Business Report

April 1, 2019, to March 31, 2020

1. Matters concerning the State of the Corporate Group

(1) Progress and Outcomes of Business Operations

Economic backdrop: The world economy continued on a moderate recovery path, albeit at a slower rate of growth. While China's economy slowed, the US economy remained robust to the end of 2019. However, by the end of the fiscal year in March 31, 2020, the coronavirus pandemic had started to severely curtail economic activity, bringing a drastic slowdown across the globe. The economic outlook for Japan is uncertain. The economy has already suffered from natural disasters and the consumption tax hike. Compounding these economic woes, the coronavirus has severely stunted the economy, and it threatens to cause even severer economic pain in the future.

Our efforts overseas: In the US, we boosted production equipment, and thus productive capacity, at Grand Blanc Processing, LLC., which conducts secondary processing for wire materials. In China, we focused on winning new orders from Chinese leads. To that end, we enhanced productive capacity of our aluminum coil producer Suzhou Shinko Shoji Material Co., Ltd.

Our efforts in Japan: Regarding the Nonferrous Metals segment, with a view to further synergizing our marketing efforts, we founded Shinsho Metals Corporation by consolidating group companies Kobelco Tsutsunaka Trading and Nakayama Corporation. The new company began operations on July 1, 2019.

Despite these efforts, the financial results for the current consolidated fiscal year were sobering. Sales totaled ¥936,031 million (down 1.7% year on year), reflecting the economic downturn caused by the US-China trade war. More concerningly, operating and ordinary income fell to ¥4,829 million (down 39.0%) and ¥3,943 million (down 50.8%), respectively. These decreases occurred because US group companies were hit by the slump in America's energy industry, forcing an inventory write-down and the recording of bad debts. We also recorded ¥918 million in special losses following a drop in the fair value of some of our security investments. For these reasons, net income attributable to shareholders of parent came to ¥1,629 million (down 67.5% year on year).

The performance of each business segment was as follows.

Iron & Steel

Steel plate and sheet materials: Domestic sales volume decreased. Sales prices remained unchanged. Export sales volume decreased, as did sales prices.

Wire rod products: Domestic sales volume decreased, while sales prices increased. For exports, both sales volume and sales prices remained largely unchanged.

Consequently, the Iron & Steel Segment saw sales of ¥320,672 million (down 2.2% year on year). Segment income amounted to ¥263 million (down 93.1%), reflecting the fact that US group

companies were hit by the slump in America's energy industry, forcing an inventory write-down and the recording of bad debts.

Ferrous Raw Materials

Ferrous raw material imports: Sales volume increased.

Cold iron materials: Sales volume increased while sales prices decreased.

Alloy steel and coke breeze: Sales volume decreased.

Consequently, the Ferrous Raw Materials Segment saw sales of ¥297,787 million (up 1.6% year on year). Segment income amounted to ¥666 million (down 45.4%), reflecting a revenue hit caused by the tough market conditions surrounding overseas securities investments.

Nonferrous Metals

Copper products: Copper tubes sales rose thanks to strong demand for school air conditioners. However, this was offset by the sales volume for copper sheets and strips for automotive terminals, which declined because clients were clearing inventory stock and because semiconductors demand was poor.

Aluminum products: There were fewer orders of thick plates for semiconductors and LCD manufacturing equipment. On the other hand, sales volume aluminum sheets/strips for automotive applications rose.

Nonferrous raw materials: Sales volume for copper scrap material increased. On the other hand, sales volume for secondary aluminum ingots declined.

Consequently, the Nonferrous Metals Segment saw sales of ¥204,853 million (down 8.4% year on year), and segment income of ¥1,395 million (down 17.9%).

Machinery & Electronics

Machinery products: Sales volume decreased for vacuum deposition apparatus, steam power equipment, and industrial brakes. It increased for large compressors, heavy equipment components, and battery materials.

Information-related products: Sales volume of LCD equipment decreased, while hard disk and PC components increased.

Consequently, the Machinery & Electronics Segment saw sales of ¥67,980 million (up 8.8% year on year), and segment income of ¥1,290 million (up 0.4%).

Welding

Welding materials: In Japan, welding materials sold well for shipbuilding, automobiles, and construction machinery applications. However, sales volume for domestic steel frames declined, bringing down the overall sales volume for exports.

Welding-related equipment: There were strong sales for welding robots and general welding equipment. However, there were fewer export sales for robotic applications in East Asia.

Materials for production: Sales volume for welding raw materials decreased in Japan and in other countries.

Consequently, the Welding Segment saw sales of ¥44,509 million (down 1.8% year on year), but segment income of ¥375 million (up 17.1%).

Sales and Income by Segment

Segment	101st term		102nd term		Year-on-year change	
	Sales	Segment income	Sales	Segment income	Sales	Segment income
	Million yen	Million yen	Million yen	Million yen	%	%
Iron & Steel	327,942	3,819	320,672	263	(2.2)	(93.1)
Ferrous Raw Materials	292,969	1,220	297,787	666	1.6	(45.4)
Nonferrous Metals	223,663	1,700	204,853	1,395	(8.4)	(17.9)
Machinery & Electronics	62,466	1,285	67,980	1,290	8.8	0.4
Welding	45,332	320	44,509	375	(1.8)	17.1
Other	397	(330)	498	(48)	25.5	-
Adjustment	(265)	-	(271)	-	-	-
Total	952,507	8,016	936,031	3,943	(1.7)	(50.8)

(2) Capital Expenditure

In the current fiscal year, capital expenditure (including in intangible fixed assets) totaled approximately ¥2.3 billion.

A large share of the expenditure was in facilities and equipment of our US-based wire material processing business, Grand Blanc Processing, and our China-based aluminum coil center, Suzhou Shinko-Shoji Material Co., Ltd.

(3) Ongoing Challenges

Japan has an uncertain economic outlook. The coronavirus crisis is wreaking economic havoc around the world, and the full extent of the damage in Japan and other countries remains unclear.

Amid these uncertain and challenging times, we have arrived at the final year of our three-year business plan (FY2016-2020), and remain committed to the objectives outlined therein. To this end, we are engaging in the following tasks.

1) Accelerate global business development

(i) Strengthen global locations

We will continue efforts to strengthen our three key overseas locations (United States, Thailand, and China) and develop business organically by facilitating trilateral transactions that include Japan. In the USA, we will continue to expand ferrous and non-ferrous materials, targeting automotive businesses. In China, Suzhou Shinko-Shoji Material will expand aluminum sales, focusing on processing aluminum sheet materials for automotive panels. In Vietnam, we will bolster our

non-ferrous operations. In India, we will focus on Kobelco Plate Processing India Pvt. Ltd., which manufactures and sells steel plates and can components; we will further boost the company's technological capability to place it on a more solid business footing.

(ii) Improve the ratio of overseas transactions

We aim to raise the ratio of overseas transactions to 50%.

2) Strengthen our trading function

In July 2019, we founded Shinsho Metals Corporation by merging two of our consolidated subsidiaries, Kobelco Tsutsunaka Trading Co., Ltd., and Nakayama Corporation. In the Nonferrous Metals segment, we want to strengthen marketing capability by ensuring optimal coordination of roles between Shinsho Metals Corporation and Shinsho Non-Ferrous Metals Corp. In the Welding segment, we will restructure welding business in Japan by leveraging the functions of SC Welding Corporation, which we acquired in April 2019.

We will continue to explore M&A opportunities while working to stabilize our existing investments and boost their earning. Meanwhile, we will continue to expand business by actively pitching our trading services and analyzing where the next growth sectors will be.

3) Create a sound business foundation

(i) Secure, deploy, and train human resources

With a view to developing our global business operations, we are securing, deploying, and training human resources in a forward-thinking manner. For example, we are recruiting a diverse workforce, dispatching young employees overseas to train, and arranging training in Japan for overseas staff. We will also improve the workplace. Specifically, we will offer flextime and take other actions to promote a diverse and inclusive workplace. We will also promote more productive workstyles by refining the system of paid leave and reducing work hours.

(ii) Strengthen financial base

To expand our investing activities, we are working to strengthen our financial capacity and streamline our financing operations. We also aim to further improve our equity capital.

(iii) Enhance management system

We are tightening corporate governance, including our systems of compliance and risk management, to better ensure safety, quality assurance, and ecological sustainability.

We appreciate your continued support and feedback as we pursue these tasks.

(4) Assets and Income

1) Assets and Income of the Corporate Group

Asset / income		99th term (FY2016)	100th term (FY2017)	101st term (FY2018)	102nd term (FY2019) (Current)
Sales	(millions of yen)	769,481	929,467	952,507	936,031
Ordinary income	(millions of yen)	5,248	8,624	8,016	3,943
Net income attributable to shareholders of parent	(millions of yen)	2,970	5,449	5,019	1,629
Earnings per share	(yen)	335.43	615.47	566.81	184.03
Total assets	(millions of yen)	257,510	283,672	307,590	284,477
Total equity	(millions of yen)	47,682	53,725	54,921	54,571

(Note) Effective October 1, 2016, we changed the number of shares constituting one share unit (from 1,000 shares to 100 shares) and consolidated shares (at a ratio of 10 shares to 1 share). The earnings per share have been calculated on the premise that the share consolidation was implemented at the beginning of the 99th term.

2) Assets and Income of Shinsho Corporation

Asset / income		99th term (FY2016)	100th term (FY2017)	101st term (FY2018)	102nd term (FY2019) (Current)
Sales	(millions of yen)	646,959	780,047	773,925	760,698
Ordinary income	(millions of yen)	3,974	4,994	4,552	4,372
Net income attributable to shareholders of parent	(millions of yen)	2,120	2,899	2,179	2,318
Earnings per share	(yen)	239.36	327.44	246.08	261.78
Total assets	(millions of yen)	200,577	212,005	222,809	205,784
Total equity	(millions of yen)	34,905	37,514	37,696	38,355

(5) Parent Company and Significant Consolidated Subsidiaries

1) Significant Consolidated Subsidiaries

Company name	Paid-in capital	Investment ratio	Main business lines
		%	
Shinsho Steel Products Corporation	90 million JPY	100	Trading of construction materials and wire rod 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
Asia Chemical Engineering Co., Ltd.	90 million JPY	50	Design and construction of plants
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*	Processing of wire rod products
Aiken Wire Processing, L.L.C.	2.617 million USD	100*	Wire drawings for steel wire
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.	1 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

Company name	Paid-in capital	Investment ratio	Main business lines
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
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 metals, machinery, and information industry
Kobelco Trading India Private Limited	45 million INR	100*	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 April 1, 2019, we took full ownership of SC Welding Corporation after purchasing the remaining 20 percent of the subsidiary's stock.

3. Shinsho Metals Corporation was formerly known as Kobelco Tsutsunaka Trading Co., Ltd. The new name was adopted after the company absorbed Nakayama Corporation on July 1, 2019.

2) Other

Company Name	Paid-in Capital	Main business lines
Kobe Steel, Ltd.	250,930 million JPY	Manufacture and trading of iron & steel, aluminum & copper products, 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 steel, auxiliary materials for pig iron and steel production, titanium materials, petroleum products, slag products, chemical products, and coal-alternatives (RPF, PKS, sawdust)
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

1) Shinsho Corporation

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

2) Consolidated Subsidiaries

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

(8) Employees

1) Employees of the Corporate Group

Number of employees	Change from previous fiscal year
1,576	-28

(Note) The number of employees does not include the 84 temporary employees.

2) Employees of Shinsho Corporation

Employees	Change from previous fiscal year	Average age	Average years of service
585	+17	39 years and 3 months	14 years and 1 month

Notes) 1. The number of employees includes the 105 seconded employees.
2. The number of employees does not include the 56 temporary employees.

(9) Major Lenders

Lender	Amount borrowed
Mizuho Bank, Ltd.	¥15,804 million
MUFG Bank, Ltd.	¥13,597 million
Sumitomo Mitsui Banking Corporation	¥10,627 million

2. Notes on the Company's Shares

(1) Total number of authorized shares 27,000,000

(2) Total number of shares outstanding 8,855,838 (excluding the 4,724 shares of treasury stock)

(3) Number of shareholders 3,551 (decrease of 67 from the previous fiscal year)

(4) Major shareholders (top 10)

Major shareholder	Number of shares held (#000 shares)	Ownership ratio (%)
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	748	8.45
Japan Trustee Services Bank, Ltd. (trust account)	279	3.15
The Master Trust Bank of Japan, Ltd. (trust account)	235	2.66
Shinsho Employees' Shareholding Association	202	2.29
SINFONIA TECHNOLOGY CO., LTD.	150	1.69
DFA INTL SMALL CAP VALUE PORTFOLIO	118	1.34
MUFG Bank, Ltd.	109	1.23
Sumitomo Mitsui Banking Corporation	103	1.17

(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, the majority of whose members are outside directors and Audit & Supervisory Board members.

(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	Takashi Goto	General Manager of the Iron & Steel Division General Manager of the Ferrous Raw Materials Division
Representative Director	Hiroshi Kato	General Manager of the Nonferrous Metals Division Responsible for the Nagoya Branch Office
Representative Director	Hiroshi Watanabe	Supervisor of the Corporate Planning Department, General Affairs Department, Credit and Legal Department, Finance Department, and Overseas Regions Responsible for the Personnel Department and Auditing Department Head of Osaka Head Office
Director	Akio Matsuda	General Manager of the Machinery & Electronics Division Responsible for the Kobe Branch Office
Director	Kenji Onishi	General Manager of the Welding Division
Director	Kyoya Mukai	Deputy General Manager of the Iron & Steel Division Responsible for North America and Europe region
Director	Tsukasa Komiyama	Certified public accountant Representative Partner of Kyobashi & Co. President of GMA TAX Corporation Komiyama Office Auditor (part time) of KT Group Co., Ltd.
Director	Kiyoshi Sakamoto	Attorney at law Non-standing Auditor (part-time) of Asahi Shinkin Bank Auditor (part-time) of Zen-Noh Business Support Co., Ltd.
Audit & Supervisory Board member (standing)	Seiichi Oshiro	

Corporate title	Name	Role(s), including any significant roles in other organizations
Audit & Supervisory Board member (standing)	Yoshihiro Maeda	
Audit & Supervisory Board member	Akihiko Jogu	
Audit & Supervisory Board member	Hiroko Kaneko	Matsuo & Kosugi (law firm)

(Notes) 1. The following personnel changes were implemented on June 26, 2019:

Appointments

Yoshihiro Maeda and Hiroko Kaneko assumed the office of Audit & Supervisory Board member after being newly appointed thereto.

Resignation

Masaki Kaneko and Hironobu Yoshida resigned from the office of Audit & Supervisory Board member upon the expiration of their terms.

2. Tsukasa Komiyama and Kiyoshi Sakamoto are 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.
3. Akihiko Jogu and Hiroko Kaneko are outside Audit & Supervisory Board members as provided for in Article 2, Paragraph 16, of the Companies Act.
4. Seiichi Oshiro has formidable insight into accounting and finance, having served as an accounting manager in the Corporate Planning Department and as an officer responsible for the Corporate Planning Department. Yoshihiro Maeda 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.
5. We have entered into agreements with its outside directors and Audit & Supervisory Board members limiting their liability under Article 423, P-aragraph1, 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.
6. The names of the officers and their responsibilities as of March 31, 2020, are shown below.

Corporate title	Name	Role(s)
President and CEO*	Takafumi Morichi	
Senior Executive Officer*	Takashi Goto	General Manager of the Iron & Steel Division General Manager of the Ferrous Raw Materials Division
Senior Executive Officer*	Hiroshi Kato	General Manager of the Nonferrous Metals Division Responsible for the Nagoya Branch Office
Senior Executive Officer*	Hiroshi Watanabe	Supervisor of the Corporate Planning Department, General Affairs Department, Credit and Legal Department, Finance Department, and Overseas Regions Responsible for the Personnel Department and Auditing Department Head of the Osaka Head Office
Senior Executive Officer*	Akio Matsuda	General Manager of the Machinery & Electronics Division Responsible for the Kobe Branch Office
Executive Officer*	Kenji Onishi	General Manager of the Welding Division

Corporate title	Name	Role(s)
Executive Officer*	Kyoya Mukai	Deputy General Manager of the Iron & Steel Division Responsible for North America and Europe region
Executive Officer	Yoshihiro Matsubara	Responsible for the China region President of Kobelco Trading (Shanghai) Co., Ltd.
Executive Officer	Satoshi Muta	Responsible for the General Affairs Department, Credit and Legal Department Responsible for ASEAN and India & Middle East region
Executive Officer	Masahito Adachi	Deputy General Manager of the Nonferrous Metals Division
Executive Officer	Satoshi Nishimura	Deputy General Manager of the Iron & Steel Division Responsible for the Chugoku Branch Office
Officer	Masato Matsubayashi	Deputy General Manager of the Nonferrous Metals Division
Officer	Shinya Yoshida	Deputy General Manager of the Machinery & Electronics Division
Officer	Hiroshi Tanaka	Deputy General Manager of the Ferrous Raw Materials Division
Officer	Yasuyuki Watanabe	General Manager of the Corporate Planning Department Responsible for the Finance Department
Officer	Masaaki Takada	Deputy General Manager of the Iron & Steel Division Head of Steel Plate & Sheet Department
Officer	Shinji Urade	Deputy General Manager of the Machinery & Electronics Division Responsible for the Kyushu Branch Office Head of ~~West Japan~~ Machinery Department

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

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

Category	Recipients	Payment amount
	No.	# million yen
Director (Outside director)	9 (2)	280 (14)
Audit & Supervisory Board member (Outside Audit & Supervisory Board member)	6 (3)	67 (14)
Total	15	347

(Notes) 1. At the 99th Ordinary General Meeting of Shareholders held on June 28, 2017, the maximum amount of annual remuneration for directors was approved at ¥352 million (¥29 million of which is for outside directors).

2. At the 99th Ordinary General Meeting of Shareholders held on June 28, 2017, the maximum amount of annual remuneration for Audit & Supervisory Board members was approved at ¥75 million (¥22 million of which is for outside Audit & Supervisory Board members).

3. Remuneration for directors includes a performance-linked portion, which is based on certain criteria. The purpose of this performance-linked portion is to motivate directors to contribute toward our corporate value. To ensure that the Board of Directors' decision-making process for remuneration is transparent and fair, the Board of Directors first seeks the opinion of the Advisory Committee on Remuneration, in which outside directors and Audit & Supervisory Board members make up the majority.

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

1) 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 Matsuo & Kosugi. We have no any significant transactional or other relationships with this organization.

2) Major Activities during the Current Fiscal Year

(i) Board Attendance

	Board of Directors	Audit & Supervisory Board
	Attendance frequency	Attendance frequency
Tsukasa Komiyama (director)	All 19 meetings	-
Kiyoshi Sakamoto (director)	All 19 meetings	-
Akihiko Jogu (Audit & Supervisory Board member)	All 19 meetings	All 16 meetings
Hiroko Kaneko (Audit & Supervisory Board member)	Attended all 15 meetings held since taking office.	Attended all 12 meetings held since taking office.

(ii) Board Engagement

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.

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.

Akihiko Jogu (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 (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.

Audit & Supervisory Board

Akihiko Jogu and Hiroko Kaneko (both Audit & Supervisory Board members) exchanged opinions regarding audit results and discussed important audit-related matters.

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) Name: KPMG AZSA LLC

(2) Remuneration

	Payment amount
Amount of remuneration for accounting auditor with respect to the current fiscal year	¥66 million
Total amount of cash and other economic benefits to be paid to the accounting auditor by the Company and subsidiaries	¥74 million

(Notes)
1. The accounting auditor is remunerated for advising on how to apply the New Revenue Recognition Standard and for other services not specified in Article 2, Paragraph 1, of the Certified Public Accountants Act.
2. 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.
3. 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 Board of Directors has resolved to adopt the systems as described below. In the following descriptions, terms such as "we," "us," and "our" refer to Shinsho Corporation, whereas the "Group" refers collectively to Shinsho Corporation and its affiliates. As used here, "affiliates" accords with the definition in the Rules on Managing Related Companies.

1) 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 disseminate and inculcate compliance consciousness across the Group as a whole, and establish measures to monitor and prevent compliance violations in the Group. Specifically, we prepare and distribute a compliance manual and train employees in how to use the 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.

2) 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.

3) Documenting directors' decisions and actions

We keep records to clearly document directors' decisions and actions, as well as 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.

4) 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) Each set of risk management protocols 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

(iii) 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.

5) Ensuring that directors 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.

6) Ensuring that business is executed appropriately throughout the Group; Reporting 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.

7) 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.

8) Ensuring that directors, Audit & Supervisory Board members, employees, or other cognizant parties can report concerns to Audit & Supervisory Board members;
Ensuring that reported concerns are handled appropriately;
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, or the Risk Management 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, which confirmed that there are no problems related to the storage and management of such in March 2020.

(Risk management)

We worked to manage risks effectively in line with the Risk Management Rules. Actions plans related risk management were established, reviewed, and revised by the Risk Management Committee. Corporate ethics-related risks were given particular attention during the meetings of the Compliance Committee held in September 2019 and March 2020. During these meetings, the committee members discussed the management of such risks. Other key risk management-related actions are as follows.

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.

5) Major disaster risk:

In accordance with the Rules on Countermeasures against Large-scale Disasters, we prepared an emergency communication plan and conducted disaster and safety confirmation drills based on the Shinsho Corporation Disaster Emergency System. We also 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 how large the Group is, 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. The Revised Budget Review Council reviewed the progress in the first half of FY2019 and the outlook for the second half. The Budget Review Council reviewed the progress in the second half and the budget for the forthcoming period. Both councils reported their findings to the meetings of the Board of Directors held in October 2019 and March 2020, 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 semiannual 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. Guided by this policy, we decided to pay a year-end dividend ¥35 per share for the current consolidated fiscal year.

Accordingly, the annual dividend, which includes an interim dividend of ¥55, amounts to ¥90 per share.

~~~
~~~