

**SHINSHO  
CORPORATION  
AND  
CONSOLIDATED  
SUBSIDIARIES  
FINANCIAL  
STATEMENTS**

(Year ended March 31, 2015)

2015

SHINSHO CORPORATION AND CONSOLIDATED SUBSIDIARIES  
**CONSOLIDATED BALANCE SHEETS**

	March 31, 2015	March 31, 2014	2015 Thousands of U.S. Dollars
	(Millions of Yen)		
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents .....	18,635	16,288	155,078
Notes and accounts receivables .....	149,776	137,420	1,246,374
Inventories .....	31,986	22,907	266,173
Advance payments .....	12,736	14,181	105,983
Deferred tax assets (Note 6) .....	789	679	6,571
Other current assets .....	4,651	3,205	38,710
Allowance for doubtful receivables .....	(132)	(212)	(1,106)
Total current assets .....	218,443	194,471	1,817,785
<b>Property and equipment:</b>			
Land .....	1,070	1,278	8,909
Building and structures .....	5,712	5,500	47,538
Machinery and equipment .....	6,208	5,389	51,665
Other .....	1,854	1,308	15,430
Accumulated depreciation .....	(7,673)	(6,599)	(63,855)
Total property and equipment .....	7,172	6,877	59,689
<b>Investments and other assets:</b>			
Goodwill .....	228	359	1,903
Investment securities .....	30,890	27,478	257,057
Long-term loans .....	323	50	2,690
Deferred tax assets (Note 6) .....	220	444	1,831
Other .....	2,641	2,801	21,985
Allowance for doubtful receivables .....	(133)	(164)	(1,114)
Total investments and other assets .....	34,170	30,969	284,352
Total Assets .....	259,786	232,318	2,161,827

See accompanying notes to consolidated financial statements.

	March 31, 2015	March 31, 2014	2015 Thousands of U.S. Dollars
	(Millions of Yen)		
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities:</b>			
Notes and accounts payables .....	130,843	121,947	1,088,818
Short-term loans and current portion of long term debt (Note 3) .....	31,293	20,894	260,411
Income taxes payable .....	1,384	626	11,523
Deferred tax liabilities (Note 6) .....	5	6	46
Accrued bonuses to employees .....	922	818	7,679
Deposits received .....	9,624	11,635	80,093
Other current liabilities .....	13,771	9,020	114,598
Total current liabilities .....	187,846	164,949	1,563,172
<b>Long-term liabilities:</b>			
Long-term debt, less current portion (Note 3) .....	23,116	27,436	192,362
Guaranteed deposits received .....	1,025	1,026	8,534
Deferred tax liabilities (Note 6) .....	1,325	650	11,032
Directors' retirement benefit .....	54	38	449
Net defined benefit liability (Note 8) .....	693	627	5,768
Negative goodwill .....	—	34	—
Other long-term liabilities .....	33	18	275
Total long-term liabilities .....	26,248	29,831	218,424
<b>Contingent liabilities (Note 5)</b>			
<b>Equity:</b>			
<b>Owners' Equity</b>			
Common stock .....	5,650	5,650	47,019
Capital surplus .....	2,703	2,703	22,498
Retained earnings .....	28,907	25,463	240,550
Treasury stock .....	(17)	(17)	(146)
Total owners' equity .....	37,243	33,800	309,922
<b>Accumulated other comprehensive income (loss)</b>			
Net unrealized gain (loss) on available-for-sale securities .....	3,261	1,501	27,140
Net unrealized gain (loss) on derivative instruments .....	(44)	54	(366)
Foreign currency translation adjustments .....	2,029	22	16,885
Total accumulated other comprehensive income (loss) .....	5,246	1,578	43,660
<b>Noncontrolling interest</b>			
	3,202	2,158	26,648
Total Equity .....	45,692	37,537	380,230
Total liabilities and equity .....	259,786	232,318	2,161,827

See accompanying notes to consolidated financial statements.

## SHINSHO CORPORATION AND CONSOLIDATED SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF INCOME**

	March 31, 2015	March 31, 2014	2015 Thousands of U.S. Dollars
	(Millions of Yen)	(Millions of Yen)	
Net sales (Note 11) .....	870,407	840,945	7,243,130
Cost of sales .....	844,509	817,368	7,027,626
Gross profit .....	25,897	23,577	215,504
Selling, general and administrative expenses .....	19,108	17,840	159,011
Operating income .....	6,788	5,736	56,493
<b>Other income</b>			
Interest income .....	52	48	434
Dividends income .....	585	581	4,869
Purchase discount .....	100	80	834
Foreign exchange gains .....	151	—	1,260
Gain on revaluation of derivatives .....	—	301	—
Amortization of negative goodwill .....	34	34	285
Gain on sale of property .....	414	—	3,447
Gain on sale of investment securities .....	2	—	23
Gain on sale of stocks of affiliates .....	—	31	—
Other .....	213	210	1,776
	1,554	1,287	12,933
<b>Other expense</b>			
Interest expense .....	554	588	4,614
Loss on sale of notes and account receivables .....	566	683	4,710
Sales discount .....	293	261	2,438
Foreign exchange loss .....	—	491	—
Loss on revaluation of derivatives .....	151	—	1,260
Loss on impairment of fixed assets .....	192	—	1,600
Loss on valuation of investments securities .....	—	9	—
Loss on valuation of stocks of affiliates .....	—	51	—
Loss on valuation of investments in capital .....	—	176	—
Loss on valuation of membership .....	1	8	9
Other .....	110	42	920
	1,869	2,312	15,555
Net income before income taxes, noncontrolling interests .....	6,473	4,711	53,870
and equity in earnings of affiliates			
Income taxes (Note 4)			
Current .....	2,512	1,661	20,910
Deferred .....	189	248	1,579
	2,702	1,910	22,489
Noncontrolling interests .....	122	33	1,016
Equity in earnings of affiliates .....	325	392	2,708
Net income .....	3,974	3,160	33,074
	(yen)	(yen)	(dollars)
Net income per share	35.69	21.24	0.30

See accompanying notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

	March 31, 2015	March 31, 2014	2015 Thousands of U.S. Dollars
	(Millions of Yen)	(Millions of Yen)	
<b>Common stock:</b>			
Balance at beginning of year .....	5,650	5,650	47,019
Balance at end of period .....	<u>5,650</u>	<u>5,650</u>	<u>47,019</u>
<b>Capital surplus:</b>			
Balance at beginning of year .....	2,703	2,703	22,498
Balance at end of year .....	<u>2,703</u>	<u>2,703</u>	<u>22,498</u>
<b>Retained earnings:</b>			
Balance at beginning of year .....	25,463	22,844	211,898
Adjustment on retained earnings of affiliated company .....	—	(9)	—
Cash dividends .....	(531)	(531)	(4,422)
Net income .....	3,974	3,160	33,074
Balance at end of period .....	<u>28,907</u>	<u>25,463</u>	<u>240,550</u>
<b>Net unrealized gain (loss) on available-for-sale securities:</b>			
Balance at beginning of year .....	1,501	705	12,495
Net change in unrealized gain (loss) on available -for-sale securities .....	1,759	796	14,645
Balance at end of period .....	<u>3,261</u>	<u>1,501</u>	<u>27,140</u>
<b>Net unrealized gain (loss) on derivative instruments:</b>			
Balance at beginning of year .....	54	43	451
Net change in unrealized gain (loss) on derivative instruments .....	(98)	10	(817)
Balance at end of period .....	<u>(44)</u>	<u>54</u>	<u>(366)</u>
<b>Foreign currency transaction adjustment:</b>			
Balance at beginning of year .....	22	(2,191)	189
Net change in foreign currency translation adjustments .....	2,006	2,214	16,696
Balance at end of period .....	<u>2,029</u>	<u>22</u>	<u>16,885</u>
<b>Treasury stock:</b>			
Balance at beginning and end of year .....	(17)	(17)	(143)
Net change in treasury stock .....	(0)	(0)	(0)
Balance at end of period .....	<u>(17)</u>	<u>(17)</u>	<u>(146)</u>
<b>Noncontrolling interest:</b>			
Balance at beginning and end of year .....	2,158	1,740	17,961
Net change in noncontrolling interest .....	1,043	418	8,686
Balance at end of period .....	<u>3,202</u>	<u>2,158</u>	<u>26,648</u>
<b>Total shareholders' equity</b>	<b>45,692</b>	<b>37,537</b>	<b>380,230</b>
	(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, 2015	March 31, 2014	2015 Thousands of U.S. Dollars
	(Millions of Yen)	(Millions of Yen)	
<b>Operating activities:</b>			
Net income before income taxes, noncontrolling interests and equity in earnings of affiliates .....	6,473	4,711	53,870
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation .....	1,128	957	9,390
Amortization of (negative) goodwill .....	104	96	870
Increase (Decrease) of reserve and provision .....	(6)	(70)	(51)
Net defined benefit liability .....	49	54	414
Interest and dividend income .....	(637)	(630)	(5,304)
Interest expense .....	554	588	4,614
Loss on sale and dispose of property .....	(407)	9	(3,392)
Loss (Gain) on sale of stocks of affiliates .....	—	(31)	—
Loss on sale of investment securities .....	(2)	—	(23)
Loss on impairment of long-lived assets .....	192	—	1,600
Loss on valuation of investment securities .....	—	236	—
Loss on valuation of membership .....	1	8	9
Decrease (Increase) in trade receivables .....	(9,833)	(4,893)	(81,833)
Decrease (Increase) in inventories .....	(7,506)	916	(62,461)
Increase (Decrease) in trade payables .....	6,715	4,186	55,880
Decrease (Increase) in other receivables .....	(813)	(87)	(6,770)
Other, net .....	3,902	(940)	32,472
Sub-total .....	(85)	5,110	(714)
Interest and dividend received .....	736	688	6,124
Interest paid .....	(554)	(588)	(4,613)
Income taxes paid .....	(1,797)	(1,485)	(14,959)
Net cash provided by operating activities .....	(1,701)	3,725	(14,161)
<b>Investing activities:</b>			
Purchase of property and equipment .....	(1,087)	(1,464)	(9,052)
Proceeds from sale of property and equipment .....	818	5	6,814
Purchase of investment securities .....	(239)	(1,713)	(1,992)
Proceeds from sale of investment securities .....	64	0	535
Purchase of stocks of affiliates .....	(183)	(506)	(1,527)
Increase in short-term loans .....	(404)	(144)	(3,365)
Collection of short-term loans .....	2	105	24
Increase in long-term loans .....	(422)	(7)	(3,512)
Collection of long-term loans .....	61	62	514
Other, net .....	(242)	(354)	(2,019)
Net cash used in investing activities .....	(1,632)	(4,016)	(13,581)
<b>Financing activities:</b>			
Change in short-term debt, net .....	2,390	(2,417)	19,894
Proceeds from long-term debt .....	3,593	5,020	29,907
Repayment of long-term debt .....	(1,099)	(4,797)	(9,148)
Repayment of finance lease debt .....	(10)	(16)	(89)
Dividends paid .....	(531)	(531)	(4,422)
Dividends paid to noncontrolling interest .....	(3)	(3)	(26)
Proceeds from paid-in capital of noncontrolling interest .....	782	37	6,512
Other, net .....	(0)	(0)	(0)
Net cash used in financial activities .....	5,122	(2,708)	42,625
Effect of exchange on cash and cash equivalents .....	518	673	4,317
Net increase (decrease) in cash and cash equivalents .....	2,307	(2,325)	19,200
Cash and cash equivalents at beginning of year .....	16,282	18,513	135,492
Effect of changes in consolidated subsidiaries .....	—	93	—
Cash and cash equivalents at end of year .....	18,589	16,282	154,692

See accompanying notes to consolidated financial statements.

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SHINSHO CORPORATION AND CONSOLIDATED SUBSIDIARIES  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**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 2014 financial statements to conform to the classifications used in 2015. 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 ¥120.17 to \$1, the rate of exchange at March 31, 2015. 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.

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**2. Summary of significant accounting policies**

**(1) Scope of consolidation**

The Company had 30 subsidiaries (majority-owned companies) at March 31, 2015.

The accompanying consolidated financial statements include the accounts of the Company and 30 of its subsidiaries for the year ended March 31, 2015, 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  
Kobelco CH Wire Mexicana, S.A.de C.V.  
18 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". Goodwill recorded promptly on balance sheet and Negative goodwill amortized within twenty years by cause.

**(3) Equity method of accounting for investments in affiliates**

The Company had 24 affiliates (companies owned from 20% to 50% actually) at March 31, 2015. The equity method is applied to these 19 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

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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 stockholders' 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 commodity 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.

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### 3. Short-term debt and long-term debt

Short-term debt at March 31, 2015 and 2014 consisted of the following:



Short-term loans principally from banks at March 31, 2015 and 2014 represent short-term notes with the interest on the principal at the average rate of 0.829% and 1.115%, respectively.

Long-term debt at March 31, 2015 and 2014 consisted of the following:

	<u>(¥ millions)</u>		<u>(\$ thousands)</u>	
	2015	2014	2015	2014
Long-term loans from banks, insurance companies and other financial institutions due through 2020, at the averaged rate of 0.946%	31,399	28,512	261,292	
Less current portion	<u>(8,283)</u>	<u>(1,076)</u>	<u>(68,929)</u>	
	23,116	27,436	192,362	

The aggregate annual maturity of long-term debt at March 31, 2015 were as follows:

Year ending March 31	<u>(¥ millions)</u>		<u>(\$ thousands)</u>	
2017	6,690		55,671	
2018	4,646		38,661	
2019	6,650		55,338	
2020 and thereafter	5,129		42,681	

#### 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 35.6% and 38.0% for 2015 and 2014. 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, 2015 and 2014 were as follows:

	<u>(¥ millions)</u>		<u>(\$ thousands)</u>	
	2015	2014	2015	2014
As endorser of notes endorsed	2,612	2,316	21,738	
As guarantor of loans	847	1,310	7,050	

#### 6. Deferred income taxes

Significant components of deferred tax assets and liabilities at March 31, 2015 and 2014, were as follows:

	<u>(¥ millions)</u>		<u>(\$ thousands)</u>	
	2015	2014	2015	2014
Deferred tax assets:				
Allowance for doubtful receivables	41	103	342	
Accrued bonus	333	321	2,775	
Loss on devaluation of inventories	83	41	697	
Loss on devaluation of fixed assets	319	291	2,660	
Loss on devaluation of investment securities	1,073	1,079	8,933	
Loss on devaluation of membership	91	100	760	
Net defined benefit liability	204	208	1,702	
Operating loss carry forwards	421	594	3,507	
Other	343	215	2,856	
Valuation allowance	<u>(1,558)</u>	<u>(1,510)</u>	<u>(12,971)</u>	
Gross deferred tax assets	1,353	1,445	11,265	
Deferred tax liabilities:				
Unrealized gain on available-for-sale securities	(1,417)	(785)	(11,798)	
Other	<u>(257)</u>	<u>(192)</u>	<u>(2,143)</u>	
Gross deferred tax liabilities	<u>(1,675)</u>	<u>(978)</u>	<u>(13,941)</u>	
Net deferred tax assets	(321)	467	(2,676)	

#### 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, 2015 and 2014, were as follows:

	<u>(¥ millions)</u>		<u>(\$ thousands)</u>	
	2015	2014	2015	2014
Lease expenses	1	4	9	

The amount of outstanding future lease payments due at March 31, 2015 and 2014, which included the portion of interest thereon, were as follows:

	(¥ millions)		(\$ thousands)
	2015	2014	2015
Future lease payments			
Within one year	–	1	–
Over one year	–	–	–

Assumed data as to acquisition cost, accumulated depreciation, net book value and depreciation expense of the leased assets, at March 31, 2015 and 2014 which included the portion of interest thereon, were as follows:

	(¥ millions)		(\$ thousands)
	2015	2014	2015
Acquisition cost	34	34	288
Accumulated depreciation	(34)	(33)	(288)
Net book value	–	1	–
Depreciation	1	4	9

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, 2015 were ¥14million (\$144 thousand) of which ¥5million (\$47 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 Company and certain of its consolidated subsidiaries have the defined contribution 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, 2015, were as follows:

	(¥ millions)		(\$ thousands)
	2015	2014	2015
Balance at beginning of year	627	602	5,224
Retirement benefit cost	117	103	980
Post-employment benefits paid	(18)	(37)	(153)
Employer contributions	(34)	(40)	(283)
Balance at end of year	693	627	5,768

Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2015, were as follows:

	(¥ millions)		(\$ thousands)
	2015	2014	2015
Funded defined benefit obligation	1,111	994	9,247
Pension assets	(472)	(414)	(3,934)
	638	579	5,312
Unfunded defined benefit obligation	54	48	455
Net liability for defined benefit obligation	693	627	5,768
Liability for retirement benefits	693	627	5,768
Net liability for defined benefit obligation	693	627	5,768

## 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, 2015 and 2014, for which hedge accounting has not been applied.

	(¥ millions)		(\$ thousands)
	2015	2014	2015
a. Currency related:			
Forward currency exchange contracts			
Sell (U.S. dollar)			
Contracts outstanding	12,778	10,915	106,338
Fair values	(311)	(143)	(2,591)
Sell (Other)			
Contracts outstanding	93	85	779
Fair values	(1)	0	(8)
Buy (U.S. dollar)			
Contracts outstanding	4,590	1,925	38,203
Fair values	46	4	384
Buy (Other)			
Contracts outstanding	34	63	288
Fair values	(2)	(2)	(17)

	<u>(¥ millions)</u>		<u>(\$ thousands)</u>
	2015	2014	2015
b. Commodities futures:			
Sell (Japanese yen)			
Contracts outstanding	418	617	3,486
Fair values	(9)	8	(77)
Buy (Japanese yen)			
Contracts outstanding	414	619	3,451
Fair values	13	(10)	112
c. Currency option trading:			
Sell (Call)			
U.S. dollar			
Contracts outstanding	0	–	1
Fair values	0	–	0
Buy (Put)			
U.S. dollar			
Contracts outstanding	0	–	1
Fair values	(0)	–	0
d. Currency swap trading:			
Chinese yuan			
Contracts outstanding	140	–	1,169
Fair values	(22)	–	(189)

(2) Hedge accounting applied

The following tables summarize the outstanding contract amounts and fair values of financial derivatives of the Company at March 31, 2015 and 2014, for which hedge accounting has been applied.

	<u>(¥ millions)</u>		<u>(\$ thousands)</u>
	2015	2014	2015
a. Currency related:			
Forward currency exchange contracts			
Sell (U.S. dollar)			
Contracts outstanding	1,533	1,545	12,764
Fair values	(52)	(10)	(436)
Sell (Euro)			
Contracts outstanding	2,116	2,528	17,610
Fair values	(33)	58	(276)
Sell (Chinese yuan)			
Contracts outstanding	1,410	697	11,734
Fair values	–	–	–
Sell (Other)			
Contracts outstanding	182	106	1,520
Fair values	(4)	0	(33)

	<u>(¥ millions)</u>		<u>(\$ thousands)</u>
	2015	2014	2015
Buy (U.S. dollar)			
Contracts outstanding	0	2	1
Fair values	–	–	–
Buy (Euro)			
Contracts outstanding	578	255	4,817
Fair values	(8)	0	(74)
Buy (Other)			
Contracts outstanding	168	17	1,402
Fair values	0	0	(7)
b. Commodities futures:			
Sell (Japanese yen)			
Contracts outstanding	904	142	7,523
Fair values	16	0	135
Sell (U.S. dollar)			
Contracts outstanding	664	371	5,531
Fair values	14	(2)	120
Buy (Japanese yen)			
Contracts outstanding	740	194	6,159
Fair values	0	2	5
Buy (U.S. dollar)			
Contracts outstanding	377	237	3,143
Fair values	(20)	13	(166)

## 10. Fixed-Assets Impairment Loss

The impairment losses for the year ended March 31, 2015 were outlined as follows:

Location	Use	Classification	Impairment Loss
Hyogo Prefecture	Rental assets	Buildings and structures, and others	¥192 million

Our group groups operating assets and rental assets and welfare facilities, idle assets in accordance with each real property. The company reduced the book value of rental assets which expected profitability to fall remarkably to the recoverable amount, and recorded an impairment loss of ¥192 million. The recoverable amount of this asset was determined based on utility value. Future cash flow was calculated after discounting by weighted average cost of capital (5%).

## 11. Segment information

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
	Loss on impairment of fixed assets	–	–	–
	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, 2015

		Iron & Steel	Raw Materials	Nonferrous Metals
Net sales	Outside customers	299,146	306,001	209,689
	Inter - segment	–	–	1
Total		299,146	306,001	209,691
Segment profit or loss		3,536	507	1,381
Segment assets		105,901	34,357	68,525
Other items	Depreciation	473	141	293
	Amortization of goodwill	–	–	8
	Amortization of negative goodwill	–	–	14
	Interest received	32	14	16
	Interest expense	172	117	110
	Equity in earnings of affiliates	276	–	47
	Loss on impairment of fixed assets	–	–	–
	Investments in equity method affiliates	4,599	–	744
	Increase from tangible fixed assets and intangible assets	593	135	159

For the year ended March 31, 2015

		Iron & Steel	Raw Materials	Nonferrous Metals
Net sales	Outside customers	2,489,357	2,546,405	1,744,944
	Inter - segment	–	–	11
Total		2,489,357	2,546,405	1,744,955
Segment profit or loss		29,427	4,220	11,499
Segment assets		881,259	285,905	570,237
Other items	Depreciation	3,942	1,178	2,442
	Amortization of goodwill	–	–	68
	Amortization of negative goodwill	–	–	122
	Interest received	268	118	140
	Interest expense	1,439	980	917
	Equity in earnings of affiliates	2,300	–	399
	Loss on impairment of fixed assets	–	–	–
	Investments in equity method affiliates	38,274	–	6,192
	Increase from tangible fixed assets and intangible assets	4,939	1,125	1,323

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
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

( Millions of yen )

Machinery & Electronics	Welding	Total	Other	Corporate / Elimination	Consolidated
69,309	40,172	924,319	369	(54,282)	870,407
-	-	1	-	(1)	-
69,309	40,172	924,320	369	(54,283)	870,407
740	478	6,644	(46)	(21)	6,575
34,670	19,488	262,943	421	(3,578)	259,786
147	56	1,112	16	-	1,128
130	-	138	-	-	138
-	19	34	-	-	34
16	11	91	0	(40)	52
125	66	593	1	(40)	554
-	9	333	-	(8)	325
-	-	-	192	-	192
-	316	5,660	-	-	5,660
166	201	1,256	0	-	1,256

( Thousands of US\$ )

Machinery & Electronics	Welding	Total	Other	Corporate / Elimination	Consolidated
576,759	334,298	7,691,763	3,077	(451,712)	7,243,130
-	-	11	-	(11)	-
576,759	334,298	7,691,774	3,077	(451,723)	7,243,130
6,163	3,978	55,287	(388)	(182)	54,718
288,515	162,176	2,188,092	3,510	(29,779)	2,161,827
1,225	466	9,253	134	-	9,390
1,087	-	1,155	-	-	1,155
-	163	285	-	-	285
141	94	761	4	(333)	434
1,041	557	4,934	11	(333)	4,614
-	75	2,774	-	(66)	2,708
-	-	-	1,600	-	1,600
-	2,636	47,102	-	-	47,103
1,386	1,677	10,450	2	-	10,455

## Investor Information (As of March 31, 2015)

Founded .....	November. 12 1946
Number of Employees .....	439 (Consolidated 1,309)
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 .....	4,367

### Principal Shareholders

At March 31, 2015, the ten largest Shareholders of the Company's Shareholders were as follows:

Name	Thousands of shares	Investment Ratio
Mizuho Trust & Banking Co., Ltd.	19,062	21.52%
Kobe Steel, Ltd.	11,791	13.31
Shinsho Client Shareholding Association	6,501	7.34
Mr. Masayoshi Yamauchi	2,128	2.40
Goldman Sachs International	2,062	2.33
SINFONIA TECHNOLOGY CO., LTD.	1,500	1.69
Shinsho Employees' Shareholding Association	1,361	1.54
Japan Trustee Services Bank, Ltd. (Trust Account)	1,334	1.51
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,103	1.25
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,092	1.23

Note: The Investment ratio is computed excluding 35,422 shares of treasury stock held by Shinsho Corporation.

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