Business Report

April 1, 2020, to March 31, 2021

1. Matters concerning the State of the Corporate Group

(1) Progress and Outcomes of Business Operations

Economic backdrop: During the consolidated period under review, the pandemic dealt a devastating blow to the world economy. However, signs of recovery emerged, with China's economy achieving an early turnaround and the US and other countries entering recovery in the second half of 2020. The Japanese economy, likewise, experienced recovery in aspects such as corporate earnings, but a resurgence in infection rates has dampened economic optimism.

Our efforts in Japan: Sales volume for key products picked up in the second half, buoyed by a recovery in the auto industry. In a new initiative that targeted the demand for sustainability, we marketed biomass materials in our Ferrous Raw Materials segment and developed a recycle business within our Nonferrous Metals segment. We also took action to improve employee wellbeing and productivity. Alongside this, we worked to prevent infections. For example, we encouraged employees to work from home or to spend less time in the office and made active use of teleconferencing.

The financial results were as follows: Sales totaled ¥784,160 million (down 16.2% year on year). Operating income fell to ¥4,454 million (down 7.8%), despite benefitting from year-long reductions in SG&A expenses. Ordinary income came to ¥4,067 million (up 3.1%). Net income attributable to shareholders of parent came to ¥2,198 million (up 34.9% year on year). This increase reflects the fact that we recorded ¥729 million in extraordinary gains following the sale of security investments. These gains more than offset ¥1,719 million in extraordinary losses, which we had recorded following valuation of security investments and impairment of fixed assets.

The performance of each business segment was as follows.

Iron & Steel

Steel plate and sheet materials: For domestic sales, volume and sales prices both decreased. For export sales, volume increased while sales prices decreased.

Wire rod products: For domestic sales, volume decreased while sales prices remained largely unchanged. Export sales volume decreased, as did sales prices.

Consequently, the Iron & Steel Segment saw sales of ¥264,226 million (down 17.6% year on year). Segment income amounted to ¥621 million (up 136.1%).

Ferrous Raw Materials

Ferrous raw material imports: Sales volume and sales prices both decreased.

Cold iron materials: Sales prices increased.

Alloy steel and titanium materials: Sales volume decreased.

Consequently, the Ferrous Raw Materials Segment saw sales of ¥233,521 million (down 21.6% year on year). Segment income amounted to ¥316 million (down 52.5%).

Nonferrous Metals

Copper products: There was an increase in the volume of sales of lead frames for semiconductors, but a decrease in the volume of sales of copper tubes for air conditioning units and copper sheets and strips for automotive terminals.

Aluminum products: There was an increase in the volume of sales of aluminum sheets/strips to secondary and tertiary suppliers, but a decrease in the volume of sales of aluminum sheets/strips for automotive applications and processed parts for LCD manufacturing equipment.

Nonferrous raw materials: There was a decrease in the volume of sales of copper scrap, aluminum scrap, and secondary aluminum ingots.

Consequently, the Nonferrous Metals Segment saw sales of ¥185,556 million (down 9.4% year on year). Segment income totaled ¥1,853 million (up 32.8%).

Machinery & Electronics

Machinery products: There was a decrease in the sales volume of heat-treating furnaces and components for construction machinery, and an increase in that of rolling mills and battery materials.

Information-related products: Sales volume of LCD equipment decreased, while that of hard disks increased.

Consequently, the Machinery & Electronics Segment saw sales of ¥64,836 million (down 4.6% year on year), and segment income of ¥1,225 million (down 5.1%).

Welding

Welding materials: In Japan, volume remained stable among clients in the chemical engineering industry while it decreased among clients in the following industries: shipbuilding, steel frames, automobiles, and construction machinery applications. Volume of export sales decreased.

Welding-related equipment: Sales volume for welding robots and general welding equipment decreased.

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

Consequently, the Welding Segment saw sales of ¥35,843 million (down 19.5% year on year), and segment income of ¥143 million (down 61.8%).

Sales and Income by Segment

Segment	102nd term		103rd term		Year-on-year change	
	Sales	Segment income	Sales	Segment income	Sales	Segment income
	Million yen	Million yen	Million yen	Million yen	%	%
Iron & Steel	320,672	263	264,226	621	(17.6)	136.1
Ferrous Raw Materials	297,787	666	233,521	316	(21.6)	(52.5)
Nonferrous Metals	204,853	1,395	185,556	1,853	(9.4)	32.8
Machinery & Electronics	67,980	1,290	64,836	1,225	(4.6)	(5.1)
Welding	44,509	375	35,843	143	(19.5)	(61.8)
Other	498	(48)	443	(93)	(11.0)	–
Adjustment	(271)	–	(268)	–	–	–
Total	936,031	3,943	784,160	4,067	(16.2)	3.1

(2) Capital Expenditure

In the current fiscal year, capital expenditure (including in intangible fixed assets) totaled approximately ¥2.1 billion.

A large share of the expenditure was in facilities and equipment of our Australian coal mine and our China-based aluminum coil center, Suzhou Shinko-Shoji Material Co., Ltd.

(3) Ongoing Challenges

Global economic uncertainty continues amid the protracted pandemic crisis. The US and Europe are gradually returning to economic normalcy, but a full recovery remains far off given the resurgence in infection rates. On the geopolitical front, the outlook for Sino-US relations remains opaque. As for the Japanese economy, production is likely to recover with the vaccine rollout and a rise in exports amid a recovery in overseas demand, particularly in China. However, the pandemic continues to cast a long shadow over Japan, and a recovery in consumer confidence and capital expenditure will take time. Japan and other countries do have some prospect of an inflation-driven recovery, as aggressive fiscal packages and monetary policies have, by expanding the money supply, pushed up land prices and the prices of commodities such as gold and oil.

Against this backdrop, we remain committed to continued growth. Guided by our three-year business plan (FY2021–2023), we will ascertain demand trends in the relevant business sectors, develop our existing business, and actively forge new B2B relationships in Japan and overseas. We will also invest in new business opportunities to expand our portfolio. Our key tasks are as follows:

1) Boost Earning Capacity

Grow Existing Businesses, Create New Businesses

While continuing to grow our existing businesses, we will invest in opportunities to capture new business opportunities in order to boost our earning capacity.

For our existing businesses (which includes the segments Iron & Steel, Nonferrous Metals, Machinery & Electronics, and Welding), we will continue to grow Kobe Steel's businesses in Japan

and overseas, make our marketing more tailored to customers' needs, and increase customer value by offering a more extensive lineup.

As for creating new businesses, we will use M&As and capital alliances to expand or revamp our portfolio, paving the way for higher growth over the next ten years.

Alongside these actions, we will review the performance of each business with the resolve to act swiftly and decisively if we find that a business is underperforming.

2) Strengthen our trading function

SDGs Agenda: Contributing to the Circular Economy

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 our sustainability strategy, we will work toward a circular economy by developing our ideas for regenerative businesses, including biomass fuels for renewables, cold iron materials, and nonferrous recyclables. We will also work on a supply systems for these materials in order to make them a commercial success.

Overseas: Locally led Business Development

Our employees and partners overseas, particularly those in our three key overseas locations (United States, China, and Thailand), will lead the way in cultivating new markets overseas. In India and the ASEAN region, they will actively invest in M&A opportunities and new business ideas.

3) Bolstering the Business Foundation

Tighter Corporate Governance

We will further empower the Board of Directors. Specifically, we will change the board composition so that outside directors make up over a third of the membership, and adopt a new approach to evaluating board effectiveness. We will also prepare a solid succession plan. Additionally, we will adopt integrated reporting, with a view to releasing our first integrated report in Autumn 2022.

New Approach to Talent Management

To ensure our organization remains relevant and keeps growing, we will adopt a new approach to talent management. This new approach will emphasize workplace flexibility to enable us to adapt better to changes in the business landscape. It will also focus on creating an empowered and motivated workplace.

As part of the new approach, we will, among other things, introduce performance-based rewards, promote a diverse and inclusive workplace, encourage more inter-segment exchanges between employees, support employees' professional progression, and enhance employee training. We will start transitioning to this new approach with a view to achieving a full transition by April 2024.

Building Risk Management Infrastructure

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.

To further enhance and tighten risk management, we will seek advice from consultants to get external perspectives.

Digital Transformation

We will digitize further to capture new digital business opportunities that will enhance customer value. We will also use digital technology to streamline our business processes.

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		100th term (FY2017)	101st term (FY2018)	102nd term (FY2019)	103rd term (FY2020) (Current)
Sales	(millions of yen)	929,467	952,507	936,031	784,160
Ordinary income	(millions of yen)	8,624	8,016	3,943	4,067
Net income attributable to shareholders of parent	(millions of yen)	5,449	5,019	1,629	2,198
Earnings per share	(yen)	615.47	566.81	184.03	248.24
Total assets	(millions of yen)	283,672	307,590	284,477	286,233
Total equity	(millions of yen)	53,725	54,921	54,571	57,185

2) Assets and Income of Shinsho Corporation

Asset / income		100th term (FY2017)	101st term (FY2018)	102nd term (FY2019)	103rd term (FY2020) (Current)
Sales	(millions of yen)	780,047	773,925	760,698	646,529
Ordinary income	(millions of yen)	4,994	4,552	4,372	4,044
Net income attributable to shareholders of parent	(millions of yen)	2,899	2,179	2,318	2,313
Earnings per share	(yen)	327.44	246.08	261.78	261.23
Total assets	(millions of yen)	212,005	222,809	205,784	215,371
Total equity	(millions of yen)	37,514	37,696	38,355	42,176

(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.	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

Company name	Paid-in capital	Investment ratio%	Main business lines
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
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

Company name	Paid-in capital	Investment ratio%	Main business lines
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

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

2) 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 steel, 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], palm kernel shells [PKS], woodchips)
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	Dubai Representative Office	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
1,567	-9

(Note) The number of employees does not include the 97 temporary employees.

2) Employees of Shinsho Corporation

Employees	Change from previous fiscal year	Average age	Average years of service
577	-8	39 years and 4 months	14 years and 4 months

Notes) 1. The number of employees includes the 111 seconded employees.
2. The number of employees does not include the 57 temporary employees.

(9) Major Lenders

Lender	Amount borrowed
Mizuho Bank, Ltd.	¥12,555 million
MUFG Bank, Ltd.	¥11,183 million
Sumitomo Mitsui Banking Corporation	¥10,043 million

2. Notes on the Company's Shares

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

(2) Total number of shares outstanding 8,855,800 (excluding the 4,762 shares of treasury stock)

(3) Number of shareholders 3,436 (decrease of 115 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	768	8.67
The Master Trust Bank of Japan, Ltd. (trust account)	284	3.22
Custody Bank of Japan, Ltd. (trust account)	253	2.86
Shinsho Employees' Shareholding Association	236	2.67
SSBTC CLIENT OMNIBUS ACCOUNT	225	2.54
SINFONIA TECHNOLOGY CO., LTD.	150	1.69
MUFG Bank, Ltd.	109	1.23
DFA INTL SMALL CAP VALUE PORTFOLIO	106	1.20

(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	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, Business & Risk Management Department, the Personnel Department, General Affairs Department, Credit and Legal Department, Finance Department, the Ferrous Raw Materials Division, and Overseas Regions Responsible for the Auditing Department Head of the Osaka Head Office
Director	Kyoya Mukai	General Manager of the Iron & Steel Division
Director	Kenji Onishi	General Manager of the Welding Division
Director	Satoshi Muta	Responsible for the General Affairs Department, Credit and Legal Department General Manager of the Ferrous Raw Materials Division
Director	Shinya Yoshida	General Manager of the Machinery & Electronics Division Responsible for the Kobe Branch Office
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.

Corporate title	Name	Role(s), including any significant roles in other organizations
Audit & Supervisory Board member (standing)	Yoshihiro Maeda	
Audit & Supervisory Board member (standing)	Akira Ichikawa	
Audit & Supervisory Board member	Hiroko Kaneko	Matsuo & Kosugi (law firm)
Audit & Supervisory Board member	Shinya Miyawaki	President of The Hyogo Industrial Association

(Notes) 1. The following personnel changes were implemented on June 25, 2020:

Appointments
Akira Ichikawa and Shinya Miyawaki assumed the office of Audit & Supervisory Board member after being newly appointed thereto.

Resignation
Seiichi Oshiro and Akihiko Jogu 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. Hiroko Kaneko and Shinya Miyawaki are outside Audit & Supervisory Board members as provided for in Article 2, Paragraph 16, of the Companies Act.
4. 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 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.
6. 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. The names of the officers and their responsibilities as of March 31, 2021, 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 Responsible for the Nagoya Branch Office
Senior Executive Officer*	Hiroshi Watanabe	Supervisor of the Corporate Planning Department, Business & Risk Management Department, the Personnel Department, General Affairs Department, Credit and Legal Department, Finance Department, the Ferrous Raw Materials Division, and Overseas Regions Responsible for the Auditing Department Head of the Osaka Head Office
Senior Executive Officer*	Kyoya Mukai	General Manager of the Iron & Steel Division

Corporate title	Name	Role(s)
Executive Officer*	Kenji Onishi	General Manager of the Welding Division
Executive Officer*	Satoshi Muta	Responsible for the General Affairs Department, Credit and Legal Department General Manager of the Ferrous Raw Materials Division
Executive Officer	Masahito Adachi	Deputy General Manager of the Nonferrous Metals Division and General Manager of ~~Nonferrous Metals~~ the Business Planning Office in the Nonferrous Metals Division President of SUZHOU SHINKO-SHOJI MATERIAL CO., LTD. President of KOBELCO PRECISION PARTS (SUZHOU) CO., LTD.
Executive Officer	Satoshi Nishimura	Responsible for North America and Europe region Deputy General Manager of the Iron & Steel Division
Executive Officer	Masato Matsubayashi	Responsible for ASEAN and India & Middle East region Deputy General Manager of the Nonferrous Metals Division
Officer*	Shinya Yoshida	General Manager of the Machinery & Electronics Division Responsible for the Kobe Branch Office
Officer	Hiroshi Tanaka	Manager of the Osaka Raw Materials Department of the Ferrous Raw Materials Division, Manager of Kakogawa Branch, Manager of Kumamoto Office, Special Assistant to the General Manager of the Ferrous Raw Materials Division
Officer	Yasuyuki Watanabe	Responsible for the Corporate Planning Department, Business & Risk Management Department, the Personnel Department and the Finance Department
Officer	Masaaki Takada	Deputy General Manager of the Iron & Steel Division Head of Steel Plate & Sheet Department Responsible for the Chugoku Branch Office
Officer	Shinji Urade	Deputy General Manager of the Machinery & Electronics Division Responsible for the Kyushu Branch Office
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

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

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

1) Basis for determining remuneration for each recipient; breakdown of remuneration

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).

2) The Board of Directors consulted the Advisory Committee on Remuneration.

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.

3) 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 nine directors, two of whom were outside directors.

At the same meeting, the shareholders resolved that remuneration for Audit & Supervisory Board members should be capped at 75 million yen a year and that remuneration for outside Audit & Supervisory Board members should be capped at 22 million yen a year. At the time of the meeting, there were four Audit & Supervisory Board members, two of whom were outside Audit & Supervisory Board members.

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.

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

Category	Amount of remuneration	Breakdown			Recipients
	# million yen	Base salary	Performance-linked pay	Non-monetary compensation	
Director	249	256	-7	–	11
(Outside director)	(14)	(14)	(0)	(-)	(2)
Audit & Supervisory Board member	67	67	0	–	6
(Outside Audit & Supervisory Board member)	(14)	(14)	(0)	(-)	(3)

(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

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	–
Hiroko Kaneko (Audit & Supervisory Board member)	All 19 meetings	All 11 meetings
Shinya Miyawaki (Audit & Supervisory Board member)	Attended all 16 meetings held since taking office.	Attended all 7 meetings held since taking office.

(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.

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. Additionally, he served as a member of 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.

Audit & Supervisory Board

Hiroko Kaneko and Shinya Miyawaki (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	¥70 million
Total amount of cash and other economic benefits to be paid to the accounting auditor by the Company and subsidiaries	¥71 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 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 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) 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.

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, 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, which confirmed that there are no problems related to the storage and management of such in March 2021.

(Risk management)

- **Organization-wide 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 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 July (overseas businesses). At meetings convened in July and November, 2020, 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.

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 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. The Revised Budget Review Council reviewed the progress in the first half of FY2020 and the outlook for the second half (in September 2020). The Budget Review Council reviewed the progress in the second half, the budget for the forthcoming period, and the three-year business plans (in March 2021). Both councils reported their findings to the meetings of the Board of Directors held in September 2020 and March 2021, 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. 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 ¥15, amounts to ¥50 per share.

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