

**SHINSHO  
CORPORATION  
AND  
CONSOLIDATED  
SUBSIDIARIES  
FINANCIAL  
STATEMENTS**

(Year ended March 31, 2020)

2020

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

	March 31, 2020	March 31, 2019	2020 Thousands of U.S. Dollars
	(Millions of Yen)	(Millions of Yen)	
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and deposits .....	16,603	5,553	152,565
Notes and accounts receivable .....	155,324	182,963	1,427,224
Electronically recorded monetary claims .....	7,394	7,259	67,948
Inventories .....	47,062	48,519	432,439
Advance payments .....	10,453	16,050	96,054
Other .....	4,502	5,156	41,368
Allowance for doubtful accounts .....	(184)	(129)	(1,693)
Total current assets .....	241,157	265,373	2,215,908
<b>Non-current assets</b>			
<b>Property, plant and equipment:</b>			
Land .....	1,695	1,690	15,577
Building and structures .....	8,232	7,681	75,647
Machinery and equipment .....	8,591	8,312	78,940
Construction in progress .....	806	555	7,411
Accumulated depreciation .....	(11,365)	(10,936)	(104,430)
Other .....	1,467	1,455	13,486
Total property, plant and equipment .....	9,428	8,758	86,632
<b>Intangible assets, investments and other assets:</b>			
Goodwill .....	71	157	657
Investment securities .....	29,413	29,710	270,266
Long-term loans receivable .....	318	454	2,926
Deferred tax assets (Note 6) .....	1,492	697	13,709
Other .....	4,685	3,323	43,051
Allowance for doubtful accounts .....	(2,088)	(884)	(19,187)
Total intangible assets, investments and other assets .....	33,892	33,459	311,423
Total non-current assets .....	43,320	42,217	398,055
Total Assets .....	284,477	307,590	2,613,964

See accompanying notes to consolidated financial statements.

	March 31, 2020	March 31, 2019	2020 Thousands of U.S. Dollars
	(Millions of Yen)	(Millions of Yen)	
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Notes and accounts payable .....	120,368	139,067	1,106,019
Electronically recorded obligations .....	12,636	16,304	116,114
Short-term loans payable (Note 3) .....	41,231	38,868	378,866
Income taxes payable .....	823	743	7,564
Provision for bonuses .....	1,050	1,009	9,655
Deposits received .....	7,925	9,328	72,821
Other .....	16,881	18,852	155,121
Total current liabilities .....	200,917	224,174	1,846,163
<b>Non-current liabilities:</b>			
Long-term loans payable (Note 3) .....	24,549	23,685	225,575
Guaranteed deposits received .....	1,667	1,645	15,317
Deferred tax liabilities (Note 6) .....	942	1,011	8,656
Provision for director's retirement benefits .....	103	89	954
Net defined benefit liability (Note 8) .....	848	895	7,793
Other .....	878	1,168	8,068
Total non-current liabilities .....	28,988	28,494	266,366
Total LIABILITIES .....	229,905	252,668	2,112,529
<b>NET ASSETS:</b>			
<b>Shareholders' equity</b>			
Common stock .....	5,650	5,650	51,918
Capital surplus .....	2,608	2,645	23,967
Retained earnings .....	42,789	42,133	393,175
Treasury shares .....	(17)	(17)	(159)
Total shareholders' equity .....	51,030	50,412	468,901
<b>Accumulated other comprehensive income</b>			
Valuation difference on available-for-sale securities .....	1,680	2,480	15,443
Deferred gains or losses on hedges .....	61	(33)	561
Foreign currency translation adjustment .....	(349)	(205)	(3,206)
Total accumulated other comprehensive income .....	1,392	2,241	12,797
<b>Non-controlling interests</b>			
	2,147	2,266	19,735
Total NET ASSETS .....	54,571	54,921	501,434
Total LIABILITIES and NET ASSETS .....	284,477	307,590	2,613,964

See accompanying notes to consolidated financial statements.

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

	March 31, 2020	March 31, 2019	2020 Thousands of U.S. Dollars
	(Millions of Yen)	(Millions of Yen)	
Net sales (Note 11) .....	936,031	952,507	8,600,863
Cost of sales .....	906,098	920,890	8,325,812
Gross profit .....	29,933	31,616	275,051
Selling, general and administrative expenses .....	25,103	23,693	230,671
<b>Non-operating income</b>			
Interest income .....	137	119	1,266
Dividend income .....	885	841	8,137
Purchase discounts .....	57	62	527
Gain on bargain purchase .....	—	152	—
Gain on sale of investments in capital .....	39	—	362
Miscellaneous income .....	382	380	3,518
	1,503	1,766	13,812
<b>Non-operating expenses</b>			
Interest expenses .....	1,212	1,151	11,143
Loss on sales of accounts receivable .....	387	369	3,556
Sales discounts .....	216	220	1,989
Foreign exchange losses .....	417	113	3,833
Loss on valuation of derivatives .....	234	125	2,153
Bad debts expense .....	277	—	2,554
Impairment loss .....	—	31	—
Loss on valuation of investment securities .....	894	1,498	8,222
Loss on valuation of membership .....	24	3	221
Miscellaneous loss .....	181	76	1,665
	3,846	3,590	35,339
Profit before income taxes, non-controlling interests and equity method income .....	2,486	6,098	
Income taxes (Note 4)			
Current .....	1,974	2,033	18,143
Deferred .....	(645)	(262)	(5,935)
	1,328	1,771	12,208
Profit (Loss) attributable to non-controlling interests .....	106	55	977
Share of profit of entities accounted for using equity method .....	577	747	5,306
Profit attributable to owners of parent .....	1,629	5,019	14,973
	(yen)	(yen)	(dollars)
Profit per share	184.03	566.81	1.69

See accompanying notes to consolidated financial statements.

## SHINSHO CORPORATION AND CONSOLIDATED SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	March 31, 2020	March 31, 2019	2020 Thousands of U.S. Dollars
	(Millions of Yen)	(Millions of Yen)	
<b>Common stock:</b>			
Balance at beginning of period .....	5,650	5,650	51,918
Balance at end of period .....	5,650	5,650	51,918
<b>Capital surplus:</b>			
Balance at beginning of period .....	2,645	2,645	24,309
Purchase of shares of consolidated subsidiaries .....	(37)	0	(342)
Balance at end of period .....	2,608	2,645	23,967
<b>Retained earnings:</b>			
Balance at beginning of period .....	42,133	38,370	387,153
Change of scope of equity method affiliates .....	-	(192)	-
Dividends of surplus .....	(974)	(1,062)	(8,951)
Profit attributable to owners of parent .....	1,629	5,019	14,973
Balance at end of period .....	42,789	42,133	393,175
<b>Valuation difference on available-for-sale securities:</b>			
Balance at beginning of period .....	2,480	3,338	22,794
Net changes of items other than shareholders' equity .....	(800)	(857)	(7,351)
Balance at end of period .....	1,680	2,480	15,443
<b>Deferred gains or losses on hedges:</b>			
Balance at beginning of period .....	(33)	117	(305)
Net changes of items other than shareholders' equity .....	94	(151)	867
Balance at end of period .....	61	(33)	561
<b>Foreign currency translation adjustment:</b>			
Balance at beginning of period .....	(205)	734	(1,890)
Net changes of items other than shareholders' equity .....	31	(940)	(1,316)
Balance at end of period .....	(349)	(205)	(3,206)
<b>Treasury shares:</b>			
Balance at beginning of period .....	(17)	(17)	(157)
Change in treasury shares arising from change in equity in entities accounted for using equity method .....	0	-	0
Purchase of treasury shares .....	(0)	0	(2)
Balance at end of period .....	(17)	(17)	(159)
<b>Non-controlling interests:</b>			
Balance at beginning period .....	2,266	2,886	20,830
Net changes of items other than shareholders' equity .....	(119)	(619)	(1,095)
Balance at end of period .....	2,147	2,266	19,735
<b>Total net assets</b> .....	<b>54,571</b>	<b>54,921</b>	<b>501,434</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, 2020	March 31, 2019	2020 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 .....	2,486	6,098	22,851
Depreciation .....	1,384	1,562	12,717
Amortization of goodwill .....	86	93	790
Increase (Decrease) of reserve and provision .....	1,318	403	12,118
Interest and dividend income .....	(1,023)	(960)	(9,403)
Interest expenses .....	1,212	1,151	11,143
Gain on bargain purchase .....	—	(152)	—
Impairment loss .....	—	31	—
Loss (Gain) on valuation of investment securities .....	894	1,498	8,222
Decrease (Increase) in notes and accounts receivable .....	26,990	(17,363)	248,009
Decrease (Increase) in inventories .....	1,207	(15,049)	11,091
Increase (Decrease) in notes and accounts payable .....	(22,005)	12,287	(202,199)
Decrease (Increase) in accounts receivable .....	(697)	(24)	(6,405)
Other, net .....	2,570	25	23,617
Subtotal .....	14,425	(10,398)	132,553
Interest and dividend income received .....	1,188	1,028	10,918
Interest expenses paid .....	(1,200)	(1,109)	(11,033)
Income taxes paid .....	(1,665)	(2,789)	(15,304)
Net cash provided by operating activities .....	12,747	(13,268)	117,134
<b>Investing activities:</b>			
Purchase of property, plant and equipment .....	(2,004)	(1,098)	(18,415)
Proceeds from sales of property, plant and equipment .....	12	94	112
Purchase of investment securities .....	(426)	(68)	(3,920)
Proceeds from sales of investment securities .....	29	318	268
Payments of short-term loans receivable .....	(2)	(0)	(22)
Collection of short-term loans receivable .....	2	1	24
Payments of long-term loans receivable .....	(494)	(416)	(4,544)
Collection of long-term loans receivable .....	18	6	173
Other, net .....	(743)	(826)	(6,834)
Net cash used in investing activities .....	(3,608)	(1,990)	(33,156)
<b>Financing activities:</b>			
Net increase (decrease) in short-term loans payable .....	4,217	4,032	38,756
Proceeds from long-term loans payable .....	1,950	6,719	17,917
Repayments of long-term loans payable .....	(2,711)	(6,879)	(24,917)
Repayments of finance lease obligations .....	(191)	(223)	(1,760)
Cash dividends paid .....	(974)	(1,062)	(8,951)
Dividends paid to non-controlling interests .....	(74)	(68)	(685)
Payment from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation .....	(238)	(412)	(2,186)
Other, net .....	(0)	(0)	(2)
Net cash used in financial activities .....	1,977	2,104	18,171
Effect of exchange rate change on cash and cash equivalents .....	(66)	(315)	(608)
Net increase (decrease) in cash and cash equivalents .....	11,050	(13,470)	101,540
Cash and cash equivalents at beginning of period .....	5,552	19,022	51,016
Cash and cash equivalents at end of period .....	16,602	5,552	152,557

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 2019 financial statements to conform to the classifications used in 2020.

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 ¥108.83 to \$1, the rate of exchange at March 31, 2020. 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 38 subsidiaries (majority-owned companies) at March 31, 2020. The accompanying consolidated financial statements include the accounts of the Company and 38 of its subsidiaries for the year ended March 31, 2020, 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.  
26 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 20 affiliates (companies owned from 20% to 50% actually) at March 31, 2020. The equity method is applied to these 15 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, 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, 2020 and 2019 consisted of the following:

	(¥ millions)		(\$ thousands)
	2020	2019	2020
Short-term loans payable principally from banks at March 31, 2020 and 2019 represent short-term notes with the interest on the principal at the average rate of 1.487% and 1.868%, respectively.	40,172	36,152	369,126



Long-term loans payable at March 31, 2020 and 2019 consisted of the following:

	(¥ millions)		(\$ thousands)
	2020	2019	2020
Long-term loans payable from banks, insurance companies and other financial institutions due through 2029, at the averaged rate of 0.233%	25,609	26,401	235,315
Less current portion	(1,059)	(2,716)	(9,739)
	24,549	23,685	225,575

The aggregate annual maturity of long-term loans payable at March 31, 2020 were as follows:

Year ending March 31	(¥ millions)	(\$ thousands)
2022	1,762	16,190
2023	8,888	81,674
2024	1,952	17,945
2025 and thereafter	11,945	109,764

#### 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 30.6% for 2020 and 30.6% for 2019.

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, 2020 and 2019 were as follows:

	(¥ millions)		(\$ thousands)
	2020	2019	2020
Maximum amount of obligations to repurchase transferred receivables under certain conditions	2,328	1,177	21,393
As guarantor of loans	1,917	2,300	17,623
Trade notes discounted	338	1,040	3,111

#### 6. Deferred income taxes

Significant components of deferred tax assets and liabilities at March 31, 2020 and 2019, were as follows:

	(¥ millions)			(\$ thousands)
	2020	2019	2020	
Deferred tax assets:				
Allowance for doubtful accounts	507	209	4,659	
Bad debts expenses	85	–	781	
Provision for bonuses	344	330	3,161	
Inventories	545	101	5,013	
Membership	66	85	610	
Impairment loss of fixed assets	413	506	3,796	
Net defined benefit liability	243	253	2,240	
Investment securities	1,342	1,278	12,337	
Directors' retirement benefits	21	27	195	
Loss carried forwards	874	900	8,040	
Valuation difference on available -for-sale securities	70	51	652	
Other	771	573	7,090	
Valuation allowance	(2,546)	(2,307)	(23,398)	
Gross deferred tax assets	2,740	2,011	25,180	

Deferred tax liabilities:

Unrealized gain on available-for-sale securities	(943)	(1,200)	(8,670)
Undistributed earnings of affiliates	(1,112)	(971)	(10,224)
Other	(134)	(153)	(1,231)
Gross deferred tax liabilities	(2,190)	(2,325)	(20,127)
Net deferred tax assets, liabilities	549	(313)	5,053

Application of “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28) has a material impact on the amount of tax loss carryforwards. Accordingly, the Company presents tax loss carryforwards and deferred tax assets by expiry date.

	(¥ millions)			(\$ thousands)
	2020	2019	2020	
Tax loss carryforwards:				
Within 1 years	11	33	106	
After 1 to 2 years	31	5	285	
After 2 to 3 years	30	34	280	
After 3 to 4 years	21	27	197	
After 4 to 5 years	45	6	418	
After 5 years	734	792	6,751	
Total	874	900	8,040	

	(¥ millions)		(\$ thousands)
	2020	2019	2020
Valuation allowance:			
Within 1 years	(11)	(33)	(106)
After 1 to 2 years	(31)	(5)	(285)
After 2 to 3 years	(26)	(34)	(242)
After 3 to 4 years	(21)	(27)	(197)
After 4 to 5 years	(45)	(6)	(418)
After 5 years	(463)	(498)	(4,259)
Total	(599)	(606)	(5,509)

	(¥ millions)		(\$ thousands)
	2020	2019	2020
Deferred tax assets:			
Within 1 years	–	–	–
After 1 to 2 years	–	–	–
After 2 to 3 years	4	–	38
After 3 to 4 years	–	–	–
After 4 to 5 years	–	–	–
After 5 years	271	293	2,492
Total	275	293	2,530

## 7. Lease transactions

### • Operating lease

Under non-cancelable operating leases, future minimum lease payments at March 31, 2020 were ¥398 millions (\$3,657 thousands) of which ¥131 millions (\$1,209 thousands) is due within one year.

## 8. Retirement and severance benefits plans

The Company has defined contribution plan. Certain consolidated subsidiaries, differently, have defined contribution plan and defined benefit plan.

Part of Certain consolidated subsidiaries have the smaller enterprise retirement allowance mutual aid or special retirement allowance mutual aid. When application of defined benefit plan, certain consolidated subsidiaries would calculate retirement benefit liability and cost by simplified method.

	(¥ millions)		(\$ thousands)
	2020	2019	2020
Balance at beginning of year	895	887	8,225
Retirement benefit expenses	124	86	1,139
Post-employment benefits paid	(117)	(43)	(1,082)
Employer contributions	(53)	(35)	(489)
Increase due to change in scope of consolidation	–	–	–
Balance at end of year	848	895	7,793

Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2020, were as follows:

	(¥ millions)		(\$ thousands)
	2020	2019	2020
Funded defined benefit obligation	1,257	1,273	11,557
Pension assets	(594)	(559)	(5,465)
	662	714	6,091
Unfunded defined benefit obligation	185	180	1,701
Net liability for defined benefit obligation	848	895	7,793
Liability for retirement benefits	848	895	7,793
Net liability for defined benefit obligation	848	895	7,793

## 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, 2020 and 2019, for which hedge accounting has not been applied.

	(¥ millions)		(\$ thousands)
	2020	2019	2020
a. Currency related:			
Forward currency exchange contracts			
Sell (Japanese yen)			
Contracts outstanding	4	5	41
Fair values	(0)	(0)	0
Sell (U.S. dollar)			
Contracts outstanding	11,866	12,969	109,033
Fair values	(193)	(29)	(1,779)
Sell (Chinese yuan)			
Contracts outstanding	250	–	2,297
Fair values	(0)	–	(8)
Sell (Other)			
Contracts outstanding	–	–	–
Fair values	–	–	–
Buy (Japanese yen)			
Contracts outstanding	363	295	3,341
Fair values	(8)	(0)	(80)
Buy (U.S. dollar)			
Contracts outstanding	5,307	3,654	48,770
Fair values	(9)	28	(89)
Buy (Chinese yuan)			
Contracts outstanding	–	–	–
Fair values	–	–	–

	(¥ millions) (\$ thousands)		
	2020	2019	2020
Buy (Euro)			
Contracts outstanding	–	3	–
Fair values	–	(0)	–
Buy (Other)			
Contracts outstanding	–	–	–
Fair values	–	–	–
b. Commodities futures:			
Sell (Japanese yen)			
Contracts outstanding	324	546	2,979
Fair values	14	(4)	128
Buy (Japanese yen)			
Contracts outstanding	337	536	3,103
Fair values	(27)	14	(252)

(2) Hedge accounting applied

The following tables summarize the outstanding contract amounts and fair values of financial derivatives of the Company at March 31, 2019 and 2018, for which hedge accounting has been applied.

	(¥ millions) (\$ thousands)		
	2020	2019	2020
a. Currency related:			
Forward currency exchange contracts			
Sell (Japanese yen)			
Contracts outstanding	78	232	720
Fair values	–	–	–
Sell (U.S. dollar)			
Contracts outstanding	3,616	7,205	33,234
Fair values	17	(7)	163
Sell (Euro)			
Contracts outstanding	761	3,028	7,000
Fair values	6	(24)	60
Sell (Chinese yuan)			
Contracts outstanding	1,470	2,186	13,514
Fair values	1	(13)	14
Sell (Other)			
Contracts outstanding	1,386	81	12,737
Fair values	3	0	28
Buy (Japanese yen)			
Contracts outstanding	254	618	2,340
Fair values	–	–	–

	(¥ millions) (\$ thousands)		
	2020	2019	2020
Buy (U.S. dollar)			
Contracts outstanding	91	531	842
Fair values	1	(0)	9
Buy (Euro)			
Contracts outstanding	3,303	369	30,350
Fair values	(33)	(1)	(312)
Buy (Chinese yuan)			
Contracts outstanding	81	148	752
Fair values	0	3	1
Buy (Other)			
Contracts outstanding	222	177	2,040
Fair values	(8)	3	(80)
b. Commodities futures:			
Sell (Japanese yen)			
Contracts outstanding	820	2,149	7,541
Fair values	106	(46)	981
Sell (U.S. dollar)			
Contracts outstanding	602	1,699	5,537
Fair values	89	(37)	820
Buy (Japanese yen)			
Contracts outstanding	424	3,566	3,896
Fair values	(9)	28	(88)
Buy (U.S. dollar)			
Contracts outstanding	806	1,154	7,406
Fair values	(105)	27	(972)

## 10. Segment information

In the fiscal year ended March 31, 2020, in order to assess and manage the performance of each reportable segment, the Company revised the method of adjusting transfers between reportable segments, and allocating the joint costs, etc. The Company also changed the calculation method of profit, loss, assets, and other items from reportable segment.

The Company presents segment information of the year ended March 31, 2019 which is made by the modified calculation method.

For the year ended March 31, 2019

		Iron & Steel	Raw Materials	Nonferrous Metals
Net sales	Outside customers	327,942	292,969	223,661
	Inter - segment	–	–	2
Total		327,942	292,969	223,663
Segment profit (loss)		3,819	1,220	1,700
Segment assets		134,507	34,348	82,213
Other items	Depreciation	652	155	262
	Amortization of goodwill	–	–	57
	Interest income	18	32	54
	Interest expenses	514	122	272
	Equity in income (loss) of equity method companies	663	–	78
	Gain on bargain purchase	152	–	–
	Impairment loss	–	–	31
	Investments in equity method companies	7,197	–	744
	Increase in property, plant and equipment and intangible assets	349	213	575

For the year ended March 31, 2020

		Iron & Steel	Raw Materials	Nonferrous Metals
Net sales	Outside customers	320,672	297,787	204,851
	Inter - segment	–	–	2
Total		320,672	297,787	204,853
Segment profit (loss)		263	666	1,395
Segment assets		124,081	28,219	71,833
Other items	Depreciation	655	184	296
	Amortization of goodwill	–	–	50
	Interest income	28	32	57
	Interest expenses	654	106	218
	Equity in income (loss) of equity method companies	487	–	78
	Gain on bargain purchase	–	–	–
	Impairment loss	–	–	–
	Investments in equity method companies	7,580	–	907
	Increase in property, plant and equipment and intangible assets	1,150	320	441

For the year ended March 31, 2020

		Iron & Steel	Raw Materials	Nonferrous Metals
Net sales	Outside customers	2,946,547	2,736,266	1,882,304
	Inter - segment	–	–	19
Total		2,946,547	2,736,266	1,882,324
Segment profit (loss)		2,418	6,126	12,824
Segment assets		1,140,139	259,302	660,050
Other items	Depreciation	6,027	1,697	2,722
	Amortization of goodwill	–	–	463
	Interest income	259	297	532
	Interest expenses	6,011	979	2,008
	Equity in income (loss) of equity method companies	4,480	–	721
	Gain on bargain purchase	–	–	–
	Impairment loss	–	–	–
	Investments in equity method companies	69,658	–	8,335
	Increase in property, plant and equipment and intangible assets	10,570	2,942	4,053

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
62,466	45,316	952,356	150	—	952,507
—	15	18	246	(265)	—
62,466	45,331	952,374	396	(265)	952,507
1,285	320	8,346	(330)	—	8,016
32,735	20,446	304,251	210	3,128	307,590
117	68	1,256	305	—	1,562
—	35	93	—	—	93
6	7	119	—	—	119
165	72	1,148	3	—	1,151
—	8	750	—	(3)	747
—	—	152	—	—	152
—	—	31	—	—	31
—	335	8,272	—	—	8,272
181	44	1,365	0	—	1,365

( Millions of yen )

Machinery & Electronics	Welding	Total	Other	Corporate / Elimination	Consolidated
67,980	44,505	935,798	233	—	936,031
—	4	6	265	(271)	—
67,980	44,509	935,804	498	(271)	936,031
1,290	375	3,992	(48)	—	3,943
31,819	18,519	274,473	216	9,787	284,477
138	73	1,349	34	—	1,384
—	35	86	—	—	86
6	12	137	0	—	137
158	71	1,209	2	—	1,212
—	11	577	—	(0)	577
—	—	—	—	—	—
—	—	—	—	—	—
—	343	8,831	—	—	8,831
319	196	2,427	3	—	2,431

( Thousands of US\$ )

Machinery & Electronics	Welding	Total	Other	Corporate / Elimination	Consolidated
624,652	408,946	8,598,715	2,144	—	8,600,863
—	37	56	2,439	(2,496)	—
624,652	602,965	8,792,754	4,584	(2,496)	8,600,863
11,860	3,454	36,682	(442)	—	36,239
292,377	170,167	2,522,035	1,990	89,934	2,613,964
1,272	676	12,394	321	—	12,717
—	326	789	—	—	790
62	112	1,262	2	—	1,266
1,457	659	11,114	26	—	11,143
—	107	5,308	—	(2)	5,306
—	—	0	—	—	—
—	—	0	—	—	—
—	3,153	81,146	—	—	81,147
2,932	1,808	22,305	34	—	22,342

## Investor Information (As of March 31, 2020)

Founded .....	November. 12 1946
Number of Employees .....	468 (Consolidated 1,660)
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 .....	8,855,838
Number of Shareholders .....	3,551

### Principal Shareholders

At March 31, 2020, 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	21.51%
Kobe Steel, Ltd.	1,179,118	13.30%
Shinsho Client Shareholding Association	748,200	8.44%
Japan Trustee Services Bank, Ltd. (trust account)	279,300	3.15%
The Master Trust Bank of Japan, Ltd. (trust account)	235,500	2.65%
Shinsho Employees' Shareholding Association	202,491	2.28%
SINFONIA TECHNOLOGY CO., LTD.	150,000	1.69%
DFA INTL SMALL CAP VALUE PORTFOLIO	118,899	1.34%
MUFG Bank, LTD.	109,280	1.23%
Sumitomo Mitsui Banking Corporation	103,429	1.16%

Note: The Investment ratio is computed excluding 4,724 shares of treasury stock held by Shinsho Corporation.

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