

SHINSHO  
CORPORATION  
AND  
CONSOLIDATED  
SUBSIDIARIES  
FINANCIAL  
STATEMENTS

(Year ended March 31, 2018)

2018

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

	March 31, 2018	March 31, 2017	2018 Thousands of U.S. Dollars
	(Millions of Yen)		
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and deposits .....	19,023	16,491	179,058
Notes and accounts receivable .....	165,824	148,957	1,560,846
Electronically recorded monetary claims .....	8,102	4,277	76,268
Inventories .....	33,866	28,210	318,775
Advance payments .....	8,816	13,028	82,986
Deferred tax assets (Note 6) .....	1,078	1,000	10,156
Other .....	3,776	3,726	35,549
Allowance for doubtful accounts .....	(105)	(90)	(996)
Total current assets .....	240,383	215,602	2,262,644
<b>Non-current assets</b>			
<b>Property, plant and equipment:</b>			
Land .....	1,750	1,231	16,472
Building and structures .....	7,347	7,638	69,162
Machinery and equipment .....	8,194	8,389	77,134
Construction in progress .....	150	187	1,413
Accumulated depreciation .....	(9,909)	(10,055)	(93,270)
Other .....	1,409	1,219	13,265
Total property, plant and equipment .....	8,943	8,611	84,177
<b>Intangible assets, investments and other assets:</b>			
Goodwill .....	250	344	2,362
Investment securities .....	32,372	30,730	304,712
Long-term loans receivable .....	400	176	3,770
Deferred tax assets (Note 6) .....	129	92	1,219
Other .....	2,241	2,247	21,099
Allowance for doubtful accounts .....	(429)	(294)	(4,047)
Total intangible assets, investments and other assets .....	34,965	33,296	329,116
Total non-current assets .....	43,908	41,908	413,293
 Total Assets .....	 284,291	 257,510	 2,675,938

See accompanying notes to consolidated financial statements.

	March 31, 2018	March 31, 2017	2018 Thousands of U.S. Dollars
	(Millions of Yen)	(Millions of Yen)	
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Notes and accounts payable .....	129,311	115,358	1,217,167
Electronically recorded obligations .....	14,415	10,302	135,685
Short-term loans payable (Note 3) .....	39,921	31,788	375,766
Income taxes payable .....	1,393	1,163	13,118
Deferred tax liabilities (Note 6) .....	2	4	20
Provision for bonuses .....	1,048	842	9,869
Deposits received .....	6,256	10,840	58,889
Other .....	12,974	11,584	122,127
Total current liabilities .....	205,324	181,884	1,932,644
<b>Non-current liabilities:</b>			
Long-term loans payable (Note 3) .....	19,390	23,184	182,512
Guaranteed deposits received .....	1,646	1,637	15,493
Deferred tax liabilities (Note 6) .....	2,192	1,243	20,638
Provision for director's retirement benefits .....	130	86	1,230
Net defined benefit liability (Note 8) .....	887	790	8,355
Provision for loss on guarantees .....	77	72	729
Other .....	917	928	8,634
Total non-current liabilities .....	25,242	27,943	237,594
Total LIABILITIES .....	230,566	209,827	2,170,238
<b>NET ASSETS:</b>			
<b>Shareholders' equity</b>			
Common stock .....	5,650	5,650	53,184
Capital surplus .....	2,645	2,703	24,897
Retained earnings .....	38,370	33,850	361,164
Treasury shares .....	(17)	(19)	(160)
Total shareholders' equity .....	46,648	42,185	439,084
<b>Accumulated other comprehensive income</b>			
Valuation difference on available-for-sale securities .....	3,338	2,769	31,421
Deferred gains or losses on hedges .....	117	0	1,108
Foreign currency translation adjustment .....	734	309	6,912
Total accumulated other comprehensive income .....	4,190	3,079	39,442
<b>Non-controlling interests</b>			
	2,886	2,417	27,172
Total NET ASSETS .....	53,725	47,682	505,699
Total LIABILITIES and NET ASSETS .....	284,291	257,510	2,675,938

See accompanying notes to consolidated financial statements.

SHINSHO CORPORATION AND CONSOLIDATED SUBSIDIARIES  
**CONSOLIDATED STATEMENTS OF INCOME**

	March 31, 2018	March 31, 2017	2018 Thousands of U.S. Dollars
	(Millions of Yen)	(Millions of Yen)	
Net sales (Note 11) .....	929,467	769,481	8,748,756
Cost of sales .....	898,534	743,370	8,457,590
Gross profit .....	30,933	26,110	291,166
Selling, general and administrative expenses .....	22,813	21,290	214,736
Operating profit .....	8,119	4,819	76,430
<b>Non-operating income</b>			
Interest income .....	94	91	892
Dividend income .....	751	624	7,073
Purchase discounts .....	57	48	541
Gain on valuation of derivatives .....	150	—	1,413
Gain on bargain purchase .....	90	—	850
Miscellaneous income .....	386	454	3,640
	1,531	1,219	14,413
<b>Non-operating expenses</b>			
Interest expenses .....	778	661	7,325
Loss on sales of accounts receivable .....	427	268	4,027
Sales discounts .....	205	187	1,934
Foreign exchange losses .....	331	181	3,123
Loss on valuation of derivatives .....	—	358	—
Impairment loss .....	—	1,068	—
Loss on valuation of investment securities .....	13	10	130
Loss on valuation of investments in capital .....	153	—	1,449
Loss on liquidation of subsidiaries and associates .....	—	16	—
Loss on valuation of membership .....	3	—	35
Provision for loss on guarantees .....	7	26	65
Miscellaneous loss .....	86	78	813
	2,008	2,857	18,904
Profit before income taxes, non-controlling interests and equity method income .....	7,642	3,181	71,939
Income taxes (Note 4)			
Current .....	2,646	2,015	24,906
Deferred .....	394	(82)	3,709
	3,040	1,932	28,616
Profit (Loss) attributable to non-controlling interests .....	46	(775)	438
Share of profit of entities accounted for using equity method .....	893	945	8,409
Profit attributable to owners of parent .....	5,449	2,970	51,293
Profit per share	(yen) 615.47	(yen) 335.43	(dollars) 5.79

See accompanying notes to consolidated financial statements.

## SHINSHO CORPORATION AND CONSOLIDATED SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	March 31, 2018	March 31, 2017	2018 Thousands of U.S. Dollars
	(Millions of Yen)	(Millions of Yen)	
<b>Common stock:</b>			
Balance at beginning of period .....	5,650	5,650	53,184
Balance at end of period .....	5,650	5,650	53,184
<b>Capital surplus:</b>			
Balance at beginning of period .....	2,703	2,703	25,448
Disposal of treasury shares .....	(0)	-	(0)
Purchase of shares of consolidated subsidiaries .....	(58)	-	(550)
Balance at end of period .....	2,645	2,703	24,897
<b>Retained earnings:</b>			
Balance at beginning of period .....	33,850	31,588	318,623
Effect from change in scope of entities accounted for using equity method .....	-	0	-
Dividends of surplus .....	(929)	(708)	(8,752)
Profit attributable to owners of parent .....	5,449	2,970	51,293
Balance at end of period .....	38,370	33,850	361,164
<b>Valuation difference on available-for-sale securities:</b>			
Balance at beginning of period .....	2,769	1,352	26,071
Net changes of items other than shareholders' equity .....	568	1,417	5,350
Balance at end of period .....	3,338	2,769	31,421
<b>Deferred gains or losses on hedges:</b>			
Balance at beginning of period .....	0	(62)	2
Net changes of items other than shareholders' equity .....	117	62	1,106
Balance at end of period .....	117	0	1,108
<b>Foreign currency translation adjustment:</b>			
Balance at beginning of period .....	309	878	2,913
Net changes of items other than shareholders' equity .....	424	(568)	3,999
Balance at end of period .....	734	309	6,912
<b>Treasury shares:</b>			
Balance at beginning of period .....	(19)	(17)	(181)
Purchase of treasury shares .....	(15)	(1)	(142)
Disposal of treasury shares .....	17	-	163
Change in treasury shares arising from change in equity in entities accounted for using equity method .....	-	(0)	-
Balance at end of period .....	(17)	(19)	(160)
<b>Non-controlling interests:</b>			
Balance at beginning period .....	2,417	3,158	22,756
Net changes of items other than shareholders' equity .....	469	(740)	4,415
Balance at end of period .....	2,886	2,417	27,172
<b>Total net assets</b> .....	<b>53,725</b>	<b>47,682</b>	<b>505,699</b>
	(thousands)	(thousands)	
Number of authorized shares .....	27,000	27,000	
Number of issued shares (including treasury shares) .....	8,860	8,860	

See accompanying notes to consolidated financial statements.

SHINSHO CORPORATION AND CONSOLIDATED SUBSIDIARIES  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	March 31, 2018	March 31, 2017	2018 Thousands of U.S. Dollars
	(Millions of Yen)	(Millions of Yen)	
<b>Operating activities:</b>			
Profit before income taxes, non-controlling interests and equity method income .....	7,642	3,181	71,939
Depreciation .....	1,160	1,282	10,924
Amortization of goodwill .....	93	191	879
Increase (Decrease) of reserve and provision .....	348	150	3,275
Increase (Decrease) in net defined benefit liability .....	92	18	868
Interest and dividend income .....	(846)	(716)	(7,966)
Interest expenses .....	778	661	7,325
Gain on bargain purchase .....	(90)	—	(850)
Impairment loss .....	—	1,068	—
Loss (Gain) on valuation of investment securities .....	13	10	130
Loss on valuation of investments in capital .....	153	—	1,449
Decrease (Increase) in notes and accounts receivable .....	(19,567)	(11,424)	(184,184)
Decrease (Increase) in inventories .....	(5,392)	2,662	(50,761)
Increase (Decrease) in notes and accounts payable .....	17,522	6,397	164,936
Decrease (Increase) in accounts receivable .....	(182)	697	(1,717)
Other, net .....	722	3,003	6,796
Subtotal .....	2,448	7,185	23,044
Interest and dividend income received .....	957	785	9,008
Interest expenses paid .....	(745)	(663)	(7,015)
Income taxes paid .....	(2,460)	(1,431)	(23,157)
Net cash provided by operating activities .....	199	5,875	1,878
<b>Investing activities:</b>			
Purchase of property, plant and equipment .....	(660)	(946)	(6,214)
Proceeds from sales of property, plant and equipment .....	12	17	122
Purchase of investment securities .....	(13)	(11)	(122)
Proceeds from sales of investment securities .....	245	6	2,312
Purchase of shares of subsidiaries and associates .....	(84)	(64)	(794)
Purchase of shares of subsidiaries resulting in change in scope of consolidation .....	(22)	(544)	(216)
Payments of short-term loans receivable .....	(1)	(0)	(18)
Collection of short-term loans receivable .....	1	2	16
Payments of long-term loans receivable .....	(237)	(8)	(2,236)
Collection of long-term loans receivable .....	184	132	1,739
Other, net .....	(105)	96	(997)
Net cash used in investing activities .....	(680)	(1,318)	(6,409)
<b>Financing activities:</b>			
Net increase (decrease) in short-term loans payable .....	5,306	(866)	49,947
Proceeds from long-term loans payable .....	3,632	1,500	34,191
Repayments of long-term loans payable .....	(4,968)	(4,396)	(46,770)
Repayments of finance lease obligations .....	(77)	(7)	(729)
Cash dividends paid .....	(929)	(708)	(8,752)
Dividends paid to non-controlling interests .....	(53)	(94)	(507)
Payment from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation .....	(100)	—	(947)
Other, net .....	32	(1)	308
Net cash used in financial activities .....	2,840	(4,575)	26,739
Effect of exchange rate change on cash and cash equivalents .....	171	(387)	1,616
Net increase (decrease) in cash and cash equivalents .....	2,531	(406)	23,825
Cash and cash equivalents at beginning of period .....	16,490	16,897	155,223
Cash and cash equivalents at end of period .....	19,022	16,490	179,048

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 2017 financial statements to conform to the classifications used in 2018. 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 ¥106.24 to \$1, the rate of exchange at March 31, 2018. Such transaction 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 39 subsidiaries (majority-owned companies) at March 31, 2018.

The accompanying consolidated financial statements include the accounts of the Company and 39 of its subsidiaries for the year ended March 31, 2018, 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.  
27 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 non - operating income "Gain on bargain purchase" Goodwill recorded promptly on balance sheet amortized within twenty years by cause.

(3) Equity method of accounting for investments in affiliates

The Company had 23 affiliates (companies owned from 20% to 50% actually) at March 31, 2018. The equity method is applied to these 16 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

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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, plant and equipment

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment are 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) Provision for retirement and 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 accounts

The allowance for doubtful accounts 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

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.

(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 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 loans payable and long-term loans payable

Short-term loans payable at March 31, 2018 and 2017 consisted of the following:

	(¥ millions)		(\$ thousands)
	2018	2017	2018
Short-term loans payable principally from banks at March 31, 2018 and 2017 represent short-term notes with the interest on the principal at the average rate of 1.419% and 0.861%, respectively.	32,701	27,141	307,803

Long-term loans payable at March 31, 2018 and 2017 consisted of the following:

	(¥ millions)		(\$ thousands)
	2018	2017	2018
Long-term loans payable from banks, insurance companies and other financial institutions due through 2027, at the averaged rate of 0.687%	26,610	27,831	250,475
Less current portion	(7,220)	(4,646)	(67,962)
	19,390	23,184	182,512

The aggregate annual maturity of long-term loans payable at March 31, 2018 were as follows:

Year ending March 31	(¥ millions)	(\$ thousands)
2020	2,738	25,771
2021	1,098	10,335
2022	2,694	25,357
2023 and thereafter	12,860	121,046

### 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 30.8% for both 2018 and 2017. 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, 2018 and 2017 were as follows:

	(¥ millions)		(\$ thousands)
	2018	2017	2018
Maximum amount of obligations to repurchase transferred receivables under certain conditions	1,504	1,469	14,163
As guarantor of loans	2,462	2,344	23,181
Trade notes discounted	1,041	700	9,805

### 6. Deferred income taxes

Significant components of deferred tax assets and liabilities at March 31, 2018 and 2017, were as follows:

	(¥ millions)		(\$ thousands)
	2018	2017	2018
Deferred tax assets:			
Allowance for doubtful accounts	84	103	797
Provision for bonuses	350	274	3,299
Inventories	499	537	4,704
Impairment loss of fixed assets	563	643	5,304
Investment securities	1,145	1,093	10,777
Directors' retirement benefits	32	20	305
Membership	86	85	810
Net defined benefit liability	177	133	1,669
Loss carried forward	586	915	5,524
Other	398	284	3,747
Valuation allowance	(2,336)	(2,704)	(21,991)
Gross deferred tax assets	1,588	1,386	14,948

Deferred tax liabilities:

	(¥ millions) (\$ thousands)			(¥ millions) (\$ thousands)		
	2018	2017	2018	2018	2017	2018
Unrealized gain on available-for-sale securities	(1,566)	(1,157)	(14,746)	1,229	1,141	11,574
Undistributed earnings of affiliates	(835)	(327)	(7,867)	(522)	(497)	(4,917)
Other	(172)	(55)	(1,619)	707	643	6,656
Gross deferred tax liabilities	(2,574)	(1,540)	(24,232)	180	146	1,699
Net deferred tax assets, liabilities	(986)	(154)	(9,284)	887	790	8,355

## 7. Lease transactions

- Operating lease

Under non-cancelable operating leases, future minimum lease payments at March 31, 2018 were ¥51 millions (\$461 thousands) of which ¥21 millions (\$199 thousands) 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.

	(¥ millions) (\$ thousands)		
	2018	2017	2018
Balance at beginning of year	790	732	7,437
Retirement benefit expenses	162	136	1,532
Post-employment benefits paid	(57)	(83)	(543)
Employer contributions	(38)	(37)	(358)
Increase due to change in scope of consolidation	30	42	287
Balance at end of year	887	790	8,355

Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2018, were as follows:

	(¥ millions) (\$ thousands)		
	2018	2017	2018
Funded defined benefit obligation	1,229	1,141	11,574
Pension assets	(522)	(497)	(4,917)
Unfunded defined benefit obligation	180	146	1,699
Net liability for defined benefit obligation	887	790	8,355
Liability for retirement benefits	887	790	8,355
Net liability for defined benefit obligation	887	790	8,355

## 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, 2018 and 2017, for which hedge accounting has not been applied.

	(¥ millions) (\$ thousands)		
	2018	2017	2018
a. Currency related:			
Forward currency exchange contracts			
Sell (U.S. dollar)			
Contracts outstanding	11,868	8,411	111,718
Fair values	202	9	1,908
Sell (Chinese yuan)			
Contracts outstanding	468	137	4,414
Fair values	6	(2)	64
Sell (Other)			
Contracts outstanding	24	54	228
Fair values	0	(0)	0
Buy (U.S. dollar)			
Contracts outstanding	4,562	4,267	42,948
Fair values	(40)	(3)	(382)
Buy (Chinese yuan)			
Contracts outstanding	987	590	9,298
Fair values	(13)	(3)	(131)
Buy (Other)			
Contracts outstanding	348	540	3,277
Fair values	(14)	(15)	(134)

	<u>(¥ millions) (\$ thousands)</u>		
	2018	2017	2018
b. Commodities futures:			
Sell (Japanese yen)			
Contracts outstanding	345	425	3,254
Fair values	4	4	43
Buy (Japanese yen)			
Contracts outstanding	354	426	3,337
Fair values	(13)	5	(126)
c. Currency swap trading:			
Chinese yuan			
Contracts outstanding	–	46	–
Fair values	–	0	–

(2) Hedge accounting applied

The following tables summarize the outstanding contract amounts and fair values of financial derivatives of the Company at March 31, 2018 and 2017, for which hedge accounting has been applied.

	<u>(¥ millions) (\$ thousands)</u>		
	2018	2017	2018
a. Currency related:			
Forward currency exchange contracts			
Sell (U.S. dollar)			
Contracts outstanding	684	1,134	6,444
Fair values	3	(59)	30
Sell (Euro)			
Contracts outstanding	2,496	2,771	23,494
Fair values	34	(14)	329
Sell (Chinese yuan)			
Contracts outstanding	2,971	1,734	27,966
Fair values	(4)	16	(41)
Sell (Other)			
Contracts outstanding	150	145	1,413
Fair values	(0)	(2)	0
Buy (U.S. dollar)			
Contracts outstanding	10	60	96
Fair values	0	0	0

	<u>(¥ millions) (\$ thousands)</u>		
	2018	2017	2018
Buy (Euro)			
Contracts outstanding	630	606	5,932
Fair values	(6)	15	(62)
Buy (Chinese yuan)			
Contracts outstanding	145	63	1,373
Fair values	0	0	1
Buy (Other)			
Contracts outstanding	154	171	1,457
Fair values	(2)	0	(23)
b. Commodities futures:			
Sell (Japanese yen)			
Contracts outstanding	1,889	3,797	17,783
Fair values	153	11	1,442
Sell (U.S. dollar)			
Contracts outstanding	1,390	1,982	13,088
Fair values	107	(8)	1,014
Buy (Japanese yen)			
Contracts outstanding	597	2,064	5,623
Fair values	(31)	(5)	(301)
Buy (U.S. dollar)			
Contracts outstanding	1,218	1,897	11,468
Fair values	(104)	28	(979)

## 10. Segment information

For the year ended March 31, 2017

		Iron & Steel	Raw Materials	Nonferrous Metals
Net sales	Outside customers	283,364	227,707	200,056
	Inter - segment	–	–	4
Total		283,364	227,707	200,061
Segment profit (loss)		2,644	1,042	1,425
Segment assets		108,794	27,894	69,310
Other items	Depreciation	700	134	268
	Amortization of goodwill	–	–	57
	Interest income	35	12	52
	Interest expenses	332	80	125
	Equity in income (loss) of equity method companies	855	–	73
	Impairment loss	1,068	–	–
	Investments in equity method companies	5,120	–	649
	Increase in property, plant and equipment and intangible assets	763	114	96

For the year ended March 31, 2018

		Iron & Steel	Raw Materials	Nonferrous Metals
Net sales	Outside customers	338,628	303,069	242,648
	Inter - segment	3	–	8
Total		338,632	303,069	242,656
Segment profit (loss)		4,048	1,394	2,175
Segment assets		118,544	30,796	84,345
Other items	Depreciation	654	122	225
	Amortization of goodwill	–	–	57
	Interest income	45	20	61
	Interest expenses	438	84	142
	Equity in income (loss) of equity method companies	818	–	62
	Gain on bargain purchase	90	–	–
	Investments in equity method companies	7,641	–	785
	Increase in property, plant and equipment and intangible assets	447	91	100

For the year ended March 31, 2018

		Iron & Steel	Raw Materials	Nonferrous Metals
Net sales	Outside customers	3,187,395	2,852,686	2,283,960
	Inter - segment	31	–	81
Total		3,187,427	2,852,686	2,284,042
Segment profit (loss)		38,106	13,124	20,480
Segment assets		1,115,815	289,876	793,911
Other items	Depreciation	6,161	1,156	2,122
	Amortization of goodwill	–	–	544
	Interest income	424	191	581
	Interest expenses	4,124	793	1,341
	Equity in income (loss) of equity method companies	7,707	–	589
	Gain on bargain purchase	850	–	–
	Investments in equity method companies	71,922	–	7,398
	Increase in property, plant and equipment and intangible assets	4,213	857	947

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
68,170	42,537	821,837	395	(52,751)	769,481
–	4	9	–	(9)	–
68,170	42,542	821,846	395	(52,760)	769,481
112	271	5,496	(31)	(216)	5,248
35,674	18,866	260,540	304	(3,334)	257,510
121	54	1,280	2	–	1,282
98	35	191	–	–	191
14	9	125	0	(34)	91
94	61	694	1	(34)	661
–	14	944	–	0	945
–	–	1,068	–	–	1,068
–	333	6,104	–	–	6,104
70	60	1,105	0	–	1,106

( Millions of yen )

Machinery & Electronics	Welding	Total	Other	Corporate / Elimination	Consolidated
66,933	42,064	993,344	356	(64,232)	929,467
–	16	28	–	(28)	–
66,933	42,080	993,372	356	(64,260)	929,467
967	94	8,680	(31)	(25)	8,624
35,870	20,517	290,073	295	(6,077)	284,291
98	58	1,159	1	–	1,160
–	35	93	–	–	93
22	12	161	0	(67)	94
100	78	843	2	(67)	778
–	9	891	–	2	893
–	–	90	–	–	90
–	339	8,766	–	–	8,766
67	13	719	0	–	720

( Thousands of US\$ )

Machinery & Electronics	Welding	Total	Other	Corporate / Elimination	Consolidated
630,021	395,937	9,349,999	3,351	(604,596)	8,748,756
–	150	262	–	(264)	–
630,021	396,088	9,350,264	3,351	(604,860)	8,748,756
9,107	886	81,703	(292)	(235)	81,179
337,639	193,121	2,730,362	2,782	(57,207)	2,675,938
923	551	10,913	9	–	10,924
–	334	878	–	–	879
210	113	1,519	2	(631)	892
941	734	7,933	20	(631)	7,325
–	92	8,388	–	20	8,409
–	–	850	–	–	850
–	3,191	82,511	–	–	82,512
634	122	6,773	3	–	6,777

## Investor Information (As of March 31, 2018)

Founded .....	November. 12 1946
Number of Employees .....	469 (Consolidated 1,543)
Fiscal Year .....	April 1 – March 31

Ordinary General Meeting of Shareholders .....	June of each year
Authorised Share Capital .....	27,000,000
Number of Shares Issued .....	8,860,562
Number of Shareholders .....	3,421

### Principal Shareholders

At March 31, 2018, the ten largest Shareholders of the Company's Shareholders were as follows:

Name	Shares	Investment Ratio
Mizuho Trust & Banking Co., Ltd. (Kobe Steel, Ltd. Retirement Benefit Trust Account)	1,906,200	21.52%
Kobe Steel, Ltd.	1,179,118	13.31%
Shinsho Client Shareholding Association	718,700	8.12%
Japan Trustee Services Bank, Ltd. (Trust account)	265,000	2.99%
Shinsho Employees' Shareholding Association	161,331	1.82%
SINFONIA TECHNOLOGY CO., LTD.	150,000	1.69%
The Master Trust Bank of Japan, Ltd. (Trust account)	143,300	1.62%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	109,280	1.23%
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	103,738	1.17%
Sumitomo Mitsui Banking Corporation	103,429	1.17%

Note: The Investment ratio is computed excluding 4,606 shares of treasury stock held by Shinsho Corporation.

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## Overseas Subsidiaries

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### ● GRAND BLANC PROCESSING, L.L.C.

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### ● KOBELCO CH WIRE MEXICANA, S.A. DE C.V.

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