Payment amount
Amount of remuneration for accounting auditor with respect to the current fiscal year	¥73 million
Total amount of cash and other economic benefits to be paid to the accounting auditor by the Company and subsidiaries	¥73 million

- (Notes)
1. In our audit contract with the accounting auditor, there is no distinction between the amount of remuneration paid for audits under the Companies Act and that paid for audits under the Financial Instruments and Exchange Act, and no such distinction can be made in actuality. Accordingly, the amount of remuneration with respect to the current fiscal year represents the total amount thereof.
 2. Certain of our subsidiaries, including Shinsho American Corp., Thai Escorp Ltd., and Kobelco Trading (Shanghai) Co., Ltd., receive audits (meaning only audits that accord with the provisions of the Companies Act, the Financial Instruments and Exchange Act, or equivalent overseas laws) from a certified public accountant or incorporated auditing firm (including equivalent overseas qualifications or organizations to such) other than our accounting auditor.

(3) Grounds on which the Audit & Supervisory Board Members' Consented to the Accounting Auditor's Remuneration

Referring to the Japan Audit & Supervisory Board Members Association's "Practical Guidelines for Cooperation with Accounting Auditors," the Audit & Supervisory Board ascertained the auditing timeframe as stated in the accounting auditor's audit plans, trends in the remuneration for the accounting auditor, and the accounting auditor's audit plans and performance in the previous fiscal year. It then reviewed whether the estimated remuneration for the accounting auditor is appropriate in light of these matters. As a result of this review, the Audit & Supervisory Board consented toward the remuneration of the accounting auditor as provided for in Article 399, Paragraph 1 of the Companies Act.

(4) Criteria for Determining the Accounting Auditor's Dismissal or Non-Reappointment

If the accounting auditor becomes unable to perform its duties or there is other cause for dismissing or not reappointing the accounting auditor, the Audit & Supervisory Board will produce a proposal for the General Meeting of Shareholders concerning the dismissal or non-reappointment pursuant to the Audit & Supervisory Board's Criteria for the Appointment, Dismissal, or Non-reappointment of the Accounting Auditor, which adheres to Article 344 of the Companies Act.

The Audit & Supervisory Board will, by the unanimous consent of all members thereof, dismiss the accounting auditor if the accounting auditor is deemed to fall under any of the items listed in Article 340, Paragraph 1 of the Companies Act. In such case, the Audit & Supervisory Board will designate one of its members to report the dismissal and the reasons thereof at the first General Meeting of Shareholders to be convened following the dismissal.

5. Company's System and Policy

(1) Internal controls for ensuring that directors execute their duties in compliance with laws, regulations, and the company's Articles of Incorporation; Other internal controls for ensuring that the company executes business appropriately

The following internal controls were adopted by resolution of the Board of Directors.

- (i) Ensuring that the directors and employees of Shinsho Corporation and other subsidiaries or affiliates of the corporate group (collectively, the "Group") execute their duties in compliance with laws, regulations, and our Articles of Incorporation
 - i) We maintain a high standard of corporate ethics. The Code of Corporate Ethics of Shinsho Group proclaims the importance of complying with laws, regulations, social norms, and company rules. The code also prescribes specific behavioral standards that all officers and employees are expected to uphold.
 - ii) We cultivate compliance consciousness across the Group and establish measures to monitor and prevent compliance violations in the Group. Specifically, we prepare and distribute a compliance handbook and train employees in how to apply the Compliance Practice Manual. Compliance is further supported by the Compliance Committee and the Shinsho Group Internal Reporting System.
 - iii) The Code of Corporate Ethics of Shinsho Group conveys our unwavering stance against crime syndicates (meaning groups that threaten public order and safety, interfere unlawfully in civil disputes, or engage in racketeering or other organized criminal activity). We take steps to ensure that no member of the Group engages with crime syndicates in any way whatsoever.

- (ii) Internal Controls for Ensuring the integrity of the Group's financial reporting
To comply with the Financial Instruments and Exchange Act's requirements concerning internal control reporting, we take steps to ensure the reliability of financial reporting across the Group in accordance with the Basic Rules on Internal Controls Concerning Financial Reporting.

- (iii) Internal controls on the Storage and Management of Information related to the Execution of Duties by
We keep records to clearly document directors' decisions and actions, as well as the processes and the outcomes thereof. To ensure rigorous records management, we have established internal rules specifying the information that must be recorded (physically and digitally), the departments and officers responsible for managing this information, and how long the information must be kept. We periodically check that information is being duly stored to prevent loss or unauthorized disclosure.

- (iv) Rules on managing risk of loss throughout the Group
 - i) We identify loss risks associated with our businesses and establish a set of risk management protocols for each risk category (investment and lending, credit, derivative transactions, security trade control, and other major areas of risk). These protocols specify who is responsible for managing these risks, who has authority to make decisions, how risks should be internally audited, and whether a risk should be reported to the Board of Directors.
 - ii) Using action plans, the Risk Management Committee monitors internal controls, including how effectively they are operating. The committee also reviews measures and company policies from a risk-management perspective and reports its findings to the Management Committee. In this way, it helps strengthen the risk management infrastructure across the Group.
 - iii) Rules are updated as necessary to reflect changes in the business environment and legislative changes. The protocols are integrated with our company-wide risk management rules, which in turn form part of a group-wide risk management infrastructure.
 - iv) We take steps to minimize damage and ensure business continuity in an adverse event. Specifically, we identify the kinds of scenarios that could substantially harm the Group's

businesses, including accidents, natural disasters, and system failure. We then specify emergency responses protocols for each event, including emergency communications.

- (v) Internal Controls to ensure that the directors of the Group perform effectively
 - i) To streamline the execution of business, we have adopted an officer system that demarcates roles concerning decision-making and business execution. Under this system, the Board of Directors appoints officers (including those who concurrently serve as a representative director or director) and delegates certain business matters to them. With the supervision of the Board of Directors, these officers make decisions on these matters pursuant to the Rules on the Delegation of Duties.
Additionally, executive directors and officers issue quarterly reports to the Board of Directors concerning business they executed at the group company for which they are responsible.
 - ii) We establish and track the progress of three-year business plans and annual budgets for the Group to clarify business strategies and challenges, streamline business processes, and ensure that our policies are in-keeping with circumstances.
- (vi) Internal controls to ensure that business is executed appropriately throughout the Group; Internal controls on reporting to the Company concerning execution of duties by affiliate directors
 - i) To ensure that business is executed appropriately throughout the Group, we monitor legal compliance and risk management among our affiliates. We also support and guide each affiliate in developing and implementing internal controls that both suit affiliate's circumstances and comport with group-wide policies.
 - ii) We have established internal rules specifying the departments and officers responsible for overseeing affiliates, the business matters that we discuss with affiliates, the matters that affiliates must report in advance, and the protocols for intra-group transactions. This system helps us track the performance of each affiliate. If necessary, corporate-level personnel may audit or investigate the affiliate.
 - iii) The internal reporting system is accessible to all officers and employees of the Group, and affiliates can report information through the system.
- (vii) Stipulation that Audit & Supervisory Board members may have an assistant; Stipulation that this assistant be outside the command of directors; Stipulation that this assistant report only to Audit & Supervisory Board members
If Audit & Supervisory Board members so request, we may appoint an employee as a full-time assistant to the Audit & Supervisory Board members. In this role, the employee will handle the board's secretarial affairs. Decisions on appointments, dismissals, and performance evaluations of these assistants require the prior consent of the Audit & Supervisory Board members. The assistant will report only to Audit & Supervisory Board members, and not to directors.
- (viii) Internal controls to ensure that directors, Audit & Supervisory Board members, employees, or other cognizant parties can report concerns to Audit & Supervisory Board members; Internal controls to ensure that reported concerns are handled appropriately and internal controls to ensure that other internal controls for ensuring that Audit & Supervisory Board members audit and supervise effectively
 - i) We have established measures whereby directors, Audit & Supervisory Board members, and employees of the Group can promptly notify an Audit & Supervisory Board member if they discover any circumstances that could potentially cause substantial harm to the Company. To ensure that they can monitor the decision-making processes and the execution of business, Audit & Supervisory Board members may summon any director, fellow member, or employee of the Group to a meeting of a major committee (such as a meeting of the Management Committee, the Compliance Committee, the export control officers' conference, the Investment and Loan Committee, the Risk Management Committee or the Environment Committee) to give an account about a major approval document or other documentation related to the execution of business.

- ii) To ensure that they audit and supervise efficiently, Audit & Supervisory Board members report to the Board of Directors regarding their annual audit policy, important items to be audited and supervised, and other relevant matters. The members also hold regular meetings with directors, the accounting auditor, and their counterparts in affiliates to exchange business information.
- iii) We have established measures to ensure that directors, Audit & Supervisory Board members, employees of the Group, or other cognizant parties who report concerns to Audit & Supervisory Board members do not suffer maltreatment as a result of such reporting.
- iv) If an Audit & Supervisory Board member requests payment in advance for costs associated with their duties pursuant to the provisions of Article 388 of the Companies Act, we will review the matter and promptly pay or indemnify the costs. However, we will not do so for costs that the member did not need to incur in the course of his or her duties.

(2) Actions taken to ensure effective execution of business

Compliance

To inculcate the Code of Corporate Ethics of Shinsho Group, we have distributed the Compliance Practice Manual to all our employees as well as those of our affiliates in Japan and overseas. We have also provided compliance training tailored to each rank and, where appropriate, organized training at affiliates. We now have an internal reporting system that accords with the Rules on the Internal Reporting Systems.

Financial reporting

The Board of Directors has adopted a basic policy (Basic Policy on Internal Controls Concerning Financial Reporting). In accordance with this policy, we prepared audit plans and implemented internal audits throughout the year.

Systems concerning the management of documents

In accordance with the Rules concerning the Storage and Management of Information related to the Execution of Duties by Directors, we conducted an internal audit in February 2022, which confirmed that there are no problems related to the storage and management of such.

Risk management

- Organization-wide risk management

We worked to manage risks effectively in line with the Risk Management Rules. Action plans related risk management were established, reviewed, and revised by the Budget Review Council in March (those pertaining to Japanese businesses) and December (those pertaining to overseas businesses) and the Revised Budget Review Council in September (Japanese businesses) and June (overseas businesses). At meetings convened in May and November, 2021, the Risk Management Committee monitored the implementation of the action plans and determined priority actions.
- Actions taken to manage material risks
 - 1) Investment risk:

The Investment and Loan Committee highlighted risks associated with prospective investments of the Group and advised on measures to minimize said risks. The committee also reviewed the performance of existing investments, devised countermeasures in cases where they identified concerns, and reported their findings as necessary to the meeting of the Board of Directors.
 - 2) Information leakage risk:

Each company of the Group took action to protect Group information (physical security, human security, and IT infrastructure security) in accordance with the Corporate Secrets Management Rules.
 - 3) Credit risk:

The Japan-based group companies thoroughly managed credit risks pursuant to the Credit Limit Control Rules and the equivalent rules of the affiliates concerned. The overseas affiliates managed these risks pursuant to the Credit Limit Control Rules for Overseas Affiliates.

4) Insider trading risk:

We trained employees in the Rules for Managing the Prevention of Insider Trading, and our employee shareholding association supervised employee purchases of company stock. To prevent corporate officers from engaging in insider trading, we managed their shareholdings through the directors' shareholding association.

5) Major disaster risk:

In accordance with the Rules on Countermeasures against Large-scale Disasters, we prepared infrastructure for emergency communications, conducted emergency drills, and managed our emergency reserve stocks.

Workflow management

Directors and officers issued quarterly reports to the Board of Directors concerning the execution of business pursuant to the Rules of the Board of Directors. Specifically, the directors and officers audited corporate matters, such as the Group's scope, which divisions are responsible for which affiliated businesses, who are responsible for managing affiliates' operations, and which matters require prior discussion. The Board of Directors then resolved these matters and reported its resolutions. The board also discussed measures to address concerns related to these corporate matters. In September 2021, the Revised Budget Review Council reviewed the progress in the first half of FY2021 (year ended March 2023) and the outlook for the second half. In March 2022, the Budget Review Council reviewed the progress in the second half, the budget for the forthcoming period, and the three-year business plans. Both councils reported their findings to the meetings of the Board of Directors held in September 2021 and March 2022, respectively, and the Board of Directors approved the findings.

Audit & Supervisory Board: System of reporting, board performance

System of reporting: The system of reporting to Audit & Supervisory Board members is operating effectively. When someone in the Group identifies a significant cause of concern, the concern is immediately reported to the Audit & Supervisory Board in accordance with the Basic Policy on Constructing an Internal Control System and with the Audit & Supervisory Board Members' Auditing Standards.

Board performance: The Audit & Supervisory Board members fulfilled their duty to audit and supervise business. To audit directors' performance, the members attended key corporate meetings at which they discussed concerns and scrutinized the directors. These meetings included those of the Board of Directors, Management Committee, Investment and Loan Committee, Compliance Committee, Risk Management Committee, Budget Review Committee, as well as meetings of the export control officers' conference. In some cases, all the members attended, while in other cases, certain members were selected to represent the board at the meeting. The members also held quarterly meetings to confer with the outside directors, the president, and the accounting auditor. They also held regular meetings with their counterparts in group companies to audit each company's performance, uncover any concerns, and discuss other matters.

To inform directors about their operations and ensure the directors' cooperation, the members prepared an annual audit plan (from July to June the following year) on July and reported it to the Board of Directors.

(3) Policy for determining distribution of surplus

One of our corporate priorities is to return profits to shareholders in the form of dividends. Our basic policy is to continue paying dividends commensurate with business performance in the period concerned while ensuring that we have sufficient reserves to meet our business needs, including the need to ensure a

strong business foundation and the need to have a solid financial footing for future development. We have set a benchmark of 30% in consolidated payout ratio.

Guided by this policy, we decided to pay a year-end dividend ¥160 per share for the current consolidated fiscal year.

Accordingly, the annual dividend, which includes an interim dividend of ¥85, amounts to ¥245 per share.

Additional notes: Numerical data in this report have been formatted as follows:

- (1) Monetary data displayed in millions of yen have been rounded down to the nearest million yen.
- (2) Stock data displayed in thousands of shares have been rounded down to the nearest thousand shares.