

**SHINSHO
CORPORATION
AND
CONSOLIDATED
SUBSIDIARIES
FINANCIAL
STATEMENTS**

(Year ended March 31, 2014)

2014

SHINSHO CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	March 31, 2014	March 31, 2013	2014 Thousands of U.S. Dollars
	(Millions of Yen)		
ASSETS			
Current assets:			
Cash and cash equivalents	16,288	18,535	158,266
Notes and accounts receivables	137,420	130,101	1,335,221
Inventories	22,907	22,430	222,580
Advance payments	14,181	7,261	137,791
Deferred tax assets (Note 6)	679	666	6,599
Other current assets	3,205	2,888	31,141
Allowance for doubtful receivables	(212)	(225)	(2,063)
Total current assets	194,471	181,659	1,889,537
Property and equipment:			
Land	1,278	1,312	12,422
Building and structures	5,500	4,441	53,444
Machinery and equipment	5,389	3,371	52,363
Other	1,308	1,606	12,713
Accumulated depreciation	(6,599)	(5,496)	(64,121)
Total property and equipment	6,877	5,235	66,822
Investments and other assets:			
Goodwill	359	490	3,491
Investment securities	27,478	23,561	266,991
Long-term loans	50	106	487
Deferred tax assets (Note 6)	444	572	4,316
Other	2,801	2,875	27,217
Allowance for doubtful receivables	(164)	(294)	(1,596)
Total investments and other assets	30,969	27,312	300,908
Total Assets	232,318	214,206	2,257,268

See accompanying notes to consolidated financial statements.

	March 31, 2014	March 31, 2013	2014 Thousands of U.S. Dollars
	(Millions of Yen)	(Millions of Yen)	
LIABILITIES AND EQUITY			
Current liabilities:			
Notes and accounts payables	121,947	115,728	1,184,879
Short-term loans and current portion of long term debt (Note 3)	20,894	25,872	203,019
Income taxes payable	626	497	6,085
Deferred tax liabilities (Note 6)	6	15	61
Accrued bonuses to employees	818	737	7,948
Deposits received	11,635	5,361	113,051
Other current liabilities	9,020	9,220	87,646
Total current liabilities	164,949	157,432	1,602,692
Long-term liabilities:			
Long-term debt, less current portion (Note 3)	27,436	23,402	266,576
Guaranteed deposits received	1,026	923	9,971
Deferred tax liabilities (Note 6)	650	123	6,315
Employees' retirement benefit (Note 8)	-	602	-
Directors' retirement benefit	38	34	370
Net defined benefit liability (Note 8)	627	-	6,100
Negative goodwill	34	68	333
Other long-term liabilities	18	140	182
Total long-term liabilities	29,831	25,294	289,850
Contingent liabilities (Note 5)			
Equity:			
Owners' Equity			
Common stock	5,650	5,650	54,899
Capital surplus	2,703	2,703	26,269
Retained earnings	25,463	22,844	247,414
Treasury stock	(17)	(17)	(167)
Total owners' equity	33,800	31,181	328,415
Accumulated other comprehensive income (loss)			
Net unrealized gain (loss) on available-for-sale securities	1,501	705	14,589
Net unrealized gain (loss) on derivative instruments	54	43	527
Foreign currency translation adjustments	22	(2,191)	221
Total accumulated other comprehensive income (loss)	1,578	(1,442)	15,337
Noncontrolling interest			
	2,158	1,740	20,972
Total Equity	37,537	31,479	364,725
Total liabilities and equity	232,318	214,206	2,257,268

See accompanying notes to consolidated financial statements.

SHINSHO CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	March 31, 2014	March 31, 2013	2014 Thousands of U.S. Dollars
	(Millions of Yen)	(Millions of Yen)	
Net sales (Note 10)	840,945	769,660	8,170,862
Cost of sales	817,368	747,121	7,941,780
Gross profit	23,577	22,538	229,082
Selling, general and administrative expenses	17,840	17,083	173,346
Operating income	5,736	5,455	55,736
Other income			
Interest income	48	44	471
Dividends income	581	470	5,650
Purchase discount	80	91	784
Foreign exchange gains	—	74	—
Gain on revaluation of derivatives	301	—	2,927
Amortization of negative goodwill	34	349	333
Gain on sale of stocks of affiliates	31	22	301
Other	210	230	2,042
	1,287	1,282	12,510
Other expense			
Interest expense	588	620	5,715
Loss on sale of notes and account receivables	683	681	6,639
Sales discount	261	278	2,538
Foreign exchange loss	491	—	4,772
Loss on revaluation of derivatives	—	221	—
Loss on impairment of fixed assets	—	331	—
Loss on sale of investment securities	—	29	—
Loss on valuation of investments securities	9	—	91
Loss on valuation of stocks of affiliates	51	—	495
Loss on valuation of investments in capital	176	—	1,715
Loss on valuation of membership	8	—	82
Other	42	275	416
	2,312	2,437	22,467
Net income before income taxes, noncontrolling interests	4,711	4,300	45,778
and equity in earnings of affiliates			
Income taxes (Note 4)			
Current	1,661	1,713	16,144
Prior years	—	607	—
Deferred	248	226	2,415
	1,910	2,547	18,560
Noncontrolling interests	33	75	328
Equity in earnings of affiliates	392	202	3,813
Net income	3,160	1,880	30,704
	(yen)	(yen)	(dollars)
Net income per share	35.69	21.24	0.35

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	March 31, 2014	March 31, 2013	2014 Thousands of U.S. Dollars
	(Millions of Yen)	(Millions of Yen)	
Common stock:			
Balance at beginning of year	5,650	5,650	54,899
Balance at end of period	5,650	5,650	54,899
Capital surplus:			
Balance at beginning of year	2,703	2,703	26,269
Balance at end of year	2,703	2,703	26,269
Retained earnings:			
Balance at beginning of year	22,844	21,415	221,965
Adjustment on retained earnings of affiliated company	(9)	-	(91)
Effect of changes in accounting policies applied to foreign subsidiaries	-	79	-
Cash dividends	(531)	(531)	(5,163)
Net income	3,160	1,880	30,704
Balance at end of period	25,463	22,844	247,414
Net unrealized gain (loss) on available-for-sale securities:			
Balance at beginning of year	705	264	6,852
Net change in unrealized gain (loss) on available -for-sale securities	796	440	7,737
Balance at end of period	1,501	705	14,589
Net unrealized gain (loss) on derivative instruments:			
Balance at beginning of year	43	(11)	423
Net change in unrealized gain (loss) on derivative instruments	10	55	103
Balance at end of period	54	43	527
Foreign currency transaction adjustment:			
Balance at beginning of year	(2,191)	(3,377)	(21,292)
Net change in foreign currency translation adjustments	2,214	1,186	21,513
Balance at end of period	22	(2,191)	221
Treasury stock:			
Balance at beginning and end of year	(17)	(17)	(167)
Net change in treasury stock	(0)	(0)	(0)
Balance at end of period	(17)	(17)	(167)
Noncontrolling interest:			
Balance at beginning and end of year	1,740	1,904	16,909
Net change in noncontrolling interest	418	(163)	4,062
Balance at end of period	2,158	1,740	20,972
Total shareholders' equity	37,537	31,479	364,725
	(thousands)	(thousands)	
Number of shares of common stock authorized	270,000	270,000	
Number of shares of common stock issued	88,606	88,606	

See accompanying notes to consolidated financial statements.

SHINSHO CORPORATION AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	March 31, 2014	March 31, 2013	2014 Thousands of U.S. Dollars
	(Millions of Yen)	(Millions of Yen)	
Operating activities:			
Net income before income taxes, noncontrolling interests and equity in earnings of affiliates	4,711	4,300	45,778
Depreciation	957	724	9,302
Amortization of (negative) goodwill	96	(207)	936
Increase (Decrease) of reserve and provision	(70)	(19)	(684)
Net defined benefit liability	54	—	532
Interest and dividend income	(630)	(515)	(6,122)
Interest expense	588	620	5,715
Loss on impairment of fixed assets	—	331	—
Loss on sale and dispose of property	9	2	92
Loss (Gain) on sale of stocks of affiliates	(31)	(22)	(301)
Loss on sale of investment securities	—	29	—
Loss on valuation of investment securities	236	—	2,302
Loss (Gain) on sale of membership	—	(5)	—
Loss on valuation of membership	8	23	82
Decrease (Increase) in trade receivables	(4,893)	17,582	(47,543)
Decrease (Increase) in inventories	916	2,804	8,906
Increase (Decrease) in trade payables	4,186	(14,086)	40,676
Decrease (Increase) in other receivables	(87)	(251)	(846)
Other, net	(940)	(5,027)	(9,141)
Sub-total	5,113	6,283	49,688
Interest and dividend received	688	746	6,689
Interest paid	(588)	(624)	(5,717)
Income taxes paid	(1,485)	(2,813)	(14,437)
Net cash provided by operating activities	3,728	3,592	36,222
Investing activities:			
Purchase of property and equipment	(1,464)	(1,381)	(14,232)
Proceeds from sale of property and equipment	5	5	58
Purchase of investment securities	(1,713)	(2,350)	(16,652)
Proceeds from sale of investment securities	0	40	1
Purchase of stocks of affiliates	(506)	(616)	(4,924)
Proceeds from sale of stocks of affiliates	—	74	—
Increase in short-term loans	(144)	(1)	(1,406)
Collection of short-term loans	105	57	1,025
Increase in long-term loans	(7)	(6)	(73)
Collection of long-term loans	62	243	605
Other, net	(354)	(376)	(3,443)
Net cash used in investing activities	(4,017)	(4,311)	(39,039)
Financing activities:			
Change in short-term debt, net	(2,417)	(2,783)	(23,491)
Proceeds from long-term debt	5,020	11,008	48,785
Repayment of long-term debt	(4,797)	(6,709)	(46,617)
Repayment of finance lease debt	(16)	(21)	(165)
Dividends paid	(531)	(531)	(5,163)
Dividends paid to noncontrolling interest	(3)	(3)	(30)
Proceeds from paid-in capital of noncontrolling interest	37	376	366
Other, net	(0)	(0)	(0)
Net cash used in financial activities	(2,708)	1,335	(26,317)
Effect of exchange on cash and cash equivalents	673	473	6,542
Net increase (decrease) in cash and cash equivalents	(2,325)	1,089	(22,592)
Cash and cash equivalents at beginning of year	18,513	17,460	179,886
Effect of changes in consolidated subsidiaries	93	(36)	907
Cash and cash equivalents at end of year	16,282	18,513	158,201

See accompanying notes to consolidated financial statements.

SHINSHO CORPORATION AND CONSOLIDATED SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of Shinsho Corporation (the "Company") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. Japanese yen figures less than a million yen are rounded down to the nearest million yen and U.S. dollar figures less than a thousand dollars are rounded down to the nearest thousand dollars, except for per share data. In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2013 financial statements to conform to the classifications used in 2014. The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and principally operates. The translation of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥102.92 to \$1, the rate of exchange at March 31, 2014. Such translation should not be construed as representations that Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of significant accounting policies

(1) Scope of consolidation

The Company had 28 subsidiaries (majority-owned companies) at March 31, 2014.

The accompanying consolidated financial statements include the accounts of the Company and 28 of its subsidiaries for the year ended March 31, 2014, which are listed below:

Shinsho American Corporation
Shinsho Steel Products Corporation
Shinsho Non-ferrous Corporation
Shinko Shoji Singapore Pte.Ltd.
Thai Escorp Ltd.
Shinsho (Malaysia) Sdn.Bhd.

Asia Chemical Engineering Co.,Ltd.
Kobelco Trading Shanghai Co., Ltd.
Suzhou Shinko-shoji Material Co.,Ltd.
Matsubo Corporation
Kobelco Plate Processing India Private Limited
17 other consolidated subsidiaries

(2) Elimination and combination

For the purposes of preparing the consolidated financial statements of the Company and its consolidated subsidiaries, all significant inter-company transactions, account balances and unrealized profits among the Company and its consolidated subsidiaries have been entirely eliminated to "Noncontrolling Interests". In the elimination, any differences between the cost of investments in subsidiaries and the amount of underlying equity in net assets of the subsidiaries is treated as an asset "Goodwill" or a liability "Negative goodwill", and amortized over the period of five years on a straight-line basis.

(3) Equity method of accounting for investments in affiliates

The Company had 24 affiliates (companies owned from 20% to 50% actually) at March 31, 2014. The equity method is applied to these 17 investments.

(4) Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments. Cash equivalents are generally at the maturity of three months or less and readily convertible to cash. Cash equivalents near maturity indicate insignificant risk of changes in value because of changes in interest rates.

(5) Investment securities

Securities are classified into the categories based on the purpose of holding, which can result in the different measurement and can account for the changes in the fair value. Debt securities that are intended to be held to maturity ("held-to-maturity debt securities") are measured at amortized cost in the balance sheet. Securities other than held-to-maturity debt securities and the equity investment in subsidiaries and affiliates ("other securities") are measured at the fair value. The difference between the fair value and the historical cost is recorded in the category of shareholder's equity. The historical cost is determined by the moving average cost. Securities that have no market price are stated at their historical cost.

(6) Inventories

Inventories are mainly stated at cost determined by the moving average method. (unless market value of inventories declines significantly and is not expected to recover to cost, in such cases

costs are reduced to net realizable values).

(7) Property and equipment

Property and equipment are stated at cost. Depreciation of property and equipment is computed principally by the declining balance method. However, depreciation of buildings booked from April 1, 1998 is computed using the straight-line method.

(8) Long-lived assets

The Company reviews its long-lived assets for the impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected as a result of the continuous use and eventual disposition of the asset or asset group. The impairment loss would be measured when the carrying amount of the asset exceeds its recoverable amount, which is higher of the discounted cash flows from the continuous use and eventual disposition of the asset or the net selling price at disposition.

(9) Allowance for retirement and severance benefits

Accrued employees' retirement benefits in subsidiaries are provided mainly at the amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet date.

(10) Allowance for doubtful receivables

The allowance for doubtful receivables is provided in amounts which are sufficient to cover possible losses on collection. It consists of individually estimated uncollectible amounts and amounts calculated using the actual rate of historical bad debt.

(11) Finance leases

Effective April 1, 2008, "Accounting Standard for Lease Transactions"(ASBJ Statement No.13) and "Guidance on Accounting Standard for Lease Transactions"(ASBJ Guidance No.16) were applied. Lease assets related to finance lease transactions that do not involve the transfer of ownership are depreciated on a straight-line basis, with the lease period used their useful lived and no residual value. For finance lease transactions which took place before April 1, 2008, the accounting method remains same, as for ordinary operating lease transactions.

(12) Income taxes

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts

used for income tax purposes.

(13) Translation of foreign currency accounts

Current and non-current monetary assets and liabilities denominated by foreign currencies are translated into Japanese yen at the exchange rates at the end of fiscal year, and the resulting exchange gains and losses are recognized in the income statement. Balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the exchange rates at the end of fiscal year except for tockholders' equity accounts, which are translated at the historical rates. Income statements of consolidated overseas subsidiaries are translated at the average exchange rates. The resulting translation adjustments are reflected in the consolidated financial statements as "Foreign currency translation adjustments".

(14) Derivative financial instruments

The Company and its subsidiaries use derivative financial instruments to manage its exposures to fluctuations in foreign exchange rates and commodity prices. Derivatives include foreign currency forward contracts and commodities futures, which are utilized by the Company to reduce foreign currency exchange rate risks and commodity price risks. The Company and its subsidiaries do not enter into derivatives for trading or speculative purposes. The Company and its subsidiaries have taken various steps, including the establishment of internal management rules, to ensure that transactions are implemented appropriately and that risk is managed. Gains and losses on hedge of existing assets or liabilities are included in carrying amounts of those assets or liabilities and ultimately recognized the income as a part of those carrying amounts. Gains and losses related to qualifying hedges of firm commitments and anticipated transactions are deferred and recognized the income, or adjustments of carrying amounts, when the hedged transaction occurs.

(15) Net income per share

The computation of net income per share is based on the weighted average number of issued shares of common stock outstanding during the relevant period.

3. Short-term debt and long-term debt

Short-term debt at March 31, 2014 and 2013 consisted of the following:

Short-term loans principally from banks at March 31, 2014 and 2013 represent short-term notes with the interest on the principal at the average rate of 1.115% and 1.158%, respectively.

Long-term debt at March 31, 2014 and 2013 consisted of the following:

	(¥ millions)	(\$ thousands)	
	2014	2013	2014
Long-term loans from banks, insurance companies and other financial institutions due through 2020, at the averaged rate of 0.897%	28,512	28,030	277,031
Less current portion	(1,076)	(4,628)	(10,454)
	27,436	23,402	266,576

The aggregate annual maturity of long-term debt at March 31, 2014 were as follows:

	(¥ millions)	(\$ thousands)
Year ending March 31		
2015	8,756	85,084
2016	4,879	47,407
2017	4,600	44,694
2018 and thereafter	9,200	89,389

4. Income taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise of the corporation tax, inhabitants' taxes and the enterprise tax, which in the aggregate resulted in the normal statutory tax rate of approximately 38% for both 2014 and 2013. The effective tax rates reflected in the statements of operations differ from the statutory tax rates. The difference is due primarily to the timing difference in the recognition of certain income and expenses for tax and financial reporting purposes, and the effect of permanent non-deductible expenses.

5. Contingent liabilities

Contingent liabilities at March 31, 2014 and 2013 were as

follows:

	(¥ millions)		(\$ thousands)
	2014	2013	2014
As endorser of notes endorsed	2,316	2,121	22,504
As guarantor of loans	1,310	1,127	12,734

6. Deferred income taxes

Significant components of deferred tax assets and liabilities at March 31, 2014 and 2013, were as follows:

	(¥ millions)		(\$ thousands)
	2014	2013	2014
Deferred tax assets:			
Allowance for doubtful receivables	103	199	1,003
Accrued bonus	321	307	3,127
Loss on devaluation of inventories	41	123	404
Loss on devaluation of fixed assets	291	448	2,828
Loss on devaluation of investment securities	1,079	986	10,487
Loss on devaluation of membership	100	104	977
Net defined benefit liability	208	206	2,028
Operating loss carry forwards	594	851	5,773
Others	215	492	2,090
Valuation allowance	(1,510)	(2,103)	(14,672)
Gross deferred tax assets	1,445	1,616	14,047
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(785)	(413)	(7,636)
Other	(192)	(103)	(1,872)
Gross deferred tax liabilities	(978)	(516)	(9,509)
Net deferred tax assets	467	1,100	4,537

7. Lease transactions

• Finance leases other than those which transfer the ownership
Lease expenses on finance lease contracts without the ownership transfer for the year ended March 31, 2014 and 2013, were as follows:

	(¥ millions)		(\$ thousands)
	2014	2013	2014
Lease rental expenses	4	23	45

The amount of outstanding future lease payments due at March 31, 2014 and 2013, which included the portion of interest thereon, were as follows:

	(¥ millions)		(\$ thousands)
	2014	2013	2014
Future lease payments			
Within one year	1	4	10
Over one year	–	1	–

Assumed data as to acquisition cost, accumulated depreciation, net book value and depreciation expense of the leased assets, at March 31, 2014 and 2013 which included the portion of interest thereon, were as follows:

	(¥ millions)		(\$ thousands)
	2014	2013	2014
Acquisition cost	34	175	337
Accumulated depreciation	(33)	(169)	(326)
Net book value	1	5	10
Depreciation	4	23	45

Depreciation is based on the straight-line method over the leased term of the leased assets, assuming no residual value.

- Operating lease

Under non-cancelable operating leases, future minimum lease payments at March 31, 2014 were ¥12million (\$135 thousand) of which ¥5million (\$50 thousand) is due within one year.

8. Retirement and severance benefits plans

The Company and certain of its consolidated subsidiaries have the defined contribution plan and various defined benefit plans, which are the welfare pension fund plan and the lump-sum retirement benefit plan.

The liabilities for retirement and severance benefits included in the liability section of the consolidated balance sheet at March 31, 2013, consisted of the following:

	(¥ millions)		(\$ thousands)
	2013	2013	2013
Projected benefit obligation	1,007		10,710
Fair value of plan assets	(405)		(4,308)
Allowance for severance and retirement benefits	602		6,402

Components of net periodical severance and retirement cost for the year ended March 31, 2013, were as follows:

	(¥ millions)		(\$ thousands)
	2013	2013	2013
Service cost-benefits earned during the year	91		976
Interest cost on projected benefit obligation	–		–
Expected return on plan assets	–		–
Amortization of transitional obligation	–		–
Contribution payment to the defined contribution pension plan	246		2,625
Other	61		655
Net periodical severance and retirement cost	400		4,258

The Company and certain of its consolidated subsidiaries have the defined contribution plan and various defined benefit plans, which are the welfare pension fund plan and the lump-sum retirement benefit plan. Some other subsidiaries have smaller retirement benefit mutual aid plan or special retirement benefit mutual aid plan. The defined contribution plan and various defined benefit plan account retirement benefit liability and retirement benefit cost by short cut method.

The changes in defined benefit obligation for the year ended March 31, 2014, were as follows:

	(¥ millions)		(\$ thousands)
	2014	2014	2014
Balance at beginning of year	602		5,850
Retirement benefit cost	103		1,010
Post-employment benefits paid	(37)		(367)
Fair value of plan assets	(40)		(393)
Balance at end of year	627		6,100

Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2014, were as follows:

	(¥ millions)		(\$ thousands)
	2014	2014	2014
Funded defined benefit obligation	994		9,662
Pension assets	(414)		(4,029)
	579		5,632
Unfunded defined benefit obligation	48		467
Net liability for defined benefit obligation	627		6,100
Liability for retirement benefits	627		6,100
Net liability for defined benefit obligation	627		6,100

9. Derivative transactions

(1) Hedge accounting not applied

The following tables summarize the outstanding contract amounts and fair values of financial derivatives of the Company at March 31, 2014 and 2013, for which hedge accounting has not been applied.

	<u>(¥ millions)</u>		<u>(\$ thousands)</u>	
	2014	2013	2014	2013
a. Currency related:				
Forward currency exchange contracts				
Sell (U.S. dollar)				
Contracts outstanding	10,915	8,051	106,061	
Fair values	(143)	(451)	(1,397)	
Sell (Other)				
Contracts outstanding	85	5	827	
Fair values	0	(0)	(9)	
Buy (U.S. dollar)				
Contracts outstanding	1,925	1,194	18,707	
Fair values	4	2	41	
Buy (Other)				
Contracts outstanding	63	383	614	
Fair values	(2)	(4)	(28)	
b. Commodities futures:				
Sell (Japanese yen)				
Contracts outstanding	617	273	5,998	
Fair values	8	12	78	
Buy (Japanese yen)				
Contracts outstanding	619	265	6,023	
Fair values	(10)	(3)	(103)	

(2) Hedge accounting applied

The following tables summarize the outstanding contract amounts and fair values of financial derivatives of the Company at March 31, 2014 and 2013, for which hedge accounting has been applied.

	<u>(¥ millions)</u>		<u>(\$ thousands)</u>	
	2014	2013	2014	2013
a. Currency related:				
Forward currency exchange contracts				
Sell (U.S. dollar)				
Contracts outstanding	1,545	1,351	15,018	
Fair values	(10)	11	(98)	
Sell (Euro)				
Contracts outstanding	2,528	711	24,569	
Fair values	58	43	564	
Sell (Chinese yuan)				
Contracts outstanding	697	644	6,780	
Fair values	–	–	–	
Sell (Other)				
Contracts outstanding	106	172	1,037	
Fair values	0	(8)	7	
Buy (U.S. dollar)				
Contracts outstanding	2	0	21	
Fair values	–	–	–	
Buy (Euro)				
Contracts outstanding	255	237	2,484	
Fair values	0	(3)	8	
Buy (Other)				
Contracts outstanding	17	5	167	
Fair values	0	(0)	(1)	
b. Commodities futures:				
Sell (Japanese yen)				
Contracts outstanding	142	401	1,386	
Fair values	0	20	1	
Sell (U.S. dollar)				
Contracts outstanding	371	402	3,613	
Fair values	(2)	6	(26)	
Buy (Japanese yen)				
Contracts outstanding	194	137	1,891	
Fair values	2	(4)	21	
Buy (U.S. dollar)				
Contracts outstanding	237	379	2,304	
Fair values	13	(17)	128	

10. Segment information

For the year ended March 31, 2013

		Iron & Steel	Raw Materials	Nonferrous Metals
Net sales	Outside customers	254,855	298,868	158,226
	Inter - segment	–	–	1
Total		254,855	298,868	158,228
Segment profit or loss		2,580	993	467
Segment assets		84,339	31,131	48,973
Other items	Depreciation	212	87	199
	Amortization of goodwill	–	–	–
	Amortization of negative goodwill	10	–	133
	Interest received	22	4	14
	Interest expense	162	138	124
	Equity in earnings of affiliates	143	–	50
	Investments in equity method affiliates	2,890	–	309
	Increase from tangible fixed assets and intangible assets	825	190	481

For the year ended March 31, 2014

		Iron & Steel	Raw Materials	Nonferrous Metals
Net sales	Outside customers	284,460	328,529	178,108
	Inter - segment	–	–	1
Total		284,460	328,529	178,109
Segment profit or loss		2,781	826	909
Segment assets		96,533	36,211	54,168
Other items	Depreciation	347	123	237
	Amortization of goodwill	–	–	–
	Amortization of negative goodwill	–	–	19
	Interest received	37	6	17
	Interest expense	171	101	136
	Equity in earnings of affiliates	313	–	72
	Investments in equity method affiliates	3,943	–	394
	Increase from tangible fixed assets and intangible assets	1,477	57	177

For the year ended March 31, 2014

		Iron & Steel	Raw Materials	Nonferrous Metals
Net sales	Outside customers	2,763,896	3,192,085	1,730,549
	Inter - segment	–	–	14
Total		2,763,896	3,192,085	1,730,564
Segment profit or loss		27,021	8,034	8,837
Segment assets		937,943	351,840	526,314
Other items	Depreciation	3,372	1,195	2,312
	Amortization of goodwill	–	–	–
	Amortization of negative goodwill	–	–	190
	Interest received	365	65	167
	Interest expense	1,670	989	1,323
	Equity in earnings of affiliates	3,043	–	707
	Investments in equity method affiliates	38,320	–	3,834
	Increase from tangible fixed assets and intangible assets	14,358	563	1,724

Notes: The segment is classified with the kind of inventories and the common sales route based on the sales department of the Company.

(Millions of yen)

Machinery & Electronics	Welding	Total	Other	Corporate / Elimination	Consolidated
61,758	37,859	811,568	370	(42,277)	769,660
0	–	2	–	(2)	–
61,758	37,859	811,570	370	(42,279)	769,660
319	440	4,802	59	(0)	4,860
31,349	15,270	211,063	340	2,802	214,206
150	47	697	26	–	724
141	–	141	–	–	141
57	147	349	–	–	349
7	8	57	0	(12)	44
136	70	633	–	(12)	620
–	10	204	–	(1)	202
–	309	3,509	–	–	3,509
264	76	1,838	–	–	1,838

(Millions of yen)

Machinery & Electronics	Welding	Total	Other	Corporate / Elimination	Consolidated
59,669	36,931	887,699	380	(47,134)	840,945
–	–	1	–	(1)	–
59,669	36,931	887,701	380	(47,136)	840,945
403	232	5,154	37	126	5,318
29,779	17,058	233,750	520	(1,953)	232,318
162	59	930	26	–	957
130	–	130	–	–	130
–	14	34	–	–	34
12	12	86	0	(38)	48
136	80	626	–	(38)	588
–	5	391	–	1	392
–	310	4,648	–	–	4,648
78	34	1,825	–	–	1,825

(Thousands of US\$)

Machinery & Electronics	Welding	Total	Other	Corporate / Elimination	Consolidated
579,770	358,839	8,625,139	3,695	(457,973)	8,170,862
–	–	14	–	(14)	–
579,770	358,839	8,625,154	3,695	(457,988)	8,170,862
3,923	2,261	50,076	364	1,233	51,676
289,342	165,749	2,271,188	5,056	(18,978)	2,257,268
1,582	579	9,040	260	–	9,302
1,269	–	1,269	–	–	1,269
–	142	332	–	–	333
125	120	842	2	(374)	471
1,324	782	6,088	–	(374)	5,715
–	51	3,801	–	11	3,813
–	3,013	45,167	–	–	45,168
764	331	17,740	–	–	17,741

Investor Information (As of March 31, 2014)

Founded	November. 12 1946
Number of Employees	538 (Consolidated 1,277)
Fiscal Year	April 1 – March 31
Ordinary General Meeting of Shareholders	June of each year
Authorised Share Capital	270,000,000
Number of Shares Issued	88,605,625
Number of Shareholders	4,774

Principal Shareholders

At March 31, 2014, the ten largest Shareholders of the Company's Shareholders were as follows:

	Thousands of shares	Investment Ratio
Mizuho Trust & Banking Co., Ltd. (Kobe Steel,Ltd. Retirement Benefit Trust Account)	19,062	21.52%
Kobe Steel, Ltd.	11,791	13.31
Shinsho Client Shareholding Association	6,457	7.29
Mr. Masayoshi Yamauchi	2,197	2.48
Goldman Sachs International	1,599	1.81
SINFONIA TECHNOLOGY CO., LTD.	1,500	1.69
Shinsho Employees' Shareholding Association	1,263	1.43
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,104	1.25
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,092	1.23
Sumitomo Mitusi Banking Corporation	1,034	1.17

Note: The Investment ratio is computed excluding 34,274 shares of treasury stock held by Shinsho Corporation.

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