KOBELCO
Kobe Steel Group

Shinsho Corporation

Integrated Report 2024

A trading company that supports manufacturing for tomorrow, and contributes to society

We at Shinsho Corporation will draw on the specialty and manufacturing knowledge we have cultivated as the core trading company of the Kobelco Group to further refine the creation of new value that will lead to solving social issues.
To achieve further growth together with our clients, we will continue our challenge of creating “a new world, new era, and new values.”

Shinsho quality throughout the world

Shinsho Corporation is expanding its overseas bases under a system of five units under two divisions: the Metals Division consisting of the Iron & Steel Unit, the Non-Ferrous Unit and the Ferrous & Recycling Materials Unit; and the Machinery & Welding Division consisting of the Machinery Unit and the Welding Unit. We will continue to strengthen the functions of our overseas bases and work closely with our bases around the world in our efforts to deliver to all locations products and services of the same quality as we deliver in Japan, in addition to high value-added solutions for tomorrow.

Strengthen functions and cooperation in priority overseas regions

East Asia (14 companies)

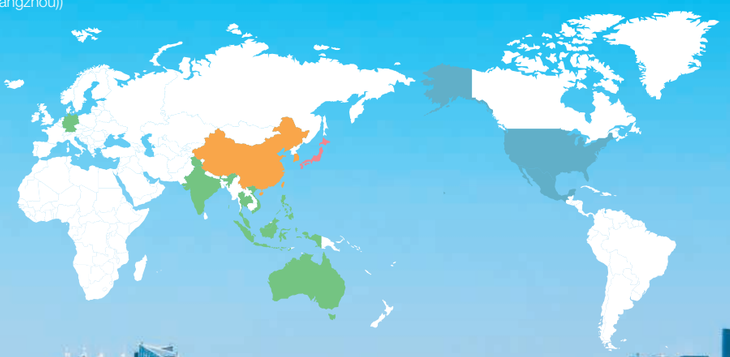
- Expand trading among Kobelco Group companies and in the automotive industry, LCD panel industry, and others, with Kobelco Trading (Shanghai) Co., Ltd. as a key player.
- Expansion of aluminum processing (Suzhou Coil Center and Kobelco Precision Parts (Suzhou) and (Yangzhou))

ASEAN, India and Middle East (19 companies)

- Expanding transactions in automotive/bicycle industry and in the field of ferrous and nonferrous raw materials through 19 companies’ network.
- Promote information gathering and intra-regional cooperation to capture demand in the infrastructure sector (Vietnam, Cambodia, etc.)

North and Central America (9 companies)

- Strengthening the wire material business in North and Central America through sales locations (North America, Mexico), secondary wire processing locations (North America) and closer connections with our operational center (Japan).



Corporate Philosophy

**"Integrity" is Shinsho Corporation's company motto.
We are committed toward securing prosperity for our clients and shareholders through the creation of new values.**

Core Values

- Contribution to tomorrow's manufacturing
- Realization of personal growth
- Corporate activities with compliance
- Corporate culture respecting diversity
- Activities in global environment

Corporate Message

Designs for Business

Ongoing globalization and diversifying customer needs are rapidly changing the business environment.
How do we conduct our business so that products get to customers?
How do we make connections between technology and society to create new value?
We at Shinsho Corporation have a distinct advantage: as part of the Kobe Steel Group, we view the world from the perspective of a global manufacturer dedicated to high quality production. We create perfect designs that will add value to your business.

CONTENTS

About Shinsho Corporation

01 Introduction
03 Corporate Philosophy & Core Values/Contents
05 President's Message
11 Corporate History
13 Value Creation Process
15 Six Types of Capital That Support Value Creation

Growth Strategy

17 Medium Term Management Plan
25 Message from the Chief Financial Officer
27 Human Resources Strategy

Sustainability

29 Sustainability at Shinsho Corporation
31 Shinsho Corporation's Material Issues
33 Message from Division General Managers
37 Material Issues
- 37 Contribution to Tomorrow's Manufacturing
  - Metals Division
    - Iron & Steel Unit
    - Non-Ferrous Unit
    - Ferrous & Recycling Materials Unit
  - Machinery & Welding Division
    - Machinery Unit
    - Welding Unit
  - Major Domestic and Overseas Business Companies
- 49 Corporate Activities with Compliance
- 51 Activities in Global Environment
- 57 Corporate Culture Respecting Diversity
- 59 Realization of Personal Growth

61 Corporate Governance
70 Roundtable Discussion with Outside Directors

Corporate Data

73 Financial and Non-Financial Highlights
75 Financial Data for Eleven Fiscal Years
77 Network
79 Company Information

Editorial Policy

Since 2022, Shinsho Corporation has been publishing an integrated report with the aim of providing all stakeholders—including shareholders and investors—with a more in-depth understanding of our medium- to long-term value creation. For information not included in this publication, please visit our website.

https://www.shinsho.co.jp/english/

In addition, with reference to the International Integrated Reporting Framework (IFRS Foundation) and the "Guidance for Collaborative Value Creation" by the Ministry of Economy, Trade and Industry, the compilation is a concise summary of financial information as well as important nonfinancial information that affects corporate value.

Reporting period: April 1, 2023 to March 31, 2024
(Some corporate activities prior to April 1, 2023 and following March 31, 2024 are included.)
Scope of report: Shinsho Corporation and its Group companies
[Referenced guidelines]
- International Integrated Reporting Framework (IFRS Foundation)
- Guidance for Collaborative Value Creation by the Ministry of Economy, Trade and Industry

[Key Initiatives]
- Sustainable Development Goals (SDGs)
- Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

Mediums for Information Disclosure

Integrated Report

Integrated report
https://www.shinsho.co.jp/english/ir/library/integrated_report.html

Detailed IR information
To our investors
https://www.shinsho.co.jp/english/ir/

Detailed information on sustainability
Sustainability report
https://www.shinsho.co.jp/english/csr/

Notes on Forward-Looking Statements

This report contains projections and forward-looking statements regarding the Company's plans, strategies, and performance for the future. These statements are not historical facts; rather, they are assumptions and beliefs based on information available to the Company at the time of issuance. It also involves risks and uncertainties related to economic trends, intense competition, market demand, fuel prices, exchange rates, and tax and regulatory systems. Please be aware that actual results may therefore differ from the Company's projections.

Reaching new heights by opening up new fields with our knowledge of manufacturing and proposal capabilities

Hironobu Takashita,
Representative Director,
President and CEO

Pressing ahead with the full-scale start of our "second founding"

I am Hironobu Takashita, newly appointed Representative Director, President and CEO of Shinsho Corporation. After joining the company, I spent many years working in sales, building my career in the field of nonferrous metals such as aluminum and copper. During those years, I also experienced a secondment to Kobe Steel, where I learned about technology and manufacturing as a manufacturer's sale representative, while at the same time, seeing the trading company from the manufacturer's perspective. Based on the discoveries I made from that experience, I have constantly considered the role demanded of Shinsho Corporation within the Kobelco Group and strived to put that into practice.

Shinsho Corporation has its operations, merchandise, and business within the diverse Kobelco Group and its specialties and intentions toward manufacturing as a manufacturer-linked trading company. As well as connecting people, information, and goods, we identify what society and the markets want and, while taking maximum advantage of the assets that have been cultivated within the Kobelco Group, build business models with new combinations and competitive supply chains, and take on the challenge of solving social issues. This practice is what leads to sustainable business, and, I believe, will lead to the realization of our corporate philosophy of "'Integrity' is Shinsho Corporation's company motto. We are committed toward securing prosperity for our clients and shareholders through the creation of new values."

In 2021, on the occasion of the 75th anniversary of the company's foundation, we launched the "second founding" of the company with the aim of "high-quality management" and "transformation into a truly global company."

In terms of "high-quality management," with the aim of enhancing corporate value, we will promote growth strategies and business reforms that stakeholders will hold expectations toward, and aim for a high level of management with sustainability management, capital cost-conscious management, and the strengthening of governance through our transition to a company with an audit and supervisory committee, among other initiatives. In terms of "transformation into a truly global company," leveraging the knowledge of manufacturing cultivated in the Kobelco Group and our intangible assets of the ability to discern diverse merchandise and our access to a wide range of markets, we will embark into new fields and expand into business domains globally by making use of our overseas bases.

Review the previous Medium Term Management Plan

In the previous Medium Term Management Plan, we promoted unique growth investments with the goals of "enhancing profitability," "strengthening trading company functions," "promoting investments," and "strengthening management base" underpinning those goals. During that time, our business performance was favorable, thanks in part to the recovery of demand as the COVID-19 pandemic subsided and to product price increases resulting from the effects of energy costs and other factors. As a result, ordinary profit reached record highs in FY2022 and FY2023, and we recorded ROE of 11.5% in FY2023, well in excess of our target of 9% or more. Profitability and strengthening of financial positioning exceeded their numerical targets, so I believe that we can say that we achieved further growth during the period of the Plan.

On the other hand, one of the issues that remained was that investment amounts fell short of the Plan. The causes of this result were the lack of a proactive mindset and initiatives toward business investment by the sales departments and the limited means available to capture a wide range of projects from outside the Group. In the formulation of the Medium Term Management Plan 2026, we created an environment in which our junior executives could play a central role in the consideration of specific growth investment projects that were in line with business strategy and take the initiative in putting them into action. In addition, we began proactively using external resources, including new business projects to be acquired by investing in environment-related investment funds and the selection of acquisition candidates together with the banks.

Another issue is operating cash flow. This is due to the increase in funding pressures caused by the increase in accounts receivable–trade and merchandise inventories associated with the jump in sales after the COVID-19 pandemic. Going forward, we will aim to achieve both the expansion of earnings and the improvement of capital efficiency by strengthening the visibility of the operating cash flow burden and monitoring it, while also working to improve and review low-ROIC businesses, to create stable operating cash flows.

Medium Term Management Plan 2026

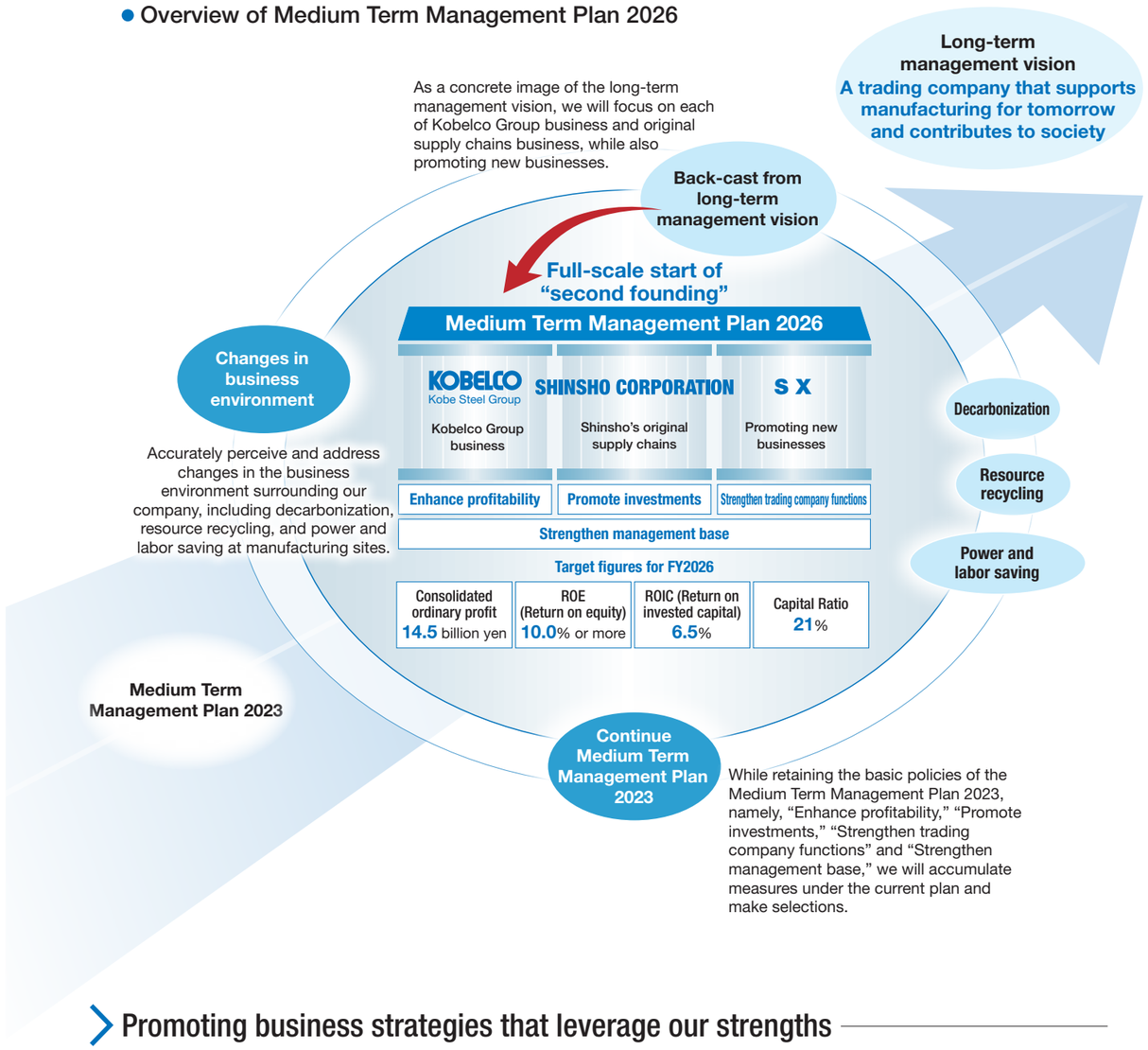
Turning changes in the socio-economic and industrial structures into opportunities for new challenges

The business environment surrounding the Medium Term Management Plan 2026 (hereinafter, the "new Medium Term Plan") presents a variety of risks and opportunities for challenges for the company. Due to rises in energy costs stemming from complex geopolitical risks and other factors, commodity prices, interest rates and exchange rates are expected to fluctuate significantly, which we envisage will prompt a shift away from export business from Japan toward local production for local consumption. In addition, as geopolitical risks drive the rebuilding of global supply chains, we believe that business opportunities in manufacturing and resources will expand in emerging countries such as India, Indonesia, and Vietnam.

In addition, the Kobelco Group is promoting the challenge of becoming carbon neutral. At Shinsho Corporation as well, in addition to promoting business collaboration in the decarbonization field, such as non-general-purpose compressors for hydrogen and ammonia, hydrogen generation equipment, and biomass fuel supply, we are contributing to the realization of a carbon neutral society through our own new businesses, including building new supply chains in the semiconductor field and strengthening the recycling business in resource recycling.

In Japan, to address the social issue of power and labor saving in manufacturing, we will consider the engineering business in addition to sales of FA-related equipment.

● Overview of Medium Term Management Plan 2026



Promoting business strategies that leverage our strengths

There are three strengths that we have cultivated to date. They are the broad range of materials, raw materials, and machinery products that we handle, our high degree of specialization as a trading company that has extremely close links to manufacturing, and our ability to build supply chains globally. Leveraging these strengths, in the formulation of the new Medium Term Plan, we arranged the businesses that we will promote into three pillars. The first is to expand our sales channels in coordination with the Kobelco Group businesses, the second is to cultivate Shinsho's original businesses, and the third is to promote future investments that will lead to solutions to social issues.

Having inherited the DNA of the Kobelco Group, we will promote a growth strategy that involves both building new businesses of our own, in addition to developing diverse Group businesses.

▶ Medium Term Management Plan 2026 (Details on pp. 17-24)

In terms of management conscious of cost of capital and share price, our price/book ratio (PBR) is currently less than 1, so we will engage in management that will be appreciated by the market. Specific measures to this end include the implementation of growth strategies, the enhancement of our financial structure through capital cost-conscious management, stable shareholder returns balanced with investments achieved by strengthening the earnings base through operational reforms using DX and IT, and the enhancement of investor relations (IR) and shareholder relations (SR) activities. Further, the implementation of the Medium Term Management Plan through growth investments and sustainability management will, I believe, help ensure sustainable excess returns.

Reorganizing the sales promotion structure to increase our capacity to implement the new Medium Term Plan

We have reorganized our sales promotion structure from a five-division structure to a two-division structure, consisting of the Metal Division and the Machinery & Welding Division, with a total of five units placed under them. With this new structure, we will enhance our profitability and strengthen our trading company functions through the horizontal extension of business investments and other means. Our aim in integrating the divisions is to share knowledge between departments, create synergies, and increase personnel mobility.

Our basic approach to enhancing profitability will be to increasing the size and solidity of our businesses by expanding them from points to lines and from lines to planes. Instead of the linear growth of individual businesses, we will connect the respective businesses in an organic way, forming clusters while generating compound value. By forming multiples of such clusters over and over again, we hope to realize accelerated growth.

In April 2024, we established a New Business Promotion Department. This new department will consider new investments in the future with "sustainability" as the keyword and create new business value that has future potential. Its role is to accelerate business investment while also running alongside investment projects that have come up from sales and providing advice. Through collaboration with Kobelco Group companies, external partners and start-ups, we will explore businesses with growth potential and promote them from a medium- to long-term perspective. Each of our units will also promote new, characteristic SX (Sustainability Transformation) businesses. The SX business is a new field that we have just embarked on, and we will actively invest in funds and implement investment projects for businesses that we believe offer synergies with Shinsho Corporation.

Cultivating people who learn and act on their own to strengthen competitiveness

The single most important element in strengthening the foundations for growth is the power of our people. Amid a greatly changing business environment, in reviewing our business portfolio to maintain and expand our competitiveness and offer new value, "strengthening competitiveness," "personal growth and higher motivation for contribution," and "promotion of innovation," which are stated in our human resources strategy, are essential.

First, in terms of "strengthening competitiveness," we will strengthen our human resources development to hone our specialties and increase sales capabilities and productivity. Also, regarding "personal growth and higher motivation for contribution," by developing systems and mechanisms for employees to realize their own career visions themselves, we will aim to increase engagement and boost our ability to propel business forward. In "promotion of innovation," our aim is to create a virtuous cycle for the creation of new value by establishing an environment for taking on the challenges of business innovation, such as business investment and DX, and by cultivating people who have diverse careers and knowledge thanks to the mobility of human resources between divisions. This virtuous cycle will, I believe, lead to the formation of a culture of diversity that will support sustainability and to personal growth.

▶ **Human resources strategy (Details on pp. 27-28)**

A sustainable future, built with the spirit of virtue

Our corporate philosophy states our commitment toward "securing prosperity for our clients and shareholders." Integrity and the creation of new value are merely the means to that end; our ultimate goal is the creation of a prosperous society and the happiness of all. When I look at social trends such as carbon neutrality, biodiversity, and diversity, I have the feeling that what is needed is the spirit of "virtue" that has been passed down in Japan from ancient times. It is important not to be selfish, but to act for the sake of society and the people around you. That is what I believe to be the spirit of "virtue."

One of my favorite proverbs is "If there is virtue in secret, there will be good fortune in the light." This means that, if you accumulate virtue through good deeds done quietly behind the scenes, something good will come back to you one day. I believe that this is an important approach to corporate management of the future. We will promote sustainability initiatives for the sake of society, the sake of the environment, and the sake of people, not only in the pursuit of short-term gains, but also from the long-term perspective that they will return to us in the future in some beneficial way.

Furthermore, I will strive to provide many opportunities to engage in dialog with all our stakeholders, including shareholders and investors, and to create new value for the realization of our "second founding." I hope you will look forward to the further growth and prosperity of Shinsho Corporation.

Shinsho Corporation's Pursuit of Growth

This idea came to fruition in 1946 with the birth of the Taihei Corporation (precursor to Shinsho Corporation), the first manufacturer-affiliated trading company in postwar Japan handling Kobe Steel's products. At the time, manufacturers around the world were losing their production bases due to the war and their distribution functions were paralyzed. The founders of the company were passionate about supporting the future of manufacturing through a specialized trading company directly connected with manufacturers, and they strove to deliver high-quality products.

This spirit of "manufacturing" has been passed down from generation to generation in the rough and tumble of the times. Today, we still develop our proposal-based business as a specialized trading company from the perspective of manufacturing.

Pursuit of growth

1946 –

Contributing to infrastructure development in Japan

The Company was founded as the first postwar manufacturer-affiliated trading company, amid a shift of Japan's industrial structure from a military-driven to civilian-driven one. Thereafter, our business performance was boosted by vigorous capital investments in step with the rapid economic growth that is symbolized by the three booming economic periods, namely "Jinmu," "Iwato," and "Izanagi," and we also entered overseas markets.

Taihei Corporation Head Office

1990s – 2000s

Supplying products crucial for manufacturing on a global scale

We celebrated our 50th anniversary in the midst of turbulence such as the collapse of the bubble economy and the Great Hanshin-Awaji Earthquake, which prompted us to establish a business structure that would not be easily affected by the external environment through selection and concentration of business. In addition, we enhanced our global competitiveness by responding swiftly to market changes and strengthening our ability to generate proposals.

Kobelco Trading (Shanghai) Co., Ltd.

2010s

Strengthening provision of added value by expanding the Group

As global warming and other social issues became increasingly evident, we worked to strengthen the provision of added value to our clients, while actively implementing M&As and business investment and deepening Group business.

2020s –

A trading company that supports manufacturing for tomorrow, and contributes to society

The Company celebrated its 75th anniversary in 2021 and formulated the long-term vision as our second founding.

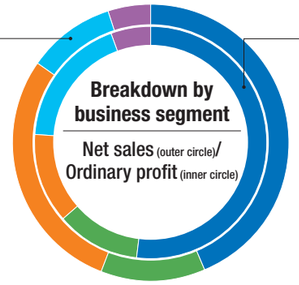
Aiming for a further leap forward, we have been engaged in activities including expansion of non-trade business, investments in new businesses, and SDG-related businesses.

Osaka Head Office Tokyo Head Office

FY2023 overview

Net sales: 591.4 billion yen

- Iron & Steel: 257.8 billion yen (up 8.1% year on year)
- Ferrous Raw Materials: 72.6 billion yen (up 12.5% year on year)
- Nonferrous Metals: 171.8 billion yen (down 11.6% year on year)
- Machinery & Electronics: 59.9 billion yen (up 3.0% year on year)
- Welding: 28.9 billion yen (up 0.2% year on year)



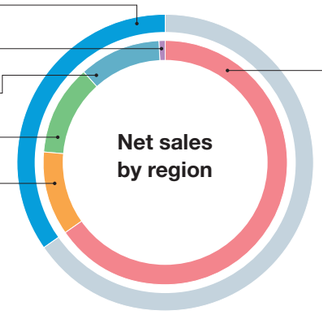
Ordinary profit: 12.8 billion yen

- Iron & Steel: 6.6 billion yen (up 29.1% year on year)
- Ferrous Raw Materials: 1.5 billion yen (up 1.1% year on year)
- Nonferrous Metals: 1.6 billion yen (down 38.9% year on year)
- Machinery & Electronics: 2.3 billion yen (up 6.6% year on year)
- Welding: 0.7 billion yen (down 7.5% year on year)

Global development of diverse businesses

Overseas net sales ratio 34.5%

- Other: 3.4 billion yen
- North America & Mexico: 64.1 billion yen
- ASEAN & India: 72.0 billion yen
- China: 64.7 billion yen
- Japan: 387.2 billion yen



Employees

1,443 (Consolidated)
565 (Non-consolidated)

Group companies

16 domestic companies
42 overseas companies
Total of 58 companies

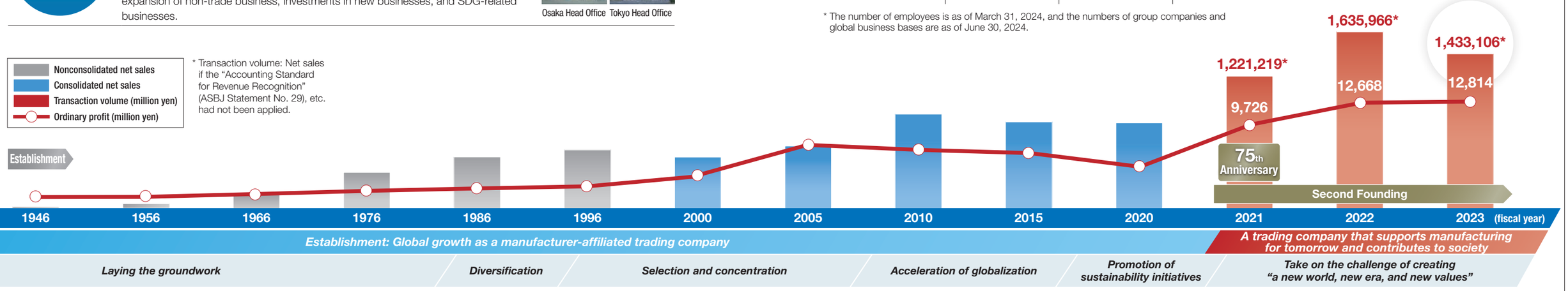
Global business bases

78 bases
(including entities not accounted for using equity method)

Our customers

- Automotive field
- Iron & steel field
- Construction field
- Electronic components field
- Consumer electrical appliances field
- Precision instruments field
- Foodstuffs field
- Electric power field
- Petroleum & chemicals field, etc.
- Shipbuilding field
- Nonferrous metals field
- Machine tool field
- Semiconductor field
- Plant & engineering field
- Paper & pulp field
- Aerospace field

* The number of employees is as of March 31, 2024, and the numbers of group companies and global business bases are as of June 30, 2024.



Value Creation Process

Input → Business activities → Output → Outcome

Input

Management resources indispensable in contributing to manufacturing

Intellectual capital/manufacturing capital

Efficient, high-value supply chain

Group capital

Diversified businesses

Establishment of our own growth model by making maximum use of the assets that we accumulated in the Kobelco Group

Shinsho Corporation Group:
16 domestic companies
42 overseas companies

Social capital

Partnerships with premium customers around the world to continue creating new value

Human capital

Independent-minded human resources

Financial capital

Stable financial foundation

Natural capital

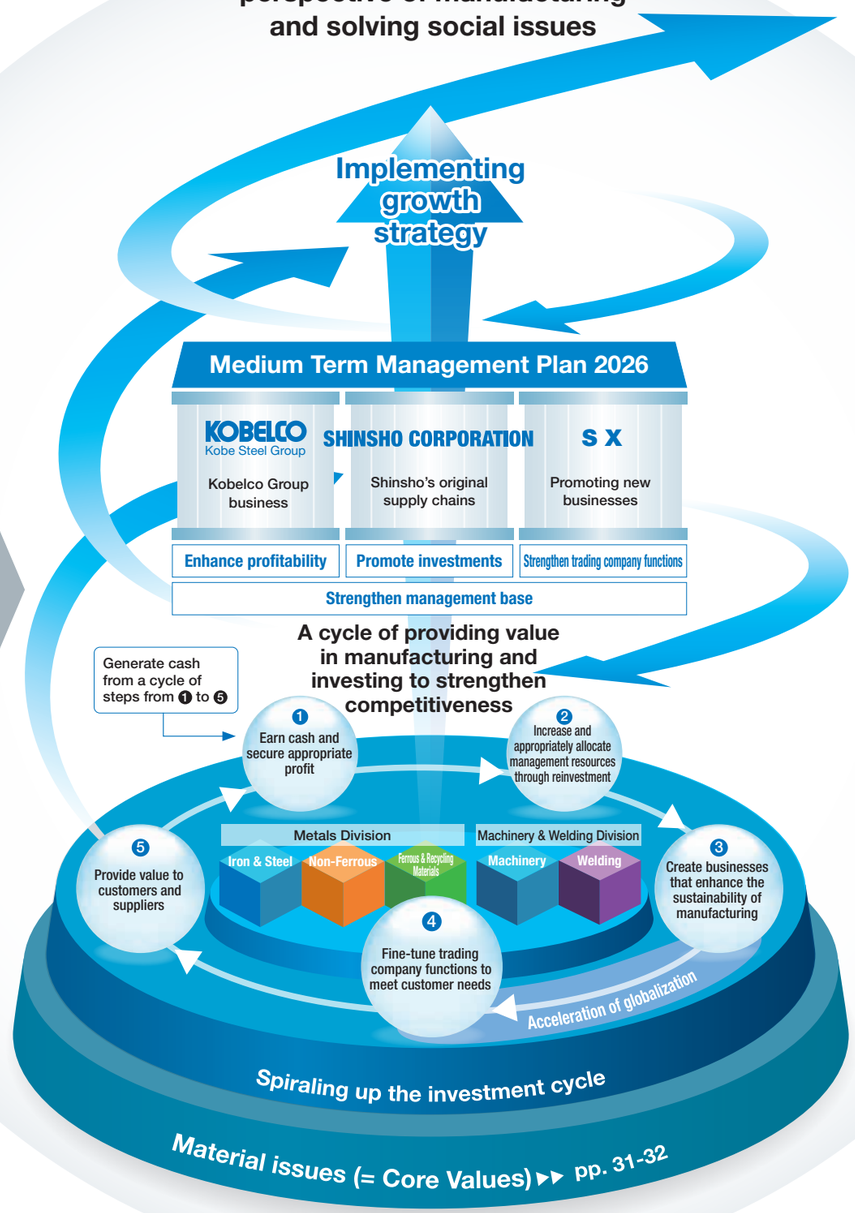
Efficient use of resources

pp. 15-16

Corporate Philosophy

Business activities

Promote business from the perspective of manufacturing and solving social issues



Output

Support manufacturing and create added value

Business fields

Automobile
Semiconductors
Resource recycling
Energy
Manufacturing sites

Technology

Supply chain DX
Environment and recycling
Biomass Fuels
Manufacturing engineering

Target figures for FY2026

- Consolidated ordinary profit **14.5** billion yen
- ROE **10.0**% or higher
- ROIC **6.5**%
- Capital ratio **21**% or higher

Shareholder return policy

- Payout ratio **30**% or higher or **300** yen/share

Outcome

Long-term management vision

A trading company that supports manufacturing for tomorrow and contributes to society

Businesses

- Strengthen recycling and resource recycling businesses
- Strengthen global supply chain through "local production for local consumption"
- Increase the handling of machines and biomass fuels that help create a carbon neutral society
- Strengthen "*Koto-uri* (selling intangible values rather than physical products)" business such as engineering
- Stable shareholder return

Society

- Promote D&I
  - Raise the percentage of women in managerial positions to at least **10**% by 2030
  - Raise the percentage of women in career-track positions to at least **20**%
- Develop human resources who proactively learn and act on their own
- Enhance well-being
- Build high-quality, sustainable social infrastructure
- Contribute to job creation and economic development in emerging countries
- Realize decent work

Environment

- Achieve carbon neutrality
  - Reduce CO_2 emissions by **46**% by 2030 (vs. 2018)
  - Achieve carbon neutrality by 2050
- Expand businesses related to SX

Six Types of Capital That Support Value Creation

To realize our long-term management vision, the Group is working to maintain and strengthen six types of capital that we have been building up since our foundation.

Intellectual capital/ manufacturing capital

Efficient, high-value supply chain

Overview

Leveraging our technological capabilities and expertise that are unique to a manufacturer-affiliated trading company, we make proposals from diverse supply sources to assist with our clients' value creation. We conduct business investments with an emphasis on the creation of businesses that will contribute to the realization of a sustainable society.

Features

- Ability to propose solutions to meet emerging needs
- Global supply structure and logistics expertise
- Ability to support overseas business development and launch
- Business investment target (including DX investments) **23.0** billion yen (FY2024–FY2026)

Maintenance and strengthening initiatives

- Enhancement of supply chain linkages through DX
- Acquisition of new expertise through M&As
- In-house training
- Introduction of highly-efficient equipment
- Further improvement of added value and thorough pursuit of QCD*

*QCD: Quality Cost Delivery

Group capital

Diversified businesses

Overview

As the core trading company of the Kobelco Group, which has diverse business entities, we are working to seize business opportunities by allocating personnel from the sales front to the production front, analyzing the latest information, and carefully making selection and concentration.

Features

- Strengths in five Units: Iron & Steel, Non-Ferrous, Ferrous & Recycling Materials, Machinery, and Welding
- Obtain the latest information through cooperation with Kobelco Group

Maintenance and strengthening initiatives

- Integrated trading, from raw materials to finished products
- Meeting user needs with the comprehensive capabilities of the Group
- Contribution to each Division's sales through human resources exchanges

Social capital

Partnerships with premium customers around the world to continue creating new value

Overview

As a proposal-oriented trading company that provides value to the entire value chain, we have held overseas subsidiaries for over 50 years and grown together with premium customers with whom we have built relationships of trust over a long period of time. We will continue to aim for sustainable growth by deepening the solid partnerships we have built to date.

Features

- Sales destination (Nonconsolidated) **2,096** (Domestic and overseas)
- Supplier (Nonconsolidated) **3,165** (Domestic and overseas)

Maintenance and strengthening initiatives

- Construction of sustainable supply chain
- Participation in industry associations
- Contribution to society through business activities

Human capital

Independent-minded human resources

Overview

We have established a framework where "people who learn and act on their own" are commended, by which we will actively support employees to value their independence and enable them to continue to grow autonomously as a driving force for the promotion of diverse businesses.

Features

- Employees
  Consolidated: **1,443**
  Nonconsolidated: **565**
- Ratio of women in career-track positions **14.8**%
- Education and training expenses **142** million yen
- Per employee investment **252** thousand yen
  Learning time **64.1** hours

Maintenance and strengthening initiatives

- Enhancement of human capital investment
- Periodic engagement surveys
- Establishment of a work environment that promotes diversity
- Received certification under the Certified Health & Productivity Management Outstanding Organizations Recognition Program 2024
- Applied for *Kurumin* certification

Financial capital

Stable financial foundation

Overview

We will allocate the cash generated through business activities and the sale of cross-shareholdings to growth investments and shareholder returns, to realize sustainable profit growth and enhance corporate value.

Features

- Equity capital **86.0** billion yen
- Interest-bearing debt **60.8** billion yen
- ROE **11.5** %
- Debt equity ratio **0.7** times
- Capital ratio **21.7** %

Maintenance and strengthening initiatives

- Diversification of financing instruments
- Enhancement of cash management
- Promotion of business portfolio reorganization

Natural capital

Efficient use of resources

Overview

Shinsho Corporation handles scrap metal and biomass fuels for the efficient use of finite resources. We have been contributing to the realization of a circular society since we were first founded. Setting "Activities in global environment" as a material issue, we are working on the efficient use of natural capital and the reduction of our environmental footprint.

Features

- Reduce CO_2 emissions by expanding transactions in resource recycling businesses such as scrap metal and biomass fuels
- Environmental management system (ISO 14001) certified
- Electricity consumption **945,000** kwh (Year on year reduction of 93 thousand kwh)
- Solar power generation at production bases

Maintenance and strengthening initiatives

- Expansion of resource recycling businesses
- Support a transition to decarbonization
- Promotion of introduction of renewable energy

Launch of Medium Term Management Plan 2026

In the Medium Term Management Plan 2026 which began in FY2024, we will make a full-scale start on our "second founding" to embody high-quality management and a transition to a truly global company, as set out in the previous Medium Term Management Plan.
As the core trading company of the Kobelco Group, while retaining the basic policies of the previous Medium Term Management Plan, namely, enhancing profitability, promoting investments, strengthening trading company functions, and strengthening the management base, we will promote sustainability, human capital and capital cost-oriented management to increase corporate value.

Changes in business environment

Effects from macroeconomic factors

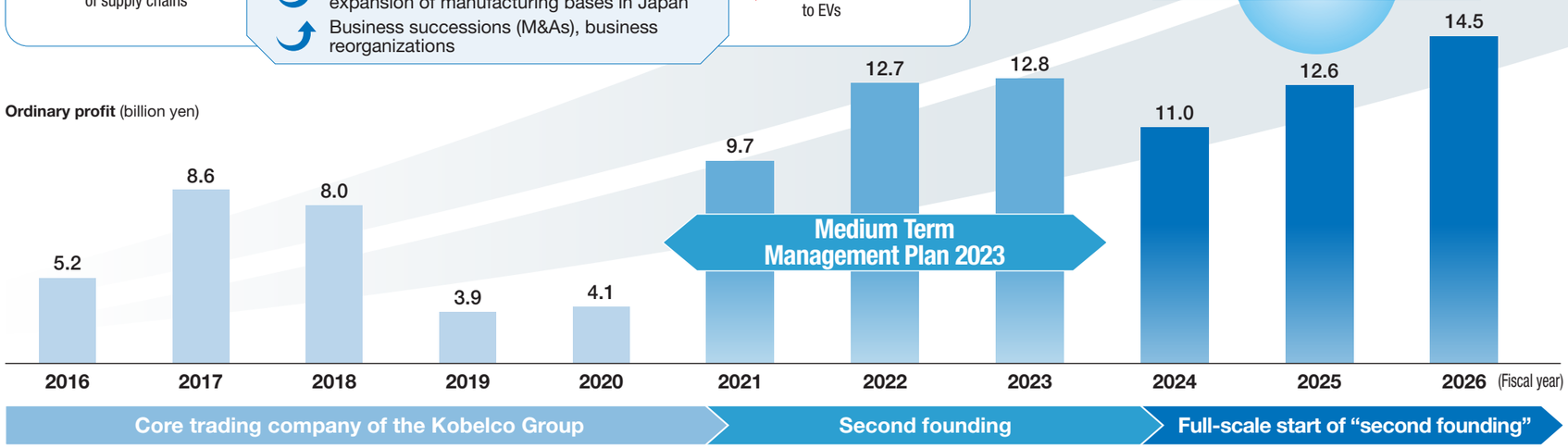
- Effects of higher interest rates and inflation
- "Diversification" and "shift to local production for local consumption" of supply chains

Business opportunities for our company

- Increase in demand for products and services in decarbonization area
- Improvement in quality of resource recycling
- Needs for power and labor saving at manufacturing sites
- Recovery in the semiconductor field and expansion of manufacturing bases in Japan
- Business successions (M&As), business reorganizations

Issues as an iron and steel trading company

- Declining trend in the production volume of steel materials in Japan
- Changes in automotive structures and components due to a shift to EVs



Long-term management vision

A trading company that supports manufacturing for tomorrow and contributes to society

Key Goal Indicators (KGIs)

- We position consolidated ordinary profit, ROE (return on equity), ROIC (return on invested capital) and equity ratio as key goal indicators (KGIs), for the purpose of enhancing profitability, strengthening trading company functions through improving capital efficiency, and strengthening management base through financial stabilization.
- With the introduction of ROIC as a management indicator in FY2024, we will promote profitability expansion based on growth investments by setting company-wide criterion for businesses with high added value.

	FY2023 results	Target figures for FY2026
Consolidated ordinary profit	12.8 billion yen	14.5 billion yen
ROE (Return on equity)	11.5%	10.0% or more
ROIC (Return on invested capital)	7.0%	6.5%
Capital ratio	21.7%	21% or more

* ROIC = (Ordinary profit + Interest expense - Income taxes)/(External interest-bearing debt + Net assets)

Review the Medium Term Management Plan 2023

Summary

Amid an economic environment of post-COVID economic recovery and a weakening yen, business performance during the period of the Medium Term Management Plan was favorable, with ordinary profit reaching a record high and the various KPIs generally being achieved.

On the other hand, investments fell short of the target amount, and we will continue to focus on this in the Medium Term Management Plan 2026.

Target management figures	FY2023 goals	FY2023 results	Status of achievement
Ordinary profit	9.5 billion yen or more	12.8 billion yen	Achieved
ROE	9% or higher	11.5%	Achieved

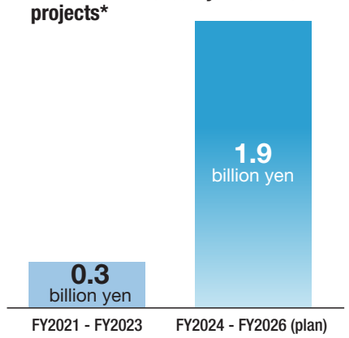
KPIs	FY2023 goals	FY2023 results	Status of achievement
Consolidated net profit	3-year grand total: 15.0 billion yen	3-year grand total: 25.4 billion yen	Achieved
Operating cash flows	3-year grand total: 11.0 billion yen	3-year grand total: 7.5 billion yen	Unachieved
Investments	3-year grand total: 20.0 billion yen	3-year grand total: 11.7 billion yen (including DX and IT investments of 1.7 billion yen)	Unachieved
ROA	3% or higher	3.2%	Achieved
Capital ratio	20% or higher	21.7%	Achieved
Debt equity ratio	Around 1.0 times	0.7 times	Achieved

Investment Results

- Against the target of 20.0 billion yen, we executed investments worth 11.7 billion yen (including DX & IT investments of 1.7 billion yen).
- Some investment projects were cancelled for Environmental recycling businesses and Aluminum processing businesses, due to changes in the anticipated business environment.

Plans		Results		
Investment Project	Investment Amount	Category	Major Investment Project	Investment Amount
Steel material processing businesses for automobiles (China, North America)	2.0 billion yen	Capital investment	Special steel secondary processing (North America)	1.3 billion yen
Environmental recycling businesses (Japan, Southeast Asia)	3.0 billion yen	New	Upgrade recycling business of aluminum scrap (Japan)	0.2 billion yen
Aluminum processing businesses (North America, China, Southeast Asia)	8.0 billion yen	Capital investment	Increase capacity of an aluminum coil center (China)	1.7 billion yen
Distribution reorganization through M&As (Japan, Southeast Asia)	2.0 billion yen	Investments and other	Distribution of metals, Distribution of welding materials and machines (Japan)	2.6 billion yen
Other: expansion of overseas channels and enhancement of supply chains	5.0 billion yen	Investments and other	Decarbonization fund, DX & IT investments (Japan)	6.0 billion yen
Total: 20.0 billion yen		Total: 11.7 billion yen		

Profits contributed by investment projects*



*Profits contributed: ordinary profit of consolidated subsidiaries, share of profit of entities accounted for using equity method, additional profit resulting from capital investments, etc.

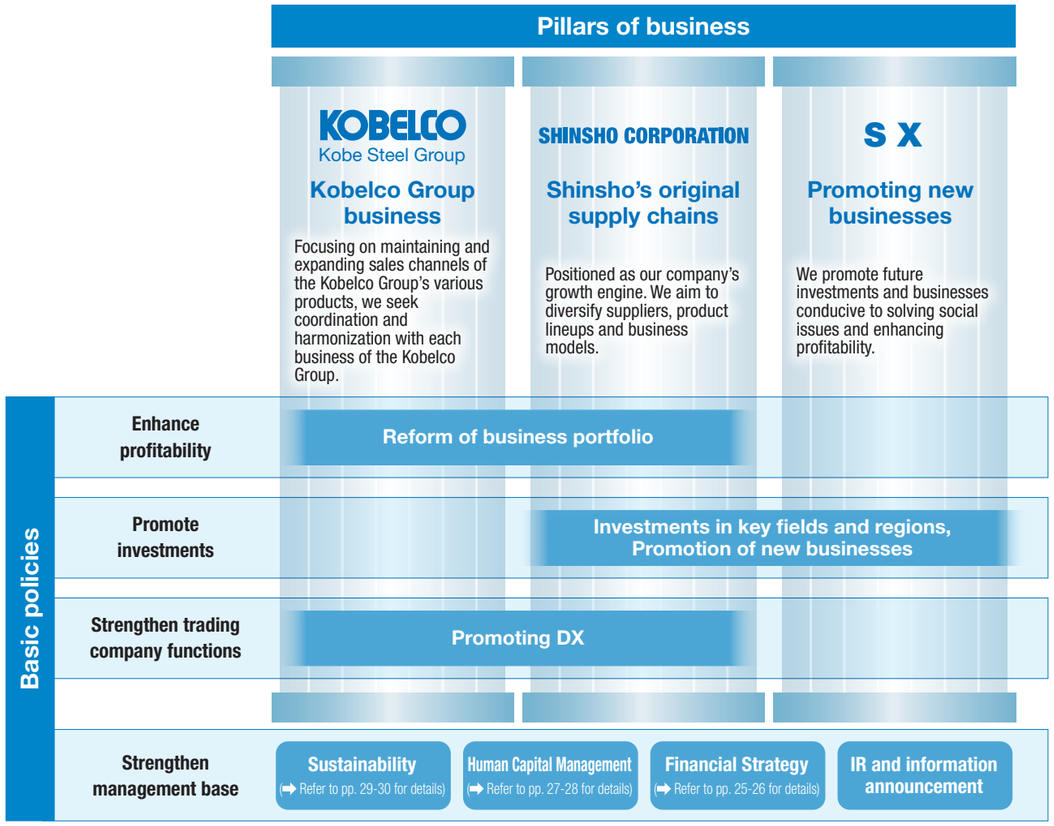
Basic Policy and Three Pillars of Business

In the Medium Term Management Plan 2026, we decided to describe our business structure and future vision based on the three pillars; Kobelco Group business, Shinsho's original supply chains, and promotion of SX new businesses.

Kobelco Group business refers to business in which we are involved with individual companies as the core trading company of the Group. Focusing on maintaining and expanding sales channels of the Group's various products, we will seek coordination and harmonization with each business. Shinsho's original supply chains refers to an initiative in which we will take the lead to create a business model that connects us with many business partners. This is positioned as our company's growth engine. We aim to diversify suppliers, product lineups and business models. Promotion of SX new businesses refers to a pillar of our company's businesses that will be launched in the future. Its basic concept is to promote future investments and businesses that will be conducive to solving social issues and enhancing profitability.

We will continue to address the basic policies of the previous Medium Term Management Plan, namely, "Enhance profitability," "Promote investments," "Strengthen trading company functions," and "Strengthen management base," in Medium Term Management Plan 2026. In these basic policies, we have clarified our priorities by specifying sub-themes such as reform of business portfolio, investments in key fields and regions, promotion of new businesses, and DX promotion. For the strengthening of the management base, we have also established four sub-themes, namely sustainability, human capital management, financial strategy, and IR and information announcement.

Regarding the future direction of our business structure, we will pursue the expansion and stability of profitability by investing the profits earned from the trade business, which is greatly affected by the external environment, in businesses that offer growth potential and stability. In the area of SX new businesses, we will make investments with a focus on growth potential over profitability. In trade businesses, we work to increase capital efficiency by promoting ROIC-focused management and aim for a highly profitable structure.



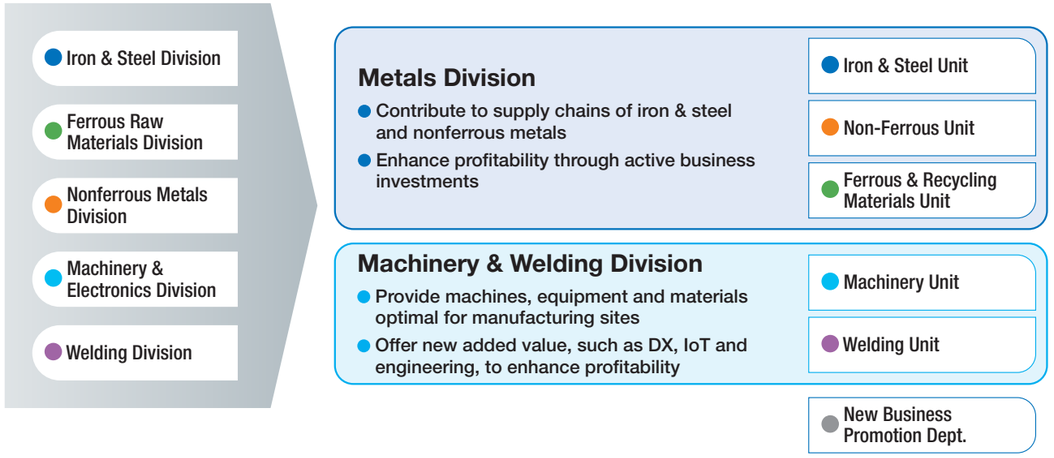
Organizational Change

In April 2024, we reorganized the sales promotion structure from a five-division system to a two-division system comprising the Metals Division and Machinery & Welding Division. (See figure below)

Merging together divisions with proximate operating areas, we will work to improve mobility in human resources, information and businesses and to strengthen profitability and trading company functions. Meanwhile, through the reorganization of the previous five divisions into a unit-based structure, we will strengthen the finely-tuned diversity that we have developed to meet customer needs.

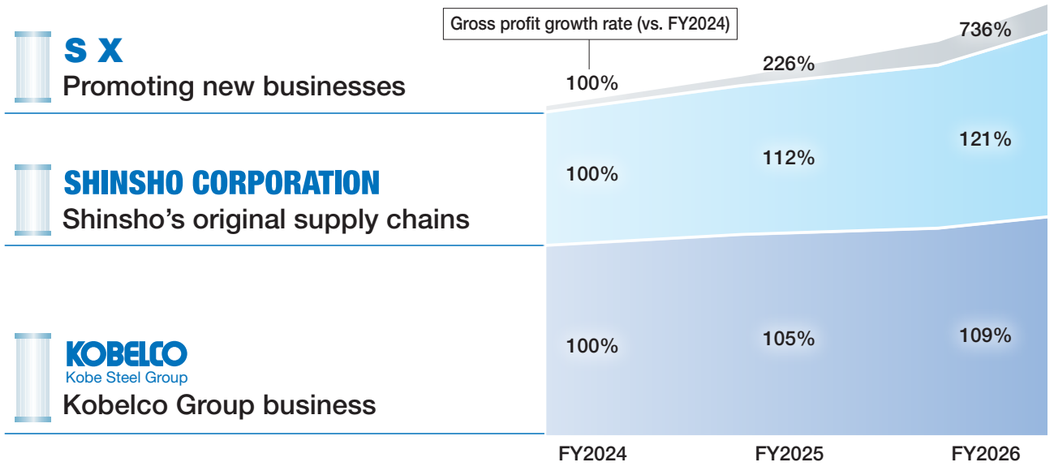
The Metals Division will aim to change its revenue structure through business investments, while working to strengthen its trading company functions in the trade businesses. The Machinery & Welding Division will aim to increase sales and profits by adding sales of peripheral operations (maintenance services) and peripheral equipment to existing sales operations.

In addition, to enhance profitability over the medium to long term, a New Business Promotion Department was established as an organization independent from the Sales Divisions.



Growth Outlook for the Three Pillars of Business

Under the Medium Term Management Plan 2026, with the aim of strengthening medium-to long-term profitability, in parallel with the expansion of profit from the current Kobelco Group business and Shinsho's original supply chains, we will advance investments in projects for promoting SX new businesses and develop it into one of our profit pillars in the future.

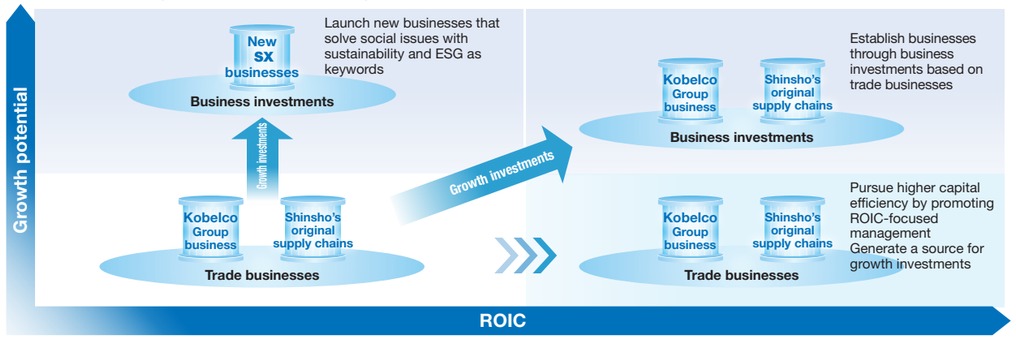


Strategies and Measures

Enhance profitability

Directions of Changes in Business Structure

To strengthen profitability, we will shift capital allocation to investments in businesses that offer growth potential and stability, away from trade businesses that are heavily impacted by external environments. We will also actively invest in new SX businesses with high growth potential. In trade businesses, we work to increase capital efficiency by promoting ROIC-focused management and aim for a highly profitable structure.



Enhance profitability Promote investments

Measures and Investment Plans in Priority Areas

The automobile sector is the mainstay of the company, and the steel wire rods business is strong. However, in that sector, change is progressing in automotive structures and components due to a shift to electric vehicles (EVs), and there is a trend toward "local production for local consumption," whereby production is conducted locally in each region using local materials. We will continue to implement measures to enhance profitability that accommodate changes in the business environment. In the semiconductor sector, as investment in semiconductor manufacturing equipment is expected to increase in line with the expansion of production in Japan, we will capture these various needs. In the resource recycling sector, we will actively promote measures to improve the profitability of metal recycling (upgrade), which we worked on in the previous Medium Term Management Plan, as measures aimed at building Shinsho's original supply chains. In the energy sector, we will sell biomass fuel, demand for which will continue to grow, while also working to develop new products.

In the Medium Term Management Plan 2026, we described the frontlines of manufacturing, which are our main customers, as "manufacturing sites," in line with our long-term management vision. We will focus efforts on decarbonization-related equipment and strengthening responses to labor-saving needs, for which the needs of manufacturers are increasing.

We plan to invest a total of 23.0 billion yen as a 3-year grand total (including DX & IT-related investments of 3.0 billion yen). The main areas of investment are as follows.

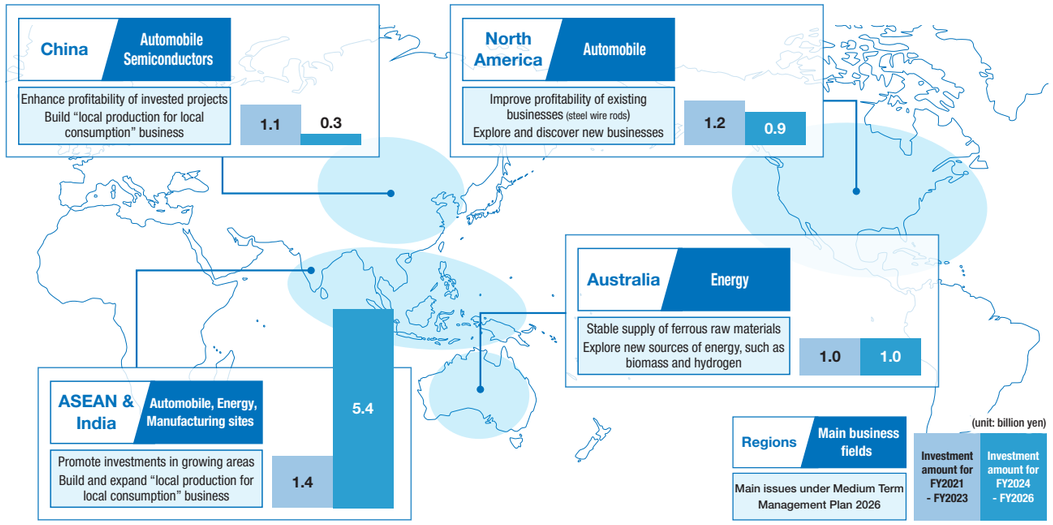
Main business fields	KOBELCO Kobe Steel Group Kobelco Group business	SHINSHO CORPORATION Shinsho's original supply chains	SX Promoting New SX Businesses
Automobile	☆ Enhance profitability of the steel wire rods business ● Expand application fields for steel wire rods and bars ● Supply chain DX		
Semiconductors		☆ Capture expanding needs for semiconductors ● Install additional extrusion presses at Vina Washin Aluminum in Vietnam ● Components business for semiconductor manufacturing equipment	
Resource recycling	☆ Increase profitability of metals recycling ● Environmental recycling-related investments		
Energy	● Develop new biomass fuels products	☆ Secure biomass fuels and develop new products ● Biomass fuels (wood pellets) business	● Develop new biomass fuels products
Manufacturing sites	☆ Focus efforts on decarbonization-related equipment and addressing labor-saving needs ● Engineering business		
Other	● Enhance capabilities at Track Design India in India	● Strengthen functions of a welding trading company	● New projects* *New projects are being considered without limiting business fields.

☆ Key Measures ● Iron & Steel Unit ● Non-Ferrous Unit ● Ferrous & Recycling Materials Unit ● Machinery Unit ● Welding Unit ● New Business Promotion Dept.

Promote investments

Investment Plans by Region

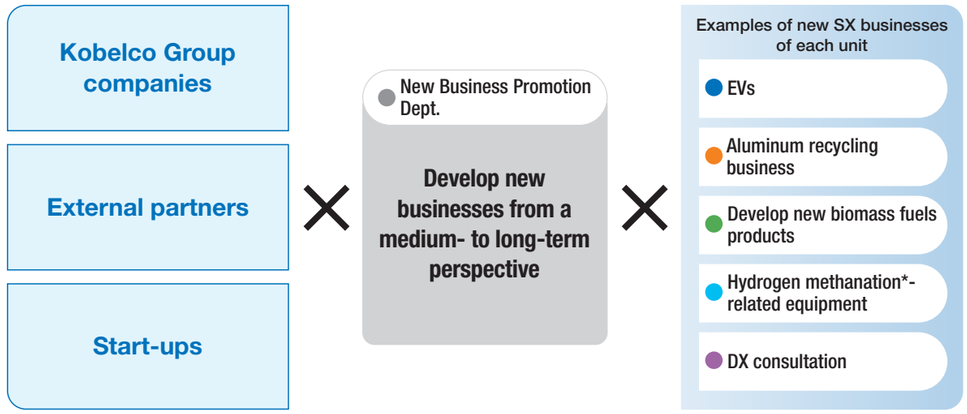
Seeing ASEAN countries and India as growing areas based on factors such as population growth projections for the next ten years, we will focus efforts on investments and building of "local production for local consumption" business. Although the North American economy continues to be favorable, the Group faces challenges in countermeasures against high interest rates and inflation of costs such has transportation and personnel. While striving to improve profitability of existing businesses, we will explore and discover new businesses. Regarding China, we see it as time to reap the benefits of investments made up to the previous Medium Term Management Plan period. We will enhance the profitability of business companies in operation, and build "local production for local consumption" business. In Australia, we are conducting various transactions in the energy sector. We will explore businesses in new sources of energy, such as biomass and hydrogen.



Promote investments

Promote SX (sustainability transformation) New Businesses

With sustainability as a keyword, in our aim to create new business value, the New Business Promotion Department will explore and promote businesses with future potential from medium- to long-term perspectives through such means as collaborations with Kobelco Group companies, external partners, and start-ups. Each of our units will also promote SX new businesses that take advantage of their respective characteristics, and work together with the New Business Promotion Department to establish businesses at an early stage.



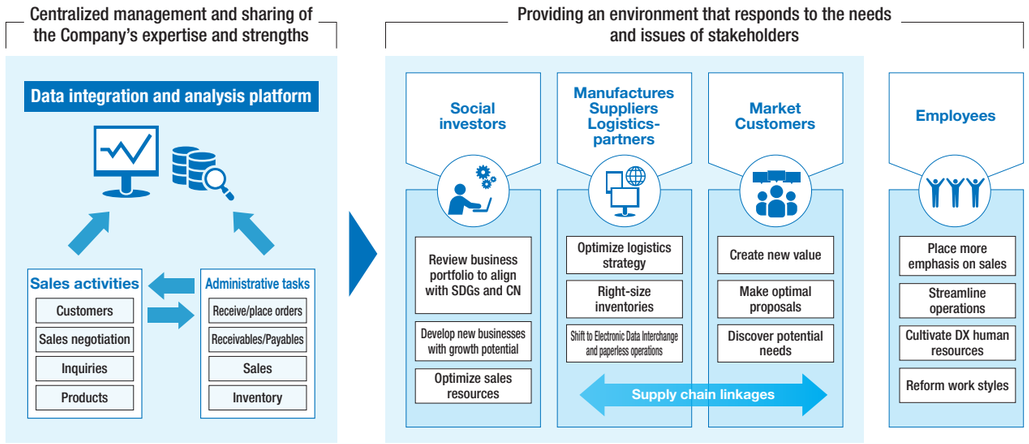
* Methanation: Technology to produce methane (main component of city gas) through the reaction of hydrogen and carbon dioxide.

Strengthen trading company functions

DX Promotion

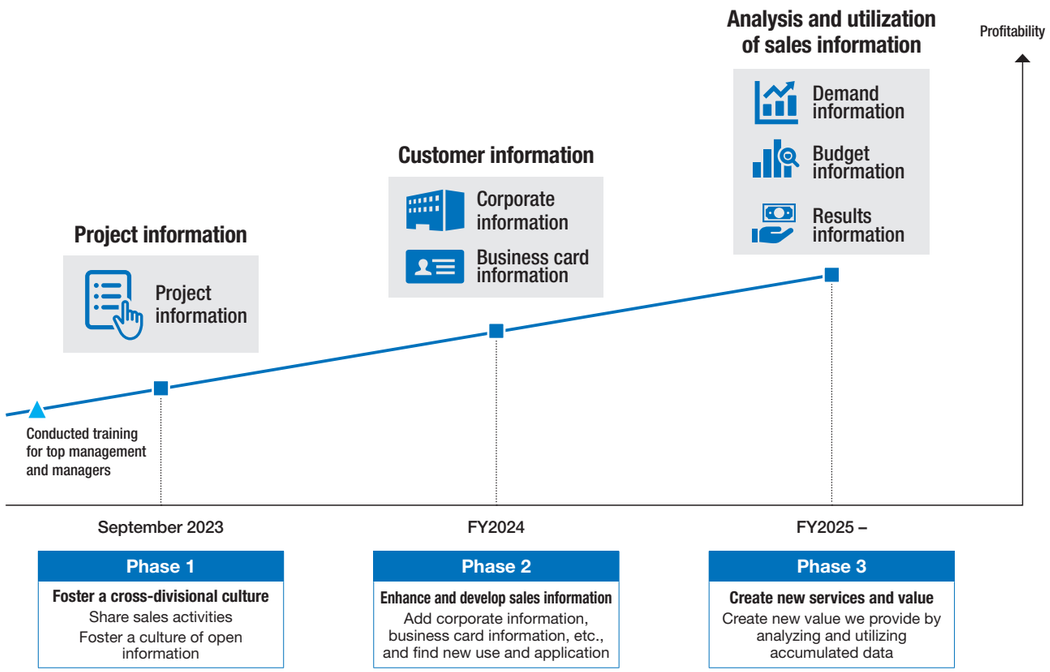
By setting the objective of DX promotion as enhancement of corporate value and reviewing our business and systems from the ground up, we will work on the creation of customer-oriented value to be provided, productivity improvement/work style reforms, and the strengthening of our trading company function through the development of DX human resources.

Goals for FY2026



Addressing the Issues of "Create New Value to Customers" and "Compile a Database of Information and Streamline Operations"

In order to strengthen marketing, we aim to build an efficient and stable supply chain management framework based on a system whereby a database of information on customers, sales activities, etc., is compiled and shared across headquarters and also on future forecast data.

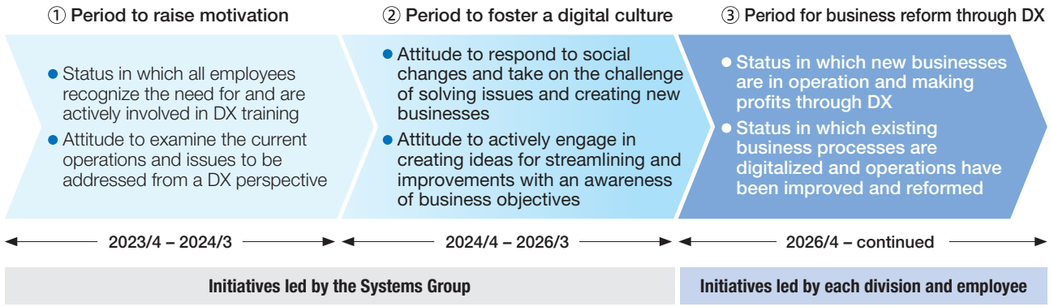


Addressing the Issue of "Develop More Digital Talents"

We have built targets for DX human resource cultivation in three phases. The Medium Term Management Plan 2026 is positioned mainly as a "period to foster a digital culture," and we will make it a practice for employees to use digital tools such as generative AI on a daily basis to resolve issues, create new businesses, streamline operations, and improve productivity.

Company-wide DX human resource cultivation activities and ultimate goals

● Target



● Company-wide DX human resource cultivation activities and ultimate goals

Level	Definition	Human resource development	Target	Ultimate goal
Level 0	DX Beginners	Conduct DX literacy trainings Assessment test	All employees	All to pass the assessment test within three years
Level 1	Persons who have passed the assessment	Data utilization training Digital tool utilization training	Begin with 50 persons from among those who passed the assessment test	All employees to have received the trainings
Level 2	Persons who understand the importance of DX	Face-to-face training in the form of workshops, etc.	Begin with 100 persons from among those who reached Level 1	200 persons to have received trainings within five years
Level 3	Promoters of DX	DX planning training	Begin with 10 persons from among those who reached Level 2	10 persons per year to receive the trainings (for a period of five years)

VOICE

Working Group on the Medium Term Management Plan 2026

The Working Group on the Medium Term Management Plan 2026 of Shinsho Corporation consists of employees from the Head Office divisions and the sales divisions. Members from diverse backgrounds first worked to understand the current situation of the Company, identified issues, and drafted strategies for going forward, and then formulated a plan for sustainable growth and innovation.

The Working Group will continue its efforts to achieve the long-term vision towards 2030 as we embark on the full-scale start of our "second founding."

Working Group members

With the introduction of ROIC as a management indicator, we will promote profitability expansion based on growth investments by setting company-wide criteria for businesses with high added value.

Kanehisa Ueda,
Executive Officer

Challenges and prospects for a 100-Year company

Under the Medium Term Management Plan 2023 (hereinafter, the previous Medium Term Management Plan), we committed to the realization of "A trading company that supports manufacturing for tomorrow, and contributes to society," based on four basic policies of "Enhance profitability," "Promote investments," "Strengthen trading company functions," and "Strengthen management base." As a result, we were able to achieve its target management figures for both ordinary profit and ROE, and generally achieved its KPIs. However, due to the impact of changes in the business environment, investments executed stopped at 11.7 billion yen (including 1.7 billion yen in DX & IT investments) against the target of 20.0 billion yen, and operating cash flows reached only 7.5 billion yen against the target of 11.0 billion yen, leaving issues to be addressed.

The operating environment surrounding us now faces an age of great reform, including the trends of decarbonization, wider adoption of EVs, and resource recycling. We must also adapt flexibly and promptly to the ongoing geopolitical risks, the rise of India's economy, supply chains that locate production closer to consumption, and the advent of an era with interest rates. As the concept of the "need for investments for the future" has become widely accepted, we will further stimulate activities across the company.

In addition to the introduction of ROIC-focused management for the strengthening of the financial base, we will develop, disseminate, and thoroughly implement "financial discipline," a company-wide discipline to balance cash inflows and outflows for the promotion of our cash allocation strategy. In doing so, we will strive to improve financial literacy and the generation of Group operating cash flows.

Toward becoming a 100-year company, while embodying high-quality management and a transition to a truly global company, as a core trading company leading the Kobe Steel Group, we will enhance profitability, promote investments, strengthen trading company functions, and strengthen the management base. We will also promote sustainability, human capital and capital cost-oriented management with the aim of enhancing corporate value.

FY2023 results and FY2024 forecast

In FY2023, the Japanese economy saw a trend of gradual recovery as economic activities returned to normal with the downgrading of COVID-19 to a Class 5 infectious disease. On the other hand, in the global economy, in addition to geopolitical risks in Russia and the Middle East, where turmoil is intensifying, there were factors such as stagnant growth in the Chinese economy and continued global inflation. However, rises in the prices of iron and steel materials and the effects of foreign exchange rates (yen depreciation) contributed to pushing up profits.

In such an environment, the Group also began the operation of "TRACK DESIGN INDIA PRIVATE LIMITED," a component manufacturing and sales company for construction machinery and equipment that was established in southern India as a joint venture with a South Korean manufacturer of forged parts. At the same time, the Group received a transfer of shares from INAGAKI-SHOUTEN Co., Ltd. to strengthen distribution in Japan, and proceeded with initiatives for sustainable growth. Further, the Group is promoting initiatives for the future, including investment in biotechnology-related companies and demonstration projects aimed at local production for local consumption of biomass power generation materials. As a result, net sales totaled 591.4 billion yen (up 1.1% year on year), operating income was 13.3 billion yen (down 1.2% year on year), ordinary profit was 12.8 billion yen (up 1.1% year on year), and net income attributable to shareholders of the parent was 9.1 billion yen (up 1.1% year on year).

Looking ahead, the Japanese economy is expected to continue its gradual recovery. However, in addition to geopolitical risks and concerns over the outlook for the Chinese economy, it is expected that we should continue to pay close attention to the effects of price increases and exchange rate fluctuations. Under these circumstances, the Company forecasts net sales of 623.0 billion yen, operating income of 10.7 billion yen, ordinary profit of 11.0 billion yen and net income attributable to shareholders of the parent of 8.1 billion yen for fiscal 2024.

Financial strategies under the Medium Term Management Plan 2026

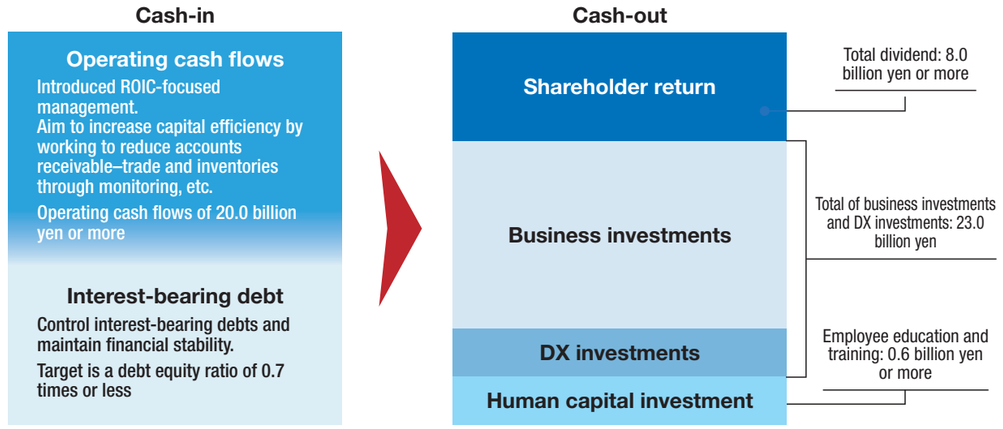
Further enhancing financial structure

With regard to the KPIs set out in the previous Medium Term Management Plan, we achieved our targets for ROA and capital adequacy ratio, among others, and achieved a certain level of results in enhancing our financial structure. Under the Mid-term Management Plan 2026, as a cash allocation strategy, we plan business investments and DX investments totaling 23.0 billion yen, funded by 20.0 billion yen or more in operating cash flows generated by expansion of profits and capital efficiency improvement. We recognize that further enhancement of the financial structure is required.

By newly introducing ROIC as a key goal indicator (KGI) and making capital efficiency visible in each division, we will closely monitor not only the amount of profit but also the profitability of invested capital. In addition, we will strive to improve capital efficiency by reducing accounts receivable–trade and inventories through monitoring of operating capital and other means. In FY2023, we maintained financial soundness and achieved a debt-to-equity ratio of 0.7. In 2024 and beyond, with a target for debt-to-equity ratio of 0.7 times or less, after ensuring financial discipline, we will also secure financial soundness while pursuing stable business and growth investments, with an awareness of raising our credit rating and an emphasis on our balance sheet.

With interest rate rise risk in mind, we will view the improvement of profitability and expansion of our business as company-wide issues.

Cash allocation (Plan for FY2024-FY2026)

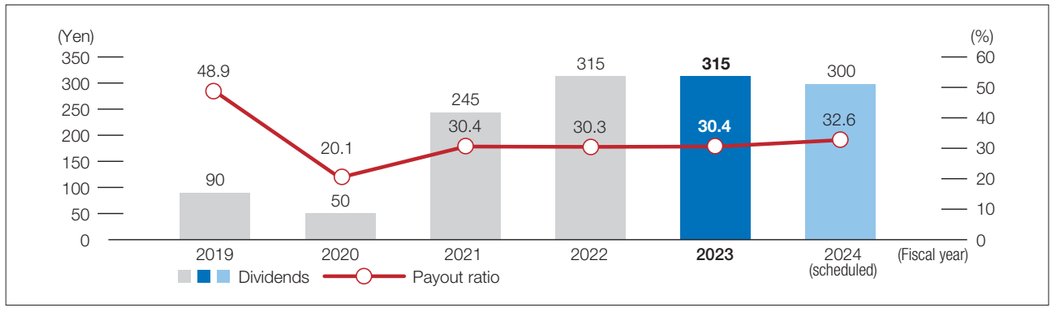


Shareholder return policy

Shinsho Corporation regards the return of profits to shareholders as one of our most important management issues. Our basic policy is to continue to pay dividends commensurate with each fiscal year's performance, while taking into consideration factors such as enhancements to financial structure and internal reserves required for future business deployment.

Based on this policy, we decided on the dividend policy for the Mid-term Management Plan 2026 as a consolidated dividend payout ratio of 30% or more or a dividend of 300 yen per share, whichever is higher.

Dividends



Human Capital Management

Our human resource management focuses on the enhancement of our three strengths, namely the diversity of our business with its foundations in the Kobelco Group, our specialties as a manufacturer-based trading company, and our supply chains that extend across the globe. Based on these three strengths, we encourage each and every employee to draw their own career paths and learn and act on their own purposefully. We create new value capitalizing on diversity, create environments in which individuals can realize their desired career, measure individual capabilities, and enhance their motivation to make contributions through fair evaluation and appropriate placement. In empowering individuals and organizations in this way, we will strengthen competitiveness and promote innovation.

Human Resources Strategy and KPIs of Medium Term Management Plan 2026

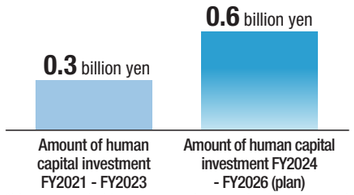
Human Resources Strategy	
Strengthen competitive power	1. Strengthen specialties 2. Cultivate global human resources and DX human resources 3. Business improvement activities and evaluations 4. Develop managerial talents and leaders
Innovations	5. Increase mobility of in-house human resources through job reassignments 6. Cultivate human resources engaged in business investment and projects 7. Promotion of diversity 8. Cultivate locally-hired staff
Personal growth and motivation for contribution	9. Career design and achievement 10. Dialog to foster willingness to learn on their own 11. Evaluations and feedback for further growth 12. Create a healthy work environment both mentally and physically

KPIs	
Development	● Number of participants in executive training ● Number of participants in DX/IT training ● Investment amount and hours for training per person (▶ P.59)
Increase in mobility of human resources	● Number of transfer requests accepted
Diversity	● Ratio of female employees (new graduates hired, employees in managerial positions, women in career-track positions) ● Ratio of male employees taking childcare leave
Career autonomy	● Number of participants in career development training
Empowerment	● Number of participants in elective training
Health and productivity management	● Ratio of specific health guidance advisors ● Overall health risk

Improve engagement ▶ Strengthen competitive power and promote innovations

Human capital investment

We will implement training programs in line with human resources strategy, such as cultivation of global human resources and DX human resources.



*Human capital investment: A sum of education and training expenses and systems expenses

Major investments

- Career development support programs
- Elective online training
- Executive/management training
- DX human resources development training
- Enhancement of human resources management (Skill map)
- Strengthening of organizational management capabilities of line leaders
- Enhancement of overseas dispatch training system
- Acceptance and training of locally-hired staff at Head Office
- Diversity training
- Various surveys

Training map

Mindset cultivation

Foster a culture in which people learn and act on their own

Training type: Mindset

Training contents: Role-understanding training | Follow-up training

Targets: Promoted employees
- Persons in the first year after promotion: 75
- Persons in the second year after promotion: 71

Retention and reinforcement of skills

Retain basic conduct and professionalism as a trading company employee

Forge one's own career path and create new businesses/new value

Training type: Limitless learning opportunities from GLOBIS | Business skills training offered by GLOBIS/25 courses | EF Online English conversation | DX Training

Targets: All employees | Total: 478 | Non-management applicants: 155 | Internal recommendation (about 10 persons per year)

Human resources achieving results produced

Produce management human resources

Produce professional human resources

Training type: Management succession plan

Training contents:
- Top management
- Coaching training Officer and director training
- Executive development plan

Targets: Employees selected internally

▶ Improvement of engagement

We believe that increasing the number of "highly engaged employees" who identify with the Long-term Vision and act proactively toward its realization will directly lead to the improvement of corporate value. For this reason, in June 2024, we launched an engagement survey to identify the state of employee engagement company-wide and at each level and organization and to use the resulting data in the PDCA cycle to increase that engagement.

The result of that survey was an engagement score of B (51.0), which is higher than both the national average (50.0) and the average for trading companies (49.5).

Our challenges include the generalization and standardization of knowledge, sharing of successes and failures, and appropriate staff placements. We will continue to work toward improvements in these areas going forward.

Measures to improve engagement score

Ongoing delivery of messages from the President
▼
Analysis of survey results
▼
Consideration and implementation of measures
▼
Improvement of engagement

Results and goals of employee engagement

	Overall rating	Score
FY2023 results	B	51.0

VOICE

Message from the officer in charge of the Human Resources Department

Focus on initiatives to improve employee engagement and strengthen specialties

Masahito Adachi,
Representative Director and Senior Executive Officer in charge of the Human Resources Department

Here at Shinsho Corporation, we recognize the importance of implementing human resources strategies that are linked to management strategies. Viewing our human resources as "capital," we are working on various measures to maximize their value. We place particular emphasis on improving employee engagement, which has a strong influence on the execution of our management strategies, and we encourage managers to make use of the intranet, and other means to clearly convey the company's views and investment policies, as well as to increase opportunities for dialogue. We are working to improve engagement by sharing our awareness of problems and solving specific issues through communication with front-line employees.

In strengthening our competitiveness, we emphasize "strengthening our specialties" and provide an environment and opportunities for our employees to acquire additional skills, based on the data from our talent management system. Giving employees a sense of their own growth will raise their job satisfaction and strengthen the company's human capital.

One of our most pressing issues is the upward trend in overtime hours being worked by employees in regional career-track positions due to their excessive workloads since the introduction of such positions two years ago with the aim of promoting the advancement of women. To resolve this issue, we will introduce systemization and other measures to reduce those workloads with the aim of achieving results by the end of FY2024. In terms of diversity, my impression is that there are issues regarding the capabilities and retention rates of locally-hired staff, so I will fully address the improvement of the workplace environment.

Our goals through these initiatives are to achieve sustainable growth and establish an environment in which all employees can work with a sense of reward.

Employee Growth Story

Usagi Matsuda, Personnel Department (Joined Shinsho Corporation in 2022)

I work in the Personnel Department, where a lot of my work involves dealings with employees. I find it rewarding to be able to absorb a variety of knowledge through my contact with many employees, regardless of their work location or seniority. Although I have made many mistakes since joining the company, I will work hard with an attitude of learning every day, keeping these three points in mind: "Never make the same mistake again," "Actively acquire the good points of those around me," and "Consideration is necessary, but hesitation is not required."

Taisuke Ogaki, Credit & Legal Department (Joined Shinsho Corporation in 2017)

I have gained a wide range of knowledge through my experience in various departments, including the Sales, Finance & Accounting, and Credit & Legal departments. I am currently engaged in export transaction review and compliance-related operations. Any foot put wrong in export transaction reviews subject to the Foreign Exchange and Foreign Trade Act and handling of the Subcontractors Act has the potential to lead to violations of laws and regulations. For this reason, my job bears a great deal of responsibility, but it is also an essential one for the sake of stable sales activities, so I find it highly rewarding. Going forward, as well as adopting a defensive stance to ensure that anything I do does not lead to violations of any laws and regulations, I hope to work in tandem with the sales departments to help strengthening earnings.

Promoting Sustainability Management at Shinsho Corporation

Based on the recognition that sustainability initiatives are important management issues, we have clarified the material issues and established a system to promote sustainability management, with the aim of promoting sustainability management and strengthening governance. In April 2022, we established a Basic Policy for Sustainability and important sustainability issues (material issues), as well as a Sustainability Committee as an advisory body to the Board of Directors and headed by the President and CEO.

The Sustainability Committee meets at least once every six months to discuss policies and issues related to sustainability management. In addition, the Company has established the "Social Contribution Subcommittee," "Diversity Subcommittee," and "Environment (Climate Change) Subcommittee," each of which is headed by an Officer. These subcommittees plan, formulate, and implement measures to address specific issues, and engage in activities across organizational boundaries.

In addition, the Company regularly holds dialogues with stakeholders through the IR division to understand their expectations and requests toward the Company, and utilizes the results to promote sustainability management.

Basic Policy for Sustainability

Shinsho Corporation's company motto is "Integrity." Our Corporate Philosophy is that we are committed toward securing prosperity for our clients and shareholders through the creation of new value.
Guided by this philosophy, we promote an array of initiatives addressing environmental and social issues around the world through our business activities.
We also promote fair and transparent governance.
We are contributing to the establishment of the sustainable society that all people desire.

Sustainability promotion structure

Board of Directors — Consult / Deliberations/reports — **Sustainability Committee**

Head	President and CEO	Functions	● Identify policies and material issues related to sustainability management ● Examine and formulate overall strategy for sustainability management ● Approve annual plans and measures to be taken ● Confirm progress of major measures and instruct responses ● Consider other important matters concerning sustainability management
Chair	Person designated by the President and CEO (For FY2024, an Executive Officer)		
Members	Persons designated by the President and CEO (At least one director or outside officer. For FY2024, full-time officers, outside directors, Audit and Supervisory Committee members, Officers, and persons in charge of sustainability promotion)		
Secretariat	Corporate Planning Department		

Members in charge of obtaining various certifications
- ISO
- *Kurumin*
- Certified Health & Productivity Management Outstanding Organizations Recognition Program

Social Contribution Subcommittee
[Major roles]
- Planning, formulation and implementation of measures to promote social contribution activities

[Major activities in FY2023]
▶ See page 32.

Diversity Subcommittee
[Major roles]
- Planning, formulation and implementation of measures to promote diversity

[Major activities in FY2023]
▶ See page 57.

Environment (Climate Change) Subcommittee
[Major roles]
- Planning, formulation and implementation of measures related to climate change, with focus on decarbonization

[Major activities in FY2023]
▶ See pages 51–56.

Persons in charge at each sales division
[Major roles]
- Promotion of products and services in consideration of the global environment

[Major activities in FY2023]
▶ See pages 51–56.

Sustainability Committee agenda

August 2023 (3rd Sustainability Committee meeting)
- Confirmation of the progress of each subcommittee's activities and approval of measures
- Deliberation on the draft of the Shinsho Corporation Group Human Rights Basic Policy

February 2024 (4th Sustainability Committee meeting)
- Confirmation of the progress of each subcommittee's activities and approval of measures
- Report on the Status of Preparation of the Integrated Report
- Report on the implementation of sustainability training
- Deliberation on sustainability promotion plans in the next medium term management plan (establishment of sustainability KPIs, etc.)

Shinsho Corporation Group Human Rights Basic Policy (established in October 2023)

Fundamental Principles

Since its founding in the year of 1946, the Shinsho Corporation Group (Shinsho Corporation and its consolidated subsidiaries, hereinafter referred to as the "Group") has served as a trading company supporting the creation of tomorrow's products and contributing to society. The Group has respected the diversity and human rights of all individuals associated with the Group, aiming for long-term coexistence and mutual prosperity in societal development.
Moving forward, in all business activities of the Group, we will continue to promote initiatives related to the respect for human rights. We are committed to realizing our corporate philosophy: "Integrity" is Shinsho Corporation's company motto. We are committed toward securing prosperity for our clients and shareholders through the creation of new values.

1. Scope of Application
This Policy applies to all employees within the Group.
Furthermore, we communicate the purpose and content of this policy to all business partners, including suppliers affiliated with the Group, and anticipate your understanding and support.

2. Support for International Standards and Legal Compliance
We support international standards on human rights, such as the Universal Declaration of Human Rights, the International Bill on Human Rights, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the Ten Principles of the UN Global Compact. We are committed to promoting initiatives aligned with the UN Guiding Principles on Business and Human Rights. Furthermore, we ensure compliance with human rights-related laws applicable in the countries and regions where we conduct our business activities.

3. Implementation Structure
Under the auspices of the Shinsho Corporation Sustainability Committee established in April 2022, various departments and stakeholders both within and outside the company collaborate and work collectively on issues related to human rights, including awareness of various challenges, fostering a common understanding across the entire Group, and implementing human rights due diligence.

4. Prioritized Human Rights Issues
The human rights issues that the Group particularly emphasizes as requiring prevention and mitigation of negative impacts through our business activities are as follows:
1) Prevention of all forms of unfair discrimination and bias
2) Management of appropriate working hours and assurance of fair wages
3) Ensuring a safe and healthy working environment
4) Prevention of harassment
5) Prevention of forced labor and child labor

5. Human Rights Due Diligence
We conduct human rights due diligence to identify and assess the negative impacts that our company group's business activities may have on human rights. We strive to prevent and mitigate these impacts.

6. Remediation and Correction
In the event that the business activities of the Group cause, contribute to, or are found to be involved in negative impacts on human rights, or when there is suspicion of such, we undertake appropriate dialogue and procedures to address and correct the situation.

7. Reporting and Disclosure
Our efforts in respecting human rights within the Group will be periodically disclosed through various channels such as the website, integrated reports, and business reports.

8. Education and Training
To ensure the integration and permeation of this policy into business activities, the Group conducts appropriate education and training for employees.

Sustainability training

In December 2023, as part of our efforts to internally cultivate a mindset toward sustainability, the Company held its first sustainability training for employees (attended by 212 employees). In order to make the content interesting and easy to understand for employees, we narrowed down the themes to the following three.

▶ Themes
① Basics of Business and Human Rights (Lecture by an outside specialist attorney)
② Decarbonization and CO_2 Reduction (Case introduction by a person in charge at the Corporate Planning Department)
③ Diversity (Report on activities by members of the Diversity Subcommittee)

Material Issues for Realizing the Long-term Management Vision

We formulated our long-term management vision, "A trading company that supports manufacturing for tomorrow and contributes to society" and our Medium Term Management Plan at the beginning of FY2021, and revised our Core Values toward bringing this vision to fruition. With regard to the revision, to clarify our commitment to sustainability, we selected issues to be addressed with reference to the Sustainable Development Goals (SDGs), taking into consideration the Corporate Philosophy and the impact of business activities on its stakeholders. Subsequent discussions among management and at Board of Directors meetings narrowed down the issues, which were then set forth as Core Values.

In April 2022, in the process of identifying important sustainability issues (material issues), we examined the issues that we need to address and confirmed that we will work on the Core Values as material issues, and after discussion and approval by the Board of Directors, we decided to officially make them material issues. On the occasion of the Medium Term Management Plan 2026 formulation, we reviewed the material issues and formulated action items. We aim to create value for our stakeholders through the following initiatives.

STEP 1

Selection of potential material issues
- Recognize issues based on international frameworks and guidelines such as the SDGs, megatrends, industry trends, etc.
- Be conscious of not only the impact of environmental and social changes on the Group, but also the impact of the Group on the environment and society.
- Organize items deemed important from the perspective of both risks and opportunities.
- Select issues, etc. that are deemed to be highly relevant to the Group's strategy.

STEP 2

Analysis of the degree of importance
- Analyze the degree of importance of selected possible issues. Reflect the opinions of stakeholders in the assessment.

STEP 3

Confirmation of adequacy
- Based on STEP 1 and 2, narrow down the issues to be addressed by the entire Company in light of the management philosophy and long-term vision, etc., and supplement the issues to be addressed from the perspective of each business division. Sustainability Committee to confirm consistency with the long-term vision and Medium Term Management Plan 2026.

STEP 4

Identification and reviewing of material issues and regular evaluation
- The Sustainability Committee confirmed that there was no need to change the material issues themselves, and thereafter we set out the issues to be addressed. By establishing key performance indicators (KPIs) and conducting regular evaluations, we will run a PDCA cycle.

Shinsho Corporation's material issues and actions taken

Material Issues	Contribution to tomorrow's manufacturing	Corporate activities with compliance	Activities in global environment	Corporate culture respecting diversity ● Diversity & inclusion ● Reform work styles ● Human resources development	Realization of personal growth ● Human resources development
Issues to be addressed	▶ Cultivate global human resources ▶ Cultivate DX human resources (select around 10 persons per year in FY2022 through FY2024) ▶ Strengthen management base (streamline operations) with DX and IT ● Plan to renovate core systems	▶ Strengthen corporate governance system ▶ Prevent non-compliance ▶ Establish the Group's Human Rights Basic Policy	▶ Support a transition to decarbonization ▶ Expand the usage rate of renewable energy ● Reduce CO_2 emissions by 46% by 2030 (vs. 2018) ● Achieve carbon neutrality by 2050 ● Consider disclosure of supply chain emissions (Scope 3) during Medium Term Management Plan 2026 period	▶ Advancement of women ● Raise the percentage of women in managerial positions to at least 10% by 2030 ● Raise the percentage of women in career-track positions to at least 20% ▶ Cultivate locally-hired staff	▶ Enhance well-being ▶ Increase DX literacy
Achievements (FY2022)	● Global business skills training ● Cultivated promoters of DX (9 persons)	● Conducted compliance trainings of various types: 100% of targeted trainees received the trainings ● Revised the whistle-blowing system	● Participation in the agricultural field ● Began supply of biomass fuels in full scale ● Reduced CO_2 emissions by 54% (vs. 2018) ● Voiced support for COOL CHOICE ● Made the CDP's 2022 Climate Change B List	● Percentage of women in managerial positions: 2.4% ● Percentage of women in career-track positions: 11.2% ● Launched the Diversity Promotion Project	● Received certification under the Certified Health & Productivity Management Outstanding Organizations Recognition Program 2023 ● Conducted digital literacy enhancement training for all employees
Achievements (FY2023)	● Number of employees dispatched overseas: 2 ● Global business skills training ● Cultivated promoters of DX (9 persons)	● Established the Human Rights Policy ● Conducted compliance trainings of various types: 100% of targeted trainees received the trainings ● Issued a guidebook on the Subcontract Act	● Began a demonstration project to plant early-maturing trees ● Joined the "MATSURI Project," a project to build new industries based on algae ● Reduced CO_2 emissions by 52% (vs. 2018) ● Invested in a decarbonization fund	● Percentage of women in managerial positions: 2.8% ● Percentage of women in career-track positions: 14.8% ● Training to prevent unconscious bias ● Roundtable talks for mothers and fathers	● Received certification under the Certified Health & Productivity Management Outstanding Organizations Recognition Program 2024 ● Conducted digital literacy enhancement training for all employees ● Conducted training on citizen development of digital tools (RPA)
Achievements (FY2024)	● Number of employees dispatched overseas: 1 ● Global business skills training ● Cultivated promoters of DX (9 persons) and increased efforts in training ● Utilized generative AI ● Built a SCM system	● Transition to a company with an audit and supervisory committee ● Activities to spread the understanding of human rights policy ● Conducted compliance trainings of various types	● Launched a joint study on the effective use of woody biomass combustion ash ● Promoted initiatives to reduce CO_2 emissions together with supply chain partners ● Made the CDP's Climate Change B List (two years in a row)	● Implemented measures to promote the advancement of women in managerial positions ● Hosted Family Day ● Held career advancement seminar ● Held social gathering event for locally-hired staff and head office staff	● Conducted engagement survey ● Held events on sleep and exercise ● Conducted training on the utilization of generative AI ● Conducted training on citizen development of digital tools (RPA)

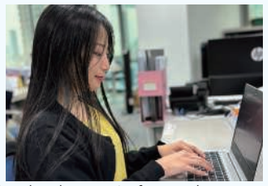
* Data for FY2024 include actions that are scheduled.

Employee Growth Story

Shangyou Jiang,
Planning & Administration Department, Non-Ferrous Unit
(joined the Company in 2017)

I decided to join this company because I was attracted to the fact that it operates materials business on a global scale and gives employees chance to play an active role from a young age. Thanks to the corporate culture that allows employees to actively express their opinions and ideas, I was able to launch a project and produce results with support from my superiors and those around me, which was a great experience. We belong to an industry where technology is evolving rapidly and international competition is fierce, so I feel that we need to keep on challenging and growing day by day. I am looking forward to contributing to our customers' sustainable and innovative manufacturing by introducing cutting edge technologies and responding to customer needs.

Yuka Yoshii,
on secondment to Thai Escorp Ltd. (Joined the Company in 2018)



I chose to join an iron and steel trading company because it was my dream to work for a trading company and contribute to the development of emerging countries. I currently work in Thailand and am in charge of automotive parts, which is a key industry of the country. In the course of my work, I do feel differences in business practices and ways of thinking at times, but I think each side can integrate into its own culture what is good about the other's so as to create an organization with open culture.

I believe that the Company's strength lies in smooth communication among its five business units. Taking advantage of this strength, I'd like to gather information from various perspectives, propose and provide better products and services, and lead the manufacturing.

Irwan Firmansyah,
PT. KOBELCO TRADING INDONESIA
(Joined the Company in 2019)

I am willing to take on challenges in everything, continue to grow together with the company, and do my part in expanding business and generating profit.

Chawisa Chukaew,
THAI ESCORP LTD.
(Joined the Company in 2018)

My goal is to capture new markets through online marketing and expand business and improve customer satisfaction by helping companies increase their visual and digital presence.

Joining the "Furugi de Vaccine (Used Clothes and Vaccine)" program

The Company is engaged in activities to send clothing and polio vaccines to developing countries through participation in the "Furugi de Vaccine (Used Clothes and Vaccine)" program operated by Japan Reuse System.

Under the "Furugi de Vaccine" program, participants purchase a special collection kit and send clothing, bags and other items that they no longer need packed in the collection kit to "Furugi de Vaccine." For each packet collected, enough money to provide five people with polio vaccine is donated. Work such as the production, packaging, and shipping of special collection kits is conducted at welfare workshops in Japan, while in developing countries where sorting and sale of clothing take place, the program is helping to create jobs.

Masahito Adachi,
General Manager, Metals Division, Representative Director and Senior Executive Officer

Shinya Yoshida,
General Manager, Machinery & Welding Division, Director and Executive Officer

Three Years of Sensing Change

**In April 2024, we reorganized the company from a five-division structure into a structure of two business divisions and five units.
The General Managers of the two new divisions discussed the aims of the reorganization and the strategies of their respective divisions for the achievement of the Medium Term Management Plan 2026.**

Background to the reorganization and expected effects

Adachi: Since 2021, the Shinsho Group has promoted a variety of initiatives as part of our "second founding," but the lack of mobility in human resources and information between the divisions (current units) has been an issue in term of the pursuit of further growth. To respond to the increasingly complex and sophisticated needs of our customers, strengthen our trading company functions and enhance our profitability, we transitioned the previous divisions into units and integrated the proximate units under the two new divisions.

Yoshida: Previously, there were very few personnel transfers among divisions, but with the changes in the personnel system, such as making an inter-division transfer mandatory in the third year after joining the company, this is gradually changing. Another of our major objectives is to improve the visibility between organizations by lowering the barriers to sharing customer information, while also taking advantage of the DX in sales that we are currently promoting.

Adachi: From the perspective of employee engagement, we need an environment in which, instead of continuing to do the same job in the same division, employees are able to take on various challenges and access information from the outside. I believe that this will also help motivate them to address cross-organizational issues. We will adopt measures that will help the reorganization bring about changes in employees' mindset and behavior and lead to the achievement of the targets for growth rates and profit creation in each of the three pillars of the Medium Term Management Plan 2026 (the "new Medium Term Plan"), namely Kobelco Group business, Shinsho's original supply chains, and promoting SX new business.

Yoshida: On the recruitment front as well, by presenting a wide variety of career paths, I hope to convey the fun of being able to handle anything, which is a unique feature of trading companies.

Toward the achievement of Medium Term Management Plan 2026

Differentiation from competitors, strengths

Adachi: In a comparison of iron and steel trading companies and non-steel specialist trading companies, I do believe that we should take maximum advantage of our strengths as a member of the Kobelco Group. The Group is also unique in that it handles not only steel but also aluminum and machinery, and we will seek to strengthen that feature through the reorganization and human resources development. Once inter-unit collaborations progress and new businesses are launched, I believe that our benchmarks as competitors will change, going beyond just materials trading companies to include solutions providers as well.

Yoshida: Both the Machinery Unit and the Welding Unit handle core merchandise produced by Kobe Steel. The shared strength of these two units is that, by identifying needs through sales activities that are closely linked to the factory floor, they have expanded the range of products that they handle, including those of other companies.

We also have strategic Group companies that complement our functions. Matsubo imports industrial machinery from the United States and Europe, and SC Welding sells welding materials to distributors. These are examples of the structure that allows us to respond meticulously to our customers' requests by dividing the roles between the main company and these Group companies. Under our new division structure, I believe that we will be able to strengthen our collaboration with our Group companies even further.

In the Machinery Unit, in addition to its sales function, it also has a growing number of personnel who take on a role similar to that of a manufacturer's sales representative, which involves a higher degree of specialization. I have high hopes that this will lead to the growth of our problem-solving businesses serving the frontlines of manufacturing.

The Welding Unit handles leading-brand Kobe Steel materials. While it boasts a high share of the domestic market, its room for growth is limited. In the background to the change in name from "Welding Division" to "Welding Unit" is our aim to expand the business by providing not just welding materials, but total solutions related to welding, including welding equipment, robots, and peripheral equipment.

What we will change and what we will not change

Adachi: While continuing to leverage the strengths of our usual three main pillars of iron and steel, non-ferrous metals, and raw materials, with the integration of the organization, we will shift toward the provision of solutions within the broad framework of materials.

To address the issues of carbon neutrality and resource recycling and provide maximum value to our customers, it will not matter whether those solutions involve ferrous or non-ferrous materials. There is a limit to what individual units can achieve on their own, so we will need to come up with optimal solutions as a single division. Moreover, there is potential for us to not stop at metals but to also handle plastics, paper, and all manner of resources. I believe that we can bring together the knowledge and wisdom that we have from the perspective of materials to create new businesses. To do that, we need to remove any organizational barriers quickly and promote personnel exchanges. The original supply chains and new SX businesses promised in the new Medium Term Plan also, I believe, have their starting points in ideas that are not confined by existing frameworks.

In the past, due to organizational barriers in terms of budget, we had no examples of cross-divisional projects but those barriers have been removed with the reorganization, and new projects are already starting, with members from various organizations participating both through nomination and by volunteering. I think that these kinds of initiatives are one area in which the employees are able to sense change. The key questions going forward will be how we get new initiatives onto a growth trajectory. Also, I believe that it is my mission as Division General Manager to launch new business areas, not limited to cross-organizational projects, so I have started various top-down measures.

The Kobelco Group business will continue to be the core business of the Shinsho Group, and as such, we will strive to enhance profitability by improving efficiency through DX promotion and by the professionalization of our people.

Yoshida: My first job under the new division structure will be to strengthen inter-unit coordination. Because there is overlap in the merchandise handled and customers between proximate units, instead of simply swapping personnel between units, I believe that by increasing the number of multifunctional personnel who are able to handle a variety of fields, we will be able to broaden the scope of our business, particularly at our domestic bases and overseas subsidiaries. I will also focus efforts on strengthening our engineering function, which is a common issue for both units.

The Machinery Unit's focus area is India. We will strive to capture growth markets there by increasing the number of Japanese staff posted to India and making use of TRACK DESIGN INDIA, a joint venture that started operating in earnest in April 2024. The Welding Unit plays a central role in Indonesia and Malaysia, and while the Machinery Unit previously handled those markets on a business trip basis, as the number of multifunctional personnel increase, I believe that we will be able to further strengthen our capabilities there.

As I mentioned earlier, the Welding Unit already has a high share of the Japanese market, so it will focus its efforts on overseas markets. Overseas, we will open up markets for merchandise that meets user needs, focusing on Kobe Steel products, and promote local production for local consumption.

In the past two Medium Term Management Plans, both units worked to strengthen their base businesses, such as maintenance and parts, so that earnings would not be affected by large projects. The result of this is that these base businesses now account for a large proportion of the units' earnings. I want to keep protecting this kind of stable earnings foundation firmly.

Investment and new business

Adachi: To achieve the numerical targets of the new Medium Term Plan, we will first execute solid investments. Not only will the investment amount and the three pillars' growth rates contribute to achieving 14.5 billion yen in ordinary profit for FY2026; I think that they will be a crucial indicator toward the future beyond that. Because the Metal Division accounts for the major portion of the investment plan of 23.0 billion yen, we need to realize output that is commensurate with that investment. How well we are able to sustain growth amid the increasing difficulty in securing earnings in existing trade businesses, both in Japan and overseas, will depend on how we execute investments to establish highly profitable businesses.

There is some regret that we were unable to fully execute the investment plans of the previous Medium Term Management Plan and that our contribution to profit was limited. While there are certain rules regarding risk management when making business investments, instead of making across-the-board judgments based on investment profitability, I would like to take a proactive approach, taking business opportunities and risks, as well as potential for social contribution and other factors into consideration.

Some new businesses are created through cross-organizational promotion, while others happen with the New Business Promotion Department playing a central role. I would like the individual divisions will also participate in the initiatives of the New Business Promotion Department.

Yoshida: The central focuses of investment decisions are the strengthening of the structure in line with the three-pillar strategy of the new Medium Term Plan and the supplementation of missing parts. In particular, we are working more actively than ever to acquire resources from outside the Group. Whereas previously, we adopted a passive approach of considering M&As and business alliances when brought to us by financial institutions or intermediaries, under the new Medium Term Plan, we have clarified two target areas, and we are taking a proactive approach. In the first of those target areas, strengthening of engineering function, we have received strong requests from the frontlines, and we are currently narrowing down the long list. The second is an approach of conducting feasibility studies in regions where there are requests from both customers and manufacturers, like India. Of course, we will also continue to consider business succession and business alliance proposals introduced to us by business partners.

Adachi: The Metal Division will continue to make investments in businesses that contribute to solving social issues related to resources. We are already working on the recycling of nonferrous metals in Japan, and we are increasing capacity to respond to growth in demand. At present, the majority of aluminum and copper scrap is exported, but we will contribute to resources recycling and decarbonization by turning them into high-quality recycled materials here in Japan. As part of our promotion of the use of renewable energy, we are promoting the expansion of the biomass business, including the use of PKS (palm coconut shell). We are also planning a large investment related to semiconductor manufacturing equipment in Japan, and we will expand the same kind of integrated supply chain, from processing to recycling, in Japan that we built in China.

Yoshida: The Machinery and Welding Division does not have any large-scale investments planned, but we have factored the effects of our investments into our numerical targets, so we will execute them steadily and reap the benefits.

Regarding original supply chains, from the perspectives of BCP and price competitiveness, we consider India to be the prime contender for the shift of manufacturing from China, so we will inject funds and people into that country as a priority. Not only do we expect domestic demand for construction machinery and industrial equipment to grow in India, but we also believe that its presence will grow as a base for exports to the Middle East and Africa. Requests for totally Indian-made for construction machinery components and parts for general industrial equipment are increasing faster than we expected, so we will focus our efforts on building original supply chains through partnerships with TRACK DESIGN INDIA and KOBELCO TRADING INDIA.

In areas other than construction machinery, some manufacturers want to expand into India but that have concerns about managing their operations there alone. through joint ventures, we plan to offer such companies a business model that takes advantage of the dual benefits of the flexibility of local subsidiaries and Shinsho's support capabilities.

Toward the full-scale start of "second founding"

Adachi: If we are merely chasing numerical targets, there is a tendency for the people on the ground to feel that those targets are being forced on them. I want to identify the intentions of the frontline employees and their willingness to take on challenges and set targets that will enable all employees to participate, and promote reforms that will allow them to sense change at first hand.

Yoshida: Both the Machinery Unit and the Welding Unit have a strong mindset of working on anything voraciously. I want our people to seize various opportunities and jump in without limiting themselves, and we have an organizational culture that does not deny that. We want to be an organization that looks interesting, where you can do anything if you try.

Change in ordinary profit by business segment in FY2023

	FY2022 results	FY2023 results	Amount of change	Percentage change
Iron & Steel	5.1 billion yen	6.6 billion yen	+1.5 billion yen	+29.1%
Ferrous Raw Materials	1.5 billion yen	1.5 billion yen	+0.0 billion yen	+1.1%
Nonferrous Metals	2.7 billion yen	1.6 billion yen	-1.0 billion yen	-38.9%
Machinery & Electronics	2.2 billion yen	2.3 billion yen	+0.1 billion yen	+6.6%
Welding	0.8 billion yen	0.7 billion yen	-0.1 billion yen	-7.5%
Other	0.4 billion yen	-0.0 billion yen	-0.4 billion yen	—
Total	12.7 billion yen	12.8 billion yen	+0.1 billion yen	+1.1%

Satoshi Nishimura,
Representative Director and Senior Executive Officer,
Head of Iron & Steel Unit

Iron & Steel Unit, Metals Division

Evolving a high-quality and stable supply chain.

The business environment surrounding us is changing at a fast pace, with environmental challenges such as carbon neutrality and the SDGs, changes in demand due to rapid spread of EVs, soaring energy costs, labor shortages, and workstyle reforms. Domestic demand for iron and steel will inevitably shrink. In the overseas market, competition is likely to intensify as more and more products are produced and consumed locally. Under such circumstances, the Iron & Steel Unit will aim to make the supply chain more efficient and sophisticated, based on relationships of deep trust with customers. We thus promote the expansion of business domains through investments and the shift to digital transformation (DX) of the supply chain.

Business overview

- **Using information and added value to support our customers' global manufacturing activities**

The ability to gather information and apply manufacturing expertise is essential in creating stable procurement lines, securing product supply, and ensuring product quality around the world. The Unit utilizes the unique global network comprising of Kobe Steel, Ltd., the Kobe Steel Group, and other companies with close working relationships in the Americas, China, Thailand, and beyond to create a procurement and supply system that responds to the product quality and value required by our customers. We also dispatch Shinsho Corporation employees to local secondary processing manufacturers and partner companies so that they can understand local manufacturing and increase product knowledge in order to improve their information gathering capabilities and added value. In addition, we will develop human resources who can take part in corporate management. The mission of the Iron & Steel Unit, Metals Division is to look at things from the customer's perspective, then work and propose solutions to satisfy customer requirements and always derive maximum value.

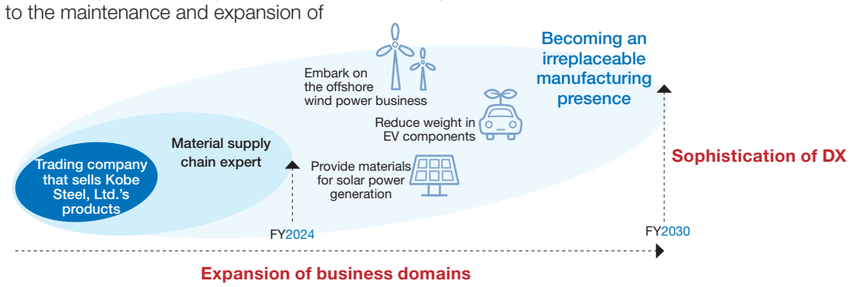
New business initiatives

- **Maintaining and expanding market share through the shift to DX of the supply chain**

The Company will lead efforts to shift to digital transformation of supply chain operations that connect manufacturers and business partners in Japan and overseas, leading to the maintenance and expansion of market share.

- **Expanding investment in new business domains**

We will continue to take on the challenge of expanding into new business domains. We will also maximize synergies with existing business partners and affiliated companies.



Main products handled by the Unit

Wire Rods and Bars
KOBELCO wire rods and bars are used in the automotive industry and other fields. Working with secondary processors, Shinsho provides customers with a reliable supply of high value-added wire rod and bar products.

Steel Plates
Known for its superb processability and weldability, KOBELCO steel plates provide the foundation for a wide range of industries.

Steel Sheets
Kobe Steel produces high-strength steel sheet, another product that Shinsho supplies.

Titanium
Applications for titanium are expanding in many fields. Shinsho supplies KOBELCO titanium products to meet diverse customer needs.

WEB Please visit our website for other products handled by the Division.
https://www.shinsho.co.jp/english/biz/iron_steel.html

Our strengths, opportunities, and risks

Strengths

- Stable profits from trading and further profits expected from investments
- Advanced processing and logistics that add high value in the steel supply chain

Opportunities

- Demand shifting to steel products that take advantage of low-carbon and decarbonizing technologies
- Increase in the handling of components geared toward renewable energy facilities
- Demand for safe and resilient infrastructure to protect against natural disasters (sales expansion of steel and anti-disaster products)

Risks

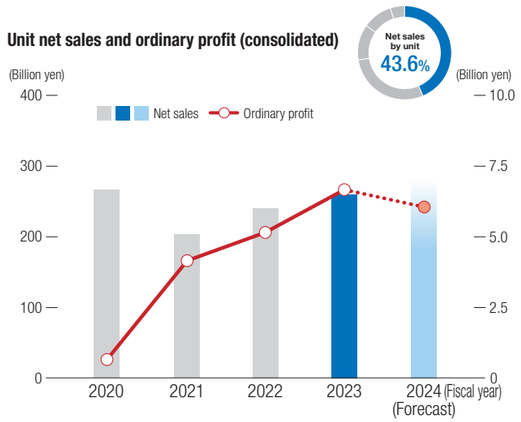
- Decrease in the use of some steel products due to accelerated EV proliferation
- Replacement of steel with aluminum and other lighter materials
- Increase in logistics and manufacturing costs due to a shift to natural energy associated with decarbonization

Key measures in the Medium Term Management Plan 2026

Our goal is to create the best portfolio of "business companies" and "trading," both of which emphasize capital efficiency. To achieve the above, we will implement three measures.

- **Enhance profitability**
  The Company will leverage ROIC to select and concentrate our business portfolio and build a highly profitable business unit. In addition, the Company will take measures against risks that could lead to a deterioration in earnings.
- **Promote investments**
  The Company will expand business domains with investment as the core, and realize an optimal portfolio of "Kobelco Group business," "Shinsho's original supply chains," and "promotion of SX new businesses."
- **Strengthen trading company functions**
  We will expand our market share by shifting to DX in the supply chain, which is our strength, and create added value in non-trading areas through business investment.

Unit net sales and ordinary profit (consolidated)



Employee Growth Story

Takuya Shibuya, Osaka Wire Rods Group, Wire Rods Department (Joined the Company in 2016)

I was attracted to the work of a trading company, and I decided to join the company because I felt that they needed me, and I thought that there would be an atmosphere of open communication with a lot of discretion. My current responsibilities include the domestic sales and export of wire rods and cold forged parts, as well as the export of facilities. People are the most important capital in the work of a trading company, and I feel that the ideas and initiatives of each individual have an extremely large impact on the company. This is especially true at Shinsho Corporation, where I feel every day that the growth of individuals leads to the growth of organizations. By contributing to the growth of the company in various ways, I would like to first create an ideal environment for the company, and then return the positive effects to all stakeholders, including our business partners.

Takanori Waku, Planning & Administration Department (Joined the Company in 2016)

I joined the company because I was attracted by steel products that support people's lives from the bottom up and the global work environment. At first, the steel industry had an image of dynamic work, but I realize that behind dynamic work, there are many detailed works and mutual support from many people. When I was stationed in Thailand, in collaboration with local staff, there were many cases where the project did not progress as expected due to differences in business customs and ways of thinking and lack of communication, but I learned the importance of communicating with each other until we all were satisfied. Going forward, I will continue to work on day-to-day operations so that I can return profits to all stakeholders by contributing to the stable growth of the company.

Masahito Adachi,
Representative Director and Senior Executive Officer,
Head of Non-Ferrous Unit

Non-Ferrous Unit, Metals Division

In addition to strengthening our original supply chain, we will promote measures that will lead to improved profitability.

In the Non-Ferrous Unit, we will leverage the investments made in the previous Medium Term Management Plan to increase production capacity at manufacturing business sites in East Asia and Southeast Asia, and further strengthen our original supply chain with Japan at its core. At the same time, we will revitalize business investment in order to further expand the recycling business we have been working on since the year before last, and build a resource recycling business from 2024 onward. In addition, we will expand the precision processing business in Japan by leveraging the technologies we have developed overseas for the semiconductor field, which is expected to grow in the future, in order to play a role in the downstream field of Kobe Steel materials. As the business expands, we will work with the head office departments to proactively introduce DX to improve operational efficiency.

Business overview

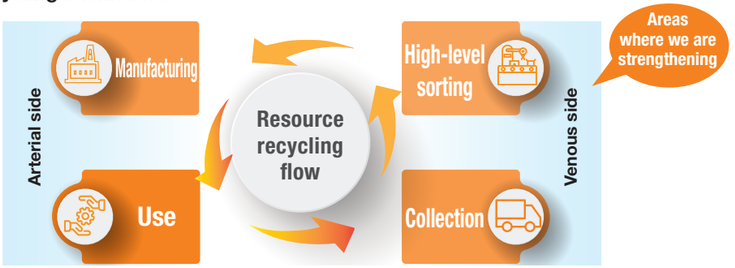
- **Total production, from materials to assembly**

Beginning with Kobe Steel, the Non-Ferrous Unit utilizes its domestic and global networks to provide a vast array of nonferrous metal products. We are committed to providing a total production process, from materials, processing, and assembly to the collection of scraps generated in processing. For example, we provide modules by assembling resin-molded products with processed copper products, operate an aluminum coil center that processes automotive parts increasingly in high demand in China and aluminum processing and assembly centers for IT and semiconductors, supervise facility installation, and develop an aluminum plate cutting base in ASEAN countries. We will continue to offer total production packages, with an eye on changes in the business environment and society.

New business initiatives

We will maximize profits by contributing to resource recycling through increasing the added value and quantification of scrap through recovery and sorting technologies.

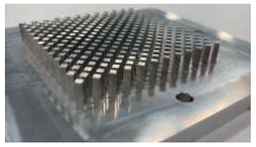
Image of the resource recycling businesses



Main products handled by the Unit

Chinese Coil Center (Suzhou)
This coil center is dedicated to producing aluminum coils. It meets customer needs using reams of data and an extensive product line ranging from Kobe Steel, Ltd.'s famously high-quality and high-functionality products to products from manufacturers within China.

Copper Strips for Electronics
We supply unique copper strips made using Kobe Steel Ltd.'s technical expertise for use in connectors and terminals in vehicles that assist in miniaturization and multi-polarization as well as for use in power devices that provide both strength and high conductivity in order to contribute to the creation of a carbon neutral society.



IGBT Heat Sinks for Automobiles
Heat sinks are indispensable for managing heat in EVs. We supply semiconductor manufacturers with high quality products by coordinating the supply chain from materials to processing and subassembly.

Automobile Panels
An EV's battery weighs more than its engine and aluminum panels contribute to reducing vehicle body weight, which is crucial for extending the range of EVs. Taking advantage of the panels' recyclability, we collect and reuse waste material produced in panel manufacturing to reduce the environmental load.

WEB Please visit our website for other products handled by the Division.
https://www.shinsho.co.jp/english/biz/nonferrous.html

Our strengths, opportunities, and risks

Strengths

- A wide range of sources of supply including Kobe Steel
- Existence of business companies in aluminum processing
- Abundant bases in China and the ASEAN region

Opportunities

- Expansion of demand for aluminum and copper due to accelerated EV proliferation
- Increase in demand for copper sheets and aluminum plates for equipment, associated with strong demand for semiconductors
- Increase in scrap-related demand stemming from initiatives to achieve carbon neutrality

Risks

- Inventory holding cost
- Changes in material prices
- Reduced productivity due to cumbersome office work

Key measures in the Medium Term Management Plan 2026

We will continue to expand our total production system, which will lead to increased profitability.

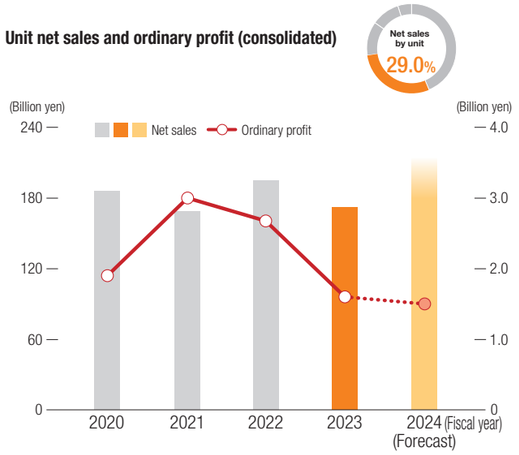
- **Established Shinsho Seimitsu Co., Ltd., an aluminum plate processing company, with Shinwa Alumi Kogyo Co.,Ltd.**

  It processes aluminum plate for semiconductor manufacturing equipment. In the semiconductor field, which is expected to grow in the future, we will respond to BCP demand from customers by securing two bases in Japan and China with Shinsho Seimitsu in China.

- **Investment in environmental recycling-related businesses**

  We will promote a business of high-level sorting of scrap generated at customers' plants that is not classified by alloy. In the past, these products were sold to secondary alloy manufacturers, but by sorting them by alloy, they can be sold directly to aluminum rolling manufacturers as scrap, contributing to an improvement in the recycling rate of customers.

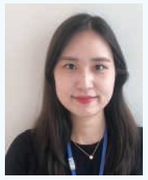
Unit net sales and ordinary profit (consolidated)



Employee Growth Story

Akihiro Shimomura, Raw Materials and Specialty Products Department, Tokyo Raw Materials Group
(Joined the Company in 2020)

I decided to join the company because I wanted to do large-scale work that dealt with materials. Currently, I am in charge of sales and marketing of aluminum scrap, which is one of the non-ferrous raw materials discarded from the market and plants, as the main merchandise, and I am striving to build good relationships with suppliers. There are many jobs that are several times tougher than I imagined, but in the scrap business, there is a high degree of freedom and discretion, so I feel every day that it is important to act with your own opinions and hypotheses. In regard to items that were previously considered difficult to recycle, I would like to contribute to the manufacturing of tomorrow by consolidating our unique knowledge, using technologies such as shredding and processing and high-level sorting, and contributing to resource recycling in Japan.



Kana Suzuki, Transport Material Group
(Joined the Company in 2019)

As I had studied abroad before, I joined the company because I wanted to work in an industry that has many opportunities to be involved with overseas. Currently, I am in charge of sales mainly for overseas sales of aluminum extrusions, as well as administrative work for domestic and export and import. I dedicate myself to my daily tasks with the goal of becoming an AE who can excel in a unique, all-around role, handling both sales and administrative duties seamlessly.

As a member of the Kobelco Group, we have many opportunities to receive orders and inquiries, which I believe is the Group's strength. In addition, although materials are not conspicuous as final products, they are used in many products, and I often feel that I am contributing to society. In the future, I would like to continue contributing as a trading company specializing in materials, which is an essential part of society, by identifying customer needs and making new proposals.

Mitsuharu Karikomi,
Officer,
Head of Ferrous & Recycling Materials Unit

Ferrous & Recycling Materials Unit, Metals Division

Beyond providing a stable supply of materials indispensable for the production of steel, the Ferrous & Recycling Materials Unit contributes to decarbonization and the creation of a circular society by processing recyclable resources (renewable products and biomass fuels).

By strengthening and leveraging the network Shinsho Corporation has built across countries, we will further stabilize the supply of essential resources to Kobe Steel, Ltd. and contribute to the achievement of carbon neutrality through the expansion of the environment business. The transition to a recycling-oriented society is being steadily promoted, including consideration of the introduction of electric furnaces by steel manufacturers and power generation using biomass. Demand for "biomass fuels" and "cold iron materials" is expected to grow steadily in the future. With the handling of these recyclable resources at the heart of our growth strategy, we will actively invest business resources in those fields, such as making investments in Japan, North America, and Southeast Asia.

Business overview

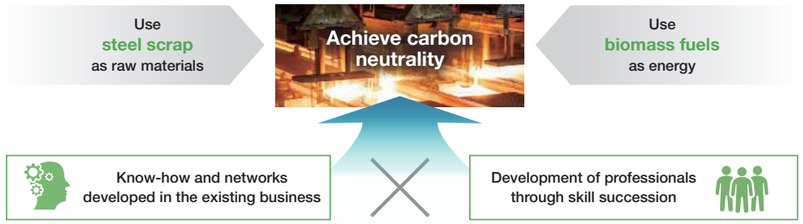
● Steel resource business and zero-waste business as the driving forces

Steel is economical and easy to process, and an abundant amount of resources exist. It supports the development of industrial society as an important core industry. The Unit handles ferrous raw materials, which are at the most upstream part of the steel supply chain extending from resources to products. It is therefore essential to build a stable supply network for steel manufacturers. As a member of this network, Shinsho Corporation has engaged in the trading business and contributed to Japan's manufacturing based on trusting relationships with manufacturers and suppliers. We are currently working on the new zero-waste business, which can be another driving force along with the existing steel resource business and is in line with the trends of the times, such as biomass fuels and cold iron materials. We will thus contribute to the creation of a social environment.

New business initiatives

● Establishment of biomass fuel collection network

We will participate in a pilot project to plant early-maturing trees as part of the fuel used at biomass power stations, examine the sustainability of the energy business through local production for local consumption, and contribute to regional revitalization and CO_2 reduction. Wood-based combustion ash generated at the biomass power stations is generally disposed of as industrial waste, but we promote research for its effective utilization and contribute to the formation of a recycling-oriented society.



Main products handled by the Unit

Ferrous Raw Materials
Shinsho provides Kobe Steel with a reliable supply of iron ore, coking coal, limestone and other materials used in the steelmaking process.

Biomass Fuels
Shinsho Corporation supplies plant-derived fuels for biomass power plants, which are increasing as a new power source that does not increase CO_2 on the planet.

Recycled Fuels
Shinsho Corporation supplies RPF*, which is solidified industrial waste, as a high-grade fuel for Japanese manufacturers' boilers.
*RPF: Refuse derived paper and plastics densified fuel

Steel Scrap
Shinsho Corporation sells scrap to Japanese electric furnace manufacturers and also exports scrap from Japan to international electric furnace manufacturers via a trilateral trade agreement.

WEB Please visit our website for other products handled by the Division.
https://www.shinsho.co.jp/english/biz/raw_material.html

Our strengths, opportunities, and risks

Strengths

- Accumulated knowledge of raw materials and fuels and the ability to build networks
- Solid trust from manufacturers and suppliers

Opportunities

- Increase in the handling volume of steel scrap used as raw materials for electric furnaces
- Expansion of the handling of biomass fuels that prevent global warming and help create a circular society

Risks

- Decrease in demand for raw materials for blast furnaces due to a shift to electric furnaces in steelmaking

Key measures in the Medium Term Management Plan 2026

We will strengthen our procurement capabilities in order to expand the handling of recyclable resources.

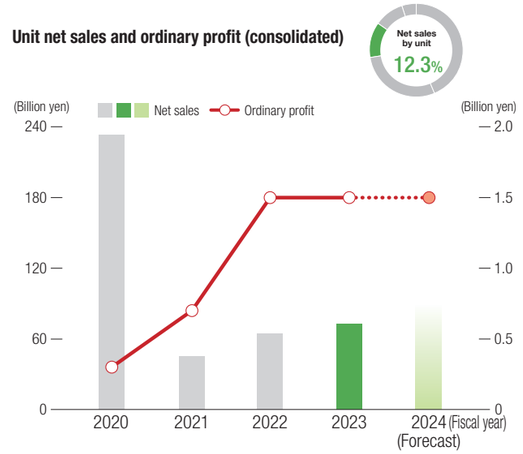
● Biomass Fuels

We will expand suppliers to ensure stable supply and improve quality, while promoting investment of management resources, including investment to establish a more robust supply chain.

● Steel Scrap

As demand is expected to increase toward achieving carbon neutrality, we will secure procurement volume by strengthening relationships with suppliers, while also focusing on expanding its overseas procurement network.

Unit net sales and ordinary profit (consolidated)



Employee Growth Story

Jiro Irie,
SHINSHO AMERICAN CORPORATION
(Joined the Company in 2016)

Through trial and error on a daily basis, I realize that it is difficult to generate new profit even if it is only 1 dollar. Still, the euphoria when a new deal is made motivates me. It is an old industry, and if you repeat the same thing, you will be left behind. Therefore, I feel that it is important to have an attitude of taking on new challenges every day. For example, we investigate merchandise that we have never used before, and contact new clients and suppliers. I want to contribute to the next generation by creating as many businesses as possible that would not exist if I did not take action. To that end, I want to experience more successes and failures than anyone else, and when I become a manager in the future, I want to be a presence that supports the younger generation.

Shinichiro Shinagawa,
Osaka Raw Materials Department,
Raw Materials Group
(Joined the Company in 2014)

Currently, I am in charge of sales of cold iron materials such as coke, unprocessed metals, and pig iron. There are many opportunities for me to be entrusted with my work, and I feel that it is rewarding. In the past, I experienced difficulties in executing contracts with overseas suppliers due to soaring market conditions during the period from the conclusion of the contract to shipment. From this experience, I realized the need to proceed with business while always considering risks until the conclusion of the contract. It is sometimes difficult to determine the degree of contribution of raw materials, as they are located farthest from the product. However, we believe that raw materials are the beginning of manufacturing and the foundation thereof. If the quality of raw materials is poor, it will have an adverse effect on the process from that point to the final product. That is why I want to contribute to the development of manufacturing by providing a stable supply of high-quality raw materials that meet customer needs.

Shinji Urade,
Director, Executive Officer,
Head of Machinery Unit

Machinery Unit, Machinery & Welding Division

Contributing to the stable manufacturing for customers and manufacturers through our products.

The Unit has contributed to customers' manufacturing by expanding the equipment maintenance business and strengthening the supply chain through its robust domestic and overseas networks. Toward achieving the Medium Term Management Plan, we will work to improve our corporate structure, promote unit growth, and build a stronger earnings base. By adding engineering functions to the equipment business, we will promote a shift from selling things to selling experiences, expand business opportunities, and broaden the scope of our business. In addition, we aim not only to procure construction equipment parts quickly through the use of our global supply chain, but also to propose more competitive parts, and as an extension of this, to fully operate and expand our construction equipment parts manufacturing joint venture in India. With the motto of contributing to a carbon-free society through our products, we will contribute to a carbon-free society by utilizing non-general-purpose rotary machines and general-purpose compressors with technological capabilities, and also contribute to customers through a system that integrates services and sales of main units.

Business overview

- **Customer support utilizing a global supply chain**

Starting with Kobe Steel Group products, the Unit selects and supplies customers with the best industrial machinery and electronic information equipment from around the world. Our ability to provide global procurement and proposals comes from our local companies and offices throughout Eastern Asia, Southeast Asia, Europe, the United States, and beyond. Each base works closely with other bases and we create results by using our growing network of import/export businesses and trilateral businesses. Bolstering our logistics capabilities and expanding local maintenance bases helps us contribute to our customers' stable manufacturing work by providing maintenance and procuring materials via a supply chain comprised of robust domestic and international networks. For example, to support our customers' overseas manufacturing, we establish local manufacturing bases through joint ventures with suppliers and create a highly competitive parts supply system.

New business initiatives

- **Hydrogen business**

Aiming to increase sales of hydrogen generating equipment, each person in charge will deepen their understanding of the equipment and the industry, and work on sales promotion activities. We will confirm our direction through regular information sharing and cooperation with persons in charge of manufacturers.

- **Develop suppliers in India and Southeast Asia**

Aiming to launch mass production of procured items for Japanese shovel manufacturers, we are working to develop new suppliers.

- **Increase sales of wing-type gas compressors**

We will identify replacement demand for explosion-proof specifications and special gas specifications for reciprocating compressors, and aim to acquire new customers with a view to using them for special gas for methanation in the future.

- **Build new businesses through the use of DX**

By utilizing drones and smart monitoring technology, we are working to build a new business that supports operations that are short-handed and difficult for humans to handle.

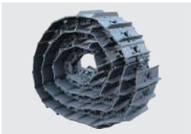
Main products handled by the Unit

General-purpose air compressors
General-purpose compressors are largely screw-type, for air compressors and freezers.

Large non-general-purpose gas compressors
For various applications such as various gases, air, and steam, we propose and respond to customers' requests for optimal equipment in the form of screw, turbo, and reciprocating types.

Ultra-high efficiency inverter heat pump chiller
Heat pumps are a technology that significantly reduces CO_2 emissions compared to combustion methods using gas or oil. It is possible to use a large amount of heat with a small amount of electric power, resulting in decarbonization and energy saving.

Water electrolysis type high-purity hydrogen generator
This is a device that supplies high-purity hydrogen gas from tap water on-site using a solid polymer electrolyte membrane (PEM). We supply CO_2-free hydrogen by water electrolysis using renewable energy.



Construction machinery parts (shoes)
We mainly handle cast steel and forged parts that are components of construction machinery. The photograph (shoe) is a representative example of the products handled, and is an important part of the shovel underbody. We connect with suppliers around the world to provide parts that meet customer needs.

WEB Please visit our website for other products handled by the Division.
https://www.shinsho.co.jp/english/biz/machinery.html

Our strengths, opportunities, and risks

Strengths

- Transactions with Kobelco Group companies
- Global procurement and sales capabilities
- They have knowledge in a specific industry and handle a wide variety of products.

Opportunities

- Increase in environment-related businesses associated with CO_2 reduction and energy-saving trends
- Strengthening sales capabilities through DX promotion

Risks

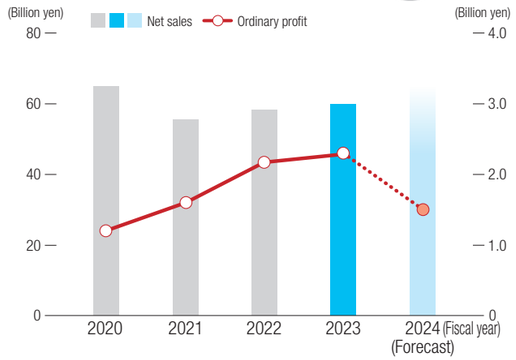
- Creation of investment projects
- Lack of experience as manufacturer sales representatives
- Downsizing of coal- and oil-related businesses due to decarbonization
- Economic downturn followed by a decline in willingness to make investments

Key measures in the Medium Term Management Plan 2026

We will work to strengthen our capabilities to propose solutions to manufacturing issues and supply chain optimization.

- **Acquisition of engineering functions**
  We expand business scope to large equipment and large-scale repairs by acquiring machinery and equipment installation functions that require technical supervisors through M&A and business partnerships (shift from selling things to selling experiences).
- **Expansion of construction machinery parts**
  We strengthen JIT response by owning in-house warehouses, expand to construction machinery manufacturers outside the Group, and participate in entry into Thailand by Chinese suppliers.
- **Priority regions (India)**
  We increase the number of personnel (including expatriates) in order to discover demand for heat treatment equipment and film forming equipment, and expand TRACK DESIGN INDIA PRIVATE LIMITED after full localization.
- **Expand decarbonization related business**
  We increase the number of dedicated personnel for non-general-purpose compressors and continue their secondment to manufacturers, and expand the heat pump business.

Unit net sales and ordinary profit (consolidated)



Employee Growth Story

Miyo Hiroko,
Machinery Department
(Joined the Company in 2013)

Currently, I am in charge of sales of machinery and equipment to chemical companies. When I joined the company, I was surprised that it was practical for me to engage in sales activities by myself immediately after the completion of training. However, if I am entrusted, my motivation will increase, and I am working through trial and error. During my first year at the company, I was unable to discuss many issues that I did not understand and could not solve by myself, and this made the issues worse, and I learned the significance of report-inform-consult. This experience has been a lesson for me in my work, and I am conscious of giving an report-inform-consult to my boss, not only when a problem is discovered, but also when it is small. In the future, I would like to contribute to improving customers' production capacity by understanding their needs and providing optimal solutions.

Kensuke Tanii,
Industrial Machinery Department
(Joined the Company in 2020)

I decided to join the company because felt that I would be able to utilize my experience of studying in Taiwan and Chinese. It was a good and rewarding experience for me to be able to solve customer and social issues through the use of robots to inspect pipes at customers' plants, which led to the adoption of DX technology. I believe that a manufacturer is in the position of "helmsman" and a trading company is in the position of "helm" in commercial distribution. Although the Company is not a manufacturer, I face my work every day, feeling that I have to show direction and make the ship that the customers and suppliers are on board move in a good direction. Through my work, I would like to contribute to manufacturing that leads to things and services that are essential to the lives of the next generation, such as smartphones and automobiles.

Tatsunori Takebayashi,
Officer,
Head of Welding Unit

Welding Unit, Machinery & Welding Division

Providing new solutions to solve social issues in manufacturing, leveraging our extensive knowledge of welding.

We handle at least 20% of the domestic market for welding materials, mainly Kobe Steel products, which are the top brands. In overseas markets, we also sell welding materials and welding equipment, mainly in Asia. While expanding distribution networks in Japan and overseas through welding materials and further refining relationships of trust with customers and a stable earnings base, we will propose a wide variety of new products and services to solve social issues in manufacturing, including increasingly serious labor shortages and shortages of skilled workers.

Business overview

- **Abundant product knowledge and technical capabilities for total solution packages**

The Company is a trading company that is proudly the largest handler of the welding materials manufactured by Kobe Steel, Ltd. We use our abundant product knowledge and expertise to offer optimal products and welding solutions to customers in Japan, Thailand and other ASEAN countries, and China. In recent years, our particular focus has been placed on automation of welding processes through the use of various types of welding robotic systems. Furthermore, in addition to the robot business on its own, we aim to strengthen the Company's engineering functions and build a business model in which peripheral equipment and robots are proposed and sold as a set.

New business initiatives

- **Engineering business**

In the past, we mainly dealt with welding robots on their own. However, as there are many cases where customers want to be provided with a package of robots and peripheral equipment, we aim to become a group that can acquire system integrator functions and provide "proposals" to customers. In addition, in order to save labor and alleviate labor shortages, we will approach labor-intensive industries with collaborative robots that can work in the same space as people, and establish new businesses.

Provision of welding solutions
Contribution to improvement of quality and productivity

Conventional technology
Arc welding

Advanced technology
Dissimilar welding

New technology
Introduction of specialized equipment
Integration with welding wire

Main products handled by the Unit

Welding Materials
About 800 types of welding materials of Kobe Steel delivered by the Welding Division are given high marks as technological products.

Welding Equipment
Welding equipment generates the arc necessary for welding. We handle many different types including shielded metal arc welding and CO_2 arc welding kits.

Robotic Welding Systems for Large Pillar Assembly
We provide systems to automate welding processes for the steel pillars and beams used in skyscrapers. The use of robotics systems has enabled to strike balance between ensuring welding quality and improving work efficiency.

Welding Raw Materials
Raw materials such as minerals, various metals, alloys, etc. needed to manufacture welding materials are procured and sold worldwide.

WEB Please visit our website for other products handled by the Division.
https://www.shinsho.co.jp/english/biz/welding.html

Our strengths, opportunities, and risks

Strengths

- Solid sales network in Japan and Thailand
- High levels of trustworthiness and technical capabilities in the industry
- Global procurement and supply capabilities that meet user needs

Opportunities

- Needs for high-quality manufacturing
- Needs for automation due to labor shortage

Risks

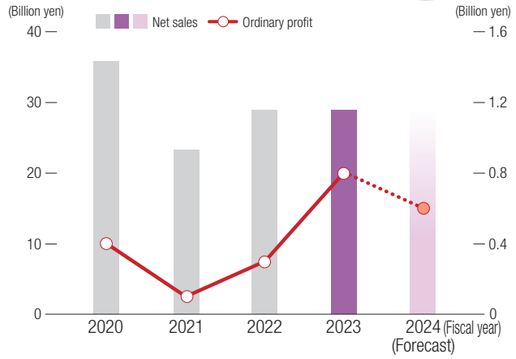
- High dependence on sales of welding materials

Key measures in the Medium Term Management Plan 2026

We aim to become a technology trading company that quickly reflects changes in market conditions and needs in technology development through marketing that is closely linked to manufacturing sites and creates new added value by integrating multiple technologies. Specific measures are as follows.

- Expansion of engineering business
- Development and proposal of advanced manufacturing technologies
- Development of new business menu
- Realize investment projects and expand business domains

Unit net sales and ordinary profit (consolidated)



Employee Growth Story

Ryosuke Yoshikawa,
Welding Department Production Process Group
(Joined the Company in 2019)

I decided to join the company because I was attracted by the image of employees who can play an active role in a global environment and by the employees who enjoy talking about work. Currently, I am in charge of sales of welding materials and welding-related equipment and facilities. I feel motivated when customers who like the merchandise we propose purchase it and use it to their satisfaction. In my second year, I was engaged in operation in Mexico, and I had a lack of awareness of "doing business overseas," and experienced situations where the "obvious" (such as deadlines and quality expectations) didn't apply. From this experience, I learned the importance of thorough delivery management and quality checks in business operations.

While being aware of my position as a trading company and the significance of my existence, I want to grow so that my proposals will lead to the help of customers.

Junya Asada,
Kobelco Welding Solution CO., LTD.
(Joined the Company in 2018)

As I was interested in materials, I felt the appeal of transcending industry boundaries through steel and contributing to the future of manufacturing, and joined the company. There has been no change from my impression before joining the company of the corporate culture in which even young employees are evaluated for their willingness to take initiatives without fear of failure. Currently, I focus on welding materials and equipment, and am engaged in welding solutions for major domestic shipbuilding and energy customers. In order to realize a carbon-free society, each industry is making progress in initiatives for next-generation ships and measures for new fuels, and changes are occurring at a dizzying pace. I also feel the need for trading companies to flexibly change their added value and approaches in response to changes in the times. I would like to contribute to resolving labor shortages, which are a social issue, passing on skills, and improving productivity.

Major Domestic and Overseas Business Companies

Domestic affiliates and business in overseas priority regions

Global Presence:
16 domestic companies
42 overseas companies
Total of 58 companies

Contribution to Manufacturing Glocally

Americas

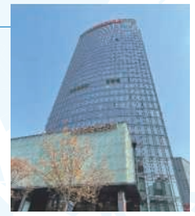
GRAND BLANC PROCESSING, L.L.C. (hereinafter, "GBP") https://www.shinsho.com/

Expand presence in North America by enhancing facilities to ensure high quality and stable supply: GBP, a secondary processing company for wire rods and wire rod products in which SHINSHO AMERICAN CORP. has a major investment, expanded pickling facilities (removal of oxide film, etc.), strengthened the short time cycle (STC), and renewed wire drawing machines. This has led not only to a significant increase in production capacity but also to a further improvement in quality. The GBP quality is highly evaluated by the industry. Aiming to be an integral part of customers' manufacturing, we will pursue high quality and stable supply.

East Asia

Kobelco Trading (Shanghai) Co., Ltd. https://www.kobelcotrading.com/ja/homepage/index.html

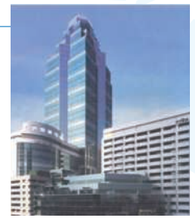
Aiming to be a global business partner in six business areas: Kobelco Trading (Shanghai) Co., Ltd. was established in 2006 as a Chinese subsidiary of Shinsho Corporation, and contributes to Chinese society as a core trading company of Kobelco, which conducts domestic sales and imports and exports in China. Backed by the core materials and machinery businesses of the Kobelco Group, we aim to build businesses based on solid relationships of trust with users and vendors not only in China but also overseas in six business areas: steel, steelmaking raw materials, nonferrous metals, machinery, electronics, welding materials, and IT.



Southeast Asia, Oceania, Europe, etc.

THAI ESCORP LTD. http://www.thaiescorp.co.th/

Provide composite solutions in the ASEAN region and develop together with the local communities: In May 1988, THAI ESCORP was established for the purpose of selling products and supplying materials to the Kobelco Group companies. THAI ESCORP has developed together with local communities through sales of steel and aluminum and copper products, mainly for the automotive industry, which aims to save labor and improve safety through sales of products and materials, as well as proposals and sales of automated facilities such as industrial robots and environmental improvement facilities. In the midst of an ever-changing global economy, we will continue to take on the challenge of creating new value by leveraging our diversity to become a "trading company that supports tomorrow's manufacturing and contributes to society."



Employee Growth Story

Sungkwang Choi, SHINSHO KOREA CO., LTD. (Joined the Company in 2015)

I am engaged in procurement of overseas parts at the Construction Machinery Parts Group of the Kobe Branch Office. I am still in training, but I am learning a lot. Before I joined the company, I imagined a tough workplace with strict hierarchical relationships, but in reality, I was able to consult with my boss about my work worries, and there was a gap in a good sense in the atmosphere in which we could cooperate with each other. I believe that this is an industry in which we can spread innovative, new and convenient products around the world. I would like to utilize the knowledge I have gained in non-ferrous metals and machinery since joining the company to develop sustainable businesses, such as developing new items related to the environment and energy.

Takanori Murakami, Kobelco Trading (Shanghai) Co., Ltd. Guangzhou Branch (Joined the Company in 2017)

I was in charge of sales to Japanese automobile manufacturers and suppliers in Guangzhou, China, and I am working to expand transactions with suppliers and customers by utilizing the Chinese that I learned through language training. In the future, in both export and domestic transactions, I would like to expand the scope of transactions to include not only transactions with local manufacturers and the automobile industry but also transactions in new industries. I would also like to be at the forefront of global trends as an employee of Shinsho Corporation by standing between vendors in China and customers, and by serving as a bridge for the global development of many products.

Iron & Steel Unit

SHINSHO STEEL PRODUCTS CORPORATION https://www.shinshosteel.co.jp/

Respond quickly to diversifying needs through our unique supply network: As a general building materials trading company that handles everything from steel products to secondary and tertiary steel products, the civil engineering and construction materials business supports social and environmental infrastructure and prevents and mitigates disasters. Meanwhile, the construction steel business supports the development of society by building bridges, office buildings, distribution warehouses, and condominiums. Shinsho Steel Products strives to further increase the level of customer satisfaction and contributes to the creation of a future society where people can live comfortably and safely.

MORIMOTO KOSAN CO., LTD. https://www.morimoto-kosan.com/

Aiming to celebrate the 100th anniversary of its establishment as a long-established coil center: Morimoto Kosan was established in 1949, and became a distributor of Kobe Steel, Ltd. in 1968. Since then, it has sold and processed mainly hot coils and steel plates. It became a wholly-owned subsidiary of Shinsho Corporation in 2018. As a long-established coil center in the Kansai area and the only hot-rolled coil center in the Kobe Steel Group, Morimoto Kosan is fully committed to responding quickly to requests from customers.

Non-Ferrous Unit

SHINSHO NON-FERROUS METALS CORP. https://www.shinshohitetsu.co.jp/

Upgrade non-ferrous metal product inventory and processing center functions: Established as Shinsho Metal Processing Corp. in 1982 and later merging with Shinsho Nonferrous Metals Corporation which split off from Shinsho Corporation, Shinsho Non-Ferrous Metals made a new start in 1996. To meet diverse needs for aluminum sheets, plates, rolled copper products, and a range of other processed products, it has a wealth of products in stock. As a processing center, it makes proposals tailored to customer needs by taking advantage of extensive functions including quick delivery and small lot handling.

SHINSHO METALS CORPORATION https://shinshometals.co.jp/

Contributing to total cost reduction as a non-ferrous metals supplier: In 2019, Kobelco Tsutsunaka Trading Co., Ltd. merged with Nakayama Corporation and made a fresh start as Shinsho Metals Corporation. It sells aluminum, copper, stainless steel, and other nonferrous metal products in Japan and overseas. It does business with leading nonferrous manufacturers and processing manufacturers. Optimal products are proposed from a range of options, to be used for automobiles and semiconductor manufacturing equipment.

INAGAKI-SHOUTEN Co., Ltd. http://www.inagaki-shouten.jp/business/index.php

A long-established company founded in 1960, INAGAKI-SHOUTEN joined the Shinsho Group in October 2023: INAGAKI-SHOUTEN purchases copper, bronze, brass, aluminum, stainless steel, lead plates, etc., from a wide variety of manufacturers, and has a wide range of products by size, boasting the best lineup in western Japan. In particular, the company specializes in copper and aluminum forged products that utilize material inventories. In addition, it has realized short delivery times and handling of small lots through in-house cutting and in-house delivery, and its strength is the meticulous response to customer needs. In the future, INAGAKI-SHOUTEN will further differentiate itself from other companies by enhancing facilities and introducing DX and IT. The company will support the manufacturing efforts of small and medium-sized enterprises through its ability to respond effectively to long-established relationships with business partners.

Machinery Unit

MATSUBO CORPORATION https://www.matsubo.co.jp/en/

Contributing to new value creation with a combination of trading company and engineer functions: After Matsuzaka Trading Co. Ltd., the forerunner of MATSUBO CORPORATION, was established in 1955, the company focused on cutting-edge technology and provided new products and added value. In addition to providing technical and product information tailored to customer needs, it has an integrated system that includes consulting on engineering functions and facility remodeling, as well as after-sales services, and proactively provides products tailored to customer needs.

NIPPON GRANULATOR CO., LTD. http://www.granulator.co.jp/

Advanced technical capabilities to meet a diverse range of users: NIPPON GRANULATOR CO., LTD. was established in 1960, and developed a proprietary pulverizing and sizing machine for coffee beans. Since then, the company has manufactured and sold pulverizing and sizing machines for food, medicine, and chemicals. All manufacturing equipment is developed in-house, and the company has a high level of technical capabilities to develop original products that incorporate user requirements. NIPPON GRANULATOR CO., LTD. joined the group in May 2024 in view of its future potential and expansion of the Machinery Unit business, as Shinsho Corporation and MATSUBO CORPORATION expect to expand their new businesses by utilizing NIPPON GRANULATOR's technical capabilities.

Welding Unit

SC WELDING CORPORATION http://www.scwel.co.jp/english/index.html

Contributing to industrial manufacturing through unparalleled, total welding support: SC Welding is a long-established welding materials trading company established 81 years ago and consolidated by Shinsho Corporation in 2016. It sells Kobe Steel's welding materials and welding-related products to the distribution sector in Japan. The company will drive locally rooted, proposal-based sales activities fine-tuned to each customer and help offer high-quality products that meet customer needs. SC Welding will thus contribute to the growth of manufacturing companies, as well as to the development of society.

Implementation of Effective Compliance-related Activities

We are working on the establishment of a system for compliance with laws and regulations and other various initiatives under the "Ethical Code for Shinsho Group Companies."

Code of conduct

The Company has stipulated in the "Ethical Code for Shinsho Group Companies" that the Group will maintain a high level of corporate ethics and comply with laws and regulations and other social norms as well as the company rules, and formulated basic policies and specific action standards that all the Group officers and employees should observe.

Ethical Code for Shinsho Group Companies			
I Basic policies	▪We will maintain a high level of corporate ethics and conduct corporate activities trusted by society. ▪We will comply with laws and regulations and other social norms as well as the company rules, and act fairly and faithfully.		
II Action standards			
1. Fair transactions	We will comply with social rules and work to maintain and promote fair and free competition.	8. Prohibition of insider trading	We will never engage in any suspected act such as unfair trade of shares.
2. Compliance with international rules	We will work to comply with international rules and respect culture and customs of relevant countries.	9. Promotion of environmental preservation	We will actively address global environmental issues and always pay attention to the natural environment.
3. International cooperation	We commit ourselves to international cooperation and act from an international perspective.	10. Respect for intellectual property rights	We will work to protect and respect intellectual property rights.
4. Security trade control	We will thoroughly implement security trade control and work to maintain international peace and safety.	11. Communication with communities	We will work on social contribution activities as a good corporate citizen.
5. Disclosure of corporate information	We will work to disclose corporate information in a timely and appropriate manner to maintain transparency of management.	12. Respect for human rights	We will respect human rights of others and prohibit any and all sorts of discriminatory treatment.
6. Ensuring trustworthiness of financial reporting	We will work to maintain appropriateness of financial statements and related information and ensure trustworthiness of financial reporting.	13. Prevention of political corruption, etc.	We will never engage in any act that is suspected to be bribery and maintain relationships in moderation with public officials.
7. Thorough management of information	We will strictly manage customer information and other confidential information and will not leak such information to others without a legitimate reason.	14. Confrontation with anti-social forces	We will maintain a resolute attitude toward anti-social forces and organizations.

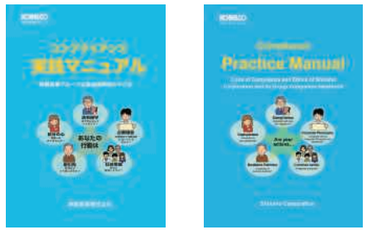
Compliance Committee

The Company has established the Compliance Committee as an advisory body to the Board of Directors, which discusses and deliberates basic policies, plans, systems, the status of education, and monitoring of matters related to compliance with laws and regulations of the entire Group on a semi-annual basis and reports the results to the Board of Directors. The Committee is chaired by the President and CEO, and the members consist of officers including Audit & Supervisory Committee Members and external attorneys at law.

Education and awareness raising

In order to ensure that the philosophy of the "Ethical Code for Shinsho Group Companies" is thoroughly understood by all employees, the "Compliance Practice Manual" has been delivered to all employees including those of affiliated companies within Japan and overseas. The Manual addresses themes that correspond to each action standard in the Ethical Code, giving easy-to-understand explanations on specific cases. In addition, handheld "Shinsho Group Compliance Cards" are also distributed to employees to ensure their continued awareness of compliance.

Furthermore, for all employees including those of subsidiaries, rank-specific training and various types of training with individual themes have been held face-to-face, through e-learning, or web-based streaming throughout a year since 2003. In addition to the foregoing, in recent years, we have also strengthened the training for Directors/Audit & Supervisory Board Members and held training sessions in a wide variety of fields including competition law, economic security, customs systems, and human rights on a regular basis.



"Shinsho Group Compliance Practice Manual": Provided in five languages (Japanese, English, Chinese, Spanish, and Korean)

Whistle-blowing system

The Company has established the Shinsho Group Whistle-blowing Contact Desk to detect any issues such as misconduct that may affect the Company in advance and ensure sound management.

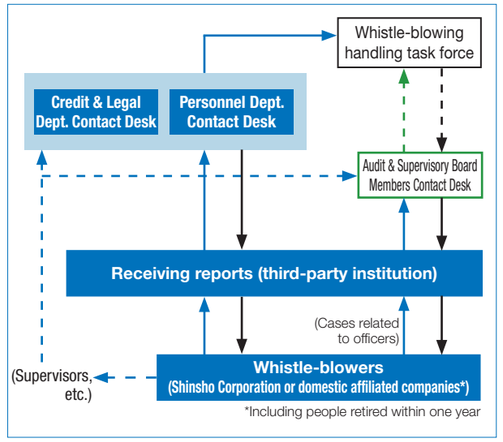
The Company renewed its whistle-blowing system in June 2022 and changed the method of receiving reports to one in which a third-party external vendor centrally receives reports, from a viewpoint of strengthening the way to ensure convenience and anonymity of employees, etc. This change has enabled whistleblowers to maintain their anonymity as they cannot be identified unless they disclose their information themselves.

In addition, the Company has established three internal desks to handle issues according to the details of reports and respective desks will carry out investigations and communication with whistle-blowers. If a case concerns any Director or officer, the Audit & Supervisory Committee Members Contact Desk established under the Audit & Supervisory Committee will handle the case to ensure independence from such Director or officer.

The Company's whistle-blowing system strictly maintains confidentiality so that whistle-blowers will not be treated disadvantageously due to the fact that they have made a report.

Information on the whistle-blowing system is widely notified through various training sessions, pamphlets, cards, etc.

Schematic view of the whistle-blowing system



Prevention of corruption

The "Shinsho Group Bribery Prevention Policy" was formulated in 2020, which prescribes "prohibition of offering of bribe to public officials and business partners" and "prohibition of acceptance of bribe from business partners." The Company has also notified business partners of its anti-corruption policy, and requires them to comply with laws, regulations, etc. which prohibit bribery. When engaging with a new business partner, we conduct qualification screening against the business partner using a checklist to assess corruption risk.

Compliance with the Subcontract Act

We have been focusing on compliance with competition laws, the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors (the "Subcontract Act") in particular. We regularly confirm the status of compliance with the Subcontract Act through collaboration between persons in charge of promotion of the Subcontract Act in sales departments and persons in charge in legal departments. In addition, we hold level-specific training on the Subcontract Act for all employees including those of subsidiaries in Japan at least once a year to raise the level of awareness of the Subcontract Act throughout the Group.

In January 2022, we registered ourselves as a company that supports the "Business Partnership Commitment" promoted by the Small and Medium Enterprise Agency under the Ministry of Economy, Trade and Industry. We will adhere to desirable trade practice between large procuring enterprises and subcontractors and actively work to correct trade practice and commercial practice which hinder building of partnerships with business partners.

Security trade control

● Overview of initiatives

From the viewpoint of maintaining international peace and safety, the Company is rigorously working on security trade control based on the Foreign Exchange and Foreign Trade Act to prevent leakage of cargoes or technologies that can be used for military purposes to such entities as nations which engage in development and other similar acts related to weapons of mass destruction and conventional weapons, as well as terrorists.

The Export Control Representative Council, in which the President and CEO has the ultimate responsibility for security trade control and which is chaired by the officer in charge of the Credit & Legal Department, has been established and works to prevent violation of laws and regulations and breach of internal regulations by sharing the latest information on related laws and regulations of various countries and promoting compliance.

The Company has established a voluntary management system related to security trade control required by the Ministry of Economy, Trade and Industry and conducts various measures including building of a transaction screening system for company-wide export control, regular internal audit, and internal education.

● Export Control Representative Council

As an advisory body to the Board of Directors, the Council is comprised of members who include the officer in charge of the Credit & Legal Department who is a chief officer responsible for security trade control, Audit & Supervisory Committee Members, members of the Credit & Legal Department, and persons responsible for export control in each sales unit, and discusses measures, policies, etc. related to export control operations.

Promotion of Activities in Global Environment

The Company has stipulated in its Basic Policy for Sustainability that "We are contributing to the establishment of the sustainable society that all people desire." Under the belief that activities friendly to the global environment are demanded for the creation of a sustainable future, we have confirmed that we will commit to such activities conducted on an ongoing basis as material issues.

Sales and head office departments have been collaborating to promote operation of the environmental management system (EMS), provision of products and services friendly to the global environment, and initiatives to reduce greenhouse gas.

Basic Environmental Philosophy

Standing our Corporate Philosophy, we deeply recognize that "a strong drive against environmental issues is the most indispensable for the subsistence and activities of the Company" and eventually challenge to realize "sustainable growth," positioning voluntary and active initiatives toward preservation of the global environment as one of its important management issues.

Environmental Core Values

1 Concern for the Environment

When pursuing business activity, we will take the preservation of the global environment into account and work to prevent pollution. We will also promote the handling of products that contribute to a better environment both in Japan and abroad.

2 Compliance with Environmental Laws and Regulations

When pursuing business activity, we will comply with all international treaties related to the environment as well as all related laws and regulations both in Japan and abroad, including voluntary guidelines. We will also adhere to all agreements with stakeholders and work to strengthen mutual understanding and cooperative relationships.

3 Efficient Use of Resources and Energy

We will contribute to the realization of a circular society through such means as efficiently using and reusing resources and energy, as well as protecting resources.

4 Establish and Continuously Improve Our Environmental Management System

Based on the environmental policies outlined here, we will establish an environmental management system and work toward continuous improvement through the implementation of a PDCA cycle.

5 Disseminate and Publicize Our Environmental Policies

We will notify all of our employees about our environmental policies and publicize them outside the Company.

Environmental management system

Environmental audit and ISO 14001 examination

The Company obtained ISO 14001 certification in 2000 and manages its environmental activities based on the certification. The maintenance and operation of the environmental management system are confirmed through the following audit procedures.

● Internal audit: Internal auditors who have completed annual internal or external EMS internal auditor training audit all departments (in January through April).

In addition, internal auditors are trained and receive education on a regular basis. In addition to deepening the understanding of ISO standards through their service as internal auditors, internal auditors can gain insights through audit of other departments on how to approach business that they cannot understand through business of their own departments only, or business in other domains, how to handle risks, and other matters. This will help internal auditors' their own departments as well.

ISO14001

● External examination: Examination by an external certified body conducted after the completion of the internal audit (in May through December). After passing the renewal examination, the whole Company receives an examination for two years as a regular examination. In the third year, the whole Company receives an examination simultaneously as a renewal examination.

Status of ISO 14001 certification (renewed in 2024)

The scope of examination for ISO 14001 is as follows.

Scope: Shinsho Corporation's Osaka Head Office, Tokyo Head Office, Nagoya Branch Office, Kyushu Branch Office, Kobe Branch Office, Chugoku Branch, Kakogawa Branch, Shizuoka Branch, Hokuriku Branch, Sapporo Branch and Tokuyama Office.

The Environment Committee confirms every year, by using the "Risk Management Action Plan" and the "Assessment List for Compliance with Related Laws and Regulations (ISO Format)," that subsidiaries in Japan and overseas which have not received examination concerning their status of risk management including the environment by a third-party certification body such as the ISO have implemented risk management including the environment.

System to promote environmental initiatives

The Environment Committee made a transition to the Sustainability Committee on June 24, 2022 and the persons in charge of the sustainability environment are appointed within the Committee. The officer in charge of the General Affairs Department is a member, and General Manager of the General Affairs Department is the promotion leader.

Compliance with environmental laws and regulations

Each site lists laws and regulations related to their departments' business in the "Assessment List for Compliance with Related Laws and Regulations" and submits the list to persons in charge of ISO at the beginning of each period. The names of laws and regulations (the Waste Management and Public Cleansing Act, the Act on Rational Use and Proper Management of Fluorocarbons, the Air Pollution Control Act, etc.) and the compliance processes are described in the list and the progress is checked on a semi-annual basis (at the end of the first and second halves). Persons in charge of ISO verify the lists and submit them to the Sustainability Committee.

TOPICS Investment in environmentally conscious businesses, etc.

● Investing in biotech companies leading the global bioeconomy

The Company invested in CHITOSE BIO EVOLUTION PTE. LTD. (head office: Singapore), which is the head company of the CHITOSE Group. The CHITOSE Group is a group of biotechnology companies that leads the world's bioeconomy. The Company aims to build a new resource-recycling business model by collaborating on carbon recycling using microalgae and new business development.

In addition, the Company will participate in "MATURI," a new industry development project based on algae led by the CHITOSE Group, and contribute to the realization of a sustainable society through the utilization of algae together with other participating companies.

Facilities of Chitose Laboratory Corp./NEDO (New Energy and Industrial Technology Development Organization)

● Obtained a management level B rating for CDP's Climate Change category

Our environmental actions and disclosure earned us a B score in the Climate Change category from the CDP, an international non-profit environmental organization that provides an environmental disclosure system.

In the survey, CDP requested disclosure of data related to an environmental impact, risks, and opportunities through its platform, and about 20,000 organizations around the world disclosed data through CDP.

The Company obtained a B score, which is called a management level, among the eight-point scale spanning from A to D-.

CDP DISCLOSURE INSIGHT ACTION

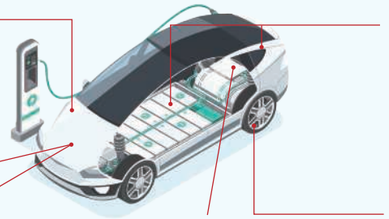
For more information: CDP website

Concern for the environment

Environmentally friendly products/Efficient use of resources and energy

The priority areas are "Automobiles," "Semiconductors," "Metal Recycling," "Biomass Fuels," "Decarbonization-related Equipment," and "Strengthening Response to Labor-saving Needs," and each unit is developing various initiatives.

Weight reduction of EVs and automobiles



Iron & Steel

Soft magnetic material (weight reduction of motor vehicles)

Handle steel materials with an outstanding magnetic feature (soft magnetic iron) produced by Kobe Steel. Contribute to improvement of functions to control electromagnetic parts, size and weight reduction and reduction of power consumption.

Non-Ferrous

IGBT heat sinks for automobiles (for EVs)

Heat sinks, indispensable for EVs. Offer high quality products to semiconductor manufacturers, after processing and assembling materials.

*IGBT: Insulated Gate Bipolar Transistor

Machinery

EV DC-DC (voltage step-down) converter for construction machinery

[EV for construction machinery] Handle equipment (DC-DC converter) that converts high-voltage current into low-voltage current in batteries mounted on EVs.

Non-Ferrous

Semiconductor lead frame for EVs

Sell lead frames used for semiconductors for xEVs to resin mold manufacturers, and which in turn sell them to semiconductor manufacturers.

Non-Ferrous

Aluminum plates for motor vehicles (weight reduction of EVs and motor vehicles)

Suzhou Shinko-Shoji Material processes and sells outer panels of EVs and materials for outer frames of battery cases for EVs in China, where EVs are growing rapidly.

Iron & Steel

Aluminum bolts (weight reduction of motor vehicles)

Export and sell wires for aluminum bolts used for engines and transmissions to Europe. Contribute to extension of the cruising distance through weight reduction, as aluminum weighs about one-third of iron.

Resource recycling businesses

Ferrous & Recycling Materials / Non-Ferrous

Scrap of materials (steel and aluminum)

Collect scrap metal such as iron and aluminum and sell iron to electric furnace manufacturers in Japan and overseas countries, and aluminum to melting furnace manufacturers in Japan. Contribute to resource recycling society.

Welding

Recycling of welding material spools

Pulverize welding material spools (welding material rolling table) used for welding at shipyards, and form and reuse them. Realize horizontal recycling.

Ferrous & Recycling Materials

Biomass fuels
(wood pellets and PKS)

Have concluded long-term fuel supply contracts with three biomass power generation stations in Japan, supplying biomass fuels.

Iron & Steel

KOBEMAG®
Application: Mount systems for solar panels, etc.

Handle KOBEMAG®, galvanized steel sheets with high corrosion resistance produced by Kobe Steel as materials for mount systems that support solar panels.

Machinery

Inverter compressors

Sell inverter compressors, inverter freezers, heat pumps to contribute to cost reduction through energy saving as well as reduction of CO_2 emissions.

Non-Ferrous

Closed loop for aluminum for motor vehicles

Purchase aluminum scrap from automakers, pulverize and select them at plants cooperating with the Company, and sell them to rolled aluminum manufacturers. The rolled aluminum manufacturers in turn sell them to automakers, thereby creating a closed loop.

NEWS

Established TRACK DESIGN INDIA PRIVATE LIMITED, a joint venture for construction machinery parts in India

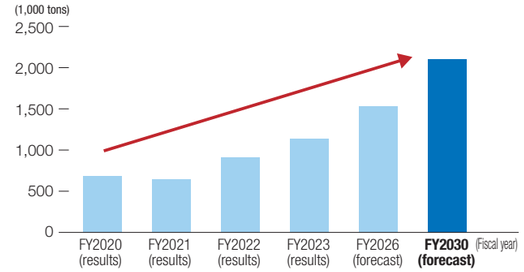
India, which has been growing steadily even after the COVID-19 pandemic, is expected to continue its long-term construction investments like mines, building infrastructure, and more. The Machinery Unit of the Machinery & Welding Division sees the construction equipment needs of this growing industry as a business opportunity. The market tends to be dominated by local manufacturers, however, so we formed a joint venture with the Korean forged parts manufacturer to establish a construction equipment parts manufacturing and sales company at the Mahindra Industrial Park in India. Commercial operation began in the first half of 2024.

Developments related to environmentally-friendly products

To date, Shinsho Corporation has worked with recycled raw materials and fuels like steel scrap, RPF*, wood shavings, and more to help create a circular society. We will expand our handling of biomass fuels like palm kernel shells (PKS) and wood pellets in order to contribute to Japan's renewable energy policies.

*RPF: Refuse derived paper and plastics densified Fuel

Achievements and future vision of environmentally-friendly products
(Iron scrap, biomass fuel, etc.)



TOPICS — Investment in environmentally conscious businesses

Acquiring shares of a company that aims to realize a decarbonized society through ultra-compact mobility

In March 2024, we invested in KG Motors Inc. Aiming to "realize a decarbonized society through ultra-compact mobility," KG Motors Inc. has been developing its original "Minimum Mobility EV." By investing in KG Motors, the Company will diversify suppliers related to the electrification of automobiles, create businesses that contribute to the realization of a sustainable society, and collaborate with suppliers of the Company.

For more information: press release

Ultra-compact EV "Minimum Mobility" developed by KG Motors

Participation in the afforestation business of early-maturing trees aiming at local production for local consumption of biomass fuel in the future

The Company began a demonstration project with Okumura Corporation, Marubeni Clean Power Corporation, and TAISEI CORPORATION to plant early-maturing tree species in the Shinko Industrial Park and Atsuta District in the city of Ishikari, Hokkaido. In this demonstration project, planted early-maturing trees will be used as part of the fuel at a biomass power plant in the city of Ishikari, and the possibility of energy businesses through local production for local consumption will be examined. We will strive to utilize regional resources (renewable energies) to achieve regional revitalization and CO_2 reduction at the same time, and to contribute to the "Ishikari-version Circular and Ecological Economy" that the city of Ishikari aims to build, while obtaining the understanding and cooperation of the people of the city of Ishikari, the administrative bodies, and various parties concerned.

In the future, we will actively promote businesses that utilize renewable energy, and aim to realize a sustainable society.

Tree planting

For more information: press release

Joint research for the effective utilization of woody biomass combustion ash generated from woody biomass power stations

The Company began joint research with Okumura Corporation and Muroran Institute of Technology for the effective utilization of woody biomass combustion ash (hereinafter referred to as "combustion ash") generated from woody biomass power stations. Although much of the combustion ash is disposed of as industrial waste, it is expected to be effectively utilized because it is originally plant-based and environmentally friendly. Focusing on the fact that when combustion ash is wetted with water, it shows strong alkalinity similar to slaked lime, we decided to start research aimed at effective utilization as an alternative material.

Woody biomass power generation is increasingly attracting attention as a renewable energy source. In addition to stable procurement of fuel, we aim to further contribute to the formation of a recycling-oriented society by cooperating in the effective utilization and commercialization of combustion ash emitted from power stations.

Combustion ash from biomass power generation

For more information: press release

Response to climate change

We understand that actions to address climate change are an important management issue and we work continuously to contribute to society in terms of climate change leveraging our abilities as a trading company, in addition to the reduction of the CO_2 emissions of the entire Group.

TCFD's disclosure recommendations and related initiatives

1. Governance structure

The Sustainability Committee (held twice a year), which is the center of the Company's sustainability management promotion structure, cooperates with the Risk Management Committee, which identifies and assesses risks. To address environmental problems including climate change, which is one of the important management issues faced by the Group, the Committee meets twice a year, deliberates and formulates basic policies, important items, etc., and monitors the progress of initiatives in cooperation with the Risk Management Committee, which is mainly in charge of the identification and assessment of risks. Results are regularly reported to the Board of Directors for the management and supervision of the reported activities.

2. Strategy and scenario analysis

The Company analyzed and assessed risks and opportunities related to the impact of climate change on the Group's business activities based on the 2°C scenario and the 4°C scenario provided by the TCFD, and sorted out countermeasures as described below.

The Company reviews the scenario analysis on a regular basis to work to improve the resilience of the Group against climate change.

<Risk analysis and countermeasures>

Category		Risk factor	Impact on business: Details	Financial impact: Revenue	Financial impact: Cost of sales	Financial impact: Gross profit	Measures addressing risk
Transition risks	Policies and regulations	● Progress in pricing GHG emissions ● Improved energy-saving policies	Rising purchase prices due to progress in the pricing of GHG emissions, including carbon taxes	–	↑	↓	● Reduction of the CO_2 emissions of supply chains in collaboration with suppliers ● Transition to handling environment-friendly products and equipment ● Transition to supplying raw materials that supports ironmaking methods with lower CO_2 emissions ● Initiatives for the introduction of renewable energy
			Decrease in the transaction volume of non-energy-saving conventional products	↓	–	↓	
			Decrease in the transaction volume of coal and other products with the following entities that emit large amounts of CO_2; Materials manufacturers, Blast furnace manufacturers, Power plants	↓	–	↓	
			Rising purchase prices due to increased costs associated with the energy transition for decarbonization	–	↑	↓	
	Technology	● Replacement of existing products/services with low-carbon options ● Upfront expenses associated with the transition to low-carbon technologies	Decrease in transactions of non-energy-saving conventional products	↓	–	↓	● Shift to transactions of environment-friendly materials ● Product development based on new technologies and research into market trends
			Decrease in transactions of steel products due to the transition to EVs and light-weight vehicles	↓	–	↓	
			Increase in additional expenses incurred by manufacturing subsidiaries and others for the introduction of new technologies	–	↑	↓	
	Market	● Change in consumers' behavior ● Soaring raw materials costs	Decrease in transactions of non-energy-saving products and products with high environmental burdens	↓	–	↓	● Transition through the promotion of co-firing using biomass fuels and the shift to biomass fuels ● Expansion of sales of steel products for parts other than engines ● Support for research that contributes to the reduction of emissions from entire raw materials value chains
			Decrease in transactions of coal and other fossil fuels due to decreasing demand	↓	–	↓	
			Decrease in transactions of internal combustion vehicle parts and manufacturing equipment	↓	–	↓	

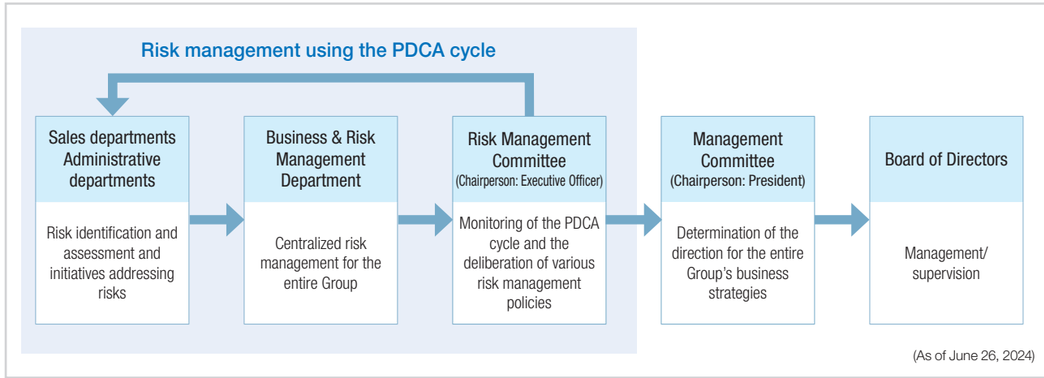
<Opportunity analysis and countermeasures>

Category	Opportunity factor	Impact on business: Details	Financial impact: Revenue	Financial impact: Cost of sales	Financial impact: Gross profit
Products and services	Development and expansion of low-carbon products and services	Increase in transactions of scrap for electric furnaces and fuels for biomass power generation	↑	–	↑
		Participation in businesses that include processes whose CO_2 emissions can be reduced	↑	–	↑
		Increase in transactions of environmental-friendly products	↑	–	↑
		Increase in transactions of recycled raw materials (various scrap, slag, and RPF)	↑	–	↑
		Increase in demand for copper and aluminum products for use with batteries in association with electrification	↑	–	↑
Market	Access to new markets	Increase in transactions of new parts and new materials due to the popularization of EV vehicles, including battery materials for EVs, magnets and other motor-related devices, and secondary materials	↑	–	↑
		Increase in transactions of environment-friendly, energy-saving and highly efficient machinery and equipment	↑	–	↑

3. Risk management

Climate change risk is recognized as a risk that affects the business continuity of the entire Group. Each division manages the identification, assessment, and initiatives of risks through the Risk Management Action Plan, and the Business & Risk Management Department centrally manages the PDCA cycle. In addition, the Risk Management Committee monitors the status of operation of the PDCA cycle, discusses an array of measures and policies for the appropriate management of risk. The Committee submits the results to the Management Committee, which discusses the direction for management such as business strategies, for deliberation to enhance the risk management system of the entire Group.

The Management Committee reports the issues that it determines to be important regarding management strategies to the Board of Directors.



4. Metrics and targets

Initiatives to reduce CO_2 emissions

For the initiatives being taken by the Group to reduce CO_2 emissions, we have set the following long-term targets based on the CO_2 emissions in FY2018 (Scopes 1 and 2) and have decided to promote the introduction of green energy.

[CO_2 reduction targets]

2018 (base year) 44,797t

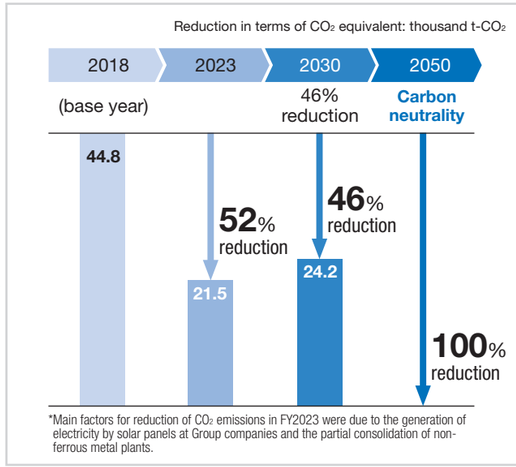
↓

2030 Reduce emissions to 46% of the emissions in the base year by 2030

↓

2050 Achievement of **carbon neutrality**

We will also promote initiatives for a carbon-free society and expand the content of disclosure (Scope 3, etc.).



Employee Growth Story

I have been in charge of importing biomass fuel since I joined the company. By collaborating with sales staff from the beginning, I was able to feel that I was creating something as a team, and I was highly motivated to tackle with my work. I am still receiving a lot of follow-up from my seniors, but I can now proceed with work that is more voluminous than I initially did without any problems, and I feel my personal growth as I have been able to increase the actual volume. In addition, I feel that it is important to actively communicate and share information with sales personnel, and to closely manage contract terms that differ depending on the business partner. In the future, I would like to contribute to tomorrow's manufacturing by engaging in decarbonization and other environmental considerations through the import of biomass fuels. My motto is to live every day happily and with a lot of laughter. I want to be a warm person who makes others want to go back to the office even when they are tired.

Mako Satake, Environment & Recycling Department
(Joined the Company in 2022)

Efforts Focused on Ensuring Diversity of Human Resources

The Company works on various measures based on the belief that it is important to create new value and a competitive edge through active participation by human resources with diverse values and ideas. Led by the Diversity Promotion Project Team established in October 2022, the Company is pushing ahead with its efforts to foster a culture in which employees' individual characteristics and abilities can be fully demonstrated.

FY2030 Targets

Females

① **Ratio of women in career-track positions and women who desire to change their course to area-limited career-track positions among regular recruits of each year: at least 40% on an ongoing basis** (52.9% as of the end of the fiscal year ended March 31, 2024)
② **Ratio of women in managerial positions: at least 10%** (2.8% as of the end of the fiscal year ended March 31, 2022)
③ **Ratio of women in career-track positions: at least 20%** (14.8% as of the end of the fiscal year ended March 31, 2024)

Global human resources

① **Allow locally-hired staff of overseas subsidiaries to work at the head office to develop executive candidates**
② **Transfer locally hired staff between overseas subsidiaries to support business originating from overseas sites**
③ **Hire non-Japanese mid-career recruits**

Overview of diversity initiatives

The Company places the promotion of diversity among the material items in its management issues. Based on interviews with our employees and with other companies in the same industry, we sorted out issues to be addressed and put together measures to be taken in order of priority. At present, progress is being made in Stage 1 in terms of deepening understanding and cultivating culture and climate, and in Stage 2 in terms of developing systems and environments and revitalizing communication.

From FY2022 **From FY2024**

	Stage 1 (Implemented)	Stage 2	Stage 3
Issues to be addressed	Spread understanding of the significance of promoting diversity	Improve the system and environment to help employees balance childcare/nursing care and work	Create new values (innovation)
	Create new culture and climate	Stimulate internal and external communication	
Measures	● Communication ● Training	● Communication ● Training ● Environment ● System	● Communication ● Training ● System ● Environment
Major events (● color corresponds to the color of the measure)	● Lunchtime sessions to understand diversity ● Social gatherings among specialized trading companies in the same industry and projects ● Distribution of GLOBIS's enlightenment videos ● Training to prevent unconscious bias	● Socializing events for employees (e.g., roundtable talks for mothers and fathers, collaborations with other specialist trading companies, and family days) ● Training to help employees balance childcare/nursing care and work ● Diversity management training ● Support systems targeting employees on childcare leave and departments they belong to ●●● Interview with overseas subsidiaries and preparation to receive locally-hired staff at head offices	● External socializing opportunities on D&I (including affiliated companies) ● Internal point system ● Work style reforms, etc. ● Proposal for a flexible personnel system ●●● Promotion of overseas hiring ●●● Promotion of training and internal job transfer of locally-hired staff ● Promotion of cooperation with affiliated companies ● Obtaining social certifications (Kurumin certification pending)

2nd Stage Event: Pick up!

Pick up!

Family Day held at Tokyo Head Office (in July 2024)

The event was held at the Tokyo Head Office for the Company and its employees to convey their appreciation to their families. About 90 people, including employees and their families, participated in the event, deepening their understanding of the Company's work environment and business. The event was well received, with comments from participants such as "I'm glad I was able to introduce my family to my colleagues" and "It was an opportunity to interact with people I don't usually talk to." In the future, we plan to hold Family Days that take advantage of the good aspects of each base.

Securing and developing diverse human resource

Initiatives to promote the advancement of women

Reflecting its efforts to leverage diversity, the Company strives to respect humanity, and to maintain and improve comfortable work environments. While doing this, it aims to respond to various needs and generate new value. These efforts also include promoting the advancement of women and initiatives to achieve work-life balance, which are positioned as issues of key importance. The Act on the Promotion of Women's Active Engagement in Professional Life, enforced from April 1, 2016, is the basis for the formulation of the Company's action plan. In addition to the initiatives and activities to date, we will promote action to an even further extent.

From a perspective of the advancement of women, the Company abolished previous restrictions on appointment to managerial positions depending on the professional groups at the time of joining the Company, and revised the personnel system in FY2022 to allow employees to change their courses to aim for a career path to a managerial position or to an area-limited career-track position after joining the Company. This revision has led to an increase in the percentages of women in career-track positions and managerial positions. Going forward, we will implement various initiatives while continuing activities to appoint women to managerial positions and enable them to work with enthusiasm.

	Item	Purpose
Action plan based on the Act on the Promotion of Women's Active Engagement in Professional Life (For the period until March 31, 2026)	● Setting target rates for hiring and appointment ● Making it possible to take leave flexibly ● System for change of professional groups ● Flextime work system ● Work from home system	● To strengthen recruitment and promote participation ● To enhance retention ● To expand areas of responsibility and create growth opportunities ● To promote autonomous work styles ● To take lifestyles into consideration

Initiatives to support employees with childcare

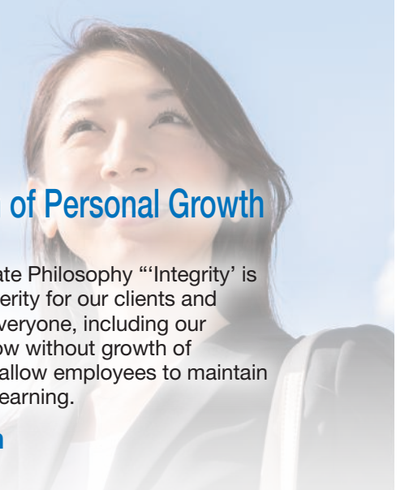
We are working to establish a working environment that is friendly to all employees, allowing them to balance work and childcare.

	Target	Initiatives
Action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children (for the period until March 31, 2026)	1. Promotion of male employees taking childcare leave **Percentage of eligible male employees taking childcare leave within the plan period: 50% or higher** 2. Notification regarding various systems related to supporting the development of the next generation 3. Promotion of diverse and flexible workstyles	**Percentage of male employees taking childcare leave** **Actual percentage in the fiscal year ended March 31, 2024: 78.6%** Number of male employees who took childcare leave, etc.: 11 Number of male employees whose spouses gave birth: 14 ● Thorough dissemination of introduction and utilization methods of systems related to childcare, etc. ● Implementation of return-to-work interviews with employees who took long-term childcare leave ● Continued implementation of work-life balance support training and expanding the scope of training ● Holding roundtable talks for mothers and fathers ● Holding of Family Days Notification of systems and introduction of examples through the Intranet and the Company's in-house magazine ・Implementation of balanced career development training (target: managerial employees who are raising children) ・Implementation of diversity management training (target: managerial employees) Roundtable talks for mothers and fathers For more information: the Company's website

Employee Growth Story

I am in charge of consolidated financial statements and disclosure operations to accurately understand the status of the entire Group. As I have opportunities to frequently communicate with the local staff of Group companies around the world regarding accounting treatment, I feel that I can work globally even though I am in Tokyo. When I joined the Company, I felt that it was difficult to balance childcare and work, but as I have been able to maintain a good work-life balance and continue working, I feel that the environment has improved compared to before. I would like to experience overseas posting with my child someday.

Airi Oshima,
Finance & Accounting Department
General Accounting Department
(Joined the Company in 2012)



Creation of Foundation and System to Support Realization of Personal Growth

People have been the Company's assets since the foundation. Under the Corporate Philosophy "'Integrity' is Shinsho Corporation's company motto. We are committed toward securing prosperity for our clients and shareholders through the creation of new values," we have set the prosperity of everyone, including our employees, as our foundation. In addition, we believe that "companies cannot grow without growth of individuals," and therefore, have systems of training and skill development which allow employees to maintain their basic motivation to develop themselves (goals) and promote their proactive learning.

Personal growth and self-expression

Stage		What to learn through practical operations		What to learn through training	
		Global business	Area	Management skills	Work-related skills
5	Managerial positions	Management experience	—	General manager training	Team management Narrative communication Knowledge management Strengthening expertise Business innovation
4		Experience in management positions Operations in specialized areas Sustainability	Project leader Sustainability	Organization and human resources management	
3	Non-managerial positions	Overseas experience Project leader New business development Coordination and negotiation	Promoting DX Improving productivity Compilation of manuals Streamlining operations	Management skills (basic and applied)	Creation of new businesses Improving productivity Time management Facilitation
2					
1		Basic operations	Routine operations	Logical thinking Problem resolution	OA Skills Prevention of administrative errors

Amount of the investment in human resource development in FY2022
142 million yen

Per employee investment
252 thousand yen

Learning time
64.1 hours

Language | DX/No-code | Diversity | Career autonomy

Common lessons for all employees

Global human resources

The Company is working actively to expand business overseas, and thus, places importance on the development of global human resources.

We believe that it is essential to strengthen the language competency and the ability to understand and adapt to different cultures to create new value, and therefore, we have introduced various training programs for young employees. For example, now that restrictions on movement imposed during the spread of COVID-19 are lifted and ground has been laid for overseas trips, we invited employees who wish to go abroad to learn business skills in preparation for the creation of new values to apply for overseas dispatch training, and selected two employees in FY2023.

We believe that it is essential to strengthen the language competency and the ability to understand and adapt to different cultures to create new value, and therefore, we will continue exploring ways to improve and increase training programs.

Employee Growth Story

Dispatched to: EF Sydney, New South Wales, Australia
Participated program: Advance Diploma in English for Business course

Yuji Sudo, Nagoya Machinery Group, Industrial Machinery Department, Machinery Unit, Machinery & Welding Division (Joined the Company in 2016)

What I participated in was a program where I left my company mobile phone and personal computer in Japan and fully concentrated on learning English. I was able to learn a wide range of subjects from general classes such as grammar and listening to classes specialized in business. In addition, there were many presentations and extracurricular activities, so I not only improved my English skills, but also had a wonderful experience that was positive for my personal growth as a sales person. In the future, I will leverage this experience to develop new overseas markets and increase transactions while cooperating with the people around me.

Dispatched to: Washington State University
Course: Global Business Certificate Program

Kota Ozaki, Section1 Tokyo Raw Materials Department, Ferrous & Recycling Materials Unit, Metals Division (Joined the Company in 2020)

In addition to being able to learn basic knowledge and trends of global business, I also worked on creating a marketing plan by actually forming a team, and launching, planning, and managing projects based on the plan. Active managers from Amazon and Microsoft, as well as marketers active around the world, took the stage as speakers, and we were able to receive more practical lectures based on the challenges faced by the speakers themselves and success stories. There were times when I felt sorry for my English level, but through this experience, I developed a sense of independence and a positive attitude toward everything.

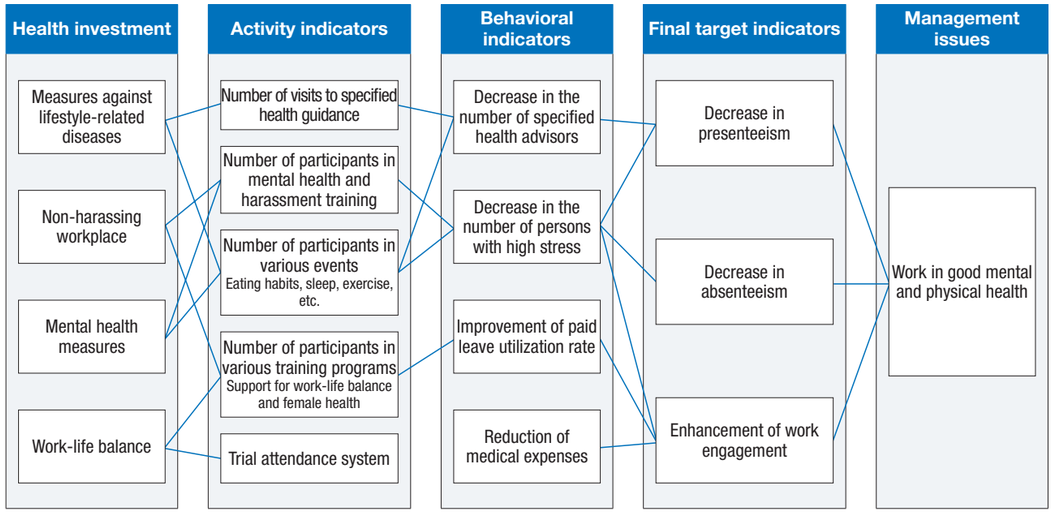
Health and productivity management

In the Medium Term Management Plan 2026 (the "New Mid-term Plan"), as one of the three human resources strategies in human capital management, we set "personal growth and higher motivation for contribution," with the theme of "Create a healthy work environment both mentally and physically." The Company is certified as a corporation under the Certified Health & Productivity Management Outstanding Organizations Recognition Program 2024, and aims to further strengthen the mental and physical health of employees and enhance their empowerment.

Under the New Mid-term Plan, we will focus on activities that encourage employees to change their mindset through various events and training, and aim to become a dynamic organization where employees can experience well-being through hands-on experience.

2024 健康経営優良法人 Health and productivity

Health and productivity management strategy map



Promotion of health management

Believing that it is an important duty of a company to maintain and promote the health of its employees, the Company established the "Health and Productivity Management Declaration" in 2022. We are taking proactive steps to manage employee health, including by increasing the screening items of regular health checkups available to all employees and appointing industrial physicians and public health care nurses, with opportunities made for employees who request to consult about the results of medical examinations and other matters. In addition, given the transformation to the economy and industrial structure of recent years, there has been an increasing rate of workers who feel worried, anxious or stressed about their jobs or career lifestyle, which is said to be leading to a rising trend of emotional disorders. Shinsho has established a system where employees can consult with mental health experts such as clinical psychologists about their worries and concerns in the workplace and in their private lives, and we also provide support for the mental health management of our employees.

Health-related data (FY2023)

① Regular health checkup attendance rate	**100%**	④ Those maintaining desirable weight	**71.4%**
② Stress check attendance rate	**96.2%**	⑤ Those who habitually exercise	**16.9%**
③ Smoking rate	**24.6%**	⑥ Those getting enough sleep	**57.3%**

*① and ② covers all employees, while ③ through ⑥ are figures for those aged 40 or older but below 75 who are eligible for specific health checkups. Calculated excluding those on overseas assignment and on leave of absence (childcare leave, maternity leave). ④ represents those with BMI below 25 being defined as maintaining desirable weight. ⑤ represents those who engage in physical exercise daily for at least 30 minutes being defined as exercising habitually.

Strengthening the Governance Structure

We are enhancing corporate governance, a foundation for sustainable growth.

Basic views on corporate governance

The Company transitioned to a Company with an Audit & Supervisory Committee, following a resolution at the 106th Ordinary General Meeting of Shareholders held on June 26, 2024, with the aim of realizing more transparent management by having the Audit & Supervisory Committee, of which the majority of members are Outside Directors, audit and supervise the legality and validity of business execution, and building a system that can more accurately meet the expectations of stakeholders in Japan and overseas. As a result of the transition to a Company with an Audit & Supervisory Committee, it has become possible to delegate the authority of the Board of Directors to Directors to make decisions on business execution, and the Company will aim to further speed up management decision-making and business execution.

Corporate governance structure

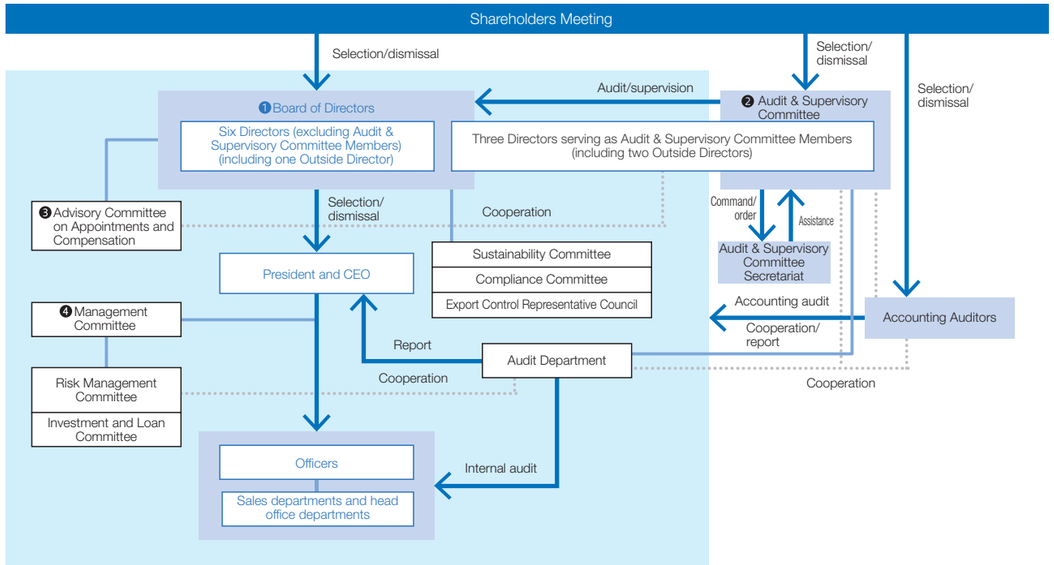
❶ Board of Directors (met 20 times in FY2023)
The Board of Directors consists of nine Directors (of which three are Outside Directors) and, in principle, meets at least once every month. The Board serves as a decision-making body, as well as a body that supervises business execution of Directors and Officers. Specifically, it discusses and makes decisions on important matters on management, and also receives quarterly reports from all Directors and Officers on the execution of their duties and the state of business performance.

In addition, the Sustainability Committee, which is an advisory body to the Board of Directors, regularly reports the status of its activities to the Board of Directors, and the Board of Directors appropriately monitors the sustainability activities of the Company.

The main agenda of the Board of Directors meetings in FY2023 was as follows.

Management strategies	Formation of the Medium Term Management Plan
Governance	Evaluation of the effectiveness of the Board of Directors, risk management, important personnel affairs and compensation of the Company such as Directors and Officers, and organizational design (transition to a Company with Audit & Supervisory Committee)
Investment and business restructuring	Business plans, capital investment plans, and other important investments and business restructuring projects

[Advisory bodies]
- Sustainability Committee (refer to p. 29 for details)
- Compliance Committee (refer to p. 49 for details)
- Export Control Representative Council (refer to p. 50 for details)



❷ Audit & Supervisory Committee (Audit & Supervisory Board met 10 times in FY2023)
The Audit & Supervisory Committee consists of three Audit & Supervisory Committee Members (of which two are Outside Directors) and formulates annual audit policies, audit plans, etc. Directors serving as Audit & Supervisory Committee Members attend important meetings, such as Board of Directors and Management Committee meetings and keep track of the state of corporate management and overall business. In addition, they browse and look into important documents, creating a structure to constantly monitor execution of duties of Directors (excluding Directors serving as Audit & Supervisory Committee Members).

❸ Advisory Committee on Appointments and Compensation (met 4 times in FY2023)
The Advisory Committee on Appointments and Compensation was established to ensure transparency and fairness of the decision-making process of the Board of Directors. It is chaired by an Independent Outside Director, and a majority of its members are Independent Outside Directors/Audit & Supervisory Committee Members. The Committee selects Directors and deliberates on Directors' remuneration, etc.

● Appointment of Outside Directors
We consider it important that our management is monitored from an external, objective, and impartial standpoint. We therefore select Outside Directors/Audit & Supervisory Committee Members who have expertise and experience in corporate management. This strengthens the function to monitor corporate management, specifically decision making and business execution.

❹ Management Committee (met 15 times in FY2023)
The Management Committee serves as an advisory body for the President and CEO, and consists of full-time Directors, Officers, and Directors serving as full-time Audit & Supervisory Committee Members. The Committee deliberates in advance on important matters discussed by the Board of Directors. It also discusses other important matters including business strategies and other directions of management, and considers and reports on specific actions to be taken.

[Advisory bodies]
- Risk Management Committee (refer to p. 69 for details)
- Investment and Loan Committee
  To manage risks and improve capital efficiency in investments and loans, the Investment and Loan Committee discusses the appropriateness of investments and loans in light of internal criteria, and works to minimize risks.

● Independence of Outside Directors/Audit & Supervisory Committee Members
In addition to the provisions concerning Outside Directors in the Companies Act, we have established the "Independence Standards for Outside Directors/Outside Audit & Supervisory Committee Members," referring to the Tokyo Stock Exchange's standards for independence of independent directors/auditors. In accordance with our standards, we confirm that the independence of candidates for Independent Outside Directors/Audit & Supervisory Committee Members is secured in terms of their substance as well as their qualifications, backgrounds, and knowledge.

[Independence Standards for Outside Directors/Audit & Supervisory Committee Members]

	Item	Standards	Requirements concerning past years/ Requirements concerning relatives
1	A major business partner of the Group or an executor of business thereof	A business partner whose amount of transactions accounted for more than 2% of the Group's consolidated net sales in the immediately previous fiscal year	● A person who has fallen under any of the items on the left in the past three years ● A relative within second degree of kinship to a person who falls under any of the items on the left
2	A person whose major business partner is the Group or an executor of business thereof	A person whose amount of transactions to the Group accounted for more than 2% of the person's consolidated net sales or total revenue in the immediately previous fiscal year	
3	A principal shareholder of the Company or an executor of business thereof in the case that such shareholder is a corporation	A person who, directly or indirectly, owns 10% or more of all the voting rights of the Company	
4	A consultant, accounting professional such as a certified public accountant or legal professional such as an attorney-at-law who receives money or other financial benefit from the Group excluding remuneration for Director/Audit & Supervisory Board Member. (If a corporation or an association, etc. receives such financial benefit, a person who is affiliated with such organization)	A person who received financial benefit amounting to more than 10 million yen from the Group, excluding remuneration for Director/Audit & Supervisory Board Member in the immediately previous fiscal year	
5	A person who receives a large amount of donations from the Group or an executor of business thereof	A person who received financial benefit amounting to more than 10 million yen from the Group in the immediately previous fiscal year	
6	An executor of business of a company of which the Group is a principal shareholder	A person of which 10% or more of all the voting rights is owned by the Group	
7	A financial institution that is a principal lender to the Group or an executor of business of the parent or a subsidiary of such financial institution	A financial institution from which borrowings at the end of the immediately previous fiscal year accounted for more than 2% of the Company's consolidated total assets	
8	Other	A person with special reasons that prevent him/her from fulfilling duties as an Independent Outside Director/Audit & Supervisory Board Member, such as those that may cause conflict of interests with the Company	—

Separation of management and execution

We have adopted an executive officer system, where there is a clear division of roles between managerial decision making and business execution. Under the Board of Directors' supervision, Officers (including those serving concurrently as Representative Directors or Directors) selected by the Board of Directors execute matters delegated to them in accordance with rules and regulations covering the management authority. We thus work toward speedy and efficient corporate management. Every quarter, Executive Directors and Officers report to the Board of Directors on the state of business execution, including performance of departments.

Other special circumstances that may have a significant effect on corporate governance

The Company is an equity-method affiliate of Kobe Steel, Ltd., with which the Company has continuous business transactions. The Company does not have officers who concurrently serve as an officer of Kobe Steel. In addition, the Company conducts business operations based on management policies and strategies that are independent of the Kobelco Group, and the Company recognizes that the independence of management is secured.

In order to use trademarks, etc. held by Kobe Steel, the Company has entered into a "Head Office Management Brand License Agreement" with Kobe Steel. Although the status of the Company's subsidiaries, etc. is reported based on the agreement, it is from the perspective of maintaining the trust of the brand, and Kobe Steel is not involved in the decision-making of the Company.

Remuneration for Directors/Audit & Supervisory Board Members and its determination process

As it is also important to provide incentives so that our management team takes risks appropriately and engages in active business management, in determining remuneration, the Company has introduced in our remuneration system Employee stock ownership plan trusts as long-term incentive remuneration, in addition to monetary remuneration consisting of fixed remuneration and performance-linked remuneration which is short-term incentive remuneration. Through the system, we will strive to effectively motivate the team to increase our corporate value continuously and over the medium to long term.

Remuneration for Executive Directors

Remuneration paid to Executive Directors is the sum that includes remuneration for Officers and determined through a resolution of the Board of Directors after deliberation by the Compensation Advisory Committee.

The remuneration consists of rank-specific fixed remuneration and performance-linked remuneration. However, in addition to the foregoing, the Company introduced a new stock compensation plan in FY2022, upon obtaining approval at the 104th Ordinary General Meeting of Shareholders held on June 24, 2022, for Executive Directors and Officers (excluding Outside Directors and non-residents of Japan; hereinafter, "Directors, etc."), with the aim of further boosting their motivation to contribute to improvement of the medium- to long-term business performance and maximization of corporate value. As a result of the introduction of the plan, remuneration for Directors, etc. consists of fixed remuneration, performance-linked remuneration as a short-term incentive, and stock compensation as a long-term incentive. Remuneration for Outside Directors, who are independent of business execution, continues to consist only of fixed remuneration, because they are in charge of the role of a supervisory function.

The upper limit of the remuneration for Executive Directors has been resolved at the 106th Ordinary General Meeting of Shareholders held on June 26, 2024, to be 352 million yen per year (out of which, 29 million yen per year for Outside Directors). Stock compensation, which is non-monetary remuneration for Directors, etc. is set separately from the upper limit from the perspective of operation of the system.

Remuneration for Directors serving as Audit & Supervisory Committee Members

Remuneration paid to Directors serving as Audit & Supervisory Committee Members consists only of fixed remuneration from the perspective of their role and independence. As for the amount of remuneration for individual Directors serving as Audit & Supervisory Committee Members, the amount of remuneration according to job duty and responsibility of each Director serving as Audit & Supervisory Committee Member is determined through discussion by the Audit & Supervisory Committee within the scope of the total amount of remuneration for Directors serving as Audit & Supervisory Committee Members.

The upper limit of the remuneration for Directors serving as Audit & Supervisory Committee Members has been resolved at the 106th Ordinary General Meeting of Shareholders held on June 26, 2024, to be 75 million yen per year (out of which, 33 million yen per year for Outside Directors).

Roles and activities of the Compensation Advisory Committee

As an advisory body to the Board of Directors, the Compensation Advisory Committee deliberates on the appropriateness of the amount, etc. of remuneration for Directors/Audit & Supervisory Board Members and submits its opinions to the Board of Directors.

The Compensation Advisory Committee deliberated on whether the amount of remuneration for Directors/Audit & Supervisory Board Members for the current fiscal year was appropriate in view of the basic policy on corporate governance stipulated in Japan's Corporate Governance Code. Afterwards, the Board of Directors passed a resolution on the amount of remuneration for Directors/Audit & Supervisory Board Members, and the amount was set within the maximum amount approved by the General Meeting of Shareholders.

Details of performance-linked remuneration

<Performance-linked remuneration>

Performance-linked remuneration as a short-term incentive is evaluated on a 14-point scale, based on such factors as the degree of achievement of performance targets and comparison with the results of the previous fiscal year of group-wide consolidated financial results and financial results of departments they are in charge, respectively, using ordinary profit, which is a short-term numerical target for performance management, as a benchmark.

If a person receives the lowest rating rank under the 14-point scale, performance-linked remuneration is not paid to the relevant person. Meanwhile, in the case of the highest rating rank, the amount of performance-linked remuneration is predetermined at around 33% to 58% of the fixed remuneration for each job rank, and the higher the level of responsibility for performance, the higher the ratio of the amount of performance-linked remuneration to the remuneration, etc. will be.

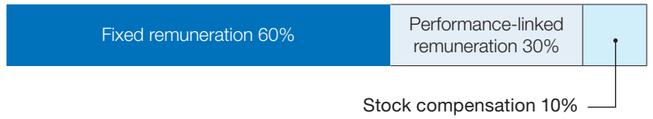
<Stock compensation>

For stock compensation, as a long-term incentive, the number of points is determined every year based on the standard amount for each job rank in accordance with the Policy on Distribution of Shares, so that such number of points remains around 10% of total remuneration, and such points are granted on June 1 of each year. One point is converted to one share in common shares of the Company, and an Executive Director who retires from office of Director will receive shares, etc. according to the number of points that have been accumulated.

Remuneration for Directors/Audit & Supervisory Committee Members by category

Category	Remuneration for Directors/Audit & Supervisory Committee Members			Notes
	Fixed remuneration	Performance-linked remuneration	Stock compensation	
Executive Directors (excluding Outside Directors)	○	○	○	The remuneration system aims to raise motivation toward performance improvement and corporate value increase.
Outside Directors	○	–	–	Outside Directors earn only fixed remuneration, which encourages them to fulfill their expected oversight role (monitoring the management from an independent standpoint).
Directors serving as Audit & Supervisory Committee Members	○	–	–	Audit & Supervisory Committee Members earn only fixed remuneration, which encourages them to fulfill their expected role of auditing Directors' execution of duties from an independent standpoint.

Breakdown of remuneration for Directors/Audit & Supervisory Board Members*1



*1 The model assumes that 100% of the reference value set by the Company is paid. The breakdown above may change depending on company performance, share price fluctuations, and other factors.

Actual remuneration for the fiscal year ended March 31, 2024*2

Category	Total amount of remuneration, etc. (million yen)	Total amount of remuneration, etc. by type (million yen)			Number of eligible Directors/Audit & Supervisory Committee Members
		Basic remuneration	Performance-linked remuneration	Non-monetary remuneration	
Directors (Outside Directors)	193 (15)	129 (15)	49 (—)	14 (—)	6 (2)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	67 (14)	67 (14)	— (—)	— (—)	5 (2)

*2 The stock compensation for Directors (excluding Outside Directors and non-residents of Japan) is the amount recognized as expenses in the current fiscal year. As for the stock compensation, it was resolved at the 104th Ordinary General Meeting of Shareholders held on June 24, 2022, that money of up to 280 million yen is to be put in trust for Directors, etc. every covered period (five fiscal years), and that the upper limit of the total number of points granted to Directors, etc. through the trust is 16,000 points per fiscal year.

Composition of Directors/Audit & Supervisory Committee Members

<Directors (excluding Directors serving as Audit & Supervisory Committee Members)>

Hironobu Takashita
President and CEO

Masahito Adachi
Representative Director and Senior Executive Officer

Satoshi Nishimura
Representative Director and Senior Executive Officer

Shinji Urade
Director, Executive Officer

Jun Takahashi
Director and Officer

Yoshio Tano
Outside Director

<Directors (Audit & Supervisory Committee Members)>

Yasuyuki Watanabe
Director and Audit & Supervisory Committee Member

Hiroko Kaneko
Outside Director and Audit & Supervisory Committee Member

Miyuki Nakagawa
Outside Director and Audit & Supervisory Committee Member

<Officers>

Executive Officer	Shinya Yoshida	Officer	Yutaka Koba	Yoshiyuki Nakagawa
	Masaaki Takada		Toshinori Fujiwara	Tatsunori Takebayashi
	Akira Ichikawa		Mitsuharu Karikomi	Shigeru Umemori
	Kanehisa Ueda		Ryosuke Misawa	

WEB Please see our website for details.
https://www.shinsho.co.jp/english/info/executives.html

Years in position, skills matrix, and board meeting attendance

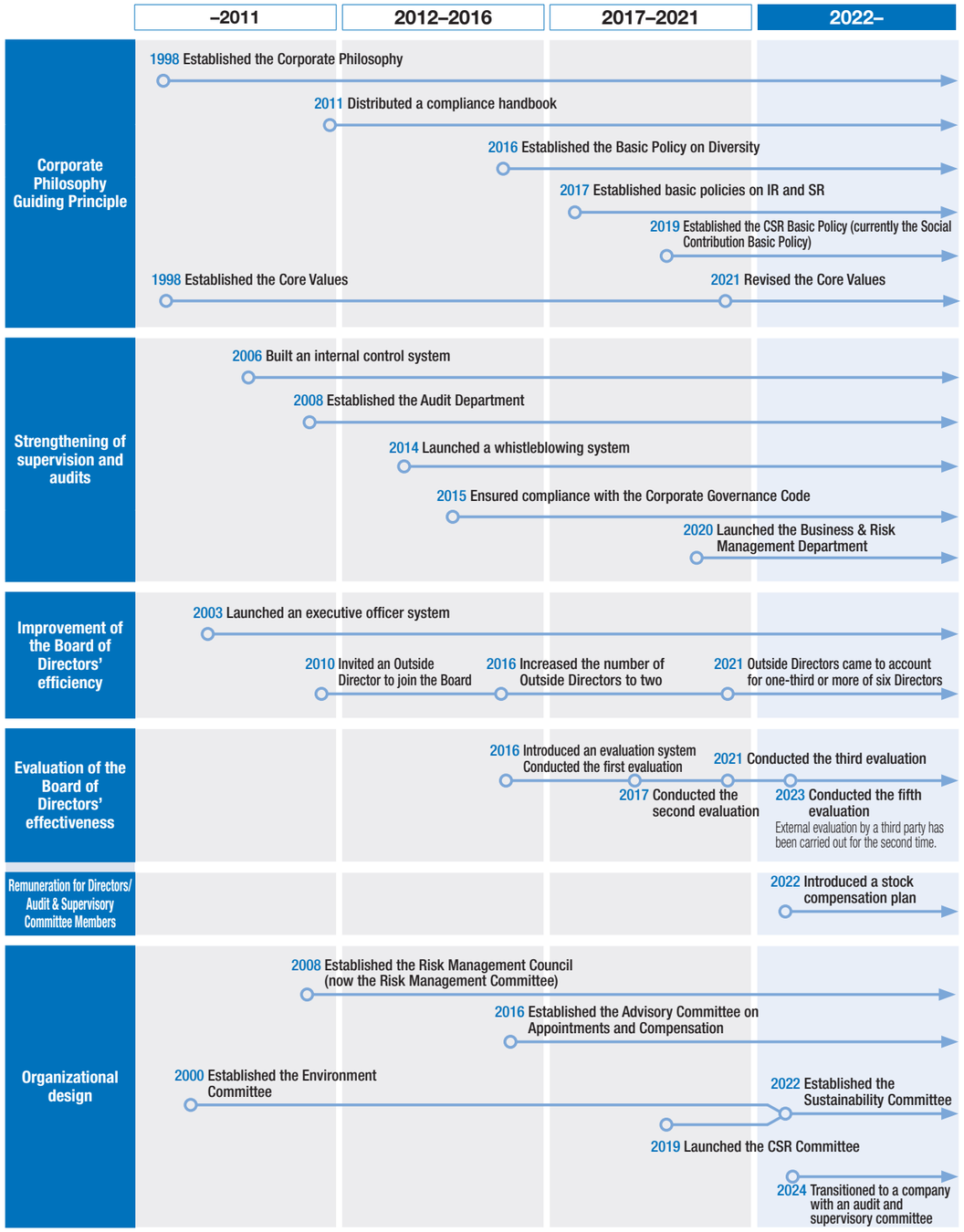
In order to realize the Company's Corporate Philosophy and management plan and enhance the corporate value of the Company and the Group, the Company has identified six skills that it expects from Directors: ① management experience, ② global perspective, ③ sales and marketing, ④ treasury, accounting, and finance, ⑤ legal affairs and compliance, and ⑥ sustainability and governance. The skills possessed by each Director are as below.

Name and Position	Years in position	Board meeting attendance (FY2023)		Expertise of Directors					
		Board of Directors	Audit & Supervisory Board	Corporate management	Global business	Sales/ Marketing	Finance/ Accounting	Legal/ Compliance	Sustainability/ Governance
Hironobu Takashita Representative Director, President and CEO	New	—	—	○		○	○	○	○
Masahito Adachi Representative Director and Senior Executive Officer	2	20/20 100%	—	○	○	○			○
Satoshi Nishimura Representative Director and Senior Executive Officer	New	—	—	○	○	○			○
Shinji Urade Director and Executive Officer	New	—	—	○	○	○			○
Jun Takahashi Director and Officer	New	—	—	○		○	○		○
Yoshio Tano Outside Director	2	19/20 (95%)	—	○	○				○
Yasuyuki Watanabe Director and Audit & Supervisory Committee Member	3	20/20 100%	—	○	○		○		○
Hiroko Kaneko Outside Director and Audit & Supervisory Committee Member	5	19/20 (95%)	9/10 90%		○			○	○
Miyuki Nakagawa Outside Director and Audit & Supervisory Committee Member	2	20/20 100%	—				○	○	○

* Directors and Officers are in office as of June 26, 2024.

Initiatives to strengthen corporate governance

Based on the understanding that enhancing corporate governance is an important management issue, we have implemented and worked on the below initiatives to strengthen governance. By introducing a performance-linked remuneration system and have Directors share awareness toward profit with shareholders, we aim to improve profitability and medium- to long-term business performance.



Evaluation of the Board of Directors' effectiveness

We aim to strengthen the Board of Directors' functions of making managerial decisions and supervising the management, so that we can increase corporate value and meet our stakeholders' expectations. In addition, for the fiscal year under review, the evaluation was conducted by a third-party organization following the previous fiscal year to secure objectivity and fairness, as well as to be open to adopting outside opinions.

As a result of the deliberation, the Board of Directors was evaluated highly for its operation in an open atmosphere, diverse comments from Outside Directors and Audit & Supervisory Committee Members, and its contribution to constructive discussions on the Medium Term Management Plan, etc., and was evaluated as functioning effectively. In addition, it was confirmed that improvements had been made with regard to the issues recognized in the previous fiscal year, namely, "providing appropriate feedback to the management team on opinions and suggestions obtained through dialogues with shareholders and investors and utilize them in the management of the Company," and "ensuring opportunities for discussions related to promotion of the management conscious of capital cost and stock prices." As an expectation for the Board of Directors to fulfill its role more effectively, "providing opportunities for Board members to discuss performance evaluation of business execution from the perspective of realizing the Corporate Philosophy and achieving the Medium Term Management Plan 2026" was mentioned.

Evaluation method

Target:

In March 2024, all six Directors and four Audit & Supervisory Board Members answered questionnaires to evaluate effectiveness.

Questions:

1. Structure and operation of the Board of Directors
2. Management strategies and business strategies
3. Corporate ethics and risk management
4. Performance monitoring, evaluation of the management team, nomination, and compensation
5. Dialogue with shareholders, etc.
6. Response to issues in the previous fiscal year

Future initiatives

- Establishment of opportunities for Board of Directors members to discuss performance evaluation of business execution

Cross-shareholdings

Classification of and our stance on investment shares

We do not own investment shares for the purpose of pure investment. Investment shares held for purposes other than pure investment are classified into those for business investment and general investment. The former means owning 20% or more of voting rights or investing in practically affiliated entities where we own less than 20% of voting rights but ultimately bear management risks. The latter means that we own less than 20% of voting rights and bear no or minor management responsibilities.

Shareholding policy

Decisions on shareholding are made after a comprehensive consideration. We hold shares for business purposes, such as to maintain and strengthen business relationships and to facilitate business activities. We also take into account economic rationality, including investment returns and potential links with medium- to long-term corporate value increase.

The Investment and Loan Committee checks each fiscal year the transition of business performance, free cash flow statuses, and other financial information on investees, as well as investment profits and other relevant information. The Committee reports the results to the Board of Directors.

In addition to checking the propriety of holding such shares considering the Company's operating policy, the Board of Directors confirms that the combined total of profit and dividends gained by transactions with the issuing company surpasses the Company's weighted average cost of capital (WACC), specifically, the economic rationality. As a result, we sold promptly the shares for which the necessity of cross-shareholdings is insignificant, and we have sold nine cross-shareholdings during the current fiscal year.

Voting rights are exercised after a comprehensive consideration. We confirm that proposals do not undermine shareholder value, and take into account the impact on business transactions with the Company.

Risk management

Policy
By managing risks, we aim to (1) ensure continuity and stable development of business; (2) protect the interests of stakeholders, such as shareholders, investors, and business partners; and (3) physically and financially protect all executives and employees.

Structure
In principle, voluntary management and voluntary checks by each department constitute our risk management. Risks are constantly managed through the cycle of planning, implementing, checking, and improving. The Business & Risk Management Department centrally oversees company-wide risk management, and strengthens risk management at Group companies, including managing health and safety at manufacturing companies.

Implementation of risk management
Based on given risk categories, employees responsible for departmental risk management identify specific risk items and control measures for each item, and create risk management standards. Based on the standards, a "Risk Management Action Plan" is created once a year, and the implementation status of the plan is evaluated every six months. If the evaluation finds any flaws in risk management, measures are taken to make improvements. Each department regularly identifies and reassesses risks and revises the risk management standards.

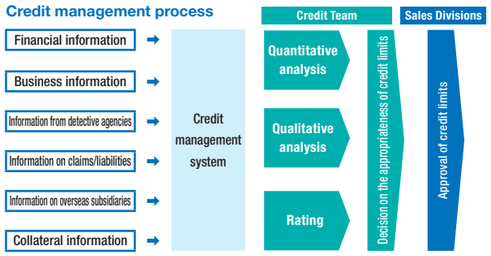
Departmental risk management managers summarize risk management activities, as well as the status of risk management and risk occurrence, in the department in charge. They make reports to the general manager for risk management at least once a year. The general manager for risk management makes reports on the status of company-wide risk management to the Board of Directors at least once a year.

Risk Management Committee
The Risk Management Committee meets once in every six months, and is chaired by the Director who is in charge of head office departments and appointed by President. It is composed of officers in charge of head office departments, Audit & Supervisory Committee Members, general managers of head office departments, and others. As an advisory body to the Management Committee, the Risk Management Committee monitors through the "Risk Management Action Plan" the internal control system concerning company-wide and department-specific risks and its operational status. The Committee also discusses an array of measures and policies for appropriate risk management and submits the results to the Management Committee, thereby enhancing the risk management system of the entire Group. In addition, matters regarded as necessary by the Management Committee are reported to the Board of Directors.

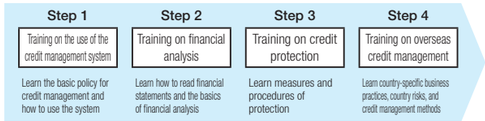
Credit management
The Credit & Legal Department in the head office has the Credit Team, which carries out credit management for the Company and its Group companies in Japan and overseas in cooperation with sales divisions and prevents generating non-performing loans. In the credit management process, a range of information about business partners is registered in the system. The Credit Team analyzes and evaluates the data and decides whether the credit limits are appropriate. Based on the team's decision, the relevant sales division or President and CEO gives approval.

In addition, we also invite outside lecturers and offer sales departments a range of rank-specific training about credit management.

Credit management process



Examples of credit management training



Risk management for investment projects
The Investment and Loan Committee meets regularly (once a month in principle) to manage risks associated with investment projects.

Monitoring method

- After an investment, a review is carried out every fiscal year.
- The Investment and Loan Committee checks the progress based on the financial status, transition of business performance and free cash flows, investment profits, and other relevant information on the investee.
- The Committee chair reports the results to the Board of Directors.

Criteria for withdrawal from investment projects

If an investment project falls under one of the following criteria, the department that has applied for the project discusses at the Investment and Loan Committee whether to withdraw or continue and refer the matter to the Management Committee.

1. The project's net worth has turned negative.
2. The following discrepancy has occurred between the plan in the project proposal and the actual performance:
   Business investment: The free cash flows for the most recent three years (cumulative total) are 30% or more lower than those in the plan (excluding the performance up to the first fiscal year of actual operation).
   General investment : The investment profits for the most recent three years (cumulative total) are 30% or more lower than those in the plan (excluding the performance up to the first fiscal year of actual operation).
3. Operating cash flows have been negative for three consecutive years.

Roundtable Discussion with Outside Directors

We will encourage sound risk-taking and support the full-scale start of the company's "second founding"

Following the approval of shareholders at the Annual General Meeting of Shareholders held on June 26, 2024, the Company transitioned to a company with an audit and supervisory committee. The three Outside Directors and internal Director, Yasuyuki Watanabe, exchanged opinions with a focus on initiatives that will lead to the enhancement of the company's corporate value, including the change in organizational design.

Yasuyuki Watanabe, Director and Audit and Supervisory Committee Member
Hiroko Kaneko, Outside Director and Audit and Supervisory Committee Member
Miyuki Nakagawa, Outside Director and Audit and Supervisory Committee Member
Yoshio Tano, Outside Director

Change in organizational design (transition to a company with an audit and supervisory committee

Tano: One of my expectations associated with the change in organizational design is that management decision-making will be speeded up, as many of the decisions on the execution of key business operations will be delegated to the Management Council. This will allow the Board of Directors to conduct more in-depth discussions of important matters, which I expect will help further improve the Board's effectiveness.

Kaneko: Until now, as an Audit & Supervisory Board Member, I have worked to provide opinions from a wide range of perspectives, not only legal compliance audits. From this fiscal year, having become an Audit and Supervisory Committee Member with voting rights, I feel that my responsibilities in the decision-making process has become even greater. As I am now expected to play a role in promoting sound risk-taking, I feel an increased sense of tension in my position as someone evaluating those risks. Taking risks is a key factor in considering what kind of business the company should pursue. For this reason, I will give due consideration to those risks before encouraging bold decisions.

Nakagawa: My own position has changed from that of an Outside Director to concurrently serving as an Audit and Supervisory Committee Member. Because I originally conducted audits from the perspective of shareholder interests as an accountant for many years, I have been able to take advantage of that experience in many areas, and I have been able to respond to that transition relatively smoothly.

From the perspective of investors as well, this change in organizational design will be commended as strengthening the company's governance. As a result, I believe that it will have a positive impact in areas such as the procurement of funds.

Watanabe: I am making a particular effort to ensure that the Outside Directors do not experience any information gaps. I will work hard to enrich the discussions in the main meetings. For example, if they have difficulty understanding any points in the advance briefings on matters to be presented to the Board of Directors, we will provide additional explanations from different angles, and we will hold regular information exchange meetings.

In addition, coordination with the internal audit division will become even more important from now on, so I intend to play a role in strengthening that coordination.

Evaluation of the previous Medium Term Management Plan

Tano: Although the investment plans and operating cash flows failed to reach target, I was happy to see that all of the business performance targets were achieved. Previous President Morichi demonstrated excellent leadership in actively promoting the company's "second founding," and that approach penetrated the organization. The initial conservative impression has changed considerably over the past two years, hasn't it?

Kaneko: Regarding business performance, while there were tailwinds such as the depreciation of the yen, I do believe that the company was able to produce solid results. In terms of strengthening competitiveness, my impression is that a framework for the cultivation of autonomous human resources was established through the reforms of the personnel system. I would say that the foundations for the company to make a full-scale start on the "second founding" have been laid.

Nakagawa: Not only were the business performance results achieved, but in terms of sustainability management as well, I was impressed by the commitment to actively establishing organizations such as the Sustainability Committee and engaging in initiatives. In particular, the Diversity Promotion Project was launched in October 2022, and with former President Morichi taking the initiative, this project has rapidly spread throughout the company. My impression is that the company is engaging in each of these initiatives with remarkable proactiveness.

Memorable events and discussions during the formulation of Medium Term Management Plan 2026

Nakagawa: The Medium Term Management Plan 2026 Working Group was set up in autumn last year, and mid-career and young employees, who are potential candidates for the next generation of executives, discussed how to propel Shinsho Corporation forward from long-term perspectives as they formulated the Plan. I found this to be an excellent process, one that also represented an opportunity for human resources development. Frontline issues and awareness of the problems have been well reflected in the Plan, and the Medium Term Management Plan 2026 (hereinafter, the "new Medium Term Plan") is realistic while also looking toward the future.

Watanabe: Whereas in the past, it was more common to formulate medium term management plans based on figures and issues that had accumulated from the front lines, for the previous Medium Term Plan, a process was adopted in which numerical targets were first set using a backcasting method, and plans were drawn up toward those targets. However, this approach was all about the targets, and there was little process of thinking of the plan with any sense of ownership, and some employees may have felt that it had been forced on them.

In the new Medium Term Plan, the Working Group began by discussing what they wanted to do with this company, and they formulated numerical targets and strategies from there. For this reason, compared with the previous plan, I believe that, as employees gain a sense that this is a plan that has been created through their own thinking and discussions, the executability of the plan will increase.

Kaneko: I also appreciate the fact that planning started from an early stage. The Working Group was officially launched in October, but there had already been a shared recognition of the issues before then. The process toward formulation of the plan was progressed in stages, and I felt that the details were refined at each stage. Of course, various opinions were expressed at the Board of Directors meetings and during the advance briefings, and I found them to be excellent opportunities for the Working Group as well.

Tano: I was greatly impressed by the way in which the Directors and outside officers all gathered together and, over a period of two to three hours, engaged in intensive discussions about the details that the Working Group explained at the interim report stage. Regarding the numerical targets in particular, the discussions became quite heated when the suggestion was made to adopt challenging targets, for the reason that merely achievable targets would be unlikely to be appreciated by the capital markets. That was quite significant.

When the mid-career and young members of the Working Group, who will become the leaders of the next generation, return to their own departments, they will be able to explain the plan not only in terms of their own departments, but also as a company-wide vision, which I believe will make it easier for the plan's measures to penetrate into the frontlines.

Watanabe: The "second founding" is a message that urges us to embrace new challenges with a sense of crisis, and I view it as an opportunity for a change of mindset. This is what we asked the Working Group to discuss on this occasion, and if we can convince the people on the frontlines on that basis, I believe that this project will have been truly effective.

Tano: On that point of embracing new challenges with a sense of crisis, regarding business investment, an issue held over from the previous Medium Term Plan, the opinion was expressed that, if we want to build original supply chains, we should actively implement M&As. It was good to see them come to think about investment as something that is necessary for the growth of the business, instead of a simplistic approach of "If an investment cannot be executed, we will invest again."

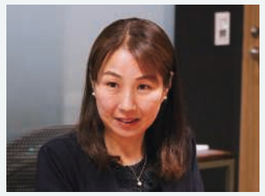
Issues and expectations of the full-scale start of the company's "second founding"

Kaneko: Through the personnel system reforms and other means, an environment in which employees are able to take on new challenges of their own has been created, so I hope they will improve their ability to take action. Furthermore, once personnel exchanges become more active and tacit knowledge is shared as a result of the reorganization, I expect that we will see other positive changes besides efficiency improvements.

Watanabe: I would like to see the company's sustainable growth realized by connecting people with each other and linking businesses that previously have had no connection. To this end, I sense a need for the company to create a comfortable working environment, such as promoting diversity, and for the company to be more proactive in communicating the mechanisms and initiatives that encourage individual action.

Nakagawa: We have just had a change of President, and it remains to be seen whether the new Medium Plan will get on track, but I have high expectations of the new President's leadership. We will also do our best to support him.

Tano: The new President, who is heading up the new structure, also served as leader of the Working Group, and I believe that stakeholders' expectations of him will also be high. We will support him in the steady implementation of the Medium Term Management Plan so that the baton that has been passed onto him can be properly passed onto his eventual successor.



Nakagawa: DX will also be key to the realization of sustainable growth. With the steady decline of the working population, in addition to improving the efficiency of internal transactions, we will need mechanisms that will be labor-saving for customers as well, such as enabling the majority of procedures to be completed online. How we respond to these kinds of DX trends will be important going forward.

Tano: I agree. Shinsho Corporation's business covers a wide range of fields, so it would be difficult to produce results if DX were only promoted by the systems division. That is why we need people who have a clear vision of what they want to achieve in business and how they want to pursue DX for that purpose. Similarly, increasing diversity is also important. While these are our current issues, conversely, as the number of such personnel increases, I believe that there will be potential for significant growth.

Kaneko: As we move ahead with M&As as well, I believe that it will be crucial to strengthen the governance of the Group as a whole. In particular, I sense the need to address the governance of subsidiaries and affiliates properly from a defensive perspective.

Watanabe: There is a growing recognition of the importance of defensive governance. It will be important for the Audit and Supervisory Committee Members to uphold a governance structure in which initiatives for sustainable growth are maintained, while taking all manner of risks into consideration. The Audit and Supervisory Committee Members attend Board of Directors meetings with voting rights, so I hope you will keep pointing out important points to management.

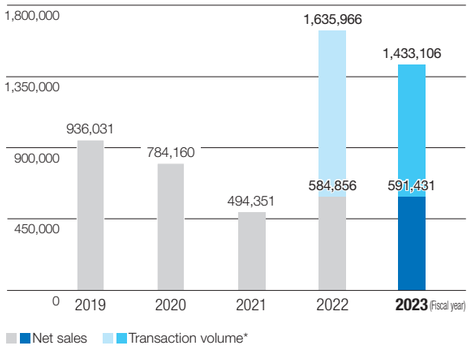
With the new leadership team in place, the expectations held by stakeholders and their attention are greater than ever. As the Audit and Supervisory Committee, we hope to provide firm support to the new management team, while creating an atmosphere conducive to lively discussions in the Board of Directors meetings.

Financial and Non-Financial Highlights

Financial Data

Net sales

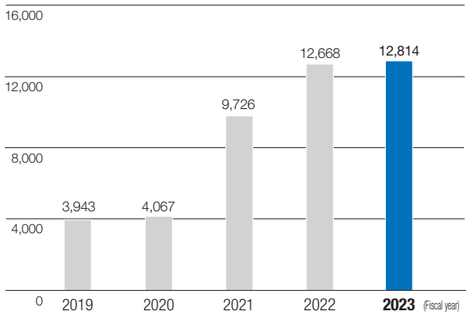
(Million Yen)



*Net sales if the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29), etc. had not been applied.

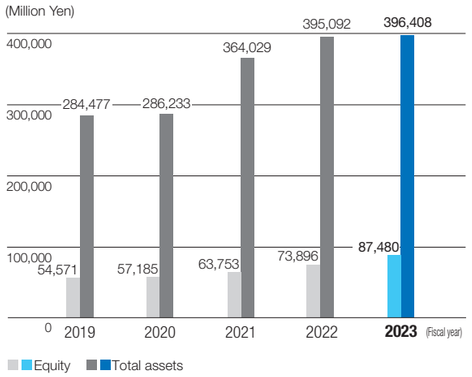
Ordinary profit

(Million Yen)



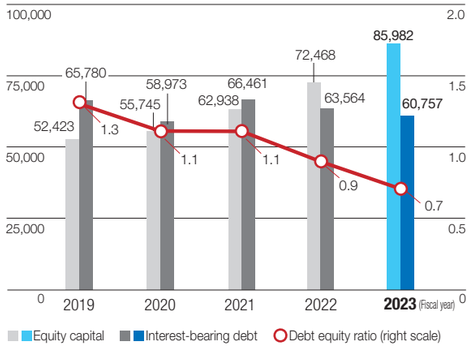
Equity/Total Assets

(Million Yen)



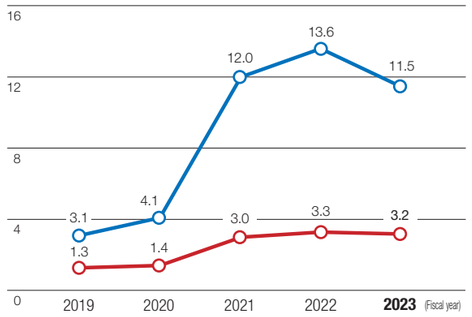
Equity Capital/Interest-Bearing Debt/Debt Equity Ratio

(Million Yen) (Times)



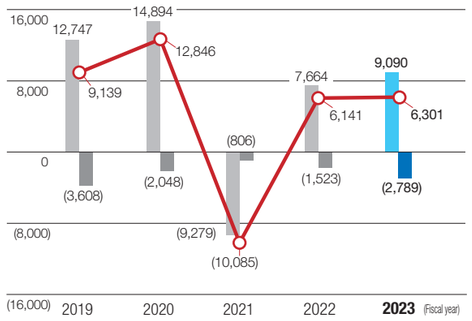
Return on Equity (ROE)/ Return on Total Assets (ROA)

(%)



Operating Cash Flows/Investing Cash Flows/ Free Cash Flows

(Million Yen)

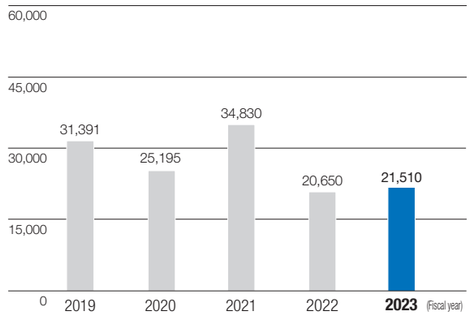


Sustainability Data

Scope of data: CO_2 emissions are for the consolidated; other figures are for Shinsho Corporation (non-consolidated).

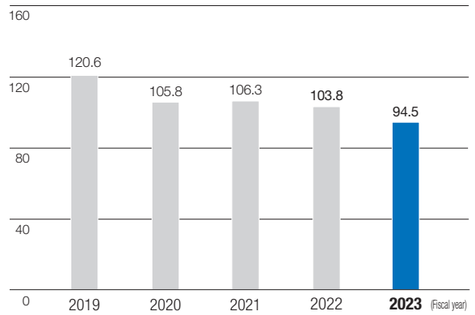
Volume of CO_2 emission

(t-CO_2)



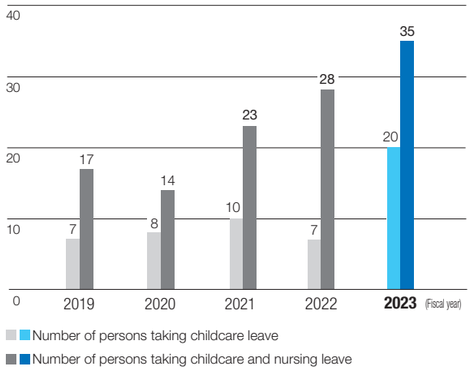
Electricity consumption

(10,000 kwh)



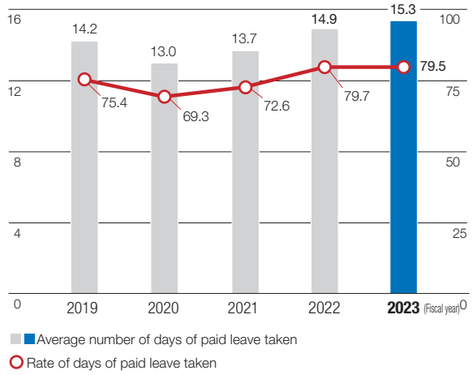
Number of persons taking childcare leave/ Number of persons taking childcare and nursing leave

(Persons)



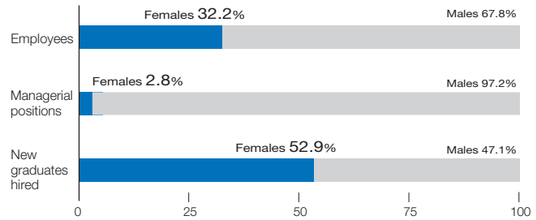
Average number of days of paid leave taken/ Rate of days of paid leave taken

(Days) (%)



Ratio of female employees, female employees in managerial positions, and female new graduates hired

(as of the end of March 31, 2024)



Financial wellness

Major initiatives:

- Asset building schemes (housing scheme, pension scheme, general scheme)
- Loan programs (housing loan, welfare loan)
- Employees' Shareholding Association
- Collective insurance (Kobelco Group)
- Corporate pension plan (defined contribution pension plan)
- Employee benefits (recreation resorts, company-owned flats, dormitories for unmarried employees, and various menu items offered by Benefit Station)

TOPICS

A career advancement seminar for female employees was held

We held a career advancement seminar and roundtable discussion in September 2024 for female employees (in non-managerial positions) in global staff positions (career-track positions) to promote communication and help them develop a mindset for future career development.

At the seminar, rank-specific lectures were given by external lecturers, and at the subsequent roundtable discussion, participants exchanged their views on matters such as future careers and the balance between work and private life.

Financial Data for Eleven Fiscal Years

		FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Fiscal Years												
Net sales	(Million Yen)	840,945	870,407	791,342	769,481	929,467	952,507	936,031	784,160	494,351	584,856	**591,431**
Operating income	(Million Yen)	5,736	6,788	5,831	4,819	8,119	7,922	4,829	4,454	10,054	13,459	**13,296**
Ordinary profit	(Million Yen)	5,318	6,575	5,908	5,248	8,624	8,016	3,943	4,067	9,726	12,668	**12,814**
Net income attributable to shareholders of the parent	(Million Yen)	3,160	3,974	3,480	2,970	5,449	5,019	1,629	2,198	7,136	9,196	**9,111**
Cash flows from operating activities	(Million Yen)	3,728	(1,701)	(2,337)	5,875	199	(13,268)	12,747	14,894	(9,279)	7,664	**9,090**
Cash flows from investing activities	(Million Yen)	(4,017)	(1,632)	(3,429)	(1,318)	(680)	(1,990)	(3,608)	(2,048)	(806)	(1,523)	**(2,789)**
Cash flows from financing activities	(Million Yen)	(2,708)	5,122	4,568	(4,575)	2,840	2,104	1,977	(6,825)	4,068	(9,188)	**(7,240)**
Fiscal Years Ended March 31												
Total assets	(Million Yen)	232,318	259,786	245,594	257,510	283,672	307,590	284,477	286,233	364,029	395,092	**396,408**
Equity	(Million Yen)	37,537	45,692	45,250	47,682	53,725	54,921	54,571	57,185	63,753	73,896	**87,480**
Equity capital	(Million Yen)	35,379	42,489	42,092	45,264	50,838	52,654	52,423	55,745	62,938	72,468	**85,982**
Interest-bearing debt	(Million Yen)	48,330	54,409	59,290	54,972	59,311	62,553	65,780	58,973	66,461	63,564	**60,757**
Information Per Share*												
Net income	(Yen)	356.86	448.84	393.04	335.43	615.47	566.81	184.03	248.24	805.91	1,042.65	**1,035.38**
Equity	(Yen)	3,995.32	4,798.41	4,753.62	5,112.18	5,741.27	5,946.33	5,920.30	6,295.46	7,107.83	8,235.14	**9,770.13**
Dividends	(Yen)	60.00	80.00	80.00	100.00	110.00	110.00	90.00	50.00	245.00	315.00	**315.00**
Financial Indicators												
Return on equity (ROE)	(%)	9.7	10.2	8.2	6.8	11.3	9.7	3.1	4.1	12.0	13.6	**11.5**
Return on total assets (ROA)	(%)	2.4	2.7	2.3	2.1	3.2	2.7	1.3	1.4	3.0	3.3	**3.2**
Operating income on net sales	(%)	0.7	0.8	0.7	0.6	0.9	0.8	0.5	0.6	2.0	2.3	**2.2**
Capital ratio	(%)	15.2	16.4	17.1	17.6	17.9	17.1	18.4	19.5	17.3	18.3	**21.7**
D/E ratio	(Times)	1.4	1.3	1.4	1.2	1.2	1.2	1.3	1.1	1.1	0.9	**0.7**

*Since the Company implemented a reverse stock split of 10 shares of common shares into 1 share effective as of October 1, 2016, information per share is calculated on the assumption that the reverse stock split was implemented at the beginning of FY2013.

Network (as of June 30, 2024)

<Overseas Networks>

- ● Overseas representative offices
- ■ Major subsidiaries (Sales bases)
- ▲ Major subsidiaries (Processing and manufacturing bases)
- ▲ Major affiliated companies (Processing and manufacturing bases)

Europe, Middle East and India

- ■ Shinsho Europe GmbH [Dusseldorf]
- ■ Kobelco Trading India Private Limited [Gurgaon]
- ● Dubai Office
- ▲ Track Design India Private Limited [Chennai] (Manufacture and sale of construction machinery parts)

North and Central America

- ▲ Dexter Fastener Technologies, Inc. (Manufacture and sale of automotive fasteners)
- ■ Shinsho-Meihoku Wire, Inc. (Warehousing)
- ■ Shinsho American Corporation [Los Angeles Branch]
- ▲ Aiken Precision Technologies, L.L.C. (Manufacture and sales of cold forged parts)
- ■ Shinsho American Corporation [Detroit Head Office]
- ▲ Grand Blanc Processing, L.L.C. (Secondary processing of wire rods)
- ■ Shinsho American Corporation [South Carolina Branch]
- ▲ Aiken Wire Processing, L.L.C. (Wire drawing for bearing steel)
- ■ Shinsho Mexico SA de CV [Guanajuato]

ASEAN and Australia

- ■ Kobelco Trading Vietnam Co., Ltd. [Hanoi Office]
- ▲ KTN Metal Vietnam Co., Ltd. [Bac Ninh] (Cutting and processing of aluminum plates and bars)
- ▲ Vina Washin Aluminum Co., Ltd. [Binh Duong] (Manufacture and sale of aluminum tubes, bars, extrusions and fabricated products)
- ■ TES E&M Service Co., Ltd. [Philippines Office]
- ■ Kobelco Trading Vietnam Co., Ltd. [Ho Chi Minh City Head Office]
- ▲ Naito Asia Sdn. Bhd. [Kuala Lumpur] (Manufacture of aluminum drum substrates for organic photosensitive)
- ■ PT. Kobelco Trading Indonesia [Jakarta]
- ■ PT. Shinsho Metals Indonesia [Jakarta]
- ■ Shinsho (Malaysia) Sdn. Bhd. [Kuala Lumpur Head Office]
- ▲ Ondo Shinsho (Thailand) Co., Ltd. (Manufacture and sale of transmission parts for transportation equipment)
- ■ Thai Escorp Limited [Bangkok Branch, Bowin Branch, Ayutthaya Branch, Amata Nakorn Branch]
- ■ TES E&M Service Co., Ltd. [Bangkok] (Maintenance services)
- ■ Shinsho Metals (Thailand) Ltd. [Bangkok]
- ■ Kobelco Trading Australia Pty. Ltd. [Sydney] (Investment in coal companies)
- ■ Shinsho Moranbah Coal Pty. Ltd. [Sydney]

East Asia

- ▲ SUZHOU SHINKO-SHOJI MATERIAL CO., LTD. [Shenyang Office]
- ■ KOBELCO TRADING (SHANGHAI) CO., LTD. [Dalian Office]
- ■ KOBELCO TRADING (SHANGHAI) CO., LTD. [Beijing Branch]
- ■ KOBELCO TRADING (SHANGHAI) CO., LTD. [Tianjin Office]
- ▲ SUZHOU SHINKO-SHOJI MATERIAL CO., LTD. [Tianjin Office]
- ■ KOBELCO TRADING (SHANGHAI) CO., LTD. [Wuhan Office]
- ■ KOBELCO TRADING (SHANGHAI) CO., LTD. [Chengdu Branch]
- ■ KOBELCO TRADING (SHANGHAI) CO., LTD. [Guangzhou Branch]
- ▲ GUANGZHOU SHENCHANG METAL PRODUCTS CO., LTD. (Processing and sale of steel materials)
- ▲ VSC Shinsho Co., Ltd. [Hong Kong] (Steel plate coil center)
- ▲ KOBE SPECIAL STEEL WIRE PRODUCTS (PINGHU) CO., LTD. (Secondary processing of wire rods)
- ▲ KTN Co., Ltd. [Near Seoul] (Cutting and processing of aluminum plate and wholesale)
- ■ SHINSHO KOREA CO., LTD. [Near Seoul]
- ▲ Allmet Co., Ltd. [Near Seoul] (Manufacture and processing of titanium and other products)
- ▲ KOBELCO PRECISION PARTS (YANGZHOU) CO., LTD. [Yangzhou] (Assembly of vacuum equipment and contracted construction work)
- ▲ SHINSHO OSAKA SEIKO (NANTONG) CORPORATION [Nantong] (Manufacture and sale of automotive parts)
- ■ SHANGHAI SHINSHO TRADING CO., LTD. [Shanghai]
- ■ KOBELCO TRADING (SHANGHAI) CO., LTD. [Shanghai] (Head Office)
- ■ SHINSHO METALS (SHANGHAI) CO., LTD.
- ■ TAIWAN SHINSHO CORPORATION [Taipei Head Office, Taoyuan Office, Hsinchu Office]
- ▲ KOBELCO PRECISION PARTS (SUZHOU) CO., LTD. [Suzhou] (Processing of aluminum conveyor parts)
- ▲ SUZHOU SHINKO-SHOJI MATERIAL CO., LTD. [Suzhou] (Processing and sale of aluminum materials)

<Domestic Network>

- ● Shinsho Corporation
- ■ Subsidiaries (Sales bases)
- ▲ Subsidiaries (Manufacturing bases and Warehouse)

*Blue: Head Office

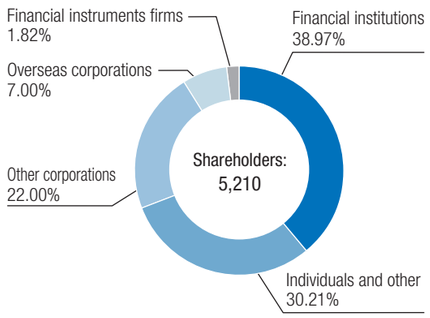
- ● Shinsho Corporation [Sapporo Branch]
- ● Shinsho Corporation [Hokuriku Branch]
- ■ SC WELDING CORPORATION [Hokuriku Office]
- ▲ SHINSHO METALS CORPORATION [Nagano Office]
- ■ SHINSHO STEEL PRODUCTS CORPORATION [Tohoku Office]
- ▲ SHINSHO METALS CORPORATION [Tohoku Office]
- ▲ SHINSHO METALS CORPORATION [Gunma Office]
- ● Shinsho Corporation [Tokyo Head Office]
- ■ SHINSHO STEEL PRODUCTS CORPORATION [Tokyo Head Office]
- ■ SHINSHO METALS CORPORATION [Tokyo Head Office]
- ■ MATSUBO CORPORATION [Tokyo Head Office]
- ■ SHINSHO NON-FERROUS METALS CORP. [Tokyo Office]
- ■ SC WELDING CORPORATION [Tokyo Office]
- ▲ SHINSHO METALS CORPORATION [Sagamihara Logistics Center]
- ● Shinsho Corporation [Shizuoka Branch]
- ▲ NIPPON GRANULATOR CO., LTD. [Shizuoka Head Office]
- ● Shinsho Corporation [Nagoya Branch Office]
- ■ SHINSHO STEEL PRODUCTS CORPORATION [Nagoya Office]
- ■ SHINSHO NON-FERROUS METALS CORP. [Nagoya Office]
- ■ MATSUBO CORPORATION [Nagoya Branch]
- ■ SC WELDING CORPORATION [Nagoya Office]
- ● Shinsho Corporation [Osaka Head Office]
- ■ SHINSHO STEEL PRODUCTS CORPORATION [Osaka Head Office]
- ■ MORIMOTO KOSAN CO., LTD. [Osaka Head Office]
- ■ SHINSHO NON-FERROUS METALS CORP. [Osaka Head Office]
- ■ INAGAKI-SHOUTEN Co., Ltd. [Osaka Head Office]
- ■ SC WELDING CORPORATION [Head Office]
- ■ SHINSHO BUSINESS SUPPORT CO., LTD. [Osaka Head Office]
- ■ MATSUBO CORPORATION [Osaka Branch]
- ▲ MORIMOTO KOSAN CO., LTD. [Imasato Works]
- ▲ MORIMOTO KOSAN CO., LTD. [Taisho Warehouse]
- ▲ SHINSHO NON-FERROUS METALS CORP. [Osaka Coil Center]
- ▲ SHINSHO NON-FERROUS METALS CORP. [Moka Logistics Center]
- ▲ SHINSHO NON-FERROUS METALS CORP. [KK Higashi 21, Moriguchi Warehouse]
- ▲ SC WELDING CORPORATION [Kyusyu Office (Kitakyusyu)]
- ▲ SC WELDING CORPORATION [Sasebo Office]
- ● Shinsho Corporation [Kyushu Branch Office]
- ■ SHINSHO STEEL PRODUCTS CORPORATION [Kyushu Office]
- ■ SHINSHO NON-FERROUS METALS CORP. [Kyushu Office]
- ■ MATSUBO CORPORATION [Kyushu Office]
- ■ SC WELDING CORPORATION [Kyusyu Office (Fukuoka)]
- ● Shinsho Corporation [Tokuyama Office]
- ● Shinsho Corporation [Kobe Branch Office]
- ▲ SC WELDING CORPORATION [Kansai Office]
- ● Shinsho Corporation [Kakogawa Branch]
- ■ SHINSHO STEEL PRODUCTS CORPORATION [Kakogawa Office]
- ■ SC WELDING CORPORATION [Shikoku Office]
- ● Shinsho Corporation [Chugoku Branch]
- ■ SHINSHO STEEL PRODUCTS CORPORATION [Chugoku Office]
- ■ SHINSHO NON-FERROUS METALS CORP. [Chugoku Office]
- ■ SC WELDING CORPORATION [Hiroshima Office]

Stock Information

(As of March 31, 2024)

Stock Code	8075
Listing	Tokyo Stock Exchange Prime Market
Total number of shares authorized	27,000,000 shares
Total number of shares outstanding	8,855,411 shares (excluding 5,151 shares of treasury stock)
Number of shares per trading unit	100
Total number of shareholders	5,210
Base Date	March 31
Shareholder Registry Administrator	Mitsubishi UFJ Trust and Banking Corporation

Composition of shareholders by type

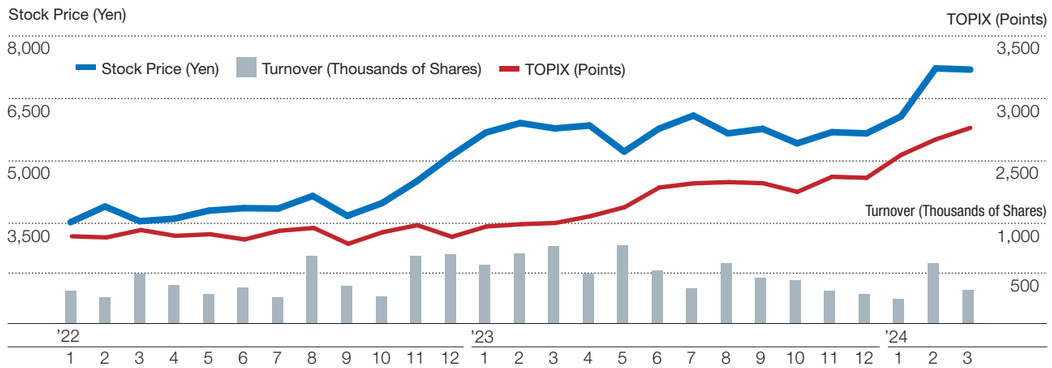


Major shareholders

Name	Number of shares held (thousand shares)	Ownership ratio (%)
Mizuho Trust & Banking Co., Ltd. (Kobe Steel, Ltd. Retirement Benefit Trust Account)	1,906	21.53
Kobe Steel, Ltd.	1,179	13.32
Shinsho Client Shareholding Association	789	8.92
The Master Trust Bank of Japan, Ltd. (Trust account)	680	7.69
Custody Bank of Japan, Ltd. (Trust account)	537	6.07
Shinsho Employees' Shareholding Association	206	2.34
SINFONIA TECHNOLOGY CO., LTD.	150	1.69
Tojiro Ashida	115	1.31
DFA INTL SMALL CAP VALUE PORTFOLIO	109	1.24
Mizuho Trust & Banking Co., Ltd. (KOBELCO WIRE COMPANY, LTD. Retirement Benefit Trust Account)	80	0.91

*The Company holds 5,151 shares of treasury stock but is excluded from the above major shareholders.

Stock prices and turnover



Company Profile

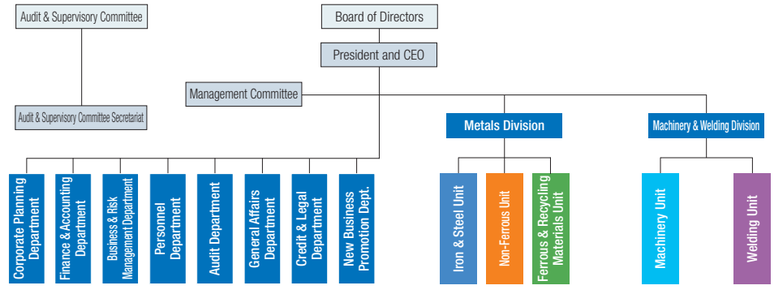
(As of March 31, 2024)

Name	Shinsho Corporation
Established	November 12, 1946
Paid-in Capital	¥5,650.28 million
Main Business Lines	Import/export and trading of products such as iron and steel, raw materials, nonferrous metals, machinery, information industry and welding

Employees	[Consolidated] 1,443; [Non-Consolidated] 565
Head Offices	Osaka: Yodoyabashi Square, 6-18, Kitahama 2-Chome, Chuo-ku, Osaka, 541-8557, Japan Tokyo: Museum Tower Kyobashi, 7-2, Kyobashi 1-chome,Chuo-ku, Tokyo, 104-8389, Japan URL: https://www.shinsho.co.jp/english/

Organization

(As of June 26, 2024)

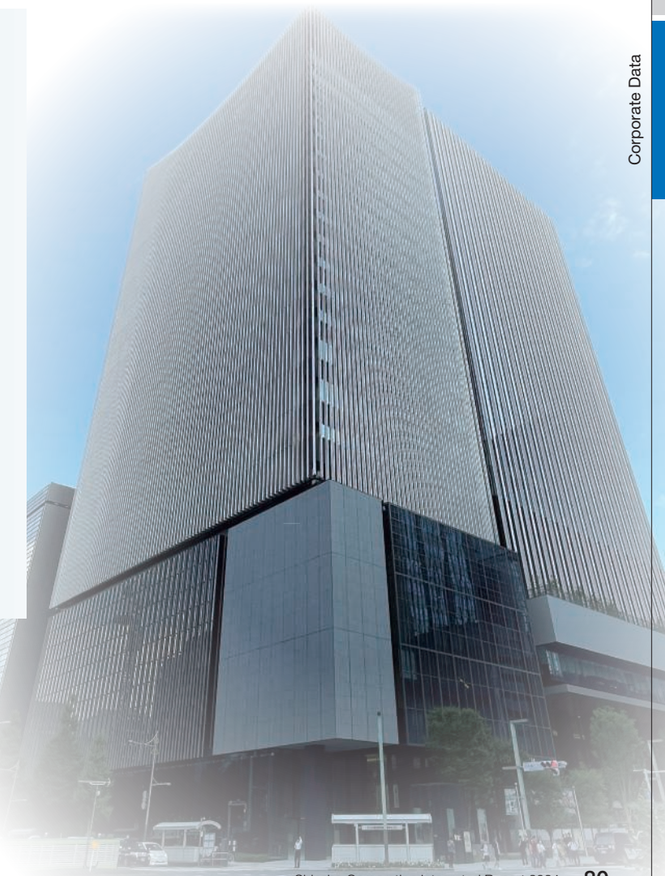


Editorial Postscript

Thank you very much for reading the Shinsho Corporation Group's "Integrated Report 2024" to the end.

This is the third year that we have issued our Integrated Report, which we published for the first time in FY2022 to help stakeholders deepen their understanding of our company. We have prepared this year's report by focusing on relating how we are going to create value and enhance our corporate value as we strive to achieve our long-term management vision of becoming a "trading company that supports manufacturing for the future, and contributes to society."

We sincerely hope that this report will help you, our stakeholders, understand how Shinsho Corporation, the core trading company of the KOBELCO Group, will continue to meet challenges head-on every day in a new stage toward further growth. We will remain committed to making our Integrated Report more readable, easier to understand, and more informative.



For more information, please contact

Shinsho Corporation
IR and Public Relations Team, General Affairs Department
Phone: (+81)3-5579-5201
URL: https://www.shinsho.co.jp/english/inquiry/

SHINSHO CORPORATION

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