

**SHINSHO  
CORPORATION  
AND  
CONSOLIDATED  
SUBSIDIARIES  
FINANCIAL  
STATEMENTS**

(Year ended March 31, 2021)

2021

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

	March 31, 2021	March 31, 2020	2021 Thousands of U.S. Dollars
	(Millions of Yen)	(Millions of Yen)	
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and deposits .....	22,433	16,603	202,631
Notes and accounts receivable .....	151,579	155,324	1,369,157
Electronically recorded monetary claims .....	9,798	7,394	88,507
Inventories .....	40,456	47,062	365,426
Advance payments .....	11,159	10,453	100,795
Other .....	5,306	4,502	47,931
Allowance for doubtful accounts .....	(609)	(184)	(5,505)
Total current assets .....	240,123	241,157	2,168,945
<b>Non-current assets</b>			
<b>Property, plant and equipment:</b>			
Land .....	1,348	1,695	12,176
Building and structures .....	7,569	8,232	68,369
Machinery and equipment .....	6,975	8,591	63,006
Construction in progress .....	646	806	5,836
Accumulated depreciation .....	(11,113)	(11,365)	(100,380)
Other .....	1,833	1,467	16,563
Total property, plant and equipment .....	7,259	9,428	65,571
<b>Intangible assets, investments and other assets:</b>			
Goodwill .....	—	71	—
Investment securities .....	31,800	29,413	287,241
Long-term loans receivable .....	1,434	318	12,955
Deferred tax assets (Note 6) .....	1,594	1,492	14,401
Net defined benefit asset .....	8	—	79
Other .....	6,581	4,685	59,451
Allowance for doubtful accounts .....	(2,569)	(2,088)	(23,212)
Total intangible assets, investments and other assets .....	38,849	33,892	350,916
Total non-current assets .....	46,109	43,320	416,487
Total Assets .....	286,233	284,477	2,585,433

See accompanying notes to consolidated financial statements.

	March 31, 2021 (Millions of Yen)	March 31, 2020 (Millions of Yen)	2021 Thousands of U.S. Dollars
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Notes and accounts payable .....	120,540	120,368	1,088,792
Electronically recorded obligations .....	11,880	12,636	107,313
Short-term loans payable (Note 3) .....	37,347	41,231	337,349
Income taxes payable .....	1,085	823	9,805
Provision for bonuses .....	991	1,050	8,958
Deposits received .....	8,770	7,925	79,219
Other .....	21,669	16,881	195,733
Total current liabilities .....	<u>202,286</u>	<u>200,917</u>	<u>1,827,173</u>
<b>Non-current liabilities:</b>			
Long-term loans payable (Note 3) .....	21,625	24,549	195,336
Guaranteed deposits received .....	1,730	1,667	15,633
Deferred tax liabilities (Note 6) .....	1,704	942	15,400
Provision for director's retirement benefits .....	81	103	734
Net defined benefit liability (Note 8) .....	824	848	7,447
Provision for loss on guarantees .....	91	-	823
Other .....	703	878	6,353
Total non-current liabilities .....	<u>26,761</u>	<u>28,988</u>	<u>241,729</u>
Total LIABILITIES .....	<u>229,048</u>	<u>229,906</u>	<u>2,068,902</u>
<b>NET ASSETS:</b>			
<b>Shareholders' equity</b>			
Common stock .....	5,650	5,650	51,036
Capital surplus .....	2,608	2,608	23,560
Retained earnings .....	44,544	42,789	402,354
Treasury shares .....	(17)	(17)	(157)
Total shareholders' equity .....	<u>52,785</u>	<u>51,030</u>	<u>476,793</u>
<b>Accumulated other comprehensive income</b>			
Valuation difference on available-for-sale securities .....	4,120	1,680	37,215
Deferred gains or losses on hedges .....	(316)	61	(2,858)
Foreign currency translation adjustment .....	(844)	(349)	(7,626)
Total accumulated other comprehensive income .....	<u>2,959</u>	<u>1,392</u>	<u>26,729</u>
<b>Non-controlling interests</b>			
	1,440	2,147	13,007
Total NET ASSETS .....	<u>57,185</u>	<u>54,571</u>	<u>516,531</u>
Total LIABILITIES and NET ASSETS .....	<u>286,233</u>	<u>284,477</u>	<u>2,585,433</u>

See accompanying notes to consolidated financial statements.

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

	March 31, 2021 (Millions of Yen)	March 31, 2020 (Millions of Yen)	2021 Thousands of U.S. Dollars
Net sales (Note 11) .....	784,160	936,031	7,083,010
Cost of sales .....	757,580	906,098	6,842,930
Gross profit .....	26,579	29,933	240,079
Selling, general and administrative expenses .....	22,124	25,103	199,844
Operating profit .....	4,454	4,829	40,235
<b>Non-operating income</b>			
Interest income .....	100	137	908
Dividend income .....	671	885	6,068
Purchase discounts .....	50	57	460
Gain on sales of investment securities .....	729	—	6,591
Gain on sales of shares of subsidiaries and associates .....	228	—	2,065
Gain on sale of investments in capital .....	—	39	—
Miscellaneous income .....	510	382	4,613
	2,292	1,503	20,706
<b>Non-operating expenses</b>			
Interest expenses .....	737	1,212	6,665
Loss on sales of accounts receivable .....	328	387	2,968
Sales discounts .....	168	216	1,519
Foreign exchange losses .....	—	417	—
Loss on valuation of derivatives .....	275	234	2,486
Bad debts expense .....	—	277	—
Impairment loss .....	1,024	—	9,257
Loss on valuation of investment securities .....	600	894	5,422
Loss on valuation of membership .....	1	24	14
Provision for loss on guarantees .....	93	—	841
Provision of allowance for doubtful accounts .....	669	2	6,050
Miscellaneous loss .....	115	178	1,044
	4,015	3,846	36,269
Profit before income taxes, non-controlling interests and equity method income .....	2,731	2,486	
Income taxes (Note 4)			
Current .....	1,681	1,974	15,189
Deferred .....	(214)	(645)	(1,940)
	1,466	1,328	13,249
Profit (Loss) attributable to non-controlling interests .....	(588)	106	(5,312)
Share of profit of entities accounted for using equity method .....	345	577	3,117
Profit attributable to owners of parent .....	2,198	1,629	19,854
	(yen)	(yen)	(dollars)
Profit per share	248.24	184.03	2.24

See accompanying notes to consolidated financial statements.

## SHINSHO CORPORATION AND CONSOLIDATED SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

	March 31, 2021	March 31, 2020	2021 Thousands of U.S. Dollars
	(Millions of Yen)	(Millions of Yen)	
<b>Common stock:</b>			
Balance at beginning of period .....	5,650	5,650	51,036
Balance at end of period .....	5,650	5,650	51,036
<b>Capital surplus:</b>			
Balance at beginning of period .....	2,608	2,645	23,560
Purchase of shares of consolidated subsidiaries .....	—	-37	—
Balance at end of period .....	2,608	2,608	23,560
<b>Retained earnings:</b>			
Balance at beginning of period .....	42,789	42,133	386,499
Dividends of surplus .....	(442)	(974)	(3,999)
Profit attributable to owners of parent .....	2,198	1,629	19,854
Balance at end of period .....	44,544	42,789	402,354
<b>Valuation difference on available-for-sale securities:</b>			
Balance at beginning of period .....	1,680	2,480	15,180
Net changes of items other than shareholders' equity .....	2,439	(800)	22,034
Balance at end of period .....	4,120	1,680	37,215
<b>Deferred gains or losses on hedges:</b>			
Balance at beginning of period .....	61	(33)	552
Net changes of items other than shareholders' equity .....	(377)	94	(3,410)
Balance at end of period .....	(316)	61	(2,858)
<b>Foreign currency translation adjustment:</b>			
Balance at beginning of period .....	(349)	(205)	(3,152)
Net changes of items other than shareholders' equity .....	(495)	(143)	(4,473)
Balance at end of period .....	(844)	(349)	(7,626)
<b>Treasury shares:</b>			
Balance at beginning of period .....	(17)	(17)	(156)
Change in treasury shares arising from change in equity in entities accounted for using equity method .....	—	0	—
Purchase of treasury shares .....	(0)	(0)	(0)
Balance at end of period .....	(17)	(17)	(157)
<b>Non-controlling interests:</b>			
Balance at beginning period .....	2,147	2,266	19,399
Net changes of items other than shareholders' equity .....	(707)	(119)	(6,392)
Balance at end of period .....	1,440	2,147	13,007
<b>Total net assets</b> .....	<b>57,185</b>	<b>54,571</b>	<b>516,531</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, 2021	March 31, 2020	2021 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 .....	2,731	2,486	24,673
Depreciation .....	1,348	1,384	12,183
Amortization of goodwill .....	71	86	646
Increase (Decrease) of reserve and provision .....	746	1,318	6,741
Interest and dividend income .....	(772)	(1,023)	(6,977)
Interest expenses .....	737	1,212	6,665
Impairment loss .....	1,024	-	9,257
Loss (Gain) on valuation of investment securities .....	600	894	5,422
Decrease (Increase) in notes and accounts receivable .....	414	26,990	3,742
Decrease (Increase) in inventories .....	5,783	1,207	52,235
Increase (Decrease) in notes and accounts payable .....	(30)	(22,005)	(278)
Decrease (Increase) in accounts receivable .....	588	(697)	5,311
Other, net .....	2,860	2,570	25,835
Subtotal .....	16,103	14,425	145,458
Interest and dividend income received .....	1,004	1,188	9,076
Interest expenses paid .....	(777)	(1,200)	(7,021)
Income taxes paid .....	(1,437)	(1,665)	(12,981)
Net cash provided by operating activities .....	14,894	12,747	134,532
<b>Investing activities:</b>			
Purchase of property, plant and equipment .....	(1,549)	(2,004)	(13,992)
Proceeds from sales of property, plant and equipment .....	154	12	1,393
Purchase of investment securities (91) .....	(10)	(426)	
Proceeds from sales of investment securities .....	1,092	29	9,867
Payments of short-term loans receivable .....	(1)	(2)	(11)
Collection of short-term loans receivable .....	1	2	10
Payments of long-term loans receivable .....	(1,122)	(494)	(10,139)
Collection of long-term loans receivable .....	11	18	100
Other, net .....	(624)	(743)	(5,639)
Net cash used in investing activities .....	(2,048)	(3,608)	(18,501)
<b>Financing activities:</b>			
Net increase (decrease) in short-term loans payable .....	(4,489)	4,217	(40,549)
Proceeds from long-term loans payable .....	93	1,950	841
Repayments of long-term loans payable .....	(1,445)	(2,711)	(13,054)
Repayments of finance lease obligations .....	(489)	(191)	(4,422)
Cash dividends paid .....	(442)	(974)	(3,999)
Dividends paid to non-controlling interests .....	(51)	(74)	(469)
Payment from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation .....	-	(238)	-
Other, net .....	(0)	(0)	(0)
Net cash used in financial activities .....	(6,825)	1,977	(61,654)
Effect of exchange rate change on cash and cash equivalents .....	(190)	(66)	(1,720)
Net increase (decrease) in cash and cash equivalents .....	5,829	11,050	52,656
Cash and cash equivalents at beginning of period .....	16,602	5,552	149,966
Cash and cash equivalents at end of period .....	22,432	16,602	202,623

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 2020 financial statements to conform to the classifications used in 2021. 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 ¥110.71 to \$1, the rate of exchange at March 31, 2021. 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, 2021. The accompanying consolidated financial statements include the accounts of the Company and 38 of its subsidiaries for the year ended March 31, 2021, 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 18 affiliates (companies owned from 20% to 50% actually) at March 31, 2021. The equity method is applied to these 14 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) Deferred tax assets and liabilities

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, currency option trading 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, 2021 and 2020 consisted of the following:

	(¥ millions)		(\$ thousands)
	2021	2020	2021
Short-term loans payable principally from banks at March 31, 2021 and 2020 represent short-term notes with the interest on the principal at the average rate of 0.93% and 1.487%, respectively.	34,755	40,172	313,935

Long-term loans payable at March 31, 2021 and 2020 consisted of the following:

	(¥ millions)		(\$ thousands)
	2021	2020	2021
Long-term loans payable from banks, insurance companies and other financial institutions due through 2031, at the averaged rate of 0.507%	24,217	25,609	218,750
Less current portion	(2,592)	(1,059)	(23,413)
	21,625	24,549	195,336



The aggregate annual maturity of long-term loans payable at March 31, 2021 were as follows:

Year ending March 31	(¥ millions)	(\$ thousands)
2023	6,754	61,007
2024	2,988	26,991
2025	3,162	28,562
2026	5,183	46,823
2027 and thereafter	3,537	31,951

#### 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 2021 and 30.6% for 2020.

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, 2021 and 2020 were as follows:

	(¥ millions)		(\$ thousands)
	2021	2020	2021
Maximum amount of obligations to repurchase transferred receivables under certain conditions	2,184	2,328	19,735
As guarantor of loans	1,089	1,917	9,838
Trade notes discounted	283	338	2,564

#### 6. Deferred income taxes

Significant components of deferred tax assets and liabilities at March 31, 2021 and 2020, were as follows:

	(¥ millions)		(\$ thousands)
	2021	2020	2021
Deferred tax assets:			
Allowance for doubtful accounts	681	507	6,159
Bad debts expenses	85	85	768
Provision for bonuses	327	344	2,954
Inventories	614	545	5,554
Membership	65	66	590
Impairment loss of fixed assets	696	413	6,293
Net defined benefit liability	223	243	2,014
Investment securities	1,328	1,342	11,997
Directors' retirement benefits	25	21	228

Loss carried forwards	936	874	8,454
Valuation difference on available-for-sale securities	53	70	482
Other	938	771	8,474
Valuation allowance	(2,909)	(2,546)	(26,278)
Gross deferred tax assets	3,065	2,740	27,693

Deferred tax liabilities:

Unrealized gain on available-for-sale securities	(1,938)	(943)	(17,512)
Undistributed earnings of affiliates	(1,099)	(1,112)	(9,933)
Other	(137)	(134)	(1,246)
Gross deferred tax liabilities	(3,176)	(2,190)	(28,691)
Net deferred tax assets, liabilities	(110)	549	(998)

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)
	2021	2020	2021
Tax loss carryforwards:			
Within 1 years	27	11	251
After 1 to 2 years	31	31	281
After 2 to 3 years	21	30	197
After 3 to 4 years	49	21	443
After 4 to 5 years	38	45	348
After 5 years	767	734	6,932
Total	936	874	8,454

	(¥ millions)		(\$ thousands)
	2021	2020	2021
Valuation allowance:			
Within 1 years	(27)	(11)	(251)
After 1 to 2 years	(31)	(31)	(281)
After 2 to 3 years	(21)	(26)	(197)
After 3 to 4 years	(49)	(21)	(443)
After 4 to 5 years	(38)	(45)	(348)
After 5 years	(577)	(463)	(5,216)
Total	(746)	(599)	(6,738)

	(¥ millions)		(\$ thousands)
	2021	2020	2021
Deferred tax assets:			
Within 1 years	—	—	—
After 1 to 2 years	—	—	—
After 2 to 3 years	—	4	—
After 3 to 4 years	—	—	—
After 4 to 5 years	—	—	—
After 5 years	189	271	1,716
Total	189	275	1,716

## 7. Lease transactions

### • Operating lease

Under non-cancelable operating leases, future minimum lease payments at March 31, 2021 were ¥483 millions (\$4,370 thousands) of which ¥180 millions (\$1,633 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)
	2021	2020	2021
Balance at beginning of year	848	895	7,660
Retirement benefit expenses	123	124	1,116
Post-employment benefits paid	(84)	(117)	(767)
Employer contributions	(62)	(53)	(563)
Balance at end of year	824	848	7,447

Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2021 were as follows:

	(¥ millions)		(\$ thousands)
	2021	2020	2021
Funded defined benefit obligation	1,244	1,257	11,244
Pension assets	(614)	(594)	(5,551)
	630	662	5,693
Unfunded defined benefit obligation	185	185	1,674
Net liability for defined benefit obligation	815	848	7,367
Liability for retirement benefits	824	848	7,447
Asset for retirement benefits	(8)	–	(79)
Net liability for defined benefit obligation	815	848	7,367

## 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, 2021 and 2020, for which hedge accounting has not been applied.

(¥ millions) (\$ thousands)

2021 2020 2021

### a. Currency related:

#### Forward currency exchange contracts

##### Sell (Japanese yen)

Contracts outstanding	10	4	90
Fair values	0	(0)	0

##### Sell (U.S. dollar)

Contracts outstanding	12,924	11,866	116,738
Fair values	(613)	(193)	(5,540)

##### Sell (Chinese yuan)

Contracts outstanding	154	250	1,391
Fair values	(10)	(0)	(95)

##### Buy (Japanese yen)

Contracts outstanding	363	363	3,279
Fair values	(9)	(8)	(82)

##### Buy (U.S. dollar)

Contracts outstanding	4,665	5,307	42,137
Fair values	126	(9)	1,140

#### Currency option trading

##### Call (Other)

Contracts outstanding	719	–	6,501
Fair values	(6)	–	(57)

##### Put (Other)

Contracts outstanding	719	–	6,501
Fair values	5	–	45

#### Total currency forward contracts and currency option trading

Net fair values	(508)	(213)	(4,588)
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### b. Commodities futures:

#### Sell (Japanese yen)

Contracts outstanding	402	324	3,633
Fair values	(5)	14	(50)

#### Sell (U.S. dollar)

Contracts outstanding	255	–	2,305
Fair values	(24)	–	(224)

#### Buy (Japanese yen)

Contracts outstanding	382	337	3,453
Fair values	25	(27)	230

#### Buy (U.S. dollar)

Contracts outstanding	227	–	2,054
Fair values	12	–	111

#### Total commodities futures

Net fair values	7	(13)	67
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(2) Hedge accounting applied

The following tables summarize the outstanding contract amounts and fair values of financial derivatives of the Company at March 31, 2021 and 2020, for which hedge accounting has been applied.

	¥ millions		\$ thousands
	2021	2020	2021
a. Currency related:			
Forward currency exchange contracts			
Sell (Japanese yen)			
Contracts outstanding	111	78	1,006
Fair values	–	–	–
Sell (U.S. dollar)			
Contracts outstanding	2,733	3,616	24,693
Fair values	(5)	17	(51)
Sell (Euro)			
Contracts outstanding	835	761	7,544
Fair values	(5)	6	(49)
Sell (Chinese yuan)			
Contracts outstanding	1,724	1,470	15,574
Fair values	(7)	1	(67)
Sell (Other)			
Contracts outstanding	1,099	1,386	9,929
Fair values	(2)	3	(25)
Buy (Japanese yen)			
Contracts outstanding	269	254	2,435
Fair values	–	–	–
Buy (U.S. dollar)			
Contracts outstanding	159	91	1,444
Fair values	3	1	27
Buy (Euro)			
Contracts outstanding	2,026	3,303	18,307
Fair values	94	(33)	855
Buy (Chinese yuan)			
Contracts outstanding	108	81	979
Fair values	1	0	11
Buy (Other)			
Contracts outstanding	250	222	2,262
Fair values	2	(8)	26
Total commodities futures	9,319	11,267	84,178
Net fair values	80	(12)	725
b. Commodities futures:			
Sell (Japanese yen)			
Contracts outstanding	3,899	820	35,222
Fair values	(369)	106	(3,333)

	¥ millions		\$ thousands
	2020	2019	2020
Sell (U.S. dollar)			
Contracts outstanding	1,945	602	17,569
Fair values	(150)	89	(1,357)
Buy (Japanese yen)			
Contracts outstanding	2,737	424	24,724
Fair values	45	(9)	406
Buy (U.S. dollar)			
Contracts outstanding	1,597	806	14,433
Fair values	164	(105)	1,489
Total commodities futures	10,179	2,653	91,949
Net fair values	(309)	80	(2,794)

## 10. Significant accounting estimates and judgments

(1) The value of inventories removed from ordinary course of business

a. The amount on consolidated financial statements in the fiscal year In Shinsho American Corporation (SAC), the subsidiary of the Company, a portion of inventories, which are the products for energy market and included in steel segment, were removed from ordinary course of business because of the impact of the fall of crude oil price and COVID-19, causing U.S. energy market suffered a major decline. In the fiscal year, the above inventories are measured at net realizable value, the write-down of inventories recognized as cost of goods sold is ¥275 million and the amount on balance sheet is ¥2,372 million.

b. Information about consolidated financial statements user to understand accounting estimates and judgments

The financial statements of SAC have been prepared in accordance with Generally Accepted Accounting Principles (U.S. GAAP). Inventories are measured at the lower of cost and net realizable value. Net realizable value are calculated by estimated selling price and estimated selling period. Regarding selling price and selling period, SAC was concerned about the past sales performance, the pace of recovery from COVID-19 outbreak, and the energy policy of U.S. government in the future.

These estimates for selling price and selling period are highly uncertain. It may have a significant impact on the amount of consolidated financial statements in the next fiscal year.

## 11. Segment information

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, 2021

		Iron & Steel	Raw Materials	Nonferrous Metals
Net sales	Outside customers	264,226	233,521	185,554
	Inter - segment	—	—	1
Total		264,226	233,521	185,556
Segment profit (loss)		621	316	1,853
Segment assets		115,126	29,805	74,579
Other items	Depreciation	647	146	307
	Amortization of goodwill	—	—	35
	Interest income	27	10	46
	Interest expenses	309	77	188
	Equity in income (loss) of equity method companies	258	—	76
	Gain on bargain purchase	—	—	—
	Impairment loss	981	—	21
	Investments in equity method companies	7,456	—	868
	Increase in property, plant and equipment and intangible assets	620	1,081	212

For the year ended March 31, 2021

		Iron & Steel	Raw Materials	Nonferrous Metals
Net sales	Outside customers	2,386,654	2,109,305	1,676,042
	Inter - segment	—	—	15
Total		2,386,654	2,109,305	1,676,058
Segment profit (loss)		5,612	2,861	16,742
Segment assets		1,039,894	269,219	673,650
Other items	Depreciation	5,847	1,321	2,775
	Amortization of goodwill	—	—	325
	Interest income	251	97	423
	Interest expenses	2,799	700	1,701
	Equity in income (loss) of equity method companies	2,337	—	690
	Gain on bargain purchase	—	—	—
	Impairment loss	8,860	—	193
	Investments in equity method companies	67,356	—	7,843
	Increase in property, plant and equipment and intangible assets	5,606	9,769	1,917

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
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

( Millions of yen )

Machinery & Electronics	Welding	Total	Other	Corporate / Elimination	Consolidated
64,836	35,841	783,981	179	–	784,160
–	2	4	264	(268)	–
64,836	35,843	783,985	443	(268)	784,160
1,225	143	4,160	(93)	–	4,067
33,532	14,899	267,944	33	18,255	286,233
143	68	1,313	35	–	1,348
–	35	71	–	–	71
8	6	100	0	–	100
100	58	734	2	–	737
–	12	347	–	(2)	345
–	–	–	–	–	–
–	22	1,024	–	–	1,024
–	352	8,677	–	–	8,677
148	54	2,117	0	–	2,117

( Thousands of US\$ )

Machinery & Electronics	Welding	Total	Other	Corporate / Elimination	Consolidated
585,647	323,743	7,081,391	1,617	–	7,083,010
–	20	35	2,391	(2,428)	–
585,647	602,965	7,360,629	4,009	(2,428)	7,083,010
11,069	1,295	37,579	(845)	–	36,735
302,884	134,584	2,420,231	306	164,894	2,585,433
1,297	622	11,862	319	–	12,183
–	321	646	–	–	646
79	56	906	1	–	908
909	526	6,635	27	–	6,665
–	113	3,140	–	(23)	3,117
–	–	0	–	–	–
–	202	9,257	–	–	9,257
–	3,184	78,383	–	–	78,384
1,339	490	19,121	5	–	19,128

## Investor Information (As of March 31, 2021)

Founded .....	November. 12 1946
Number of Employees .....	455 (Consolidated 1,664)
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 .....	8,855,800
Number of Shareholders .....	3,436

### 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	21.52%
Kobe Steel, Ltd.	1,179,118	13.31%
Shinsho Client Shareholding Association	768,079	8.67%
The Master Trust Bank of Japan, Ltd. (trust account)	284,800	3.22%
Japan Trustee Services Bank, Ltd. (trust account)	253,500	2.86%
Shinsho Employees' Shareholding Association	236,034	2.67%
SSBTC CLIENT OMNIBUS ACCOUNT	225,250	2.54%
SINFONIA TECHNOLOGY CO., LTD.	150,000	1.69%
MUFG Bank, LTD.	109,280	1.23%
DFA INTL SMALL CAP VALUE PORTFOLIO	106,299	1.20%

Note: The Investment ratio is computed excluding 4,738 shares of treasury stock held by Shinsho Corporation.

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