

Shinsho Corporation  
**Integrated Report**  
**2023**

# A trading company that supports manufacturing for tomorrow, and contributes to society

We at Shinsho Corporation will pursue the kind of proposal-based business that only a manufacturer-affiliated trading company can offer. Leveraging our comprehensive capabilities as the core trading company of the Kobelco Group, we will further refine our support for manufacturing and the creation of added value that we have cultivated to date.

To achieve further growth together with our clients, we will continue our challenge of creating “a new world, new era, and new values”

## Shinsho quality throughout the world

Shinsho Corporation has expanded its overseas bases based on a five-division structure: Iron & Steel, Ferrous Raw Materials, Nonferrous Metals, Machinery & Electronics, and Welding. We will continue to strengthen the functions of our overseas bases and work closely with our bases around the world in our efforts to deliver to all locations products and services of the same quality as we deliver in Japan, in addition to high value-added solutions for tomorrow.

### Priority Initiatives

We have set “Reducing weight in EVs and automobiles” and “A Resource Circulation Business” as our areas of focus and are putting initiatives in place to respond to actions towards carbon neutrality.

## Strengthen functions and cooperation in priority regions

### East Asia (14 companies)

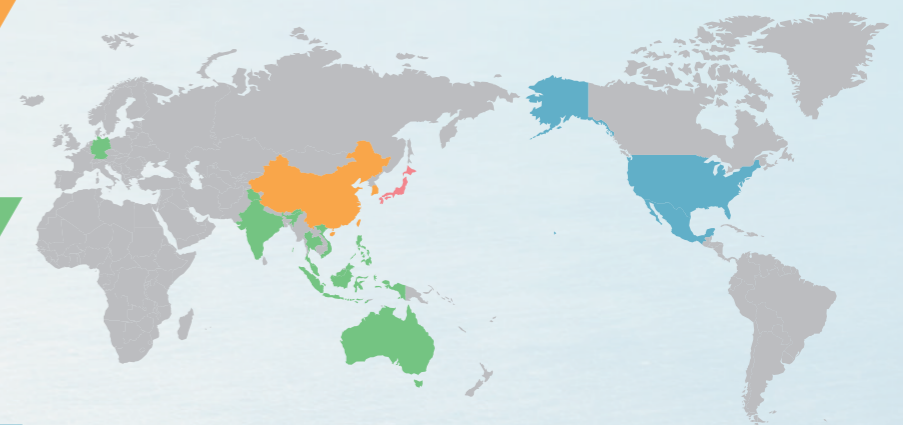
- Expand trading among Kobelco Group companies and in the automotive industry, LCD panel industry, and others, with Kobelco Trading (Shanghai) Co., Ltd. as a key player.
- Expansion of aluminum processing (Suzhou Coil Center and Kobelco Precision Parts (Suzhou) and (Yangzhou))

### ASEAN, India and Middle East (19 companies)

- Expanding transactions in automotive/bicycle industry and in the field of ferrous and nonferrous raw materials through 19 companies' network.
- Promote information gathering and intra-regional cooperation to capture demand in the infrastructure sector (Vietnam, Cambodia, etc.)

### North and Central America (9 companies)

- Strengthening the wire material business in North and Central America through sales locations (North America, Mexico), secondary wire processing locations (North America) and closer connections with our operational center (Japan).





P43  
Contribution to Tomorrow's  
Manufacturing



## Corporate Philosophy

“Integrity” is Shinsho Corporation’s company motto.  
We are committed toward securing prosperity for our clients  
and shareholders through the creation of new values.

## Core Values

- Contribution to tomorrow’s manufacturing
- Corporate activities with compliance
- Activities in global environment
- Corporate culture respecting diversity
- Realization of personal growth



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Activities in Global Environment

## Corporate Message

### Designs for Business

Ongoing globalization and diversifying customer needs are rapidly changing the business environment. How do we conduct our business so that products get to customers? How do we make connections between technology and society to create new value?

We at Shinsho Corporation have a distinct advantage: as part of the Kobe Steel Group, we view the world from the perspective of a global manufacturer dedicated to high quality production. We create perfect designs that will add value to your business.



## Editorial Policy

Since 2022, Shinsho Corporation has been publishing an integrated report with the aim of providing all stakeholders—including shareholders and investors—with a more in-depth understanding of Shinsho’s medium- to long-term value creation. For information not included in this publication, please visit our website.

<https://www.shinsho.co.jp/english/>

In addition, with reference to the International Integrated Reporting Framework (IFRS Foundation) and the “Guidance for Collaborative Value Creation” by the Ministry of Economy, Trade and Industry, the compilation is a concise summary of financial information as well as important nonfinancial information that affects corporate value.

Reporting period: April 1, 2022 to March 31, 2023  
(Some corporate activities prior to April 1, 2022 and following March 31, 2023 are included.)

Scope of report: Shinsho Corporation and its Group companies

[Referenced guidelines]

- International Integrated Reporting Framework (IFRS Foundation)
- Guidance for Collaborative Value Creation by the Ministry of Economy, Trade and Industry

[Key Initiatives]

- Sustainable Development Goals (SDGs)
- Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)



## Mediums for Information Disclosure



**Integrated report**

[https://www.shinsho.co.jp/english/ir/library/integrated\\_report.html](https://www.shinsho.co.jp/english/ir/library/integrated_report.html)



Integrated Report

### Detailed IR information

To our investors

<https://www.shinsho.co.jp/english/ir/>



### Detailed information on sustainability

Sustainability report

<https://www.shinsho.co.jp/english/csr/>



## Notes on Forward-Looking Statements

This report contains projections and forward-looking statements regarding the Company’s plans, strategies, and performance for the future. These statements are not historical facts; rather, they are assumptions and beliefs based on information available to the Company at the time of issuance. It also involves risks and uncertainties related to economic trends, intense competition in the marine transport industry, market demand, fuel prices, exchange rates, and tax and regulatory systems. Please be aware that actual results may therefore differ from the Company’s projections.

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# Shinsho Corporation's Pursuit of Growth

This idea came to fruition in 1946 with the birth of the Taihei Corporation (precursor to Shinsho Corporation), the first manufacturer-affiliated trading company in postwar Japan handling Kobe Steel's products. At the time, manufacturers around the world were losing their production bases due to the war and their distribution functions were paralyzed. The founders of the company were passionate about supporting the future of manufacturing through a specialized trading company directly connected with manufacturers, and they strove to deliver high-quality products.

This spirit of "manufacturing" has been passed down from generation to generation in the rough and tumble of the times. Today, we still develop our proposal-based business as a specialized trading company from the perspective of manufacturing.

## Contribution to Tomorrow's Manufacturing

### 1940s-1960s

The Company was founded as the first postwar manufacturer-affiliated trading company, amid a shift of Japan's industrial structure from a military-driven to civilian-driven one. Thereafter, our business performance boosted in step with the rapid economic growth that is symbolized by the three booming economic times, namely "Jinmu," "Iwato," and "Izanagi," and we also entered overseas markets.

**1946**  
Established as the first postwar manufacturer-affiliated trading company under the name Taihei Corporation.



Taihei Corporation Head Office Building

**1960**  
Company name changed to Shinsho Corporation.

**1961**  
Shinsho Corporation listed in the Second Section of the Tokyo and Osaka Stock Exchanges.

**1966**  
The Shinsho American Corporation (now Shinsho American Corporation) was established.



The Shinsho American Corporation

**1968**  
Shinsho Corporation is listed in the First Section of the Tokyo and Osaka Stock Exchanges.

### 1970s-1980s

A wave of structural recession struck the world, the mass production- and mass consumption-era was over, and the distribution system also changed significantly. The Company worked to increase overseas bases and improve our management structure as functions expected of trading companies become increasingly diverse and complex.

**1972**  
Conducted initial public offering. (Capitalization: 2,812 million yen)

**1975**  
Conducted second public offering. (Capitalization increased to 3,930 million yen.)

**1977**  
System of two head offices adopted, one in Osaka and one in Tokyo.

**1982**  
Shinsho Metal Processing Corp. (now Shinsho Non-Ferrous Metals Corp.) established.

**1986**  
Shinsho Metal Products Corporation (now Shinsho Steel Products Corporation) established.

**1988**  
Thai Escorp Ltd. established.



Thai Escorp Ltd.

### 1990s-2000s

Japan's economy found itself in a difficult situation due in part to effects of the collapse of the bubble economy, the Great Hanshin-Awaji Earthquake, and the collapse of the Lehman Brothers. During the time of sluggish performance in the iron

and steel industry from 1999 to 2000, the Company reviewed its business leveraging its unique viewpoints and features cultivated so far.

**1995**  
Grand Blanc Processing LLC established.

**1996**  
Shinsho Non-Ferrous Metals Corporation established.

**1998**  
Shanghai Shinsho Trading Co., Ltd. established.

**2001**  
Shinsho Steel Products Corporation established

**2006**  
Capitalization increased (to 5,650 million yen) through issuance of new shares.

Suzhou Shinko-Shoji Material Co., Ltd. established.  
Kobelco Trading (Shanghai) Co., Ltd. established.

Kobelco Trading (Shanghai) Co., Ltd. established.



Kobelco Trading (Shanghai) Co., Ltd.

**2009**  
Osaka Head Office relocate to the current Yodoyabashi Square location.

### 2010s

Japan's economy was damaged by the Great East Japan Earthquake and the real economic growth rate remained low, despite the lift in stock prices due to Abenomics. We worked to strengthen the profit base that supported global expansion and further increased bases mainly in Asia, while actively implementing M&As and business investment and deepening Group business.

**2011**  
Matsubo Corporation acquired.

**2014**  
Kobelco Tsutsunaka Trading Co., Ltd. acquired as subsidiary.

**2015**  
KTN Co., Ltd. acquired as subsidiary.

**2016**  
SC Welding Corporation acquired as subsidiary.

**2018**  
Morimoto Kosan Co., Ltd. acquired as subsidiary.

**2019**  
Kobelco Tsutsunaka Trading Co., Ltd. merged with Nakayama Corporation and changed the name to Shinsho Metals Corporation.

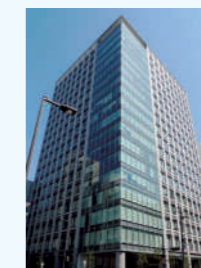
Tokyo Head Office relocated to the current location of Museum Tower Kyobashi.

### 2020s

The Company celebrated the 75th anniversary in 2021 and formulated the long-term vision as our second founding. Aiming for a further leap forward, we have been engaged in activities including expansion of non-trade business, investments in new businesses, and SDG-related businesses.

**2021**  
75th anniversary

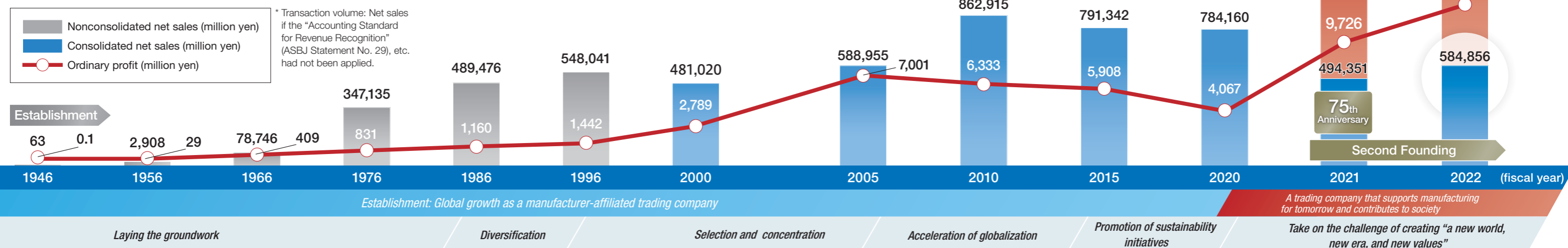
**2022**  
Shinsho Corporation transferred to the Tokyo Stock Exchange Prime Market.



Osaka Head Office



Tokyo Head Office



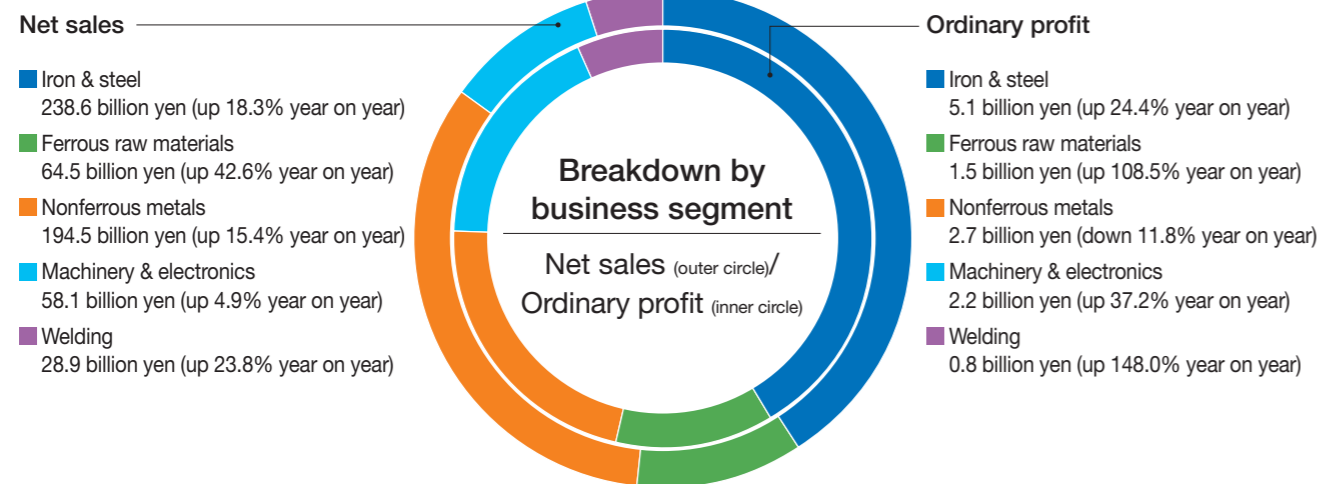
## FY2022 (Consolidated)

Net sales **584.9** billion yen / Ordinary profit **12.7** billion yen

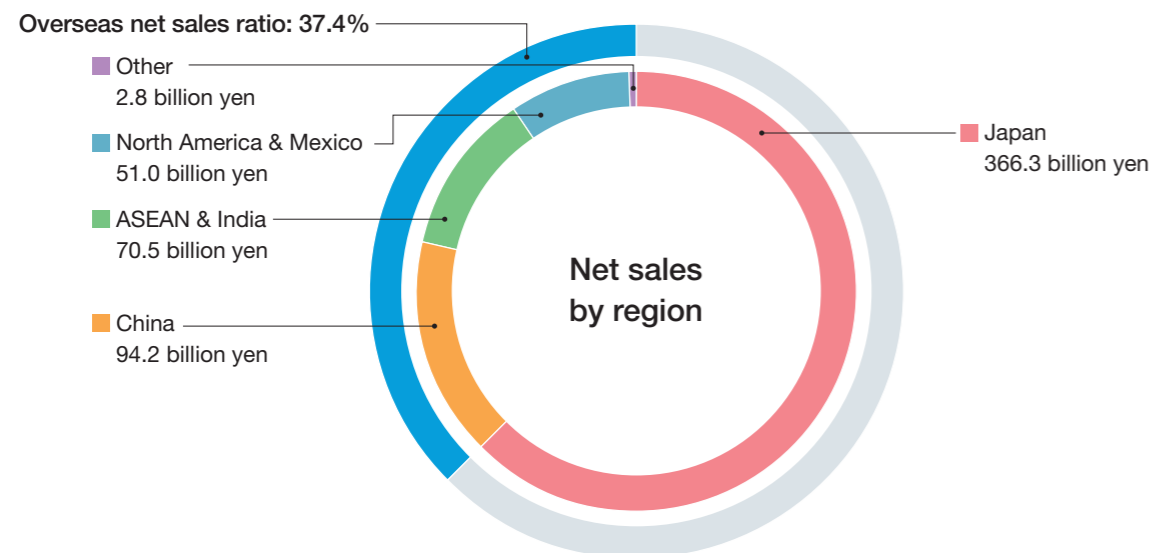
## ● FY2022 overview

Gross profit increased across all segments.

The Iron & Steel segment enjoyed higher market prices for main raw materials and steel, although the handling volume decreased due to the drop in automobile production. The Nonferrous Metals segment posted a decline in profits due to the lower handling volume of rolled copper products, but the sales of aluminum for automotive applications remained strong at subsidiaries in China. The Machinery & Electronics segment saw higher handling volume of construction machinery parts, while business was buoyant for the Welding segment both in and outside of Japan. Thanks also to the strong performance at entities accounted for using equity method and other firms we have invested in, we posted earnings growth.



The Company and its Group companies always ascertain the needs of customers and do business in places closer to their respective customers.



## Our customers

- Automotive field
- Shipbuilding field
- Iron & steel field
- Nonferrous metals field
- Construction field
- Machine tool field
- Electronic components field
- Semiconductor field
- Consumer electrical appliances field
- Precision instruments field
- Plant & engineering field
- Foodstuffs field
- Paper & pulp field
- Electric power field
- Aerospace field
- Petroleum & chemicals field, etc.

## ● Features of each segment

The Company aims to make Contribution to Tomorrow's Manufacturing using its domestic and global networks with the five business segments at the core.

For details, please refer to sections on each segment. (pages 43–56)

<b>Iron &amp; Steel Division</b>	<b>Evolving a high-quality and stable supply chain.</b> The Iron & Steel Division procures and provides steel products from around the world according to the needs of each customer, with Kobelco Group products as its mainstay items. In its challenge to create new added value, the Division is also working to refine its know-how in supply chain building, including by setting up local secondary processing manufacturers abroad and enhancing logistics capabilities.
<b>Ferrous Raw Materials Division</b>	<b>Going beyond providing a stable supply of resources indispensable for the production of steel to contribute to decarbonization and the creation of a circular society by processing renewable products and fuels.</b> In this time when the needs of customers are changing in a drastic way, the Division aims to make full use of the network it has built across countries around the world to maintain a stable supply of resources indispensable for steel production, while also accelerating transactions in renewable products and fuels.
<b>Nonferrous Metals Division</b>	<b>Continuing to create high added value as a total production group</b> Nonferrous Metals Division has always been pursuing the satisfaction of its customers mainly with aluminum and copper products for automotive, semiconductor, and air conditioning applications, offering not only materials but also proposals that incorporate added value such as processing, assembly or recycling. Looking ahead, the Division plans to actively invest in resource recycling and exploration of new fields and technologies.
<b>Machinery &amp; Electronics Division</b>	<b>Supporting our customers' manufacturing by providing reliable service.</b> The Machinery & Electronics Division plans to bolster its logistics capabilities and expand local maintenance bases, which will enable the Division to contribute to stable manufacturing work by providing maintenance services and delivering materials using a supply chain comprised of extensive and robust domestic and international networks.
<b>Welding Division</b>	<b>Offering new solutions that integrate IT with a wealth of knowledge on welding.</b> Welding Division is capable of providing total welding solutions including the welding materials of Kobe Steel, which has the largest share in the Japanese market, as well as welding raw materials, welding equipment, and welding robotic systems. In 2020, the Division and related Group companies underwent an organizational restructuring that strengthened its function as a trading company, allowing the Division to better serve its customers with new technologies and high added value.

## Number of employees



**1,404** (Consolidated)  
**561** (Non-consolidated)

(As of March 31, 2023)

## Group companies



**13** domestic companies  
**42** overseas companies  
 Total of **55** companies

(As of March 31, 2023)

## Global expansion



**70** bases

\*Includes entities not accounted for using equity method.



**Takafumi Morichi,**  
President and CEO

As we address our issues, we will strive  
to accelerate further growth by  
contributing to manufacturing.

## Toward the creation of new value

Under our Corporate Philosophy, “‘Integrity’ is Shinsho Corporation’s company motto. We are committed toward securing prosperity for our clients and shareholders through the creation of new values,” we have led the industry since our establishment in 1946 as the first postwar steel manufacturer-affiliated trading company. As the core trading company of the Kobelco Group, we have introduced a variety of products, including steel, to the world and developed new products and businesses that contribute to the advancement of manufacturing. In doing so, we have grown into a highly unique trading company. On the occasion of our 75th anniversary in 2021, we set our long-term vision as “A trading company that supports manufacturing for tomorrow and contributes to society” and made a fresh start, positioning it as our second founding.

In 2022, we published our inaugural integrated report, in which I conveyed my President’s Message with the two key themes of breaking away from our “naivete” toward the Kobelco Group and our determination to never give up. As it was not possible to convey the full background to that message at the time, I later held 12 explanatory sessions with about 90 employees in managerial positions of group head level or higher. In these sessions, I shared with them how I value the significance of “self-help,” based on my own experiences and the lessons I learnt when I faced adversity in my days at Kobe Steel. Other points that I explained in more detail included that my use of the word “naivete” was not meant as a criticism, but as an expression of my expectation that we should be able to achieve more outcomes, the significance of our second founding, the hurdles we needed to overcome as a company listed on the Prime Market, and the kinds of changes that we needed to make to overcome those hurdles. External stakeholders also provided feedback that they were able to understand the Group in more depth. I now feel that we are well on the way to sharing the same direction that the Company is heading in with our stakeholders.

As we face the need to review our business model for the achievement of carbon neutrality, if we are to achieve sustainable growth, changes that are not merely an extension of the past will be needed. This will require revising our conventional thinking and approaches. I constantly encourage employees to think and act from their own initiative with a free mindset, instead of simply following a precedent. I believe that it is important to demonstrate the kinds of abilities that only humans possess, such as the ability to consider the appropriate actions and strategies according to the circumstances when responding to change and the ability to re-examine things from new perspectives. I am leading Shinsho Corporation in a way that will allow every one of our employees to update their own knowledge and awareness, so that we can form a flexible and agile organization.

## Perception of the business environment

As we face complicated geopolitical risks, with the ongoing conflict between Ukraine and Russia and tensions between the United States and China, we are strengthening our initiatives to minimize risk. Also, amid the intensification of international competition, securing the appropriate human resources is becoming more difficult, and talent mobility is increasing around the world. I perceive a need to consider whether or not it is possible to maintain conventional employment models and whether such models will accommodate job-based needs.

Moreover, for the first time in several decades, there has been a significant change in the financial situation. Our company includes elements of trading company finance, in that we provide our clients with usance (essentially lending money through the provision of a grace period for payment) in the course of our business. Consequently, when interest rates rise, we are forced to consider the balance with profit margins and make difficult choices about whether or not to continue with certain transactions. For this reason, we will include ROIC in the next Medium Term Management Plan in an effort to strengthen our business portfolio management. We intend to continue working to enhance corporate value by visualizing capital efficiency in each division and implementing measures to improve it.

On the other hand, our profit margin is lagging behind those of our peers, and I recognize this as our greatest issue. The major factor behind this situation is that we have accumulated few risk-bearing investments and loans. Unfortunately, at this point, we are short of our three-year business investment plan target of 20.0 billion yen. Given that the previous Medium Term Management Plan also finished without achieving our target, we knew that this was going to be our most difficult issue to address, and as suspected, it was a high hurdle to overcome. We recognize that business investment is imperative if we are to increase our profit margin and that now is precisely the time for us to sow seeds for the future. With about six months left of the current Medium Term Management Plan, we will face its targets squarely, without running away, and strive to accumulate projects that will lead to a higher profit margin.

To realize more active development of investment projects, it is vital that we build a culture that encourages us to take on bold challenges. I had already perceived the weakness in our “ability to explore” as an issue to address, and I believe that, no matter how long it takes, we need to nurture that ability for the sake of our future. To this end, we will strive to improve the willingness and ability of individuals to take initiative in this regard. Leveraging the DX that is currently being promoted, we intend to establish an environment in which individual employees can share useful information with each other in a timely fashion, to help us overcome the challenges we face.

► Details of Medium Term Management Plan 2023 Progress ( p. 19)

## Progress of the Medium Term Management Plan

In the three-year Medium Term Management Plan launched in FY2021, we set an overall strategy aimed at realizing enhanced profitability and engaged in this strategy with an emphasis on management and employees facing the same direction. As a result, we have achieved record profits for two consecutive years, and we are now in a position to meet our profit targets in the final year of the Plan. While the favorable business environment has been a factor, it is entirely thanks to the hard work of our employees and the cooperation of our business partners that we have achieved this result.



## Toward the formation of a new culture

I believe that, to overcome the issues that have become apparent, organizational reforms will also be necessary. Such reforms will help us to promote a culture in which every employee can speak up without reserve, even to people in different divisions, giving each other suggestions such as, “If it were me, I would be able to do this” or “Why don’t you try this?”

Also, different business divisions have different environments, and not all of our businesses have the same flexibility and wealth of growth opportunities. For example, the Iron & Steel Division deals in large transaction volumes, and its transportation costs are also immense. As such, it could be described as a long-term, stable business with a limited number of clients. On the other hand, in the Nonferrous Metals and Machinery & Electronics businesses, whose transactions vary in scale, it is easier to try out growth opportunities and, if they fail, move onto the next challenge. Given this kind of background, the organizational cultures of those divisions also differ. It is not a matter of which is right or wrong, but, given that we will need to be more dynamic than ever if we are to grow on a global scale, my hope is that blending these two different cultures together will generate positive effects. We are also seeing a change in our clients in the Iron & Steel business. For example, with the progress being made toward local production for local consumption, if cars are to be made in China, the iron will be procured in China, processed in China, and sold in China. The same goes for the United States. Although our Iron & Steel business has a long history, our clients have started to change, so we, too, need to change.

Having said that, the fact is that, even today, it is this long-term, stable business that remains our most profitable sector. Therefore, unless we defend this business properly, there will be no future for us. In this respect, while defending this business, we also need to take offensive action, and I believe that this will require breaking down the walls of the organization while sharing information. As I have canvassed

the opinions of our employees in this regard, I am hearing voices of expectation for this kind of organizational reform, particularly among our younger employees. For the next Medium Term Management Plan, we are considering whether we can take action to break down, in a good way, the traditions that we have established over many years.

As our divisions that operate flexible businesses with many growth opportunities are able to move forward along with the current momentum, they have strong prospects for further expanding their opportunities with a little encouragement. However, we should also pursue growth opportunities in our long-term, stable businesses, even amid their difficult circumstances. We all share the same perception that the hurdle will be high. For this reason, instead of seeing it as an issue for just one division to address, I am considering providing support through such means as revising our organization and forming a dedicated team, so that we can address it as an issue for the entire Company. It is also important that we create a culture in which information, perceptions of the current situation, and issues are shared by everyone, so we will proceed with this as a matter of urgency.

## Promotion of diversity

We have also established a project team for the promotion of diversity and launched initiatives in earnest.

An in-house awareness survey conducted prior to launching this initiative revealed that, while the need for diversity is being voiced everywhere in the world, understanding of its significance has been inadequate. Acknowledging that the management team, including myself, have failed to face this reality squarely until now, we have begun taking steady steps to give people a better understanding of the significance and necessity of our efforts. The project team is working with a high level of awareness, involving many people, so the management team will also take the lead in the promotion of diversity, receiving advice from the team along the way.

We are currently focusing on initiatives for the promotion of diversity in Japan, but we are also aware of the need for approaches that are suited to the characteristics of each country. I am particularly concerned about this point because, if we were to control these initiatives from Japan and make decisions based solely on Japanese values, the situation may be different or such approaches may be inappropriate. To establish a structure in which overseas subsidiaries can make their own decisions, we will also consider transferring more authority to locally-hired staff.



The Kobelco Group, of which the Shinsho Group is a member, possesses advanced technologies and a variety of products and services that contribute to reducing CO<sub>2</sub> emissions. It is aiming for growth by expanding sales of such products and services on a global scale. The Kobelco Group has the world's largest share in the Direct reduction ironmaking process, and Shinsho Corporation also has past project experience in this area. For this reason, we are considering another attempt at handling Direct reduced iron(DRI).

## Maximizing stakeholder value

At a time when online communication has become more prevalent due to the COVID-19 pandemic, I have renewed my awareness of the importance of visiting customers in person. In fact, meeting customers face-to-face allows us to obtain more timely information, and the proximity between us, as a manufacturer-affiliated trading company, and our clients is becoming increasingly important. Our relationships with our business partners are something that we have long held most dear. Deepening and strengthening those relationships lie at the heart of the trading company's business.

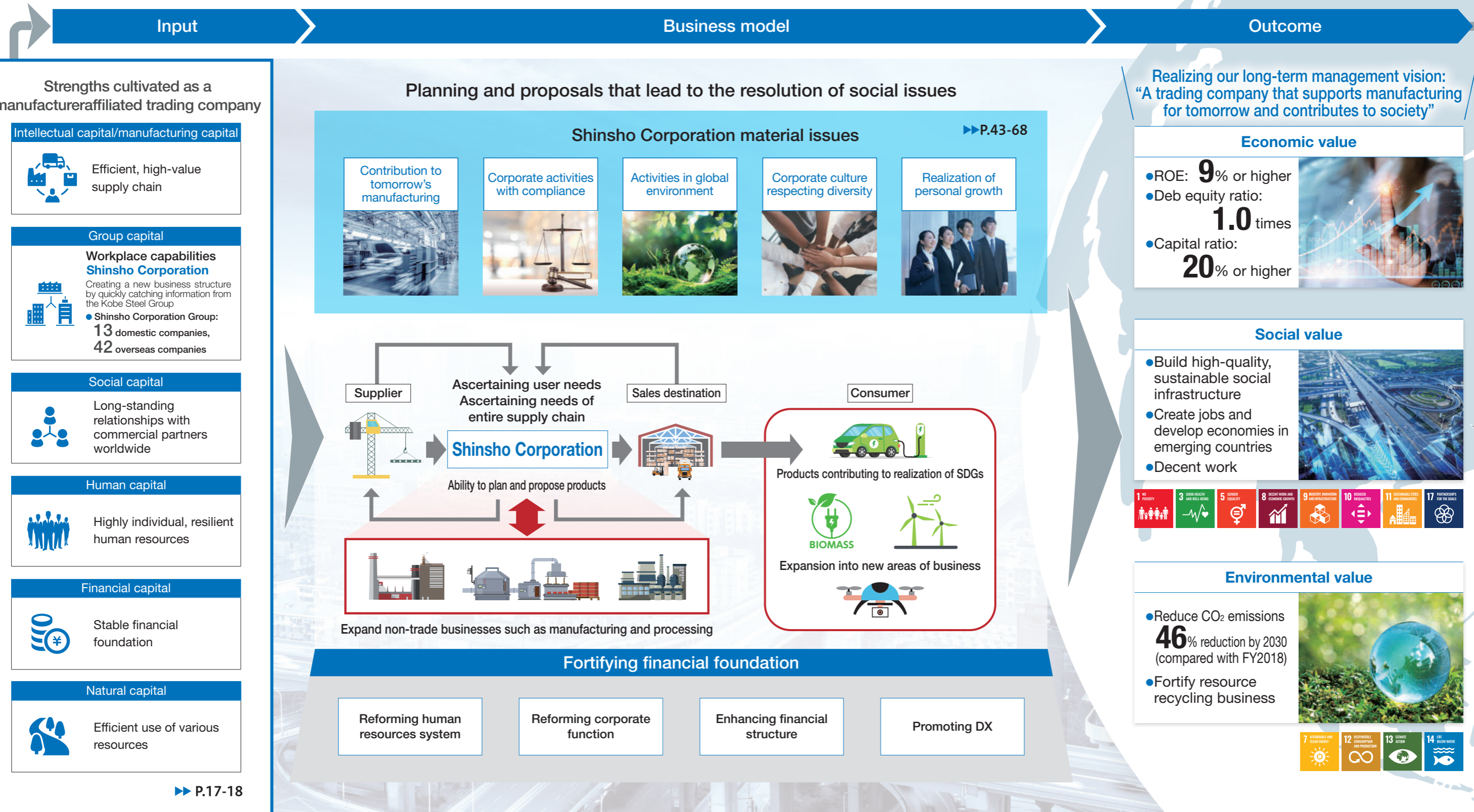
We will continue to take pride in our manufacturing and support its peripheral businesses. The next Medium Term Management Plan will be a challenging one, as we aim to balance a variety of factors. They include focusing on both defense and offense and steadily pursuing our business once again, such as by meeting customers face-to-face, while responding to the various changes that are happening globally. There is a high degree of difficulty involved, but we will face those challenges head-on, without running away.

We pledge to continuously enhance our corporate value through dialogue with our stakeholders, and we look forward to your continued guidance and encouragement.

## Contribution to the achievement of carbon neutrality

Our initiatives for the achievement of carbon neutrality have been making progress not only in Europe, but in Asia, China, and other regions. In the midst of such developments, we have designated "Electrification and weight reduction of motor vehicles" and "resource recycling businesses" as priority fields, and we are accelerating our responses to carbon neutrality. Our goal is to approximately triple the handling volume of environmentally friendly products (e.g., biomass fuel, cold iron materials) we handle in FY2030 compared with FY2022.

Since our foundation, our trade businesses have been the core of our operations. It is from those businesses that we ascertain supply and demand so that we may respond to the needs of our users, and we provide value in the form of finance, logistics, and product information to build a commercial distribution channel. Two years ago, as we celebrated our 75th anniversary, we positioned this opportunity as our second founding, and we are now focusing on initiatives for the environment, human resources, and DX promotion within the Group, as well as working to expand our non-trade businesses, invest in new businesses, and engage in SDG-related businesses.



## Six Types of Capital That Support Value Creation

To realize our long-term vision, the Group is working to maintain and strengthen six types of capital that we have been building up since our foundation.

### Intellectual capital/ manufacturing capital



Efficient, high-value supply chain

#### Overview

Leveraging our technological capabilities and expertise that are unique to a manufacturer-affiliated trading company, we make proposals from diverse supply sources to assist with our clients' value creation. We conduct business investments with an emphasis on the creation of businesses that will contribute to the realization of a sustainable society.

#### Features

- Ability to propose solutions to meet emerging needs
- Global supply structure and logistics expertise
- Ability to support overseas business development and launch
- Business investment target: **20.0** billion yen (FY2021–FY2023)

#### Maintenance and strengthening initiatives

- Enhancement of supply chain linkages through DX
- Acquisition of new expertise through M&As
- In-house training
- Introduction of highly-efficient equipment
- Further improvement of added value and thorough pursuit of QCD\*

\*QCD: Quality Cost Delivery

### Group capital



Workplace capabilities

#### Overview

As the core trading company of the Kobelco Group, which has diverse business entities, we promote business opportunities in a process of selection and concentration, allocating personnel from the sales front through to the production front and analyzing the latest information.

#### Features

- Strengths in five Divisions: Iron & Steel, Ferrous Raw Materials, Nonferrous Metals, Machinery & Electronics, and Welding
- Obtain the latest information through cooperation with Kobelco Group

#### Maintenance and strengthening initiatives

- Integrated trading, from raw materials to finished products
- Meeting user needs with the comprehensive capabilities of the Group
- Contribution to each Division's sales through human resources exchanges

### Social capital



Long-standing relationships with commercial partners worldwide

#### Overview

As a proposal-oriented, manufacturer-affiliated trading company that is fully qualified to talk about the value chain, we have established local subsidiaries for over 50 years, and we have built relationships of trust with our global business partners. We strive to build relationships so that we can continue to grow and prosper together.

#### Features

- Sales destination (Nonconsolidated) **2,157** (Domestic and overseas)
- Supplier (Nonconsolidated) **3,245** (Domestic and overseas)

#### Maintenance and strengthening initiatives

- Construction of sustainable supply chain
- Participation in industry associations
- Contribution to society through business activities

### Human capital



Highly individual, resilient human resources

#### Overview

We have established a framework where "people who learn and act on their own" are commended, by which we will actively support employees to value their independence and enable them to continue to grow autonomously as a driving force for the promotion of diverse businesses.

#### Features

- Employees Consolidated: **1,404** Nonconsolidated: **561**
- Ratio of women in career-track positions **11.2%**
- Education and training expenses **126** million yen

#### Maintenance and strengthening initiatives

- Enhancement of human capital investment
- Periodic engagement surveys
- Establishment of a work environment that promotes diversity
- Promotion of health and productivity management

### Financial capital



Stable financial foundation

#### Overview

We will allocate the cash generated through business activities and the sale of cross-shareholdings to growth investments and shareholder returns, to realize sustainable profit growth and enhance corporate value.

#### Features

- Equity capital **72.5** billion yen
- Interest-bearing debt **63.6** billion yen
- ROE **13.6%**
- Debt equity ratio **0.9** times
- Capital ratio **18.3%**

#### Maintenance and strengthening initiatives

- Diversification of financing instruments
- Enhancement of cash management
- Promotion of business portfolio reorganization

### Natural capital



Efficient use of resources

#### Overview

Shinsho Corporation handles scrap metal and biomass fuels for the efficient use of finite resources. We have been contributing to the realization of a circular society since we were first founded. Setting "Activities in global environment" as a material issue, we are working on the efficient use of natural capital and the reduction of our environmental footprint.

#### Features

- Reduce CO<sub>2</sub> emissions by expanding transactions in resource recycling businesses such as scrap metal and biomass fuels
- Environmental management system (ISO 14001) certified
- Electricity consumption **1,038,000** kwh
- Solar power generation at production bases

#### Maintenance and strengthening initiatives

- Expansion of resource recycling businesses
- Promotion of introduction of renewable energy

## Medium Term Management Plan (FY2021-2023) Progress

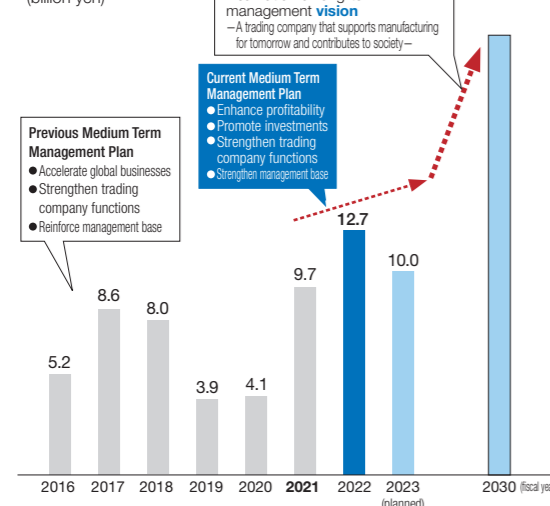
FY2023 is the culminating year of Medium Term Management Plan 2023.

The focal point of this final year of the Plan will be the continuation of investments and loans for the expansion of non-trade businesses. We will spur on new investments and work to enhance the corporate value of the companies in which we have invested.

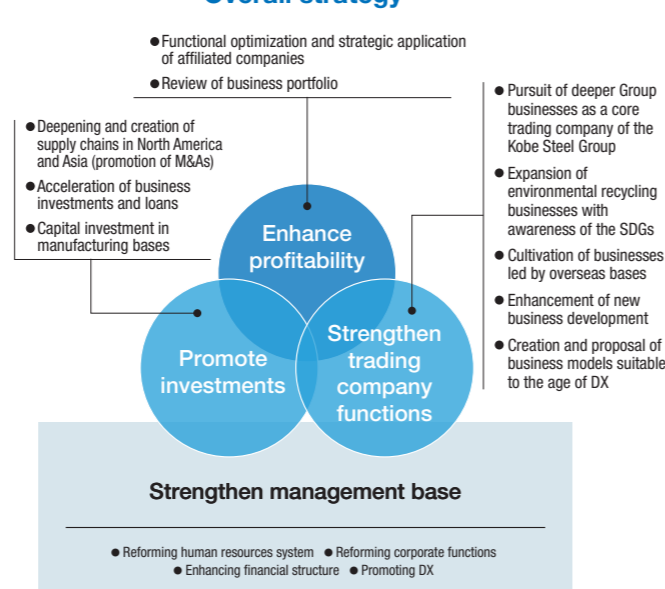
### Long-term management vision

A trading company that supports manufacturing for tomorrow and contributes to society

Ordinary profit  
(billion yen)



### Overall strategy



### Awareness of business environment

#### Environmental changes for steel market

- Decrease in domestic demand, due to declining birthrate and aging population, and expansion of overseas production by customers.
- Intensification of competition, due to changes in overseas markets toward the use of local materials and local parts.

#### Expansion of nonferrous products market

- Expansion of demand for copper connectors, resulting from the progressing shift of components to aluminum associated with demand for lighter weights of electric vehicles, and the advancement of progress toward electrical equipment.

#### Rise in demand for renewable energy

- Increase in carbon neutrality in the power generation, steel manufacturing, and automobile fields.
- Increase in demand for renewable fuels and ferrous/nonferrous scrap.

#### Increase in demands by society, including the SDGs

- Rise in awareness of environmental protection (stricter regulations toward industrial waste).
- Stricter regulations in various countries for the handling of scrap and other substances.
- Rise in demands to address issues such as work style reforms and gender equality.

#### Social changes due to COVID-19

- Changes in consumption structure due to changes in living styles.
- Changes in business formats such as the spread of at-home work, and online business meetings.

#### Active financial and monetary policies by various countries

- Active financial policies by various countries as COVID-19 measures.
- Raw materials inflation due to increase of money supply.

As the business environment changes, manufacturing is also approaching an age of great reform. The company's Group will aim to maintain and expand our competitive power, and provide new values, to promote business reforms and achieve continuous growth.

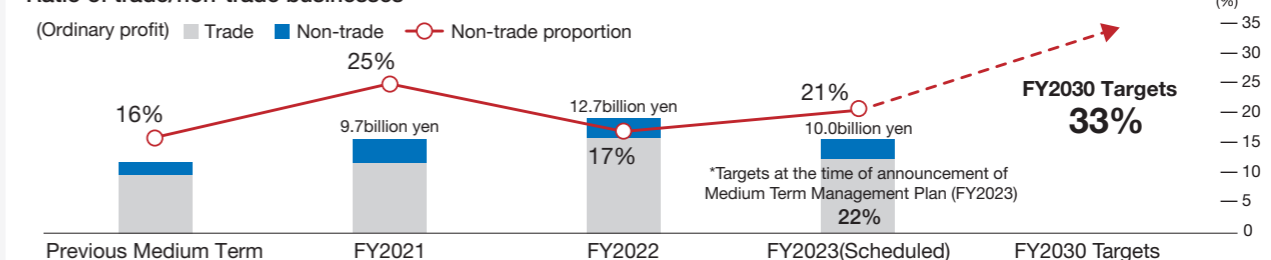
We will define "Electrification and weight reduction of motor vehicles" and "resource recycling businesses" as our key fields, and work to respond to the demand for carbon neutrality.

### Enhance profitability

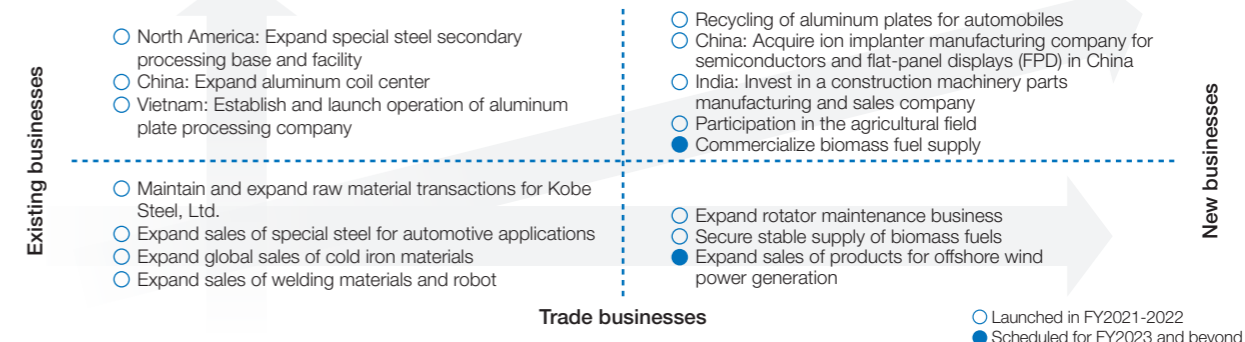
#### Progress in trade and non-trade businesses

While our trade businesses—which involve the buying, selling, and brokering of commodities—have accounted for the majority of our revenues, we intend to focus on cultivating businesses that contribute to the realization of a sustainable society and endeavor to enhance the corporate value of the companies in which we have invested. The Company will expand its operations and scale of business by seizing new trade business opportunities as its non-trade businesses expand.

#### Ratio of trade/non-trade businesses



#### Non-trade businesses



### Promote investments

#### Status of investments and loans

Under our Medium Term Management Plan, we plan to invest 20.0 billion yen over the three years. In addition to expanding the supply chain developed in North America and Asia, we plan to enter into product logistics for suppliers of materials and secondary and tertiary fabricated products, and strengthen processing and manufacturing facility functions, while also executing M&A and new investments.

#### Status of investments and loans

	FY2021 Results	FY2022 Results	FY2023 Planned	3-year total
Investments and loans	2.0 billion yen	3.0 billion yen	8.8 billion yen	13.8 billion yen
DX & IT investments	3-year total: 3.8 billion yen			
Total	17.6 billion yen (Investment scale at the time of development of Medium Term Management Plan: 20.0 billion yen)			

#### Major capital investment/investment and loans plans for FY2023



Promote investments

Status of implementation of medium term key measures

<b>Iron &amp; steel</b>	: Increased secondary processing capacity for special steel for automotive applications in North America. Refer to p. 53 for details.					
<b>Ferrous raw materials</b>	: Started handling imports of biomass fuels. Refer to p. 45 for details.					
<b>Nonferrous metals</b>	: We are working to increase fabrication capacity and recycling of aluminum plates for automobile applications. Refer to p. 47 and p. 61 for details.					
<b>Machinery &amp; Electronics</b>	: A construction machinery parts manufacturing company has been established in India as a joint venture and it began operations in September 2023. Refer to p. 49 and p. 54 for details.					
<b>Welding</b>	: Through M&A, we took over the solvent materials business of Air Liquide Japan, and started operation in January 2022.					

	Japan	China/ East Asia	Southeast Asia	North America	Europe	India/Middle East/ Africa/Others
Automotive field (including various transport machinery)	● Special steel	● Aluminum plates ● Special steel	● Copper connectors ● Welding materials	● Special steel	● Nonferrous metal processing	
Primary raw material fields (Steel production raw materials, unprocessed metals)		● Kobe Steel Procurement of raw materials for the Group nonferrous metals business	● Ferroalloys			
Environmental recycling fields	● Aluminum scrap		● Biomass fuels	● Cold iron materials procurement ● Biomass fuels		● Nonferrous raw materials
Architectural fields	● Construction steel material and products		● Nonferrous metal processing			
Electronics fields (for secondary batteries, semiconductors)	● Battery components ● Target materials	● Precision aluminum processing	● Aluminum plate cutting			
Construction machinery and equipment fields	● Welding materials ● Construction machinery parts		● Machine maintenance			● Construction machinery part joint ventures ● Thick plate fusion

● Existing initiative ● New initiative

Strengthen trading company functions

Strengthen management base

Promoting DX

The objective of DX promotion is to enhance corporate value, and we will simultaneously promote three approaches: “cultivating DX human resources,” “productivity improvement/work style reforms,” and “creating value from the customer’s perspective.” Under the supervision and leadership of the Corporate Planning Department’s DX Promotion Team, a DX supervisor has been appointed in each sales division to promote DX across all segments.

Under “cultivating DX human resources,” one urgent issue to address is the development of leaders who can serve as the driving force to design, plan and promote DX and digital business. We have set a target of developing 30 such employees in total from FY2022 to FY2024 (10 employees per fiscal year). We are also promoting the enhancement of digital literacy in all employees utilizing training and other methods.

In the area of “productivity improvement/work style reforms,” we will leverage digital technology to promote the efficiency of administrative tasks and communication, with the aim of increasing the importance of proper sales activities.

With regard to “creating value from the customer’s perspective,” in the interest of bolstering marketing, we are considering a system to share sales information such as customers, business inquiries, and sales activities—which have previously been shared only within sales divisions based on rules specific to each division—across the divisions.

FY2023 Key Measures

Cultivating DX human resources

- Cultivating promoters of DX
- Conducting company-wide DX training

Productivity improvement / work style reforms

- Company-wide deployment of sales information management system

Creating value from the customer’s perspective

- Consideration of supply chain business reform

Strengthen management base

Launch of Diversity Promotion Project Team and promotion of initiatives

In October 2022, a Diversity Promotion Project Team was launched with the aim of establishing a culture of mutual respect among our employees of diverse ethnicities, skills, and experiences, including women and global human resources. For the promotion of initiatives in this area, we sorted out the issues to be addressed based on interviews with our employees and with Group companies and other firms and compiled a range of measures to be taken, along with their order of priority, in our effort to instill understanding of the significance of diversity promotion. In June 2023, lunchtime sessions were held at our Head Offices in Tokyo and Osaka to report on the Diversity Promotion Project Team’s activities and give participants the opportunity to discuss the issue freely. In this inaugural employee-participation activity, participants were able to deepen their understanding of diversity by voicing their own opinions and listening to others. We will continue to hold these lunchtime sessions and promote the creation of appealing workplaces where people can demonstrate their individuality and work with vigor, irrespective of gender and ethnicity.

We will take on the challenge of creating “a new world, new era, and new values” through the promotion of diversity, so that the Company and employees can achieve even further growth. Refer to pages 65–67 for details.



Diversity Promotion Project Team



Lunchtime session

Progress on key KPIs

We have achieved most of the targets for each of the key KPIs in the Medium Term Management Plan for FY2022. We are also on track to meet the targets for FY2023, excluding ROA and capital ratio. We recognize fund efficiency as an issue to address, as the increases in trade receivables and product inventory due to higher sales are pushing down ROA and capital ratio.

	Medium term target values	FY2021 results	FY2022 results	FY2022 achievements	FY2023 Forecast
Ordinary profit	FY2023: 9.5 billion yen or higher	9.7 billion yen	12.7 billion yen	Achieved	10.0 billion yen
ROE	9% or higher	12.0%	13.6%	Achieved	9.5%
ROA	3% or higher	3.0%	3.3%	Achieved	2.4%
Capital ratio	20% or higher	17.3%	18.3%	Not achieved	18.2%
Debt equity ratio	Around 1.0 times	1.1 times	0.9 times	Achieved	0.9 times

By strengthening our cash flow management, we will execute new growth investments and restructure our business portfolio to achieve a strong financial position.

**Yasuyuki Watanabe,**  
Director and Executive Officer



## FY2022 results and FY2023 forecast

In FY2022, the global economy exhibited a moderate slowdown due to factors such as the prolonged Russian invasion of Ukraine and the raising of policy interest rates in Europe and the United States to combat rising inflation. Under these circumstances, while we felt the effects of the downturn in automobile production caused by semiconductor shortages, we also benefited from higher market prices of major raw materials and steel. Further, the impact of the falling yen helped to push up profits, and our revenue improved significantly from the previous fiscal year, primarily in the Iron & Steel and Ferrous Raw Materials segments. As a result, net sales totaled 584.9 billion yen, ordinary profit was 12.7 billion yen (up approx. 1.3 times year on year), marking a new record high for the second consecutive year, and net income attributable to shareholders of the parent was 9.2 billion yen (up approx. 1.3 times year on year).

Our results are particularly susceptible to the impact of automobile production and semiconductor supply and demand, and we do not foresee a rapid recovery by the Japanese automakers in North America and China in FY2023. In terms of semiconductor demand as well, with the previous year's slump forecast to continue, particularly in the Asian region, negative growth is predicted for the first time in four years. Due to this and other factors, the business environment remains unclear. Also, amid interest rise risks, we have budgeted for increases in selling expenses and general and administrative expenses to reinvigorate sales activities as the pandemic has subsided. As such, for FY2023, we forecast net sales of 652.0 billion yen and ordinary profit of 10.0 billion yen.

### Change in ordinary profit by business segment

	FY2021 results	FY2022 results	FY2023 Forecast	Change from FY2022 (%)
Iron & Steel	4.1 billion yen	5.1 billion yen	4.4 billion yen	(14.4%)
Ferrous Raw Materials	0.7 billion yen	1.5 billion yen	1.5 billion yen	+ 0.1%
Nonferrous Metals	3.0 billion yen	2.7 billion yen	2.2 billion yen	(17.8%)
Machinery & Electronics	1.6 billion yen	2.2 billion yen	1.3 billion yen	(40.1%)
Welding	0.3 billion yen	0.8 billion yen	0.6 billion yen	(25.4%)
Other	(0.1 billion yen)	0.4 billion yen	0.0 billion yen	—
Total	9.7 billion yen	12.7 billion yen	10.0 billion yen	(21.1%)

## Medium Term Management Plan 2023 progress

With “Strengthen management base” as the cornerstone, all of the themes of our Medium Term Management Plan are essential to the sustainable development of Shinsho Corporation. While advancing our trading company functions, we will accelerate investments and loans and reorganize our business portfolio to better suit the changes in the business environment, in our aim to improve our profitability.

In particular, our plan is to make 20.0 billion yen in investments and loans over the three years of the Medium Term Management Plan, which includes 3.8 billion yen in DX/IT-related investments in addition to business investments. In the Iron & Steel Division, we have invested in the expansion of facilities at our company processing wire rods in the United States and in the Nonferrous Metals Division, we have

executed an investment for the full-scale launch of an automotive aluminum panel recycling business.

In the latter Division, this fiscal year, we acquired the nonferrous metal wholesale business of INAGAKI-SHOUTEN Co., Ltd., a trading company specializing in nonferrous metals headquartered in Osaka. With this acquisition, we are working to strengthen our business through the further expansion of our customer base, including newly incorporating a business model of high-mix low-volume procurement and sales.

We are also undertaking the reform of the human resources system, and corporate functions, enhancing the financial structure, and promoting DX as key issues for strengthening the management base. Our progress in each of these areas is as follows.

### ● Reforming human resources system

We believe that the most important issue to focus on in the reinforcement of our management base is human resource development. With the aim of developing and producing people who learn and act on their own, that is, the kind of people the Company needs, we have recently revamped our human resources system. The objective of this revamp is to transform into an organization in which employees can make proposals to and co-create with the management team and their superiors by themselves and involve others in their own and other Divisions to take on the challenge of new value creation. We have introduced a new personnel system in which employees can change courses to aim for a career path toward a managerial position or switch their professional group to an area-limited career-track after joining the Company. We are pursuing activities that will allow our employees to work with enthusiasm.

With the aim of fostering a corporate culture of continued learning and developing human resources who are capable of taking charge of corporate management, we have introduced a rotation system to enable employees to systematically acquire the skills necessary for corporate management. This includes broadening their horizons by transferring them to other business Divisions and improving their management skills by seconding them to Group companies.

Through the lens of promoting diversity, the project team launched in FY2022 is playing a central role in extracting issues from employee feedback and fostering a culture in which employees' individual characteristics and abilities can be fully demonstrated.

### ● Reforming corporate functions

In April 2022, in the interest of further strengthening our commitment to sustainability, we formed the Sustainability Committee and identified our Basic Policy for Sustainability and important sustainability issues (material issues). Amid growing global interest in the SDGs and TCFD, we recognize that sustainability initiatives are an important management issue for medium- to long-term corporate value enhancement, and we are working to promote sustainability management and strengthen and improve our governance system.

In addition, the effectiveness of the Board of Directors was assessed by a third-party organization in FY2023, following a similar assessment the previous year. The evaluation showed that the Board of Directors was generally effective. It also confirmed that, among the issues identified in the previous fiscal year, our steady

efforts resulted in improvements in the areas of implementation of officer training to contribute to more vigorous discussion in the Board of Directors and the deepening of discussion related to sustainability-related issues. On the other hand, the third-party assessment led to the recognition that, for the further improvement of effectiveness, in terms of communication with stakeholders, including shareholders and investors, we need to provide appropriate feedback to the management team on opinions and suggestions obtained through dialogues and utilize them in the management of the Company. The assessment also recognized the need for opportunities for discussions related to promotion of management conscious of capital cost and stock prices as well as the need for deeper supervision related to evaluation and remuneration of officers.

## Enhancing financial structure

Regarding the numerical targets set forth in the Medium Term Management Plan, ROA and capital ratio are forecast to fall short of their targets, and we recognize that continuing to enhance profitability is a financial issue. In the past few years, we have transformed our structure to one that can earn money by clearing negative assets. Examples include the withdrawal of business companies in Mexico and India and the optimization of energy-related business inventories in the United States. We are also actively working to increase the added value of our trade businesses through functional enhancements and to expand non-trade business profits through investments and loans.

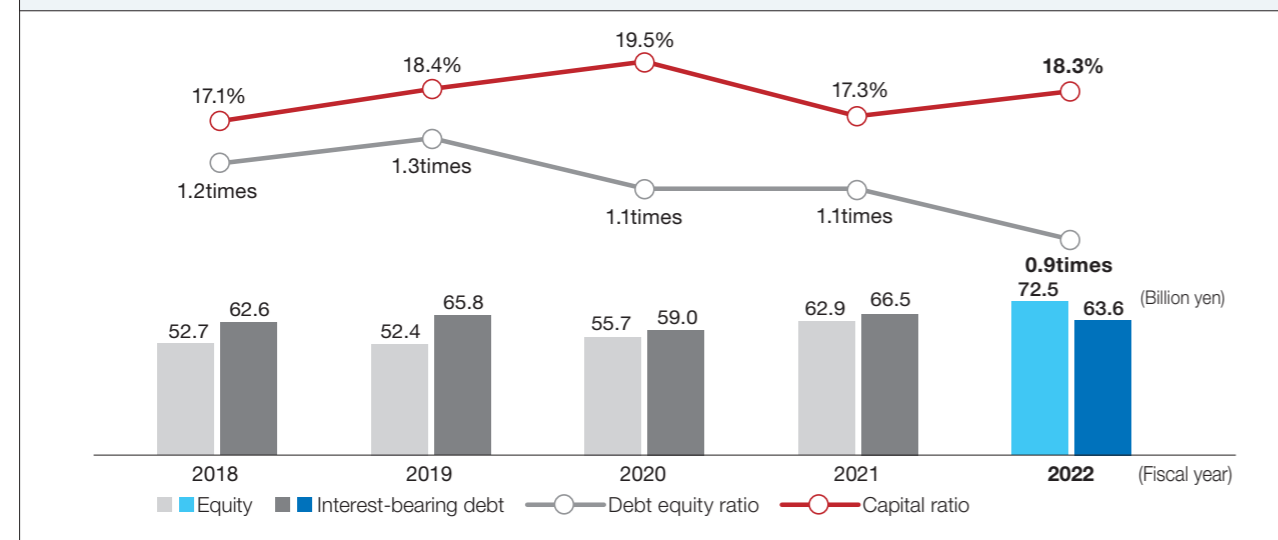
M&A and investment plans will primarily be funded from cash flow. In addition to cash flow from operating activities, we will apply the cash flow from the sale of cross-shareholdings and other assets to investment, but we recognize that the diversification of fund raising is still one of the issues to address. Although it has been some

time since we issued corporate bonds, we hope to raise funds through direct financing in the future. To this end, having maintained a debt equity ratio of around 1.0 times and ensured financial discipline, we are working to secure financial stability and achieve effective management, while pursuing stable business and growth investments with an awareness of raising our credit rating and an emphasis on our balance sheet. Moreover, to further enhance sustainable corporate value and strengthen our business portfolio management, we are considering the inclusion of ROIC in our next Medium Term Management Plan. By visualizing capital efficiency in each Division, we will focus not only on the amount of profit, but on profitability against invested capital.

Preparations for interest rate hikes in the near future remain a point of concern, and we will explore ways of improving profitability and expanding our business with interest rate rise risk in mind.

## Balance sheet status

### Medium Term Management Plan targets: Capital ratio of 20% or higher, debt equity ratio of about 1.0 times



## Promoting DX

For DX, we are comprehensively reviewing our existing business, values, and organization to break free from the status quo, contribute to society, and achieve sustainable growth. Setting the objective of DX promotion as enhancement of corporate value, we will simultaneously promote three approaches: “cultivating DX human resources,” “productivity improvement/work style reforms,” and “creating value from the customer’s

perspective.” Since cultivating DX human resources is the key to achieving this goal, in addition to helping human resources recruited internally to upskill by providing specialized training, we are working to make more efficient the operation of high-burden work, to clarify the data that will lead to the creation of customer value, and to develop a mechanism for the collection and collation of these data.

## Reorganization of business portfolios by increasing non-trade proportion

To enhance profitability, we are expanding the proportion of non-trade businesses and rolling out a variety of initiatives in each segment with a focus on the growth markets of “Electrification and weight reduction of motor vehicles” and “resource recycling businesses.” In terms of investment, we are considering initiating greenfield investments, but we believe that M&A is effective in swiftly acquiring the business itself, including high-quality human resources and technologies.

In recent years in the nonferrous metals field, we have acquired and integrated three Japanese distribution companies to form a new company, Shinsho Metals Corporation. While increasing profitability through efficiency improvements achieved by the reorganization of our business, we are working to expand the products that we handle, in our efforts to improve consolidated profit. In the welding field, in addition to transferring the business that Shinsho Corporation had been conducting to an affiliated company, SC Welding Corporation, we took over and used other methods to acquire related businesses from other companies with the aims of expanding our products and improving sales efficiency. These moves have resulted in increased profitability.

In 2022, we invested in the UMI No. 3 Decarbonization Investment Limited Partnership (UMI Decarbonization

Fund). We also invested in an agricultural production company that aims to develop high-density forced cultivation that is completely free of agrochemicals and unaffected by climate change. The objective of these investments is to further strengthen our initiatives toward climate change, including in the decarbonization area. Another aim is the creation of new businesses that will give us a foothold for entering business areas that are new territory for our company.

To prepare for electrification and weight reduction of motor vehicles, Suzhou Shinko-Shoji Material Co., Ltd. in China expanded its leveler shear capacity in response to increased demand for aluminum. In the resource recycling businesses as well, we are expanding global sales of cold iron materials and developing the nonferrous metal scrap recycling business. We are also increasing our knowledge in the decarbonization area by securing stable supplies of biomass fuels and handling LNG transport-related equipment, thus steadily preparing to develop business in this area.

Going forward, we will increase profitability including by using options such as switching investees, and secure cash flow to pursue investments. While doing so, we aim to achieve a non-trade proportion of 33% by FY2030 and chart a trajectory toward sustainable growth.

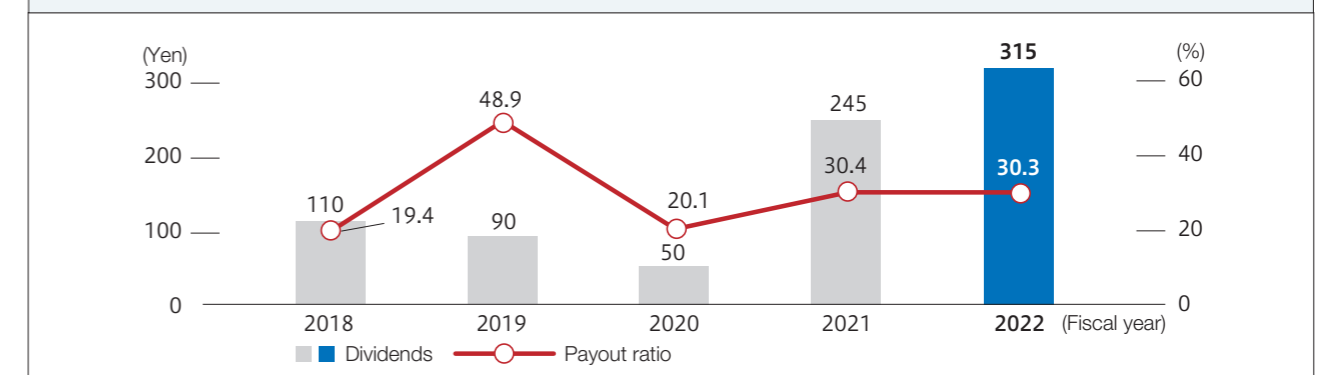
## Shareholder return policy

Shinsho Corporation regards the return of profits to shareholders as one of our most important management issues. Our basic policy is to continue to pay dividends commensurate with each fiscal year’s performance, while taking into consideration factors such as enhancements to financial structure and internal reserves required for future business deployment.

Based on the above policy, we have set the annual dividend per share for FY2022 at 315 yen (up 70 yen from the previous year). As for dividends for FY2023, we will continue to pay dividends based on business performance as in the previous year.

## Dividends

### Targeted payout ratio of 30% as set forth in the Medium Term Management Plan Achieved target dividend payout ratio of 30.3% in FY2022



# Human Resources Strategy toward Realization of Long-Term Management Vision

To promote the business strategies of the Medium Term Management Plan and realize the long-term management vision, it is essential to strengthen the management base. It is also important to cultivate and produce people who learn and act on their own, which is the objective of our human resources system reform.

Based on the human resources system and development system that were revamped in the previous fiscal year, we are working to foster a corporate culture of continuous learning and to develop the managers and professionals of tomorrow.

Organizational goals		Create new value through proposals and co-creation with management and supervisors, and by engaging with people inside and outside the department.
Key points for the realization of the business vision		Backcasting: Praised for moving closer to achieving the desired goal.
Key points for the realization of the organizational vision		Spirit to take on challenges driven by curiosity: Proposal-driven, incorporating our own curiosity and ideas.
Human resources policy		Interconnection: Diverse individuals collaborating beyond their own affiliations.
Imagine potential needs	Backcasting	<b>Wider and higher antennas</b> Instead of simply becoming constrained by the business at hand, <b>start from a desirable future vision, then look backward to the present.</b>
Trial and error with no preconceptions	Spirit to take on challenges driven by curiosity	<b>Excitement like you've never seen before</b> Enjoy the <b>challenge of creating new value</b> by changing familiar ways of doing things and utilizing each individual's diverse ideas, without being overly bound by the requirements of our work.
Maximize stakeholder value	Interconnection	<b>Involvement that expands possibilities</b> Create <b>relationships of mutual growth</b> by working together across organizational boundaries, believing in possibilities, and setting high expectations.

## Education system that produces people who learn and act on their own

By fostering a culture in which people learn and act on their own, we aim to realize our Medium Term Management Plan and our long-term management vision of “A trading company that supports manufacturing for tomorrow and contributes to society.”

Mindset	Skills retention	Skills reinforcement	Human resources achieving results produced
<b>Foster a culture in which people learn and act on their own</b>	<b>Retain basic conduct and professionalism as a trading company employee</b> <b>Acquire the ability to forge one's own career path</b>	<b>Strengthen management</b> <b>Create new businesses/ new value</b>	<b>Produce management human resources</b> <b>Produce professional human resources</b>
<b>Training type</b> <b>Mindset</b>	<b>Training type</b> <b>Skill</b>	<b>Training type</b> <b>IT/Foreign language, etc.</b>	<b>Training type</b> <b>Management succession plan</b>
<b>Training contents</b> Understand roles   Subordinates management training	<b>Training contents</b> Limitless learning opportunities from GLOBIS   Business skills training offered by GLOBIS /17 courses	<b>Training contents</b> EF   Online English conversation   DX Training	<b>Training contents</b> Coaching
<b>Target</b> Promoted employees 99   Line leaders 102	<b>Target</b> All employees   Total 363	<b>Target</b> Non-management applicants 248   Internal recommendation (10-12 persons every year)	<b>Target</b> Employees selected internally

## Issues to address and measures to take for the promotion of human resources strategy

As it had become apparent that, despite managers' awareness of the vision and human resources policy, they were not being put into action, we held a “training session on human resources policy” targeting people in managerial positions. These sessions served to give attendees a more in-depth understanding of human resources policy and the human resources system, while at the same time, providing an opportunity to exchange opinions with members of other Departments who have different perspectives.

In the post-session survey, around 90% of the attendees responded that the sessions helped them come to certain realizations. In light of these outcomes, we are considering holding these sessions on a regular basis.



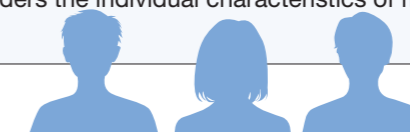
Training session on human resources policy

### Objectives

1. Impart attendees a fresh understanding of our business and organizational goals as well as human resources policy.
2. Make attendees understand that one of their roles is to convey to their subordinates in an appropriate way the intentions (messages) contained in the human resources system.
3. Reflect on their own behavior and consider what they need to change

### Feedback from attendees

- My understanding of human resources policy was insufficient. I realized anew the importance of taking initiative and setting an example for my subordinates.
- Pressures of work prevented me from addressing this, but I realized that people in managerial positions in other Divisions were actively addressing it, which pushed me to realize that I need to change my own behavior as well.
- I learned about the perspective of tacit assumptions, which made me realize the importance of approaching these issues in a way that considers the individual characteristics of my subordinates and junior colleagues.



## Message from the officer in charge of the Human Resources Department

We introduced a new human resources system in April 2022. This system is designed to foster a culture in which people learn and act on their own to achieve our long-term management vision of “A trading company that supports manufacturing for tomorrow and contributes to society.” We believe that it is important for employees to have their own vision for self-development and to achieve the gradual improvement of their skills, thus continuing the cycle of growth. However, after receiving considerable feedback from frontline employees who had difficulty understanding the background and purpose of the career course revamp, which was one of the system reforms, we held human resources policy training for employees of all ranks. In this way, we are pursuing activities that will enable all employees to understand the importance of fostering a culture in which they will learn and act on their own.

Based on our recognition of commitment to human capital management as a key issue, we will promote initiatives to enhance employee engagement, while pursuing human resources allocations that place the right people in the right positions and establishing an environment in which diverse people can demonstrate their abilities based on diverse values. In FY2023, we will work on the visualization of employees' skills and the value of their experience by introducing a talent management system. This will be put to use in the optimization of human resources allocations.

Having launched a project team to undertake activities to promote diversity, we will accelerate these activities by recruiting support members from across the entire Company, to expand participation in the project and strengthen its momentum even further. We will also implement related training on a Group-wide basis to enhance the corporate value of the Group.



**Yasuyuki Watanabe,**  
Director and Executive Officer  
in charge of the Human  
Resources Department

# Promoting Sustainability Management at Shinsho Corporation

In April 2022, in the interest of further strengthening our commitment to sustainability, we established a Basic Policy for Sustainability and important sustainability issues (material issues), as well as a Sustainability Committee as an advisory body to the Board of Directors.

Amid growing worldwide interest in the Sustainable Development Goals (SDGs) and the Task Force on Climate-related Financial Disclosures (TCFD), we have clarified the material issues we are addressing and established a system to promote sustainability management and reinforce governance, based on the recognition that sustainability initiatives are an important management issue in medium- to long-term enhancement of corporate value.

## Basic Policy for Sustainability

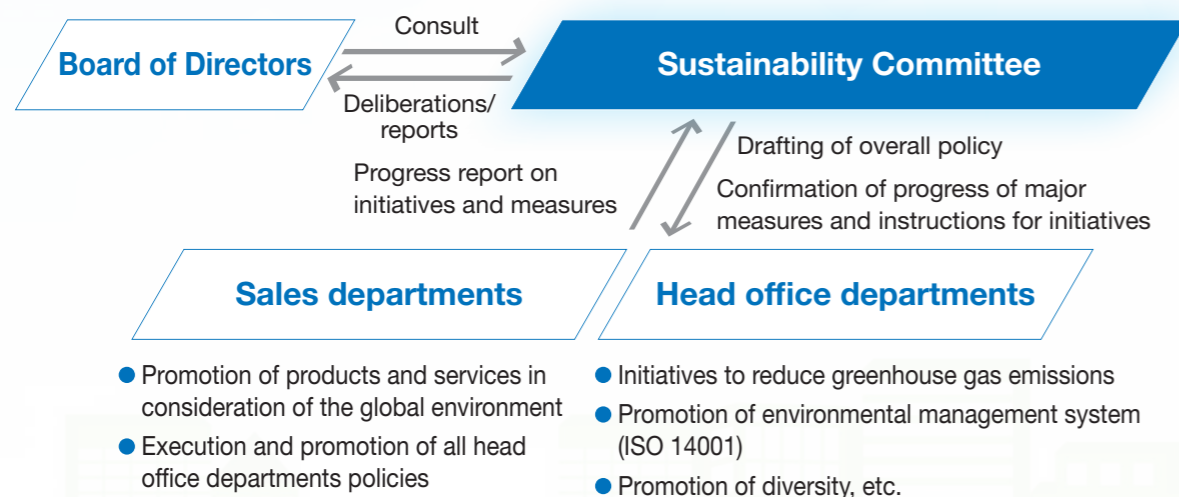
Shinsho Corporation's company motto is "Integrity." Our Corporate Philosophy is that we are committed toward securing prosperity for our clients and shareholders through the creation of new value.

Guided by this philosophy, we promote an array of initiatives addressing environmental and social issues around the world through our business activities.

We also promote fair and transparent governance.

We are contributing to the establishment of the sustainable society that all people desire.

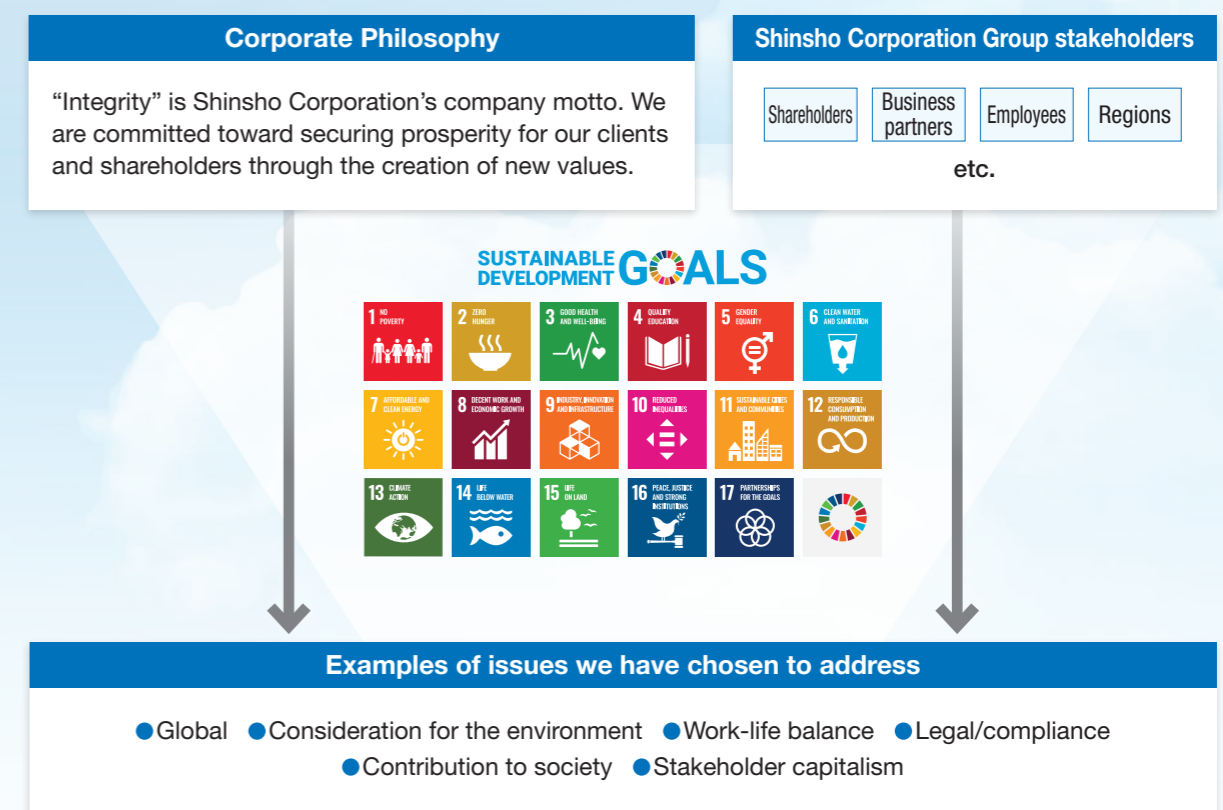
## Sustainability promotion structure



## Identification of important sustainability issues (material issues)

At the beginning of FY2021, we formulated our long-term management vision, "A trading company that supports manufacturing for tomorrow and contributes to society," and our Medium Term Management Plan, and revised our Core Values, which will serve as the basis for our activities toward bringing this vision to fruition. With regard to the revision, to clarify our commitment to sustainability, we selected issues to be addressed by the Company with reference to the 17 goals and 169 targets of the SDGs, taking into consideration the Company's Corporate Philosophy and the impact of the Group's business activities on its stakeholders. Subsequent discussions among management and at Board of Directors meetings narrowed down the issues, which were then set forth as Core Values.

In identifying the important sustainability issues (material issues), we have reexamined the issues that we need to address. As a result, we confirmed that we will continue to work on the Core Values as material issues, and after discussion and approval by the Board of Directors, we decided to officially make them material issues on April 1, 2022.



## Core Values = Important issues (material issues)

- 1 Contribution to Tomorrow's Manufacturing → p. 43
- 2 Corporate Activities with Compliance → p. 57
- 3 Activities in Global Environment → p. 59
- 4 Corporate Culture Respecting Diversity → p. 65
- 5 Realization of Personal Growth → p. 67

## Strengthening the Governance Structure

We are enhancing corporate governance, a foundation for sustainable growth.

### Basic views on corporate governance

The Shinsho Corporation Group positions the strengthening of corporate governance as an important issue in corporate management. By maintaining sound management, as well as responding promptly and flexibly to changes in the business environment and increasing competitiveness, we manage the Company in a way that leads to trust from shareholders and business partners. The stance above constitutes our basic views on corporate governance.

Based on our Corporate Philosophy, the Group believes that increasing our corporate value, supporting the manufacturing for tomorrow, and contributing to society through our corporate activities, are ways to meet the expectations of all our stakeholders, including our shareholders and business partners.

### Corporate governance structure

#### ① Board of Directors (met 20 times in FY2022)

The Board of Directors consists of six Directors (of which two are Outside Directors) and, in principle, meets at least once every month. The Board serves as a decision-making body, as well as a body that supervises business execution of Directors and Officers. Specifically, it discusses and makes decisions on important matters on management, and also receives quarterly reports from all Directors and Officers on the execution of their duties and the state of business performance.

#### [Advisory bodies]

- Sustainability Committee (refer to p. 29 for details)
- Compliance Committee (refer to p. 57 for details)
- Export Control Representative Council (refer to p. 58 for details)

#### ② Audit & Supervisory Board (met 12 times in FY2022)

The Audit & Supervisory Board consists of four Audit & Supervisory Board Members (of which two are Outside Audit & Supervisory Board Members) and formulates annual audit policies, audit plans, etc. Audit & Supervisory Board Members attend important meetings, such as Board of Directors and Management Committee meetings and keep track of the state of corporate management and overall business. In addition, they browse and look into important documents, creating a structure to constantly monitor Directors' execution of duties.

#### ③ Advisory Committee on Appointments and Compensation (met 5 times in FY2022)

The Advisory Committee on Appointments and Compensation was established to ensure transparency and fairness of the decision-making process of the Board of Directors. It is chaired by an Independent Outside Director, and a majority of its members are Independent Outside Directors/Audit & Supervisory Board Members. The Committee selects Directors and Audit & Supervisory Board Members, as well as deliberates on Directors' remuneration, etc.

#### ● Appointment of Outside Directors and Outside Audit & Supervisory Board Members

We consider it important that our management is monitored from an external, objective, and impartial standpoint. We therefore select Outside Directors/Audit & Supervisory Board Members who have expertise and experience in corporate management. This strengthens the function to monitor corporate management, specifically decision making and business execution.

#### ④ Management Committee (met 14 times in FY2022)

The Management Committee serves as an advisory body for the President and CEO, and consists of full-time Directors, Officers, and full-time Audit & Supervisory Board Members. The Committee deliberates in advance on important matters discussed by the Board of Directors. It also discusses other important matters including business strategies and other directions of management, and considers and reports on specific actions to be taken.

#### [Advisory bodies]

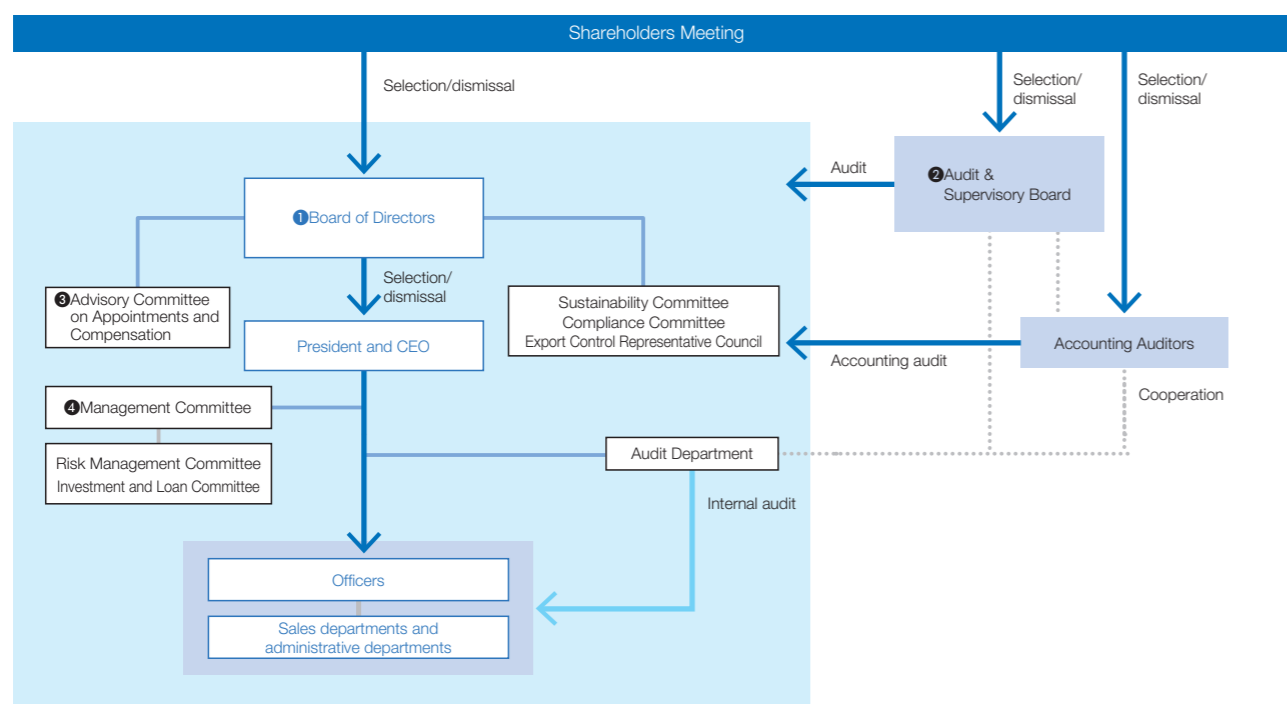
- Risk Management Committee (refer to p. 39 for details)
- Investment and Loan Committee  
To manage risks and improve capital efficiency in investments and loans, the Investment and Loan Committee discusses the appropriateness of investments and loans in light of internal criteria, and works to minimize risks.

#### ● Independence of Outside Directors/Audit & Supervisory Board Members

In addition to the provisions concerning Outside Directors and Outside Audit & Supervisory Board Members in the Companies Act, we have established the "Independence Standards for Outside Directors/Outside Audit & Supervisory Board Members," referring to the Tokyo Stock Exchange's standards for independence of independent directors/auditors. In accordance with our standards, we confirm that the independence of candidates for Independent Outside Directors/Audit & Supervisory Board Members is secured in terms of their substance as well as their qualifications, backgrounds, and knowledge.

#### [Independence Standards for Outside Directors/Outside Audit & Supervisory Board Members]

	Item	Standards	Requirements concerning past years/ Requirements concerning relatives
1	A major business partner of the Group or an executor of business thereof	A business partner whose amount of transactions accounted for more than 2% of the Group's consolidated net sales in the immediately previous fiscal year	
2	A person whose major business partner is the Group or an executor of business thereof	A person whose amount of transactions to the Group accounted for more than 2% of the person's consolidated net sales or total revenue in the immediately previous fiscal year	
3	A principal shareholder of the Company or an executor of business thereof in the case that such shareholder is a corporation	A person who, directly or indirectly, owns 10% or more of all the voting rights of the Company	
4	A consultant, accounting professional such as a certified public accountant or legal professional such as an attorney-at-law who receives money or other financial benefit from the Group excluding remuneration for Director/Audit & Supervisory Board Member. (If a corporation or an association, etc. receives such financial benefit, a person who is affiliated with such organization)	A person who received financial benefit amounting to more than 10 million yen from the Group, excluding remuneration for Director/Audit & Supervisory Board Member in the immediately previous fiscal year	<ul style="list-style-type: none"> <li>● A person who has fallen under any of the items on the left in the past three years</li> <li>● A relative within second degree of kinship to a person who falls under any of the items on the left</li> </ul>
5	A person who receives a large amount of donations from the Group or an executor of business thereof	A person who received financial benefit amounting to more than 10 million yen from the Group in the immediately previous fiscal year	
6	An executor of business of a company of which the Group is a principal shareholder	A person of which 10% or more of all the voting rights is owned by the Group	
7	A financial institution that is a principal lender to the Group or an executor of business of the parent or a subsidiary of such financial institution	A financial institution from which borrowings at the end of the immediately previous fiscal year accounted for more than 2% of the Company's consolidated total assets	
8	Other	A person with special reasons that prevent him/her from fulfilling duties as an Independent Outside Director/Audit & Supervisory Board Member, such as those that may cause conflict of interests with the Company	—



### ● Separation of management and execution

We have adopted an executive officer system, where there is a clear division of roles between managerial decision making and business execution. Under the Board of Directors' supervision, Officers (including those serving concurrently as Representative Directors or Directors) selected by the Board of Directors execute matters delegated to them in accordance with rules and regulations covering the management authority. We thus work toward speedy and efficient corporate management. Every quarter, Executive Directors and Officers report to the Board of Directors on the state of business execution, including performance of departments.

### ● Other structures

To ensure the soundness of business activities, head office departments with expertise deliberate in advance on matters subject to approval, in accordance with rules and regulations covering the management authority and other matters. Those departments monitor the Group's business performance and, in cooperation with the Planning & Administration Department set up in each sales division, give specific advice and guidance as necessary, such as instructions for improvement.

In addition, Audit & Supervisory Board Members, Accounting Auditors, and the Audit Department exchange views regularly and take other measures to strengthen cooperation, thereby striving to monitor the legality and appropriateness of each department's business execution.

Through the above structures and their activities, we not only ensure strict compliance with laws and regulations but maintain and enhance the soundness and transparency of management and prevent management risks.

## Remuneration for Directors/Audit & Supervisory Board Members and its determination process

As it is also important to provide incentives so that our management team takes risks appropriately and engages in active business management, in determining remuneration, the Company has introduced in our remuneration system Employee stock ownership plan trusts as long-term incentive remuneration, in addition to monetary remuneration consisting of fixed remuneration and performance-linked remuneration which is short-term incentive remuneration. Through the system, we will strive to effectively motivate the team to increase our corporate value continuously and over the medium to long term.

### ● Remuneration for Directors

Remuneration paid to Directors is the sum that includes remuneration for Officers and determined through a resolution of the Board of Directors after deliberation by the Compensation Advisory Committee.

The remuneration consists of rank-specific fixed remuneration and performance-linked remuneration. However, in addition to the foregoing, the Company introduced a new stock compensation plan in FY2022, upon obtaining approval at the 104th Ordinary General Meeting of Shareholders held on June 24, 2022, for Directors and Officers (excluding Outside Directors and non-residents of Japan; hereinafter, "Directors, etc."), with the aim of further boosting their motivation to contribute to improvement of the medium- to long-term business performance and maximization of corporate value. As a result of the introduction of the plan, remuneration for Directors, etc. consists of fixed remuneration, performance-linked remuneration as a short-term incentive, and stock compensation as a long-term incentive. Remuneration for Outside Directors, who are independent of business execution, continues to consist only of fixed remuneration, because they are in charge of the role of a supervisory function.

The upper limit of the remuneration for Directors has been resolved at the 99th Ordinary General Meeting of Shareholders held on June 28, 2017, to be 352 million yen per year (out of which, 29 million yen per year for Outside Directors). Stock compensation, which is non-monetary remuneration for Directors, etc. is set separately from the upper limit from the perspective of operation of the system.

### ● Remuneration for Audit & Supervisory Board Members

Remuneration paid to Audit & Supervisory Board Members consists only of fixed remuneration from the perspective of their role and independence. As for the amount of remuneration for individual Audit & Supervisory Board Members, the amount of remuneration according to job duty and responsibility of each Audit & Supervisory Board Member is determined through discussion by the Audit & Supervisory Board within the scope of the total amount of remuneration for Audit & Supervisory Board Members.

The upper limit of the remuneration for Audit & Supervisory Board Members has been resolved at the 99th Ordinary General Meeting of Shareholders held on June 28, 2017, to be 75 million yen per year (out of which, 22 million yen per year for Outside Audit & Supervisory Board Members). The number of Audit & Supervisory Board Members of the current fiscal year is four (out of which, two are Outside Audit & Supervisory Board Members).

### ● Roles and activities of the Compensation Advisory Committee

As an advisory body to the Board of Directors, the Compensation Advisory Committee deliberates on the appropriateness of the amount, etc. of remuneration for Directors/Audit & Supervisory Board Members and submits its opinions to the Board of Directors.

The Compensation Advisory Committee deliberated on whether the amount of remuneration for Directors/Audit & Supervisory Board Members for the current fiscal year was appropriate in view of the basic policy on corporate governance stipulated in Japan's Corporate Governance Code. Afterwards, the Board of Directors passed a resolution on the amount of remuneration for Directors/Audit & Supervisory Board Members, and the amount was set within the maximum amount approved by the General Meeting of Shareholders.

### ● Details of performance-linked remuneration

#### <Performance-linked remuneration>

Performance-linked remuneration as a short-term incentive is evaluated on a 14-point scale, based on such factors as the degree of achievement of performance targets and comparison with the results of the previous fiscal year of group-wide consolidated financial results and financial results of departments they are in charge, respectively, using ordinary profit, which is a short-term numerical target for performance management, as a benchmark.

If a person receives the lowest rating rank under the 14-point scale, performance-linked remuneration is not paid to the relevant person. Meanwhile, in the case of the highest rating rank, the amount of performance-linked remuneration is predetermined at around 33% to 58% of the fixed remuneration for each job rank, and the higher

the level of responsibility for performance, the higher the ratio of the amount of performance-linked remuneration to the remuneration, etc. will be.

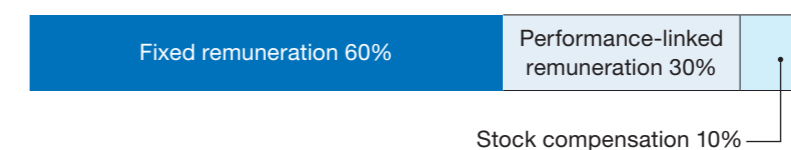
#### <Stock compensation>

For stock compensation, as a long-term incentive, the number of points is determined every year based on the standard amount for each job rank in accordance with the Policy on Distribution of Shares, so that such number of points remains around 10% of fixed remuneration, and such points are granted on June 1 of each year. One point is converted to one share in common shares of the Company, and a Director who retires from office of Director will receive shares, etc. according to the number of points that have been accumulated.

### ● Remuneration for Directors/Audit & Supervisory Board Members by category

Category	Remuneration			Notes
	Fixed remuneration	Performance-linked remuneration	Stock compensation	
Directors (excluding Outside Directors)	○	○	○	The remuneration system aims to raise motivation toward performance improvement and corporate value increase.
Outside Directors	○	—	—	Outside Directors earn only fixed remuneration, which encourages them to fulfill their expected oversight role (monitoring the management from an independent standpoint).
Audit & Supervisory Board Members	○	—	—	Audit & Supervisory Board Members earn only fixed remuneration, which encourages them to fulfill their expected role of auditing Directors' execution of duties from an independent standpoint.

### ● Breakdown of remuneration for Directors/Audit & Supervisory Board Members<sup>\*1</sup>



<sup>\*1</sup> The model assumes that 100% of the reference value set by the Company is paid. The breakdown above may change depending on company performance, share price fluctuations, and other factors.

### ● Actual remuneration for the fiscal year ended March 31, 2023<sup>\*2</sup>

Category	Total amount of remuneration, etc. (million yen)	Total amount of remuneration, etc. by type (million yen)		Number of eligible Directors / Audit & Supervisory Board Fixed remuneration Members
		Basic remuneration	Performance-linked remuneration	
Directors (Outside Directors)	172 (14)	136 (14)	36 0	10 (4)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	67 (14)	67 (14)	0 (0)	4 (2)

<sup>\*2</sup> There have been no points for stock compensation granted to Directors (excluding Outside Directors and non-residents of Japan) in the current fiscal year, so the amount is not presented. As for the stock compensation, it was resolved at the 104th Ordinary General Meeting of Shareholders held on June 24, 2022, that money of up to 280 million yen is to be put in trust for Directors, etc. every covered period (five fiscal years), and that the upper limit of the total number of points granted to Directors, etc. through the trust is 16,000 points per fiscal year.

## List of Executives

## &lt;Directors&gt;



**Takafumi Morichi,**  
Representative Director,  
President and CEO



**Masahito Adachi,**  
Representative Director and  
Senior Executive Officer



**Yasuyuki Watanabe,**  
Director and  
Executive Officer



**Shinya Yoshida,**  
Director and  
Executive Officer



**Yoshio Tano,**  
Outside Director



**Miyuki Nakagawa,**  
Outside Director

## &lt;Audit &amp; Supervisory Board Members&gt;



**Akira Ichikawa,**  
Audit & Supervisory Board  
Member



**Kanehisa Ueda,**  
Audit & Supervisory Board  
Member



**Hiroko Kaneko,**  
Outside Audit & Supervisory  
Board Member



**Shinya Miyawaki,**  
Outside Audit & Supervisory  
Board Member

## &lt;Officers&gt;

Senior Executive Officers

Satoshi Nishimura

Officers

Hiroyuki Arizono

Toshinori Fujiwara

Executive Officer

Masato Matsubayashi

Hironobu Takashita

Mitsuharu Karikomi

Masaaki Takada

Yutaka Koba

Ryosuke Misawa

Shinji Urade

Jun Takahashi

Yoshiyuki Nakagawa

## Years in position, skills matrix, and board meeting attendance

In order to realize the Company's Corporate Philosophy and management plan and enhance the corporate value of the Company and the Group, the Company has identified six skills that it expects from Directors and Audit & Supervisory Board Members: (1) management experience, (2) global perspective, (3) sales and marketing, (4) treasury, accounting, and finance, (5) legal affairs and compliance, and (6) sustainability and governance. The skills possessed by each Director and Audit & Supervisory Board Member are as below.

Name and Position	Years in position	Board meeting attendance (FY2022)		Expertise of Directors/Audit & Supervisory Board Members					
		Board of Directors	Audit & Supervisory Board	Corporate management	Global business	Sales/Marketing	Finance/Accounting	Legal/Compliance	Sustainability/Governance
Takafumi Morichi, Representative Director, President and CEO	6	20/20 100%	—	○	○		○	○	○
Masahito Adachi, Representative Director and Senior Executive Officer	1	16/16 100%	—	○	○	○			○
Yasuyuki Watanabe, Director and Executive Officer	2	20/20 100%	—	○	○		○		○
Shinya Yoshida, Director and Executive Officer	1	16/16 100%	—	○	○	○			○
Yoshio Tano, Outside Director	1	16/16 100%	—	○	○				○
Miyuki Nakagawa, Outside Director	1	16/16 100%	—				○	○	○
Akira Ichikawa, Audit & Supervisory Board Member	3	20/20 100%	12/12 100%		○	○		○	○
Kanehisa Ueda, Audit & Supervisory Board Member	New	—	—			○	○		○
Hiroko Kaneko, Outside Audit & Supervisory Board Member	4	20/20 100%	12/12 100%		○			○	○
Shinya Miyawaki, Outside Audit & Supervisory Board Member	3	20/20 100%	12/12 100%	○		○			○

\*1 Directors, Audit & Supervisory Board Members, and Officers are in office as of June 23, 2023.

\*2 The stated numbers of attendance in meetings of the Board of Directors for Masahito Adachi, Shinya Yoshida, Yoshio Tano, Miyuki Nakagawa are those after assuming office at the 104th Ordinary General Meeting of Shareholders.

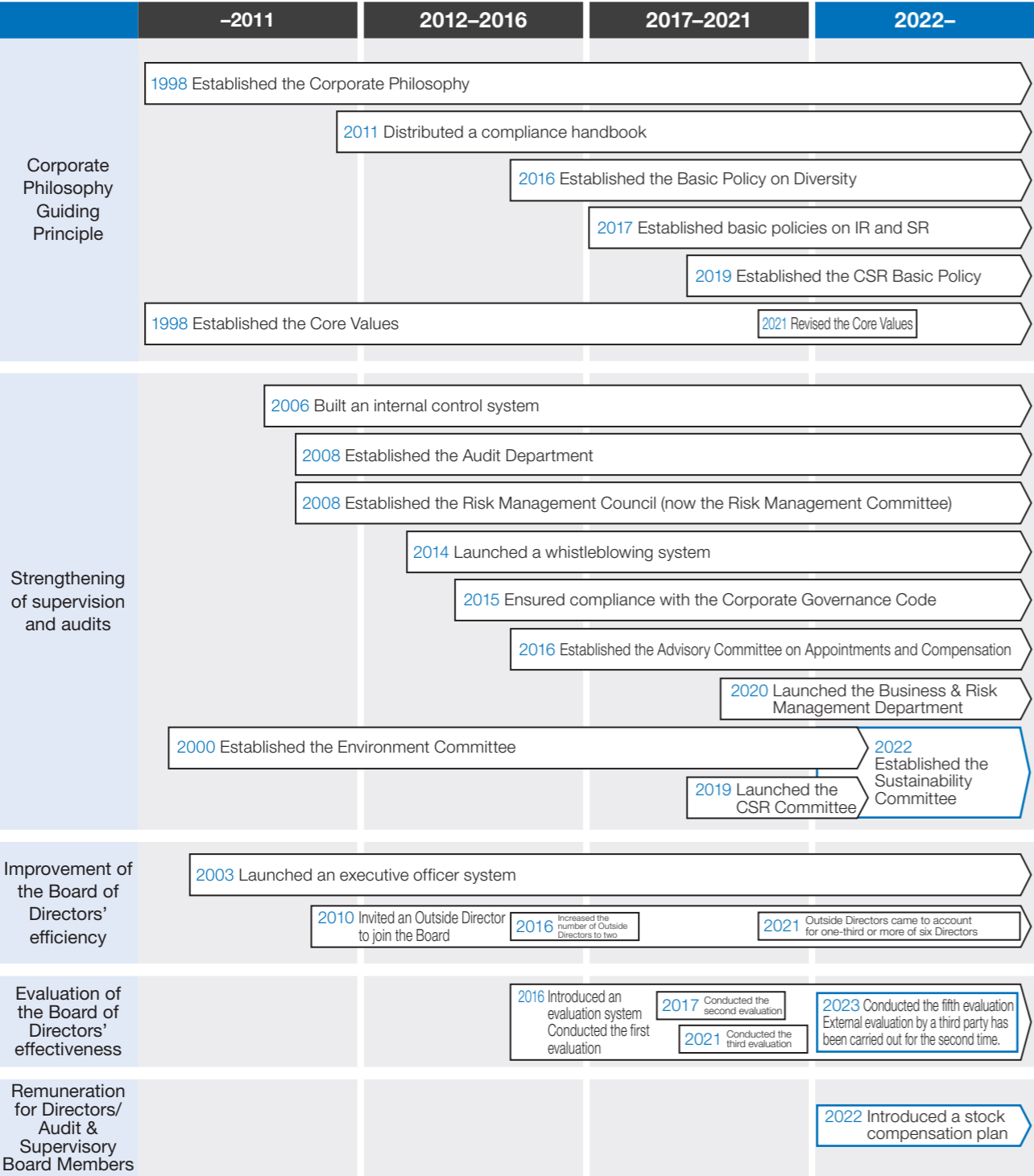


Please see our website for details.  
<https://www.shinsho.co.jp/english/info/executives.html>



Initiatives to strengthen corporate governance

Based on the understanding that enhancing corporate governance is an important management issue, we have implemented and worked on the below initiatives to strengthen governance. By introducing a performance-linked remuneration system and have Directors share awareness toward profit with shareholders, we aim to improve profitability and medium- to long-term business performance.



Evaluation of the Board of Directors' effectiveness

We aim to strengthen the Board of Directors' functions of making managerial decisions and supervising the management, so that we can increase corporate value and meet our stakeholders' expectations. In addition, for the fiscal year under review, the evaluation was conducted by a third-party organization for the second consecutive year to secure objectivity and fairness, as well as to be open to adopting outside opinions.

As a result of deliberation, the Board of Directors was evaluated as effectively functioning, as Outside Directors had expressed opinions constructively and an effective risk management system had been put in place through the Risk Management Committee, etc. Moreover, it was confirmed that, among the issues identified in the previous fiscal year, implementation of the training for Directors/Audit & Supervisory Board Members that contributes to vitalization of discussion by the Board of Directors and deepening of discussion related to sustainability-related issues had been improved through our steady efforts. On the other hand, we recognized that, in order to further improve the effectiveness, we need to provide appropriate feedback to the management team on opinions and suggestions obtained through continuous constructive dialogues with shareholders and investors and utilize them in the management of the Company. We also recognized the need to ensure opportunities for discussions related to promotion of the management conscious of capital cost and stock prices, as well as to deepen the supervision related to evaluation and remuneration of Directors/Audit

& Supervisory Board Members. In light of these issues we found, we will make improvements to enable the Board of Directors to function more effectively.

Evaluation method

Target:

In March 2023, all six Directors and four Audit & Supervisory Board Members answered questionnaires to evaluate effectiveness

Questions:

- 1. Structure and operation of the Board of Directors
- 2. Management strategies and business strategies
- 3. Corporate ethics and risk management
- 4. Performance monitoring, evaluation of the management team, nomination, and compensation
- 5. Dialogue with shareholders, etc.

Future initiatives

- Continuous dialogues with shareholders and investors and appropriate feedback to the management team
- Discussions related to promotion of the management conscious of capital cost and stock prices, and deepening of the supervision related to evaluation and remuneration of Directors/Audit & Supervisory Board Members

Cross-shareholdings

Classification of and our stance on investment shares

We do not own investment shares for the purpose of pure investment. Investment shares held for purposes other than pure investment are classified into those for business investment and general investment. The former means owning 20% or more of voting rights or investing in practically affiliated entities where we own less than 20% of voting rights but ultimately bear management risks. The latter means that we own less than 20% of voting rights and bear no or minor management responsibilities.

Shareholding policy

Decisions on shareholding are made after a comprehensive consideration. We hold shares for business purposes, such as to maintain and strengthen business relationships and to facilitate business activities. We also take into account economic rationality, including investment returns and potential links with medium- to long-term corporate value increase.

The Investment and Loan Committee checks each fiscal year the transition of business performance, free cash flow statuses, and other financial information on investees, as well as investment profits and other relevant information. The Committee reports the results to the Board of Directors.

In addition to checking the propriety of holding such shares considering the Company's operating policy, the Board of Directors confirms that the combined total of profit and dividends gained by transactions with the issuing company surpasses the Company's weighted average cost of capital (WACC), specifically, the economic rationality. As a result, we sold promptly the shares for which the necessity of cross-shareholdings is insignificant, and we have reduced eight cross-shareholdings during the current fiscal year.

Voting rights are exercised after a comprehensive consideration. We confirm that proposals do not undermine shareholder value, and take into account the impact on business transactions with the Company.

## Risk management

### Policy

By managing risks, we aim to (1) ensure continuity and stable development of business; (2) protect the interests of stakeholders, such as shareholders, investors, and business partners; and (3) physically and financially protect all executives and employees.

### Structure

In principle, voluntary management and voluntary checks by each department constitute our risk management. Risks are constantly managed through the cycle of planning, implementing, checking, and improving. In 2020, the Business & Risk Management Department was established to centrally oversee company-wide risk management. We have thus taken measures to strengthen risk management at Group companies, including helping subsidiaries and affiliates manage relevant tasks and managing health and safety at manufacturing companies.

### Implementation of risk management

Based on given risk categories, employees responsible for departmental risk management identify specific risk items and control measures for each item, and create risk management standards. Based on the standards, a “Risk Management Action Plan” is created once a year, and the implementation status of the plan is evaluated by the Budget Review Committee every six months. If the evaluation finds any flaws in risk management, measures are taken to make improvements. Each department regularly identifies and reassesses risks and revises the risk management standards.

Departmental risk management managers summarize risk management activities, as well as the status of risk management and risk occurrence, in the department in charge. They make reports to the general manager for risk management at least once a year. The general manager for risk management makes reports on the status of company-wide risk management to the Board of Directors at least once a year.

### Risk Management Committee

Chaired by the Director who supervises head office departments and composed of officers in charge of head office departments, Audit & Supervisory Board Members, general managers of head office departments, and others, the Risk Management Committee meets twice a year.

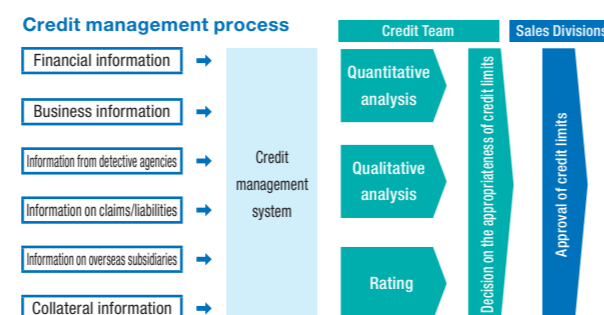
As an advisory body to the Management Committee, the Risk Management Committee monitors through the “Risk Management Action Plan” the internal control system concerning company-wide and department-specific risks and its operational status. The Committee also discusses an array of measures and policies for appropriate risk management and submits the results to the Management Committee, thereby enhancing the risk management system of the entire Group. In addition, matters regarded as necessary by the Management Committee are reported to the Board of Directors.

### Credit management

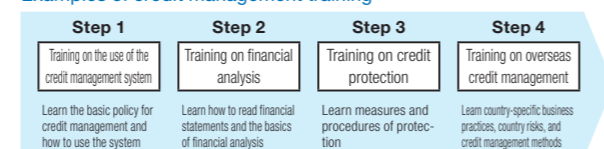
The Credit & Legal Department in the head office has the Credit Team, which carries out credit management for the Company and its Group companies in Japan and overseas in cooperation with sales divisions and prevents generating non-performing loans. In the credit

management process, a range of information about business partners is registered in the system. The Credit Team analyzes and evaluates the data and decides whether the credit limits are appropriate. Based on the team’s decision, the relevant sales division or President and CEO gives approval.

In addition, we also invite outside lecturers and offer sales departments a range of rank-specific training about credit management.



#### Examples of credit management training



### Risk management for investment projects

The Investment and Loan Committee meets regularly (once a month in principle) to manage risks associated with investment projects.

#### Monitoring method

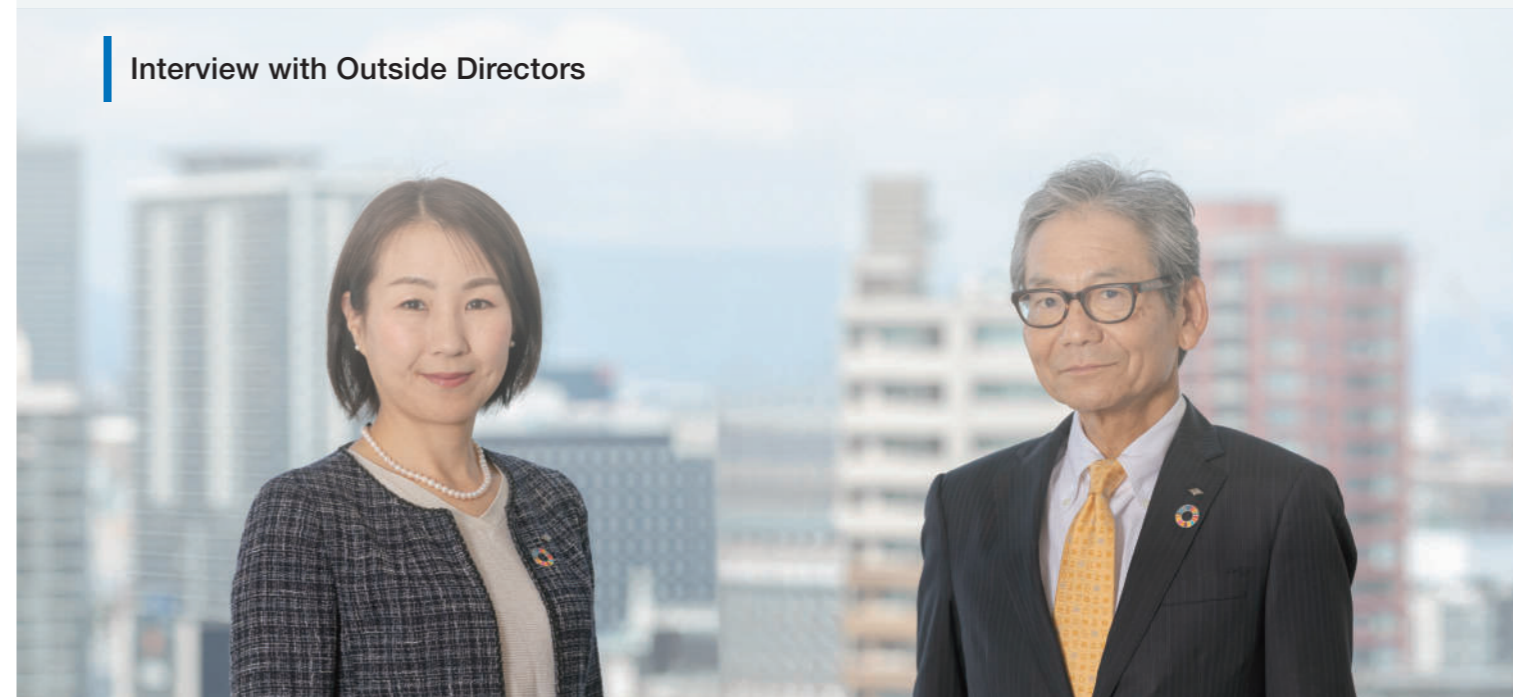
- After an investment, a review is carried out every fiscal year.
- The Investment and Loan Committee checks the progress based on the financial status, transition of business performance and free cash flows, investment profits, and other relevant information on the investee.
- The Committee chair reports the results to the Board of Directors.

#### Criteria for withdrawal from investment projects

If an investment project falls under one of the following criteria, the department that has applied for the project discusses at the Investment and Loan Committee whether to withdraw or continue and refer the matter to the Management Committee.

- The project’s net worth has turned negative.
- The following discrepancy has occurred between the plan in the project proposal and the actual performance:
  - Business investment: The free cash flows for the most recent three years (cumulative total) are 30% or more lower than those in the plan (excluding the performance up to the first fiscal year of actual operation).
  - General investment: The investment profits for the most recent three years (cumulative total) are 30% or more lower than those in the plan (excluding the performance up to the first fiscal year of actual operation).
- Operating cash flows have been negative for three consecutive years.

## Interview with Outside Directors



## Enhancing the Corporate Value of Shinsho Corporation

A year has passed since Mr. Yoshio Tano and Ms. Miyuki Nakagawa were appointed as Outside Directors of Shinsho Corporation. In this conversation, they exchanged their candid opinions about a variety of topics, such as the Company’s corporate culture and their impressions, the situation in the Board of Directors, and their expectations of the Company, for the enhancement of its corporate value.

### Miyuki Nakagawa, Outside Director

Ms. Nakagawa reflects her knowledge and experience in the management of the Company based on her track record of achievements in a wide range of fields, including as a certified public accountant and a panel of a public-sector body.



### Yoshio Tano, Outside Director

Mr. Tano reflects his knowledge and experience in the management of the Company based on his management achievements and abundant experience as President of Kobelco Systems Corporation.

## Corporate culture and impressions of Shinsho Corporation

**Tano:** From my experience serving as the president of a systems company in the Kobelco Group, my sense of companies in the Group is that they tend to be conservative, and I thought that the Company would be no exception. However, I have sensed that a change in attitude, including breaking away from its dependence on the trade business and on Kobe Steel, is beginning to penetrate within the Company. Personally, I see this development as a promising one for the Company’s growth, and I would like to support it.

**Nakagawa:** Regarding the corporate culture, my image of Shinsho Corporation was that, as a trading company, it would emphasize hierarchical relationships in the vein of a traditional college sports club. However, the impression that I have actually gained is of a flat, moderate

atmosphere. In terms of the enhancement of corporate value as well, it is considerate of the environment and society, and it is more proactive than I expected in its commitment to the promotion of sustainability management and the strengthening of corporate governance, so I have been greatly impressed.

**Tano:** Shinsho Corporation’s strength lies in its ability to impart a positive impact on the whole of society through the provision of materials for manufacturing, for the further development of society and solutions to issues. On the other hand, when it comes to its responsiveness, or sense of speed, from my background in the IT industry, my impression is that it is somewhat lacking in this regard. I understand the importance of risk management as a trading company, but for that very reason, it tends to avoid risks, so I would like to see it demonstrate a greater spirit of challenge. I believe my mission is to inspire the Company to help it move away from its past corporate culture and become more proactive.



**Nakagawa:** Regarding the departure from its past corporate culture, I think that the Company needs to transform from a male-dominated, homogenous organization into an organization with a more open atmosphere. In situations of high uncertainty that require drastically new thinking, it is important to accept the changes in the environment and to change oneself freely. The Company began a variety of measures and initiatives in the diversity promotion project that it launched in 2022, so I look forward to the changes to come.

## Operation of and discussions in the Board of Directors

**Tano:** In terms of operation, as it was my first year as a Director, I had some difficulty understanding the background and history of individual proposals at the same level as full-time Directors, so there were occasions in which I hesitated to participate in discussions as an outside director. However, the Company has made efforts to augment that and to invigorate the discussions, including providing explanations of the briefing materials prior to the Board of Directors meetings. This has been a great help to me.

**Nakagawa:** In those pre-meeting explanations, staff members with detailed knowledge of the matters in question explain the proposals in a way that is easy to understand. Moreover, because all of the briefing materials from past Board of Directors meetings have been made available, we are able to confirm the history of ongoing matters when we need to. For some questions of a more specialized and detailed nature, such as accounting issues, I have been provided with separate answers or they have briefed me in an online meeting, and their responses have been appropriate and prompt.

Efforts of this nature have enabled us to obtain adequate information to prepare for the Board of Directors meetings. The atmosphere in the Board of Directors meetings is a pleasant one, and attendees feel comfortable speaking up. The meetings are also run with ample time to allow lively discussions.

**Tano:** Much of this has to do with President Morichi's ability to facilitate the meetings, and an atmosphere conducive to expressing our opinions with candor has been created. In terms of the content of discussions, the focus has been on how to transform the business portfolio to increase the proportion of non-trade businesses. We discuss topics such as consideration of the inclusion of ROIC in the next Medium Term Management Plan and how to add depth to the Company's sustainability management to meet stakeholders' expectations.

**Nakagawa:** On the topic of sustainability management, I mentioned earlier that the diversity project was launched last year. Within that project, there has been discussion about promoting the advancement of women, such as increasing the ratio of female employees in managerial and career-track positions. In my previous position in an auditing firm, I was also the member of a project team for the promotion of advancement of women, so I understand the importance of such initiatives and how difficult it is to move them forward. This is one reason for my great interest in initiatives to promote the advancement of women at Shinsho Corporation.

## Progress of the Medium Term Management Plan, and realization of the long-term management vision: "A trading company that supports manufacturing for tomorrow and contributes to society"

**Tano:** While business performance KPIs are expected to be achieved partly thanks to favorable market conditions, the pace at which the corporate structure is being strengthened has been unsatisfactory. In particular, a shortage of human resources is holding back the promotion of DX. Because a delay in the promotion of DX will also lead to a decline in corporate competitiveness, I view cultivating DX human resources as a matter of urgency.

**Nakagawa:** The Company has set an investment target of 20.0 billion yen in the current Medium Term Management Plan, but at this stage, its progress has been behind schedule. While, in some respects, this

delay in progress was inevitable due to the impact of COVID-19, the promotion of investment is imperative for the realization of future growth. Having said that, the Company should avoid underestimating the risks and making unreasonable investments simply from a desire to invest. As an accounting specialist, as well as from my position that allows me to monitor the situation objectively from outside, I watch carefully for things like whether the Company is overestimating an investment project, whether there are points that have been overlooked or hidden risk factors, and whether it has lost its objectivity.

**Tano:** The fact remains that trade businesses, being more susceptible to market conditions, can face an inability to control themselves and a lack of expandability. For this reason, the transformation of the portfolio toward non-trade businesses, where revenue can be controlled, will be the key to realizing the long-term management vision. At the same time, the development of human resources who are sensitive to changes in the business environment and able to respond to such changes—including cultivating DX human resources—will be a key measure in the next Medium Term Management Plan.

**Nakagawa:** In light of the growing complexity of the business environment and the increasing sophistication and specialization of operations, there are some areas in which merely making use of existing human resources will not be enough to keep up. For this reason, I believe that the Company should work on enhancing mid-career recruitment and be more proactive in developing specialist human resources. I also believe that it should consolidate its foundations in readiness to make a great leap forward in the future. In particular, I sense a need to further strengthen the supervision of small overseas subsidiaries and the profit management of overseas offices, where it is difficult for internal controls and monitoring to work effectively.

## Expectations of Shinsho Corporation

**Tano:** To enhance corporate value in the future, regular reviews of the business portfolio are a given, but another key challenge will be to increase the independence of individual employees, so that they can convey the processes of the Company's activities to the management team more openly and operations can be implemented appropriately and adequately. I also hope to see much more updating of initiatives that make better use of people, and of the development of working environments.

**Nakagawa:** In my view, there is still room for more progress in the active promotion of women. To

demonstrate diversity in the truest sense, I hope that the Company will quickly transform into an organization that can produce prospective female executives from within the Company's own ranks. Besides female employees in managerial positions, there are also not many foreign nationals being recruited or female employees being sent on overseas assignments. It would be a good idea to set quantitative targets and do more work in these areas.

**Tano:** Also, to increase career development options for women, it is also worth considering a structure in which employees who return to work after a leave of absence are able to aim for a career path. Increasing the number of plans that will encourage career development will lead to the promotion of women's advancement. On the recruitment front, perhaps because there have been insufficient efforts to promote Shinsho Corporation externally, even though it is a good company, I think it is a shame that the Company is not very well known among jobseekers. By actively spreading the word that Shinsho Corporation is a company that is essential to society and one that employees can be proud of, I hope that the Company continues to be a presence that will be trusted and supported by stakeholders.

**Nakagawa:** Under the slogan, "A trading company that supports manufacturing for tomorrow and contributes to society," we are seeing results from initiatives that are not constrained by existing frameworks. They include proposing and delivering facilities that will contribute to the improvement of customers' productivity, instead of just selling products, which will increase customers' revenue and, in turn, lead to an increase in sales. The Company is demonstrating its strengths that are unique to a trading company, and I feel that it has capacity to grow. It is also making active efforts toward carbon neutrality and growing it into a major business, so I look forward to future developments in that area.



## Iron & Steel Division



### Evolving a high-quality and stable supply chain.

The business environment surrounding us is changing at a fast pace, with environmental challenges such as carbon neutrality and the SDGs, changes in demand due to rapid spread of EVs, soaring energy costs, labor shortages, and workstyle reforms. Domestic demand for iron and steel will inevitably shrink. In the overseas market, competition is likely to intensify as more and more products are produced and consumed locally. Under such circumstances, the Iron & Steel Division will make the supply chain more efficient and sophisticated, based on relationships of deep trust with customers. We thus aim to expand the existing business that covers from upstream to downstream of iron and steel distribution. In addition, we will invest in new businesses, expand to new regions, and make a foray into new products, effectively responding to the change of the times.



**Satoshi Nishimura,**  
Senior Executive Officer,  
General Manager of the Iron & Steel Division

### Business overview

#### ● Using information and added value to support our customers' global manufacturing activities

The ability to gather information and apply manufacturing expertise is essential in creating stable procurement lines, securing product supply, and ensuring product quality around the world. The Iron & Steel Division utilizes the unique global network comprising of Kobe Steel, Ltd., the Kobe Steel Group, and other companies with close working relationships in the Americas, China, Thailand, and beyond to create a procurement and supply system that responds to the product quality and value required by our customers. We also dispatch Shinsho Corporation

employees to local secondary processing manufacturers and partner companies so that they can understand local manufacturing and increase product knowledge in order to improve their information gathering capabilities and added value. In addition, we will develop human resources who can take part in corporate management. The Iron & Steel Division's mission is to look at things from the customer's perspective, then work and propose solutions to satisfy customer requirements and always derive maximum value.

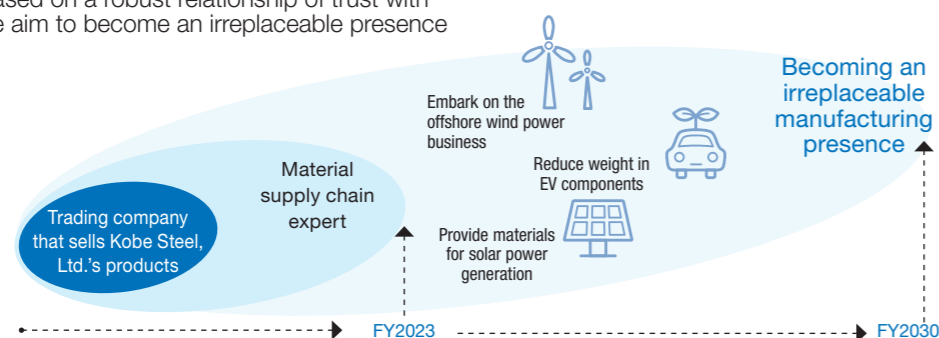
### Future vision

#### ● Becoming an irreplaceable manufacturing presence

We will evolve from a distributor of Kobe Steel, Ltd.'s products and become a material supply chain expert (procurement + logistics) in 2023.

By 2030, based on a robust relationship of trust with customers, we aim to become an irreplaceable presence

who thinks and acts proactively, in the fields of wire rods, steel plates, automotive parts, construction materials, and titanium stainless materials.



### Main products handled by the Division



#### Wire Rods and Bars

KOBELCO wire rods and bars are used in the automotive industry and other fields. Working with secondary processors, Shinsho provides customers with a reliable supply of high value-added wire rod and bar products.



#### Steel Plates

Known for its superb processability and weldability, KOBELCO steel plates provide the foundation for a wide range of industries.



#### Steel Sheets

Kobe Steel produces high-strength steel sheet, another product that Shinsho supplies.



#### Titanium

Applications for titanium are expanding in many fields. Shinsho supplies KOBELCO titanium products to meet diverse customer needs.



Please visit our website for other products handled by the Division.  
[https://www.shinsho.co.jp/english/biz/iron\\_steel.html](https://www.shinsho.co.jp/english/biz/iron_steel.html)

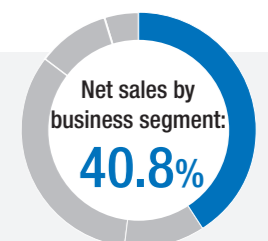


### Our strengths, opportunities, and risks

Strengths	Opportunities	Risks
<ul style="list-style-type: none"> <li>● Stable profits from trading and further profits expected from investments</li> <li>● Advanced processing and logistics that add high value in the steel supply chain</li> </ul>	<ul style="list-style-type: none"> <li>● Demand shifting to steel products that take advantage of low-carbon and decarbonizing technologies</li> <li>● Increase in the handling of components geared toward renewable energy facilities</li> <li>● Demand for safe and resilient infrastructure to protect against natural disasters (sales expansion of steel and anti-disaster products)</li> </ul>	<ul style="list-style-type: none"> <li>● Decrease in the use of some steel products due to accelerated EV proliferation</li> <li>● Replacement of steel with aluminum and other lighter materials</li> <li>● Increase in logistics and manufacturing costs due to a shift to natural energy associated with decarbonization</li> </ul>

### FY2022 results

Although automobile production was harmed by the global chip shortage, the impact of COVID-19 pandemic decreased. We saw earnings growth thanks to higher sales prices, despite decline in handling volume of both special steel products and steel plate/sheet materials.

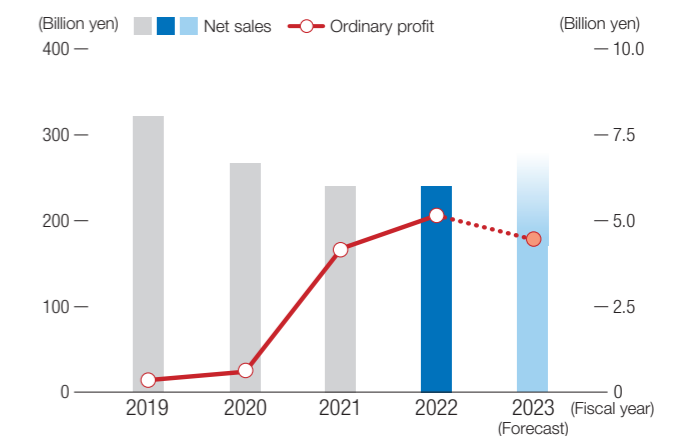


### Outlook for the following fiscal year

A number of downside risks to business performance have become evident, such as production trends in the automobile industry, global turmoil caused by Russia's invasion of Ukraine, global COVID-19 pandemic, chronic semiconductor shortages, surging raw material prices, and price hikes on all kinds of products. For FY2023, we will need to meet the demand while keeping a close eye on the situation. Despite the uncertain and unstable business environment, the Iron & Steel Division aims to outperform the FY2021 results.

\* The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29), etc. from the beginning of FY2021.

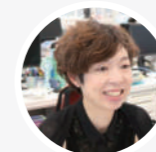
### Segment net sales and ordinary profit (consolidated)



#### Employee Growth Story

**Misaki Kotani,**  
Steel plate & Steel Department  
(Joined the Company in FY2009)

I joined Shinsho Corporation because of my interest in companies that handle raw materials. Since around my third year with the Company, instead of viewing work as a task, I have kept in mind to take action after understanding why, or for what purpose, I should carry out the work at hand. I can now stay calm and handle irregular situations and new projects without hassles. When I worked on a large project for the Middle East, I arranged the export and collected the payment under difficult conditions in terms of delivery dates and costs. The client's voice of gratitude made me so happy that I almost forgot the difficulty I had needed to overcome. Going forward, I believe that it will be important to convey to the market what Shinsho Corporation has to offer, and identify new value. Embracing changes without fear, I would like to work together with my colleagues and take on various challenges.



#### Employee Growth Story

**Yuji Kanamori,**  
Section1 Wire Rod & Wire Department  
(Joined the Company in FY2009)

I joined Shinsho Corporation to gain a managerial perspective. I am currently a member of the First Tokyo Wire Rods Group, and mainly sell KOBELCO wire rods for automobile use to domestic and overseas processors. I feel the real pleasure of working for a trading company, instead of a manufacturer, when I connect suppliers and products to meet my clients' needs and develop the closure of a new deal into a continued business relationship. In the future, I would like to take on new challenges of the environment business such as carbon neutrality in the leading countries and areas in this field, and work on a horizontal rollout in Japan and Asia. Simultaneously, I aim to create an organization where members bring in new perspectives and challenging ideas, facilitating the growth of both the Company and individuals.



## Ferrous Raw Materials Division



Beyond providing a stable supply of materials indispensable for the production of steel, the Ferrous Raw Materials Division contributes to decarbonization and the creation of a circular society by processing renewable products and fuels.

By strengthening and leveraging the network Shinsho Corporation has built across countries, we will further stabilize the supply of essential resources to Kobe Steel, Ltd. and contribute to the achievement of carbon neutrality through the expansion of the environment business. Aiming for carbon neutrality, the use of renewable energy is becoming increasingly commonplace. Buoyed by this, we plan to set cold iron materials and biomass fuels at the heart of our growth strategy. We will actively invest business resources in those fields, such as making investments in Japan, North America, and Southeast Asia.



**Mitsuharu Karikomi,**  
Officer, General Manager  
of the Ferrous Raw Materials Division

### Business overview

#### ● Steel resource business and zero-waste business as the driving forces

Steel is economical and easy to process, and an abundant amount of resources exist. It supports the development of industrial society as an important core material.

The Ferrous Raw Materials Division handles ferrous raw materials, which are at the most upstream part of the steel supply chain extending from resources to products. It is therefore essential to build a stable supply network for steel manufacturers. As a member of this network,

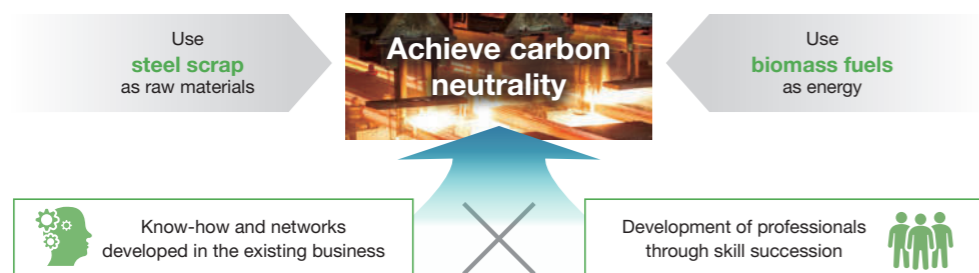
Shinsho Corporation has engaged in the trading business and contributed to Japan's manufacturing based on trusting relationships with manufacturers and suppliers. We are currently working on the new zero-waste business, which can be another driving force along with the existing steel resource business and is in line with the trends of the times, such as cold iron materials and biomass fuels. We will thus contribute to the creation of a social environment.

### Future vision

#### ● Taking on the challenge of achieving carbon neutrality

The steel industry has been working to achieve the ambitious goal of carbon neutrality. The Ferrous Raw Materials Division will take on the challenge of achieving carbon neutrality by making a foray into new fields with

growth potential and developing technology and human resources. Specific initiatives include promoting the use of steel scrap as raw materials and biomass fuels as energy.



### Main products handled by the Division



**Ferrous Raw Materials**  
Shinsho provides Kobe Steel with a reliable supply of iron ore, coking coal, limestone and other materials used in the steelmaking process.



**Biomass Fuels**  
Shinsho Corporation supplies plant-derived fuels for biomass power plants, which are increasing as a new power source that does not increase CO<sub>2</sub> on the planet.



**Recycled Fuels**  
Shinsho Corporation supplies RPF\*, which is solidified industrial waste, as a high-grade fuel for Japanese manufacturers' boilers.  
\*RPF: Refuse derived paper and plastics densified fuel



**Steel Scrap**  
Shinsho Corporation sells scrap to Japanese electric furnace manufacturers and also exports scrap from Japan to international electric furnace manufacturers via a trilateral trade agreement.



Please visit our website for other products handled by the Division.  
[https://www.shinsho.co.jp/english/biz/raw\\_material.html](https://www.shinsho.co.jp/english/biz/raw_material.html)

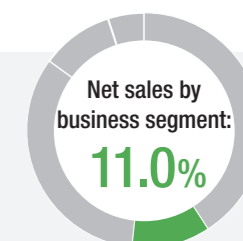


### Our strengths, opportunities, and risks

Strengths	Opportunities	Risks
<ul style="list-style-type: none"> <li>Accumulated knowledge of raw materials and fuels and the ability to build networks</li> <li>Solid trust from manufacturers and suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Increase in the handling volume of steel scrap used as raw materials for electric furnaces</li> <li>Expansion of the handling of biomass fuels that prevent global warming and help create a circular society</li> </ul>	<ul style="list-style-type: none"> <li>Decrease in the use of raw materials for blast furnaces due to a shift to electric furnaces in steelmaking</li> </ul>

### FY2022 results

Amid brisk crude steel production in Japan, we saw a higher volume of sales, especially to Kobe Steel. Earnings also increased thanks primarily to higher sales prices of the main raw material.

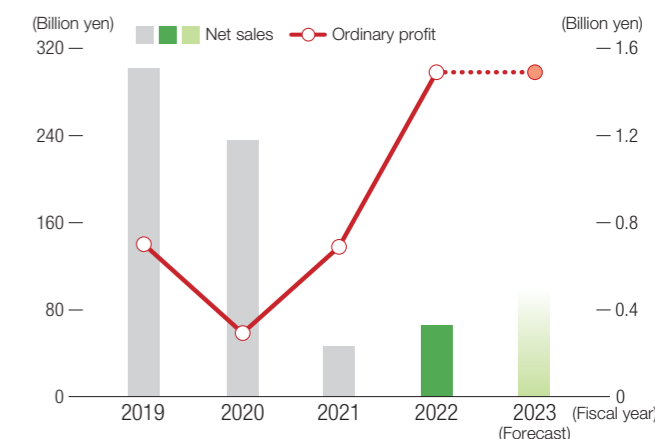


### Outlook for the following fiscal year

FY2024 will be the first year of the next Medium Term Management Plan. We will steadily work to expand the handling of environmentally friendly products, including biomass fuels and cold iron materials.

\* The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29), etc. from the beginning of FY2021.

### Segment net sales and ordinary profit (consolidated)



#### Employee Growth Story

**Takahiro Toki,**  
Osaka Raw Materials Department  
(Joined the Company in FY2006)

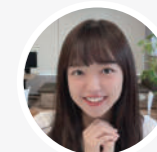
I am currently in charge of distributing steel scrap to Japanese and overseas electric furnace manufacturers. When I was an expatriate in Vietnam, there were no specific tasks associated with Kobe Steel, Ltd. as there were in Japan. I clearly remember being told by my supervisor, "As there are no given tasks, you will achieve nothing unless you find and create work to do." Working overseas was a precious experience where I shaped my values and mindset toward business. To be always willing to take on challenges and keep transforming myself and growing, I am committed to developing junior colleagues within the Company and meeting customer needs outside the Company. I would thus like to be an employee who can keep adding value.



#### Employee Growth Story

**Yu Asakawa,**  
Tokyo Raw Materials Department  
(Joined the Company in FY2020)

In my current job, I handle the process for importing coal, one of the main raw materials of steel. The process includes settling payments, making arrangements for customs clearance, and other tasks. Each product is handled by a different person, and I am in charge of a wide range of tasks, such as negotiating for a concession between conflicting views and perusing contracts written in English. It may take a matter of years to complete a project, and the completion evokes a sense of accomplishment. I made quite a few mistakes and had concerns when I started at the Company, but a senior colleague advised me to think how not to repeat the same mistake. This encouragement has become the foundation of my mindset. Going forward, tasks needed to be done are expected to change in a rapidly changing business environment. I would like to proactively broaden the scope of work I can handle.



## Nonferrous Metals Division



### Keep creating high added value as a total production group.

The Nonferrous Metals Division will continue with ambitious investments and loans, including exploration of new businesses laid out in the current Medium Term Management Plan. We aim to advance resource recycling business in and beyond the field of nonferrous metals. As for the processing business related to nonferrous metals, which we have expanded in China, ASEAN, and South Korea, we intend to complete investments for capability enhancement of each company by the end of the current Medium Term Management Plan. Against the backdrop of further capability enhancement, we plan to expand the processing business in both Japan and overseas from FY2023 onward, while maintaining and expanding the existing trading business.



**Masahito Adachi,**  
Representative Director, Senior  
Executive Officer, General Manager  
of the Nonferrous Metals Division

### Business overview

#### ● Total production, from materials to scrap collection

Beginning with Kobe Steel, Ltd., the Nonferrous Metals Division utilizes its domestic and global networks to provide a vast array of nonferrous metal products. We are committed to providing a total production process, from materials, processing, and assembly to the collection of scraps generated in processing. For example, we modularize copper products with resin products, and upgrade aluminum scrap through optical machine

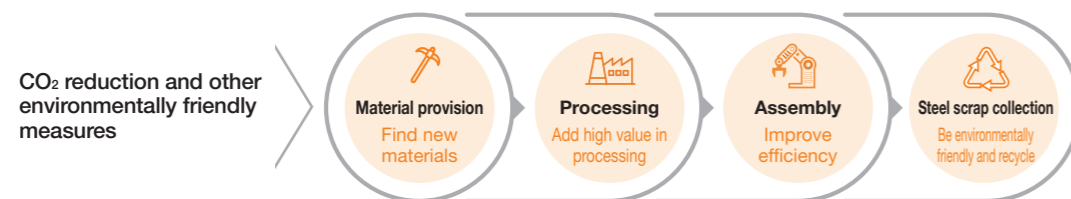
screening. We operate an aluminum coil center that processes automotive parts increasingly in high demand in China and aluminum processing and assembly centers for IT and semiconductors, as well as supervise facility installation. We have also expanded aluminum plate cutting bases to ASEAN. We will continue to offer total production packages, with an eye on the business environment and society in which we operate.

### Future vision

#### ● Organization that creates new value

We capitalize on aluminum rolled product, copper sheets, copper tubes, and other competitive products of the Kobelco Group. One of our core businesses is to actively roll out such products in both Japan and overseas. We also aim to shift to a business model that extends beyond the trading of nonferrous materials and takes advantage of a wide range of materials. We seek to expand into new business domains, such as businesses that add high

value in processing and environmentally friendly recycling businesses. In the process, we will reduce CO<sub>2</sub> emissions and implement other environmentally friendly policies, as well as roll out business activities based on the SDGs. We aim to be an organization that creates new value, where each employee thinks and expresses their views to discover new materials and explore new business models.



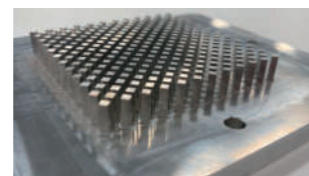
### Main products handled by the Division



**Chinese Coil Center (Suzhou)**  
This coil center is dedicated to producing aluminum coils. It meets customer needs using reams of data and an extensive product line ranging from Kobe Steel, Ltd.'s famously high-quality and high-functionality products to products from manufacturers within China.



**Copper Strips for Electronics**  
We supply unique copper strips made using Kobe Steel Ltd.'s technical expertise for use in connectors and terminals in vehicles that assist in miniaturization and multi-polarization as well as for use in power devices that provide both strength and high conductivity in order to contribute to the creation of a carbon neutral society.



**IGBT Heat Sinks for Automobiles**  
Heat sinks are indispensable for managing heat in EVs. We supply semiconductor manufacturers with high quality products by coordinating the supply chain from materials to processing and subassembly.



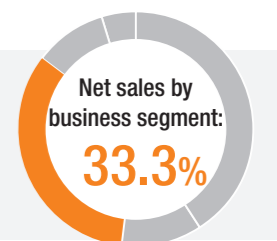
**Automobile Panels**  
An EV's battery weighs more than its engine and aluminum panels contribute to reducing vehicle body weight, which is crucial for extending the range of EVs. Taking advantage of the panels' recyclability, we collect and reuse waste material produced in panel manufacturing to reduce the environmental load.

### Our strengths, opportunities, and risks

Strengths	Opportunities	Risks
<ul style="list-style-type: none"> <li>● Existence of aluminum processing companies</li> <li>● Abundant business bases in China and Southeast Asia</li> <li>● High levels of individual employees' expertise</li> <li>● A wide range of suppliers other than Kobe Steel, Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>● Expansion of demand for aluminum and copper due to accelerated EV proliferation</li> <li>● Increase in demand for copper sheets and aluminum plates for equipment, associated with strong demand for semiconductors</li> <li>● Increase in scrap-related demand stemming from initiatives to achieve carbon neutrality</li> </ul>	<ul style="list-style-type: none"> <li>● Decrease in market shares for air conditioning fins and copper tubes due to the rise of low-price overseas materials</li> <li>● Increase in costs due to soaring raw material prices</li> <li>● Negative impression associated with China and risks in relation to production sites in China (China risk in general, etc.)</li> </ul>

### FY2022 results

In FY2022, the overall Nonferrous Metals segment recorded revenue and earnings growth. Earnings from copper products increased, buoyed by unprocessed metals despite a decrease in earnings from products for automakers and air conditioner makers. Aluminum products saw brisk demand among automakers and semiconductor manufacturers. Nonferrous raw materials also posted increase due to increased handling volume of secondary aluminum ingots and copper scrap.

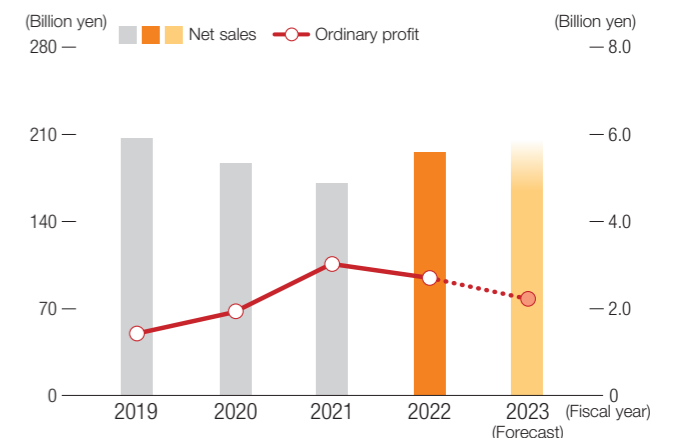


### Outlook for the following fiscal year

Demand for aluminum parts, as well as materials for terminals and connectors, is expected as global decarbonization initiatives prompt EV market growth. Meanwhile, concerns remain over production decrease due to semiconductor shortages. By 2030, the size of the semiconductor-related market is likely to more than double from FY2021. Markets for aluminum plates for equipment and products made of those plates are also expected to grow. There are, however, uncertainties as well, such as decreases in capital expenditure due to monetary tightening in the United States.

\* The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29), etc. from the beginning of FY2021.

### Segment net sales and ordinary profit (consolidated)



#### Employee Growth Story

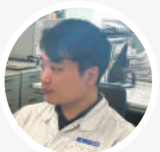
**Natsumi Iba,**  
Tokyo Aluminum and Copper Group  
(Joined the Company in FY2011)



Wishing to engage in the materials business, I decided to join Shinsho Corporation with an eye to handling a variety of products. Before maternity leave, I was in charge of exporting aluminum extrusion products for automotive parts. Having returned to work from childcare leave, I currently sell aluminum plates, extrusions, forgings, etc. in Japan and overseas. When I work on a new business project, a series of negotiations take place with clients from different countries. I feel rewarded when relationships of trust are built in the process and clients find me reliable. It has been 13 years since I joined the Company. I have been able to balance work with childcare and stay with the Company for such long years thanks to a culture where female employees are treated fairly, as well as a pleasant working environment for women.

#### Employee Growth Story

**Sangi Yun,**  
On secondment to Copper Flat Rolled Products Sales Department, Kobe Steel, Ltd.  
(Joined the Company in FY2019)



My decision to join Shinsho Corporation was based on my admiration for trading companies. Having said this, I initially struggled to understand what suppliers and clients are communicating. Senior colleagues advised me to think from the other side's perspective, which made me realize the necessity of working as a coordinator between companies. I am currently on secondment to Kobe Steel, Ltd. and sell semiconductor lead frames and other products to major semiconductor manufacturers in Japan. Installed in cars, white goods, etc., power semiconductors save energy and reduce CO<sub>2</sub> emissions. I find my work highly rewarding as I can feel that it contributes to the SDGs. Going forward, I would like to learn about manufacturing work, as well as costs of manufacturing, and apply the knowledge in tapping into new products and processing functions.



## Machinery & Electronics Division



### Supporting our customers' manufacturing by providing reliable service.

To achieve the Medium Term Management Plan, our goal is to contribute to customers' stable manufacturing work by expanding the maintenance business and supplying materials via a supply chain comprised of robust domestic and international networks. In FY2023, we will cement our profit base by starting a full-scale operation of the joint venture in India for construction machinery parts manufacturing and creating a global parts supply system. For the non-standard rotator market, which is expected to expand to reduce CO<sub>2</sub>, we have set up the Compressor Group, creating a system where machinery sales and after-sales services are handled within the same organization at business bases in Japan. We will press ahead with the achievement of KPIs as the wrap-up of the Medium Term Management Plan, and aim to leap further forward toward the next Medium Term Management Plan.



**Shinya Yoshida,**  
Director, Executive Officer, General Manager  
of the Machinery & Electronics Division

### Business overview

#### ● Customer support utilizing a global supply chain

Starting with Kobe Steel Group products, the Machinery & Electronics Division selects and supplies customers with the best industrial machinery and electronic information equipment from around the world. Our ability to provide global procurement and proposals comes from our local companies and offices throughout Eastern Asia, Dubai, Europe, the United States, and beyond. Each base works closely with other bases and we create results by using our growing network of import/export businesses and

trilateral businesses. Bolstering our logistics capabilities and expanding local maintenance bases helps us contribute to our customers' stable manufacturing work by providing maintenance and procuring materials via a supply chain comprised of robust domestic and international networks. For example, to support our customers' overseas manufacturing, we establish local manufacturing bases through joint ventures with suppliers and create a highly competitive parts supply system.

### Future vision

#### ● Contribution to a digital society

Amongst massive changes in the living environment caused by the rapid advancement of digital technologies, the Machinery & Electronics Division provides a variety of products and services in the industries and sectors of

semiconductors, hard disks, and more. Demand for energy saving increases in a digital society. We will focus on the sale of products equipped with both advanced digital technologies and environmental value.



### Main products handled by the Division



#### Large-size and Standard Compressors

A line-up of turbo-type, screw-type and reciprocating-type large compressors for a wide range of gas, air and steam applications. Standard compressors are largely screw-type, for air compressors and freezers.



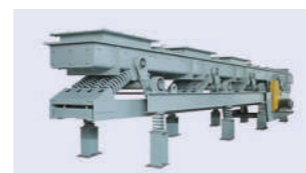
#### Tire and Rubber Machinery

A broad line-up of tire and rubber machinery used for vehicles, construction machinery etc., that includes rubber kneading and tire vulcanizing machinery, and testing equipment.



#### Arc Ion Plating (AIP) Plant

Equipment acclaimed both in Japan and overseas that includes AIP plant and roll coaters (roll-to-roll coating) for newly developed and high-function materials and other advanced applications.



#### Vibratory Equipment

Vibratory equipment for a broad spectrum of applications for conveyance, screening, cut-out, feeding, drying, cooling, etc. in many different industrial areas including foodstuffs, chemicals, steel, dock-work, rubber and sugar.

Please visit our website for other products handled by the Division.  
<https://www.shinsho.co.jp/english/biz/machinery.html>

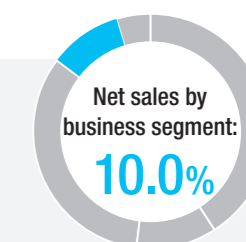


### Our strengths, opportunities, and risks

Strengths	Opportunities	Risks
<ul style="list-style-type: none"> <li>● Robust supply chains in Japan and overseas</li> <li>● Ability to propose CO<sub>2</sub> reduction and hydrogen-related equipment, as well as equipment to help achieve a decarbonized society, in cooperation with Kobe Steel Group companies</li> </ul>	<ul style="list-style-type: none"> <li>● Increase in demand for environment-related businesses associated with CO<sub>2</sub> reduction and energy-saving trends</li> <li>● Personnel saving and work style reforms associated with digital transformation</li> </ul>	<ul style="list-style-type: none"> <li>● Downsizing of coal- and oil-related businesses due to decarbonization</li> <li>● Economic downturn followed by a decline in businesses' willingness to make investments</li> </ul>

### FY2022 results

In FY2022, the Machinery & Electronics segment posted earnings growth on a consolidated basis, with strong orders for rotator services and construction machinery parts. Another contributor was a solid revenue growth among overseas subsidiaries and domestic consolidated subsidiaries.

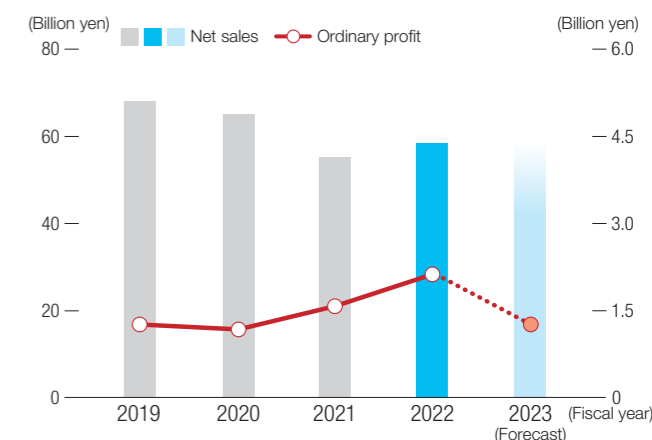


### Outlook for the following fiscal year

Orders for machinery products are expected to decrease for battery materials and tire machinery but increase for large-size compressors, vacuum coating equipment, etc. As for information-related products, orders for HD processing and inspection equipment, PC parts, etc. are expected to increase.

\* The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29), etc. from the beginning of FY2021.

### Segment net sales and ordinary profit (consolidated)



#### Employee Growth Story

**Ryosuke Takahashi,**  
Compressor Group, Industrial Machinery Department  
(Joined the Company in FY2006)

I joined Shinsho Corporation in 2006 as a mid-career recruit. In recent years, I have been working as a sales representative exclusively for compressors. While compressors are machines unfamiliar for most people, they are adopted in an extremely wide range of fields, such as oil, chemical, steel, electricity, gas, and energy. In addition, they constitute key equipment in upstream manufacturing plants. This leaves me with a big mission and responsibility, and I frequently feel rewarded in day-to-day sales activities. In April 2023, a new group was launched to sell the machines to new customers and offer after-sales services following delivery as one organization. To demonstrate the synergy effects of working as a single organization, I would like to keep communicating closely with my colleagues and continue with my sales activities.



#### Employee Growth Story

**Takahiro Komori,**  
Construction Machinery Parts Group, Kobe Machinery Department  
(Joined the Company in FY2016)

After joining Shinsho Corporation in 2016 as a new graduate, I handled a wide range of industrial machinery for waste and water treatment plants. The experience equipped me with the basics of machinery sales, where I need to see the overall operational flow in plants. From 2019, I handled parts (materials for casting and forging, hydraulic parts, etc.) for overseas customers as a Tier 1 supplier for construction machinery vehicles. I learned the QCD philosophy unique to the business for vehicle manufacturers. Since 2020, I have been working on the establishment of a procurement scheme from European and Asian manufacturers of high voltage parts for use in commercial vehicles, in an attempt to capitalize on the spread of xEVs coming from the global trend of decarbonization.

Due to an increase in orders for parts, the Construction Machinery Parts Group was set up in April 2023. I will take this opportunity to find new customers and grow further.



## Welding Division



### Offering new solutions that integrate IT with a wealth of knowledge on welding.

Welding materials handled by us, mainly the products of Kobe Steel which is the top welding brand, account for about 20% of the domestic market share. In the future, we will cement the position by further enhancing our distribution network spanning various regions in Japan. The business environment surrounding us is facing a significant turning point, characterized by carbon neutrality, transition from fossil fuels, and advancement of EV adoption. We will contribute to the growth of manufacturing companies and achievement of prosperity for our clients and shareholders by exploring and proposing new products, with environment, labor saving, and high quality as the keywords.



**Hiroyuki Arizono,**  
Officer and General Manager of  
the Welding Division

### Business overview

#### ● Abundant product knowledge and technical capabilities for total solution packages

The Company is a trading company that is proudly the largest handler of the welding materials manufactured by Kobe Steel, Ltd. We use our abundant product knowledge and expertise to offer optimal products and welding solutions to customers in Japan, Thailand and other ASEAN countries, and China.

In recent years, our particular focus has been placed on automation of welding processes through the use of

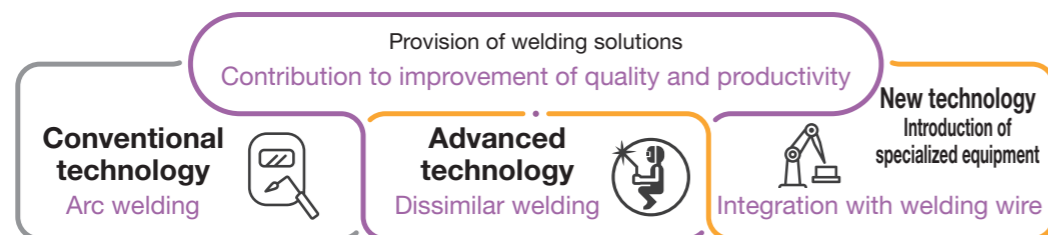
various types of welding robotic systems. Moreover, we focus on the maintenance business of the aforementioned welding machines in Thailand, and have stated to handle used robots to promote recycling. We are thus expanding our business domain overseas to better respond to customers' needs.

### Future vision

#### ● Becoming an irreplaceable manufacturing presence

In our business activities, we aim to achieve the best mix of the business environment surrounding us and economic trends including carbon neutrality and the SDGs. We thus keep developing every day to grow beyond the business mainly handling welding materials and welding-related machines. Without being bound by existing concepts, we

intend to expand our business domain across the entire manufacturing sector. By supporting manufacturing in general as a general trading company for welding, we aim to be a business group that engages in proposal-based sales and contributes to the achievement of prosperity for our clients and shareholders.



### Main products handled by the Division



#### Welding Materials

About 800 types of welding materials of Kobe Steel delivered by the Welding Division are given high marks as technological products.



#### Welding Equipment

Welding equipment generates the arc necessary for welding. We handle many different types including shielded metal arc welding and CO<sub>2</sub> arc welding kits.



#### Robotic Welding Systems for Large Pillar Assembly

We provide systems to automate welding processes for the steel pillars and beams used in skyscrapers. The use of robotics systems has enabled to strike balance between ensuring welding quality and improving work efficiency.



#### Welding Raw Materials

Raw materials such as minerals, various metals, alloys, etc. needed to manufacture welding materials are procured and sold worldwide.



Please visit our website for other products handled by the Division.  
<https://www.shinsho.co.jp/english/biz/welding.html>

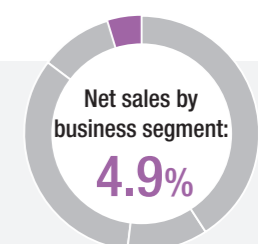


### Our strengths, opportunities, and risks

Strengths	Opportunities	Risks
<ul style="list-style-type: none"> <li>● High levels of trustworthiness and technical capabilities of products handled by the Company</li> <li>● Robust distribution network in Japan</li> </ul>	<ul style="list-style-type: none"> <li>● Needs for high-quality manufacturing</li> <li>● Needs for automation due to labor shortage</li> </ul>	<ul style="list-style-type: none"> <li>● Heightened awareness of lower prices and costs</li> <li>● Tightened environmental regulations concerning welding materials</li> </ul>

### FY2022 results

In FY 2022, the Welding segment posted earnings growth with a stable large handling volume of domestic shipbuilding and construction and overseas shipbuilding, along with higher welding material prices.

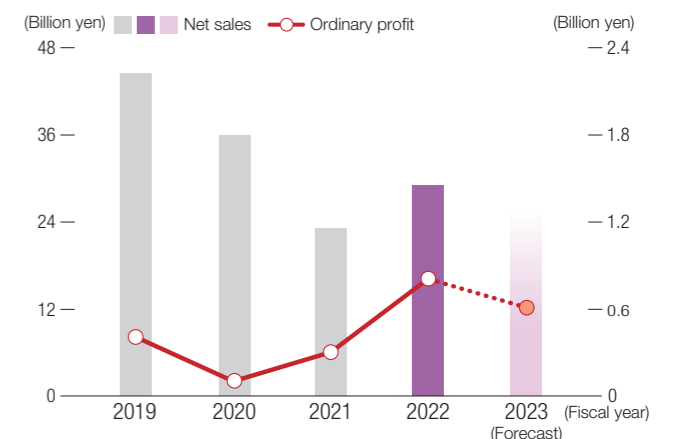


### Outlook for the following fiscal year

At present, the segment is expected to post earnings growth as compared with the previous fiscal year in light of the recent robust condition of the domestic market, although the outlook for the current fiscal year is unclear due to many factors causing uncertainty including the Russia-Ukraine situation, surging prices of various materials, and shortage of semiconductor components.

\* The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29), etc. from the beginning of FY2021.

### Segment net sales and ordinary profit (consolidated)



#### Employee Growth Story

**Taisuke Mitsui,**  
On secondment to SC WELDING CORPORATION  
(Joined the Company in FY2010)

After joining Shinsho Corporation, I worked for three years in sales of welding materials and machines for leading heavy industry manufacturers. Visiting sites where products handled by us are used and understanding how they are used, as well as occasionally being urged to work harder, laid the foundation for my work now. I then attended a one-year Chinese language training course in Shanghai and worked there for six and a half years, gaining experience in sales for users in the automobile, construction machinery, and shipbuilding industries. It took me a while to get used to different business practices and values, but following through in a huge market through trial and error resulted in building great confidence. I am currently in charge of distribution sales in Japan. As it is mostly new to me, I am learning every day. If I have the opportunity, I would like to work abroad again in the future and work on a new business in that country.



#### Employee Growth Story

**Nobunari Nakamura,**  
Production Material Group, Welding Division  
(Joined the Company in FY2022)

I joined Shinsho Corporation because I was attracted by a global environment where I can do business with overseas clients, a diverse range of products, and employees' personalities. My current job is to purchase raw materials in Japan and overseas and sell them wholesale to manufacturers that produce welding materials, as well as to purchase trailers and recycling materials and sell them wholesale. In my second year at the Company, I had an invaluable experience of going on a business trip to South Korea, where I learned that checking the progress at each step and making sure to inspect products locally are important tasks in overseas transactions. I have been working on the language and other skills to be able to engage in overseas business. My goal is to tap new clients in cooperation with our subsidiaries in China, Southeast Asia, and Europe to expand raw materials sales to welding manufacturers.



## Overseas Business Companies

### Contribution to Manufacturing Globally

#### Iron & Steel Division

#### ① GRAND BLANC PROCESSING, L.L.C.

- Expanding presence in North America by achieving high quality and stable supply through the enhancement of facilities

With Shinsho American Corporation as its main investor, Grand Blanc Processing, established in 1995, undertakes secondary processing of wire rod products, with order books currently swelling for fastener-use materials for Japanese and U.S. auto parts makers. We are actively addressing expanding needs through cooperation with the Kobe Steel Group as production facilities are increased.



#### Iron & Steel Division

#### ② AIKEN WIRE PROCESSING, L.L.C. (AWP)

- Contributing to higher added value and deeper Group synergy

Aiken Wire Processing (AWP) mainly applies wire drawing processes to Kobe Steel's bearing steel and delivers products to JTEKT, Schaeffler, and other automobile parts manufacturers. Having built a stable supply chain for Shinsho Corporation's bearing steel business in North America, AWP is committed to meeting customer needs.

Facility enhancement in 2022 has enabled drawing of 4–14 mm diameter wires, in addition to continuous drawing of 1.5–4 mm range small diameter wires. As a manufacturer specialized in wire drawing that offers a wide range of services tailored to demand, AWP continues to strive for a sustainable growth.



#### Iron & Steel Division

#### ③ SHINSHO-MEIHOKU WIRE, INC.

- North American node contributing to just-in-time production

Shinsho-Meihoku Wire serves as a transit warehouse for delivering automobile-related materials to customers just in time. It delivers products processed by Grand Blanc Processing and handled by Shinsho American Corporation to customers, at the timing when they need the products.

Its mission is to respond flexibly to changes in automobile production in North America and supply materials without running out of stock. It works on the frontline, supporting manufacturing while exchanging information with customers every day.



#### Iron & Steel Division

#### ④ SHINSHO OSAKA SEIKO (NANGTONG) CORPORATION

- Targeting status as a manufacturer of forged parts

Established in 2013 to supply semi-finished differential gears to Ondo Shinsho Precision Engineering (Nantong) located in the same industrial complex, Shinsho Osaka Seiko is a forged parts manufacturer that forms part of a supply chain of the Ondo Group, including exports to Japan and Thailand. In recent years, the company has received an increasing number of orders for cold-headed parts for Japanese automotive parts manufacturers.



#### Nonferrous Metals Division

#### ⑤ KTN Co., Ltd. ⑥ KTN Metal Vietnam Co., Ltd.

- Established a company doing cutting processing of the aluminum plate and whole sales in February 2023

KTN Co., Ltd. in South Korea, a subsidiary of Shinsho Metals Corporation, has been in the processing business since 2003. KTN has raised its presence in South Korea by accumulating track records through provision of products in preferred sizes within a short delivery time. With an eye to making a foray into the aluminum plate market in the ASEAN region, KTN Metal Vietnam Co., Ltd. was established in 2023 in northern Vietnam, the market which many South Korean conglomerates have entered. KTN aims to boost its competitiveness by taking advantage of the brand name nurtured over time in South Korea.



KTN Metal Vietnam Co., Ltd.

#### Machinery & Electronics Division

#### ⑦ TRACK DESIGN INDIA PRIVATE LIMITED

- Joint venture to meet India's construction equipment needs

India, which has been growing steadily, is expected to continue its long-term construction investments like mines, building infrastructure, and more. The Machinery & Electronics Division sees the construction equipment needs of this growing industry as a business opportunity. The market tends to be dominated by local manufacturers, however, so we formed a joint venture with the Korean forged parts manufacturer DAECHANG FORGING Co., Ltd. to establish a construction equipment parts manufacturing and sales company at the Mahindra Industrial Park in India. Operations began in September 2023. We will work to improve services for existing customers and reach new customers.



#### Employee Growth Story

##### Hiroshi Katayama,

Iron & Steel Division, On secondment to Kobelco Trading (Shanghai) Co., Ltd. (Joined the Company in FY2011)

I am working on the expansion of iron and steel product sales at a subsidiary in China. When I joined Shinsho Corporation, I struggled to demonstrate independence and get the job done. In my late 20s, however, I had a great experience that led to my growth. I was assigned to a group that mainly handles products and trading, where I was able to expand my client's business scale and revenue thanks to the help from my business partners, supervisor, and group members. Going forward, I would like to take the personal relationships I nurtured in China to Southeast Asia and India, and accelerate the purchasing business in China and establish a joint venture with a Chinese company.



#### Employee Growth Story

##### Kosei Fujita,

Nonferrous Metals Division, On secondment to VINA WASHIN ALUMINUM CO., LTD. (Joined the Company in FY2015)

I am on secondment to an aluminum extruded shape manufacturer, which is a Vietnamese joint venture funded by Shinsho Corporation. Serving as general manager of Sales Department and Planning Department, I am in charge of planning new sales expansion activities and new investments, as well as managing financial affairs. My job thus involves being a representative and manager in a global workplace environment at an overseas subsidiary. While I fully realize the challenge of working overseas due to the difference of culture and values, I hope to quickly accumulate experience that enables me to play an active role globally and contribute to the advancement of Shinsho Corporation.

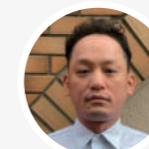


#### Employee Growth Story

##### Yasuo Hidaka,

Machinery & Electronics Division, On secondment to Shinsho American Corporation (Joined the Company in FY2011)

I currently engage in sales activities chiefly to locally procure products for the LNG industry and Shinsho Corporation Group's U.S. plants. While a wide range of products are handled in different industries, clean energy and EVs, in particular, are causing significant changes to industries in the United States and transforming the concept of conventional manufacturing. The post-pandemic world is taking a big step forward. I need constant trial and error to build relationships with local, Japanese, and European companies and expand business in the United States, which leads the world economy and gives birth to technologies. It is an exciting experience.

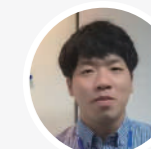


#### Employee Growth Story

##### Shun Matsukawa,

Welding Division, On secondment to Thai Escorp Ltd. (Joined the Company in FY2016)

I mainly sell welding materials, welding robots, and other products at a subsidiary in Thailand. The scale of each project varies, as I handle a range of products from one-thousand-yen pliers to robot systems that cost hundreds of millions of yen. Regardless of price or volume involved, I feel most rewarded when I commit to a project and my work is recognized. In addition to constantly thinking through how we can survive in the shrinking iron and steel industry, I would like to think beyond product boundaries and focus on resolving customers' issues while steadily improving my skills.



## Domestic Business Companies

### Increasing Competitiveness by Enhancing Supply Chain Functions

#### Iron & Steel Division

#### SHINSHO STEEL PRODUCTS CORPORATION

▶▶▶ <https://www.shinshosteel.co.jp/>

##### ● Responding to diverse needs quickly with its own supply network

Shinsho Steel Products was established when Shinsho Metal Products Corporation (Osaka), having split off from Shinsho Corporation in 1986, merged with Shinsho Finished Products Corporation (Tokyo) in 2001. In 2021, the year of its 20th anniversary, it merged with the construction steel business division of Shinsho Corporation and made a fresh start as a general trading company of construction materials that handles from steel to secondary and tertiary iron and steel products.

The civil engineering and construction materials business supports social and environmental infrastructure and prevents and mitigates disasters. Meanwhile, the construction steel business supports the development of society by building bridges, office buildings, distribution warehouses, plants, and condominiums. With comprehensive capabilities enhanced by the merger of the two businesses, Shinsho Steel Products strives to further increase the level of customer satisfaction and contributes to the creation of a future society where people can live comfortably and safely.

#### Iron & Steel Division

#### MORIMOTO KOSAN CO., LTD.

▶▶▶ <https://morimoto-kosan.co.jp/>

##### ● Aiming to mark the 100th anniversary as a long-established coil center

Morimoto Kosan was established in December 1949, and became a distributor of Kobe Steel, Ltd. in June 1968. Since then, it has sold and processed mainly hot coils and steel plates. It has been a Shinsho Corporation Group company since becoming a wholly owned subsidiary of Shinsho Corporation in 2018.

In making capital investments, it has strived to maintain and improve occupational health and safety, with the help from safety consultants. In addition, updating the sales management system has facilitated prompt and accurate response. As a long-established coil center in the Kansai area and the only hot-rolled coil center in the Kobe Steel Group, Morimoto Kosan is fully committed to responding quickly to requests from customers.

#### Nonferrous Metals Division

#### SHINSHO NON-FERROUS METALS CORP.

▶▶▶ <https://www.shinshohitetsu.co.jp/>

##### ● Advancing functions as a stocking and processing center for nonferrous metal products

Established as Shinsho Metal Processing Corp. in 1982 and later merging with Shinsho Nonferrous Metals Corporation which split off from Shinsho Corporation, Shinsho Non-Ferrous Metals made a new start in 1996.

To meet diverse needs for aluminum sheets, plates, rolled copper products, and a range of other processed products, it has a wealth of products in stock. As a processing center, it makes proposals tailored to customer needs by taking advantage of extensive functions including quick delivery and small lot handling.

Sales offices in Tokyo, Osaka, Nagoya, Hiroshima, and Fukuoka help customers with a locally rooted, fine-tuned approach.



#### Nonferrous Metals Division

#### SHINSHO METALS CORPORATION

▶▶▶ <https://shinshometals.co.jp/>

##### ● Contributing to overall cost reduction as a supplier of nonferrous metals

In July 2019, Kobelco Tsutsunaka Trading Co., Ltd. merged with Nakayama Corporation and made a fresh start as Shinsho Metals Corporation. It sells aluminum, copper, stainless steel, and other nonferrous metal products in Japan and overseas. It does business with leading nonferrous manufacturers and processing manufacturers. Optimal products are proposed from a range of options, to be used for automobiles and semiconductor manufacturing equipment. In addition to the head office in Tokyo, business bases in Miyagi, Gunma, Nagano, and Kanagawa engage in sales activities close to customers. Overseas subsidiaries in China, Thailand, and Indonesia sell Japanese materials in local areas, as well as export materials from local nonferrous metal manufacturers. Aluminum plate cutting plants in South Korea and Vietnam process and sell products chiefly for the semiconductor and liquid crystal manufacturing equipment industries.



#### Machinery & Electronics Division

#### MATSUBO CORPORATION

▶▶▶ <https://www.matsubo.co.jp/en/>

##### ● Contributing to new value creation with a combination of trading company and engineer functions

Matsubo started its business in 1949 in the commercial department of the Matsuzakaya Department Store, with the corporate philosophy of "contributing to society through the development of the Japanese Industrial sector by introducing excellent machinery, equipment, and new technologies from the West and other countries around the world." In 1955, Matsuzaka Trading Co. Ltd., forerunner of Matsubo Corporation, was established. As a trading company specialized in machinery, Matsubo keeps seeking cutting-edge technologies and proposes new products and value. In addition to understanding customer needs and offering technical and product information necessary for satisfying the needs, it has a seamless service structure in place. Its services range from pre-sale services that offer engineering functions to achieve targets, to consulting on facilities and equipment modifications, and after-sales services following equipment delivery. Matsubo is proud to offer products that meet customer needs, including melting furnaces, powder processing equipment, pharmaceutical manufacturing equipment, transportation, and measurement equipment.



#### 溶材本部

#### SC WELDING CORPORATION

▶▶▶ <http://www.scwel.co.jp/english/index.html>

##### ● Contributing to industrial manufacturing through unparalleled, total welding support

SC Welding is a long-established trading company of welding materials. It became a consolidated subsidiary of Shinsho Corporation in 2016 and marked the 80th anniversary in 2023. It sells Kobe Steel's welding materials and welding-related products to the distribution sector in Japan, as Shinsho Corporation does. In January 2022, it acquired business from another company in the same industry to expand business scale, and increased the number of sales offices in Japan to 10. These developments will drive locally rooted, proposal-based sales activities fine-tuned to each customer and help offer high-quality products that meet customer needs. SC Welding will thus contribute to the growth of manufacturing companies, as well as to the development of society.



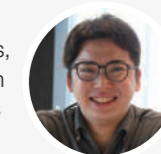
#### Employee Growth Story

#### Tomoaki Oya,

Corporate Planning Department (Joined the Company in FY2018)

My job includes preparing non-consolidated financial results, ensuring compliance with laws and regulations, and handling international tax affairs. I need to make day-to-day decisions based on not only knowledge on accounting and tax affairs but also business partners' situations and other Departments' perspectives. This makes the job rewarding. I constantly feel that I am in an extremely important position, amid growing calls for detailed disclosure of corporate information.

In terms of organizational structure, I find it necessary to create a system to develop as many employees with accounting knowledge as possible. I would like to be proactive in creating an organization where I can spread accounting knowledge to employees from different groups through training and on other occasions, not to mention develop those assigned to my group.



## Implementation of Effective Compliance-related Activities

We are working on the establishment of a system for compliance with laws and regulations and other various initiatives under the “Ethical Code for Shinsho Group Companies.”

### Code of conduct

The Company has stipulated in the “Ethical Code for Shinsho Group Companies” that the Group will maintain a high level of corporate ethics and comply with laws and regulations and other social norms as well as the company rules, and formulated basic policies and specific action standards that all the Group officers and employees should observe.

Ethical Code for Shinsho Group Companies			
<b>I Basic policies</b> <ul style="list-style-type: none"> <li>We will maintain a high level of corporate ethics and conduct corporate activities trusted by society.</li> <li>We will comply with laws and regulations and other social norms as well as the company rules, and act fairly and faithfully.</li> </ul>			
<b>II Action standards</b>			
1. Fair transactions	We will comply with social rules and work to maintain and promote fair and free competition.	8. Prohibition of insider trading	We will never engage in any suspected act such as unfair trade of shares.
2. Compliance with international rules	We will work to comply with international rules and respect culture and customs of relevant countries.	9. Promotion of environmental preservation	We will actively address global environmental issues and always pay attention to the natural environment.
3. International cooperation	We commit ourselves to international cooperation and act from an international perspective.	10. Respect for intellectual property rights	We will work to protect and respect intellectual property rights.
4. Security trade control	We will thoroughly implement security trade control and work to maintain international peace and safety.	11. Communication with communities	We will work on social contribution activities as a good corporate citizen.
5. Disclosure of corporate information	We will work to disclose corporate information in a timely and appropriate manner to maintain transparency of management.	12. Respect for human rights	We will respect human rights of others and prohibit any and all sorts of discriminatory treatment.
6. Ensuring trustworthiness of financial reporting	We will work to maintain appropriateness of financial statements and related information and ensure trustworthiness of financial reporting.	13. Prevention of political corruption, etc.	We will never engage in any act that is suspected to be bribery and maintain relationships in moderation with public officials.
7. Thorough management of information	We will strictly manage customer information and other confidential information and will not leak such information to others without a legitimate reason.	14. Confrontation with anti-social forces	We will maintain a resolute attitude toward anti-social forces and organizations.

### Compliance Committee

The Company has established the Compliance Committee as an advisory body to the Board of Directors, which discusses and deliberates basic policies, plans, systems, the status of education, and monitoring of matters related to compliance with laws and regulations of the entire

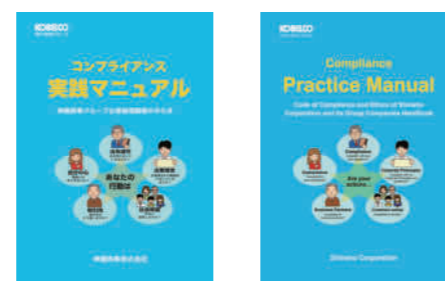
Group on a semi-annual basis and reports the results to the Board of Directors. The Committee is chaired by the President and CEO, and the members consist of officers including Audit & Supervisory Board Members and external attorneys at law.

### Education and awareness raising

In order to ensure that the philosophy of the “Ethical Code for Shinsho Group Companies” is thoroughly understood by all employees, the “Compliance Practice Manual” has been delivered to all employees including those of affiliated companies within Japan and overseas. The Manual addresses themes that correspond to each action standard in the Ethical Code, giving easy-to-understand explanations on specific cases. In addition, handheld “Shinsho Group Compliance Cards” are also distributed to employees to ensure their continued awareness of compliance.

Furthermore, for all employees including those of subsidiaries, rank-specific training and various types of training with individual themes have been held face-to-face, through e-learning, or web-based streaming throughout a year since 2003. In addition to the foregoing, in recent years, we have also strengthened the training for

Directors/Audit & Supervisory Board Members and held training sessions in a wide variety of fields including competition law, economic security, customs systems, and human rights on a regular basis.



“Shinsho Group Compliance Practice Manual”: Provided in five languages (Japanese, English, Chinese, Spanish, and Korean)

### Whistle-blowing system

The Company has established the Shinsho Group Whistle-blowing Contact Desk to detect any issues such as misconduct that may affect the Company in advance and ensure sound management.

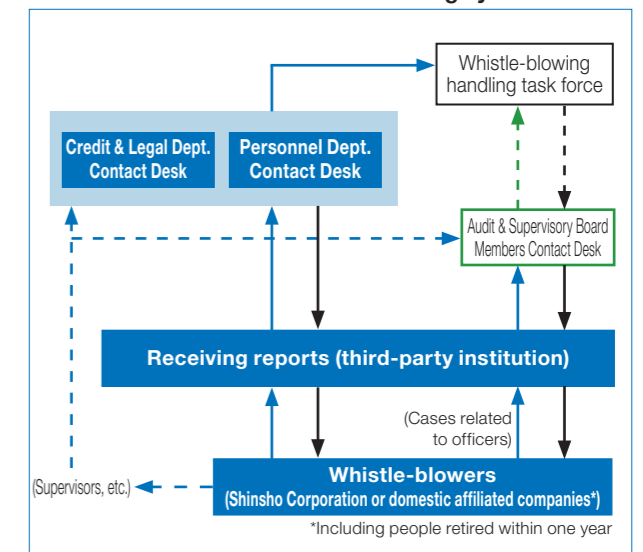
The Company renewed its whistle-blowing system in June 2022 and changed the method of receiving reports to one in which a third-party external vendor centrally receives reports, from a viewpoint of strengthening the way to ensure convenience and anonymity of employees, etc. This change has enabled whistle-blowers to maintain their anonymity as they cannot be identified unless they disclose their information themselves.

In addition, the Company has established three internal desks to handle issues according to the details of reports and respective desks will carry out investigations and communication with whistle-blowers. If a case concerns any Director or officer, the Audit & Supervisory Board Members Contact Desk consisting of Audit & Supervisory Board Members will handle the case to ensure independence from such Director or officer.

The Company’s whistle-blowing system strictly maintains confidentiality so that whistle-blowers will not be treated disadvantageously due to the fact that they have made a report.

Information on the whistle-blowing system is widely notified through various training sessions, pamphlets, cards, etc.

#### Schematic view of the whistle-blowing system



### Prevention of corruption

The “Shinsho Group Bribery Prevention Policy” was formulated in 2020, which prescribes “prohibition of offering of bribe to public officials and business partners” and “prohibition of acceptance of bribe from business partners.” The Company has also notified business

partners of its anti-corruption policy, and requires them to comply with laws, regulations, etc. which prohibit bribery. When engaging with a new business partner, we conduct qualification screening against the business partner using a checklist to assess corruption risk.

### Compliance with the Subcontract Act

We have been focusing on compliance with competition laws, the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors (the “Subcontract Act”) in particular. We regularly confirm the status of compliance with the Subcontract Act through collaboration between persons in charge of promotion of the Subcontract Act in sales departments and persons in charge in legal departments. In addition, we hold level-specific training on the Subcontract Act for all employees including those of subsidiaries in Japan at least once a year to raise the level

of awareness of the Subcontract Act throughout the Group.

In January 2022, we registered ourselves as a company that supports the “Business Partnership Commitment” promoted by the Small and Medium Enterprise Agency under the Ministry of Economy, Trade and Industry. We will adhere to desirable trade practice between large procuring enterprises and subcontractors and actively work to correct trade practice and commercial practice which hinder building of partnerships with business partners.

### Security trade control

#### ● Overview of initiatives

From the viewpoint of maintaining international peace and safety, the Company is rigorously working on security trade control based on the Foreign Exchange and Foreign Trade Act to prevent leakage of cargoes or technologies that can be used for military purposes to such entities as nations which engage in development and other similar acts related to weapons of mass destruction and conventional weapons, as well as terrorists.

The Export Control Representative Council, in which the President and CEO has the ultimate responsibility for security trade control and which is chaired by the officer in charge of the Credit & Legal Department, has been established and works to prevent violation of laws and regulations and breach of internal regulations by sharing the latest information on related laws and regulations of various countries and promoting compliance.

The Company has established a voluntary management system related to security trade control required by the Ministry of Economy, Trade and Industry and conducts various measures including building of a transaction screening system for company-wide export control, regular internal audit, and internal education.

#### ● Export Control Representative Council

As an advisory body to the Board of Directors, the Council is comprised of members which include the officer in charge of the Credit & Legal Department who is a chief officer responsible for security trade control, Audit & Supervisory Board Members, members of the Credit & Legal Department, and persons responsible for export control in each sales division, and discusses measures, policies, etc. related to export control operations.

## Promotion of Activities in Global Environment

The Company has stipulated in its Basic Policy for Sustainability that “We are contributing to the establishment of the sustainable society that all people desire.” Under the belief that activities friendly to the global environment are demanded for the creation of a sustainable future, we have confirmed that we will commit to such activities conducted on an ongoing basis as material issues. Sales and head office departments have been collaborating to promote operation of the environmental management system (EMS), provision of products and services friendly to the global environment, and initiatives to reduce greenhouse gas.

### Basic Environmental Philosophy

Standing our Corporate Philosophy, we deeply recognize that “a strong drive against environmental issues is the most indispensable for the subsistence and activities of the Company” and eventually challenge to realize “sustainable growth,” positioning voluntary and active initiatives toward preservation of the global environment as one of its important management issues.

### Environmental Core Values

- 1 Concern for the Environment**  
When pursuing business activity, we will take the preservation of the global environment into account and work to prevent pollution. We will also promote the handling of products that contribute to a better environment both in Japan and abroad.
- 2 Compliance with Environmental Laws and Regulations**  
When pursuing business activity, we will comply with all international treaties related to the environment as well as all related laws and regulations both in Japan and abroad, including voluntary guidelines. We will also adhere to all agreements with stakeholders and work to strengthen mutual understanding and cooperative relationships.
- 3 Efficient Use of Resources and Energy**  
We will contribute to the realization of a circular society through such means as efficiently using and reusing resources and energy, as well as protecting resources.
- 4 Establish and Continuously Improve Our Environmental Management System**  
Based on the environmental policies outlined here, we will establish an environmental management system and work toward continuous improvement through the implementation of a PDCA cycle.
- 5 Disseminate and Publicize Our Environmental Policies**  
We will notify all of our employees about our environmental policies and publicize them outside the Company.

## Environmental management system

### Environmental audit and ISO 14001 examination

The Company obtained ISO 14001 certification in 2000 and manages its environmental activities based on the certification. The maintenance and operation of the environmental management system are confirmed through the following audit procedures.

● **Internal audit:** Internal auditors who have completed annual internal or external EMS internal auditor training audit all departments (in January through April).

In addition, internal auditors are trained and receive education on a regular basis. In addition to deepening the understanding of ISO standards through their service as internal auditors, internal auditors can gain insights through audit of other departments on how to approach business that they cannot understand through business of their own departments only, or business in other domains, how to handle risks, and other matters. This will help internal

auditors’ their own departments as well.

● **External examination:** Examination by an external certified body conducted after the completion of the internal audit (in May through December). After passing the renewal examination, the whole Company receives an examination for two years as a regular examination. In the third year, the whole Company receives an examination simultaneously as a renewal examination.



ISO 14001 certificate

### Status of ISO 14001 certification (FY2022)

The scope of examination for ISO 14001 is as follows.

Shinsho Corporation’s Osaka Head Office, Tokyo Head Office, Nagoya Branch Office, Kyushu Branch Office, Kobe Branch Office, Chugoku Branch, Kakogawa Branch, Shizuoka Branch, Hokuriku Branch, Sapporo Branch and Tokuyama Office.

The Environment Committee confirms every year, by using the “Risk Management Action Plan” and the “Assessment List for Compliance with Related Laws and Regulations (ISO Format),” that subsidiaries in Japan and overseas which have not received examination concerning their status of risk management including the environment by a third-party certification body such as the ISO have implemented risk management including the environment.

### System to promote environmental initiatives

The Environment Committee made a transition to the Sustainability Committee on June 24, 2022 and the persons in charge of the sustainability environment are appointed within the Committee. The officer in charge of

the General Affairs Department is a member, and General Manager of the General Affairs Department is the promotion leader.

### Compliance with environmental laws and regulations

Each site lists laws and regulations related to their departments’ business in the “Assessment List for Compliance with Related Laws and Regulations” and submits the list to persons in charge of ISO at the beginning of each period. The names of laws and regulations (the Waste Management and Public Cleansing Act, the Act on

Rational Use and Proper Management of Fluorocarbons, the Air Pollution Control Act, etc.) and the compliance processes are described in the list and the progress is checked on a semi-annual basis (at the end of the first and second halves). Persons in charge of ISO verify the lists and submit them to the Sustainability Committee.



### Investment in a decarbonization fund

The Company invested in the UMI No. 3 Decarbonization Investment Limited Partnership (UMI Decarbonization Fund) founded by Universal Materials Incubator Co., Ltd.

Through the investment in the UMI Decarbonization Fund, the Company intends to support outstanding technologies and new businesses in the decarbonization field in collaboration with UMI. In addition, we hope to create new businesses of the Company and cooperate with business partners of the Company by participating in creation of innovations beyond the boundaries of industries that UMI aims for.

We will continue to further strengthen our initiatives to mitigate climate change, recognizing that responding to climate change, including decarbonization, is an important management issue.

### Obtained a management level B rating for CDP’s Climate Change category

Our environmental actions and disclosure earned us a B score in the Climate Change category from the CDP\*, an international non-profit environmental organization that provides an environmental disclosure system.

In the survey, CDP requested disclosure of data related to an environmental impact, risks, and opportunities through its platform, and about 20,000 organizations around the world disclosed data through CDP. The Company obtained the B score, which is called a management level, among the eight-point scale spanning from A to D-.



<Reference>

\* CDP (former Carbon Disclosure Project)

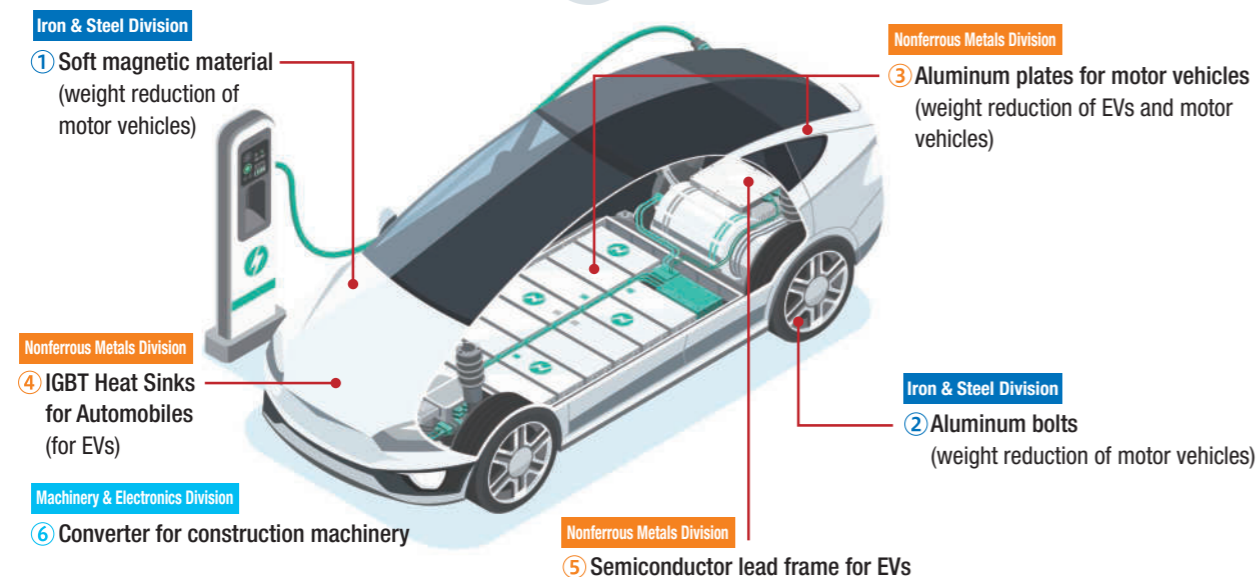
An international non-profit organization (NPO) established in the United Kingdom in 2000. It is an ESG evaluation body which examines and evaluates risks and opportunities related to the three categories, namely Climate Change, Water, and Forests, of companies across the globe and discloses the results, with support of investors, etc. of various countries.

## Concern for the environment

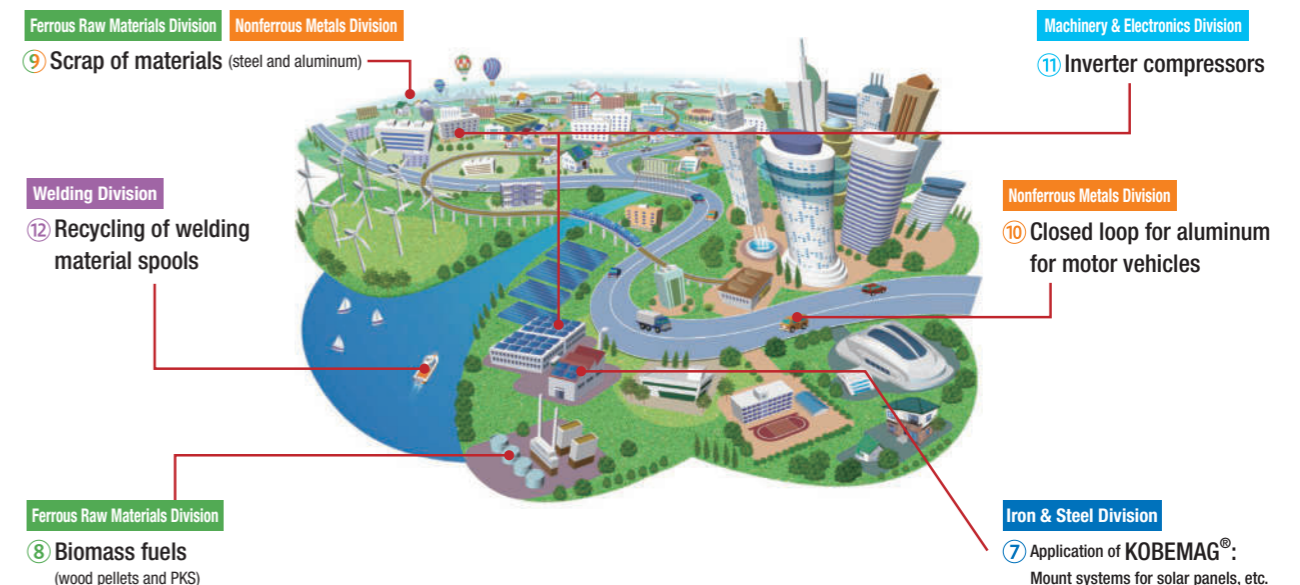
### Environmentally friendly products/Efficient use of resources and energy

It designates “Electrification and weight reduction of motor vehicles” and “resource recycling businesses” as the priority areas, and develops diverse initiatives in each segment.

#### ～ Electrification and weight reduction of motor vehicles ～



#### ～ Resource recycling businesses ～



	Description
①	Handle steel materials with an outstanding magnetic feature (soft magnetic iron) produced by Kobe Steel. Contribute to improvement of functions to control electromagnetic parts, size and weight reduction and reduction of power consumption.
②	Export and sell wires for aluminum bolts used for engines and transmissions to Europe. Contribute to extension of the cruising distance through weight reduction, as aluminum weighs about one-third of iron.
③	Suzhou Shinko-Shoji Material processes and sells outer panels of EVs and materials for outer frames of battery cases for EVs in China, where EVs are growing rapidly.
④	Heat sinks, indispensable for EVs. Offer high quality products to semiconductor manufacturers, after processing and assembling materials. *IGBT: Insulated Gate Bipolar Transistor
⑤	Sell lead frames used for semiconductors for xEVs to resin mold manufacturers, and which in turn sell them to semiconductor manufacturers.
⑥	[Construction machinery EVs] Handle equipment (DC-DC converter) that converts high-voltage current into low-voltage current in batteries mounted on EVs.

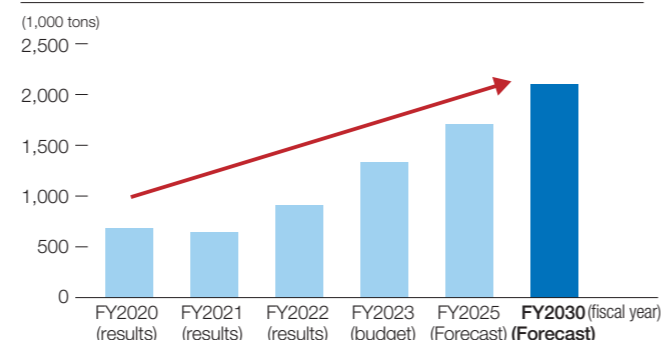
	Description
⑦	Handle KOBEMAG®, galvanized steel sheets with high corrosion resistance produced by Kobe Steel as materials for mount systems that support solar panels.
⑧	Have concluded long-term fuel supply contracts with three biomass power generation stations in Japan, supplying biomass fuels.
⑨	Collect scrap metal such as iron and aluminum and sell iron to electric furnace manufacturers in Japan and overseas countries, and aluminum to melting furnace manufacturers in Japan. Contribute to resource recycling society.
⑩	Purchase aluminum scrap from automakers, pulverize and select them at plants cooperating with the Company, and sell them to rolled aluminum manufacturers. The rolled aluminum manufacturers in turn sell them to automakers, thereby creating a closed loop.
⑪	Sell inverter compressors, inverter freezers, heat pumps to contribute to cost reduction through energy saving as well as reduction of CO <sub>2</sub> emissions.
⑫	Pulverize welding material spools (welding material rolling table) used for welding at shipyards, and form and reuse them. Realize horizontal recycling.

### Developments related to environmental-friendly products

To date, Shinsho Corporation has worked with recycled raw materials and fuels like steel scrap, RPF\*, wood shavings, and more to help create a circular society. We will expand our handling of biomass fuels like palm kernel shells (PKS) and wood pellets in order to contribute to Japan's renewable energy policies.

\*RPF: Refuse derived paper and plastics densified Fuel

### Achievements and future vision of environmental-friendly products (Steel scrap, biomass fuels, etc.)



### New initiatives in the agricultural field

In December 2022, the Nonferrous Metals Division invested in Crop Development by Photo-Transforming & Photosynthesis Corporation, which possesses technologies related to the Korean ginseng short-term cultivation promotion system. Previously, cultivation of Korean ginseng required five years, and repeated cultivation was not possible. However, by using technologies of said company, Korean ginseng can be cultivated in short cycles (about two to three years) in artificial soil and in a manner that is completely pesticide free.

This initiative is an environmentally friendly activity, which is an issue for the Company, and leads to longer healthy life expectancy and sound and healthy way of living. Taking this initiative as an opportunity, the Company intends to step into the agricultural field, which is a new domain for us.

Korean ginseng cultivation fields under solar power panels



Experimental equipment for the Korean ginseng short-term cultivation promotion

## Response to climate change

We understand that actions to address climate change are an important management issue and we work continuously to contribute to society in terms of climate change leveraging our abilities as a trading company, in addition to the reduction of the CO<sub>2</sub> emissions of the entire Group.

### TCFD's disclosure recommendations and related initiatives

#### 1. Governance structure

The Company established the Sustainability Committee headed by the President and CEO in April 2022.

To address environmental problems including climate change, which is one of the important management issues faced by the Group, the Committee meets twice a year, deliberates and formulates basic policies, important items, etc., and monitors the progress of initiatives in cooperation with the Risk Management Committee which is mainly in charge of the identification and assessment of risks.

Results are regularly reported to the Board of Directors for the management and supervision of the reported activities.

#### 2. Strategy and scenario analysis

The Company analyzed and assessed risks and opportunities related to the impact of climate change on the Group's business activities based on the 2°C scenario and the 4°C scenario provided by the TCFD, and sorted out countermeasures as described below.

The Company reviews the scenario analysis on a regular basis to work to improve the resilience of the Group against climate change.

#### <Risk analysis and countermeasures>

Category		Risk factor	Impact on business				Measures addressing risk
			Details	Financial impact			
				Revenue	Cost of sales	Gross profit	
Transition risks	Policies and regulations	<ul style="list-style-type: none"><li>● Progress in pricing GHG emissions</li><li>● Improved energy-saving policies</li></ul>	Rising purchase prices due to progress in the pricing of GHG emissions, including carbon taxes	—	↑	↓	<ul style="list-style-type: none"><li>● Reduction of the CO<sub>2</sub> emissions of supply chains in collaboration with suppliers</li><li>● Transition to handling environment-friendly products and equipment</li><li>● Transition to supplying raw materials that supports ironmaking methods with lower CO<sub>2</sub> emissions</li><li>● Initiatives for the introduction of renewable energy</li></ul>
			Decrease in the transaction volume of non-energy-saving conventional products	↓	—	↓	
			Decrease in the transaction volume of coal and other products with the following entities that emit large amounts of CO <sub>2</sub> ; Materials manufacturers, Blast furnace manufacturers, Power plants	↓	—	↓	
			Rising purchase prices due to increased costs associated with the energy transition for decarbonization	—	↑	↓	
	Technology	<ul style="list-style-type: none"><li>● Replacement of existing products/services with low-carbon options</li><li>● Upfront expenses associated with the transition to low-carbon technologies</li></ul>	Decrease in transactions of non-energy-saving conventional products	↓	—	↓	<ul style="list-style-type: none"><li>● Shift to transactions of environment-friendly materials</li><li>● Product development based on new technologies and research into market trends</li></ul>
			Decrease in transactions of steel products due to the transition to EVs and light-weight vehicles	↓	—	↓	
			Increase in additional expenses incurred by manufacturing subsidiaries and others for the introduction of new technologies	—	↑	↓	
	Market	<ul style="list-style-type: none"><li>● Change in consumers' behavior</li><li>● Soaring raw materials costs</li></ul>	Decrease in transactions of non-energy-saving products and products with high environmental burdens	↓	—	↓	<ul style="list-style-type: none"><li>● Transition through the promotion of co-firing using biomass fuels and the shift to biomass fuels</li><li>● Expansion of sales of steel products for parts other than engines</li><li>● Support for research that contributes to the reduction of emissions from entire raw materials value chains</li></ul>
			Decrease in transactions of coal and other fossil fuels due to decreasing demand	↓	—	↓	
			Decrease in transactions of internal combustion vehicle parts and manufacturing equipment	↓	—	↓	

#### <Opportunity analysis and countermeasures>

Category	Opportunity factor	Impact on business				
		Details	Financial impact			
			Revenue	Cost of sales	Gross profit	
Products and services	Development and expansion of low-carbon products and services	Increase in transactions of scrap for electric furnaces and fuels for biomass power generation	↑	—	↑	
		Participation in businesses that include processes whose CO <sub>2</sub> emissions can be reduced	↑	—	↑	
		Increase in transactions of environmental-friendly products	↑	—	↑	
		Increase in transactions of recycled raw materials (various scrap, slag, and RPF)	↑	—	↑	
		Increase in demand for copper and aluminum products for use with batteries in association with electrification	↑	—	↑	
Market	Access to new markets	Increase in transactions of new parts and new materials due to the popularization of EV vehicles, including battery materials for EVs, magnets and other motor-related devices, and secondary materials	↑	—	↑	
		Increase in transactions of environment-friendly, energy-saving and highly efficient machinery and equipment	↑	—	↑	

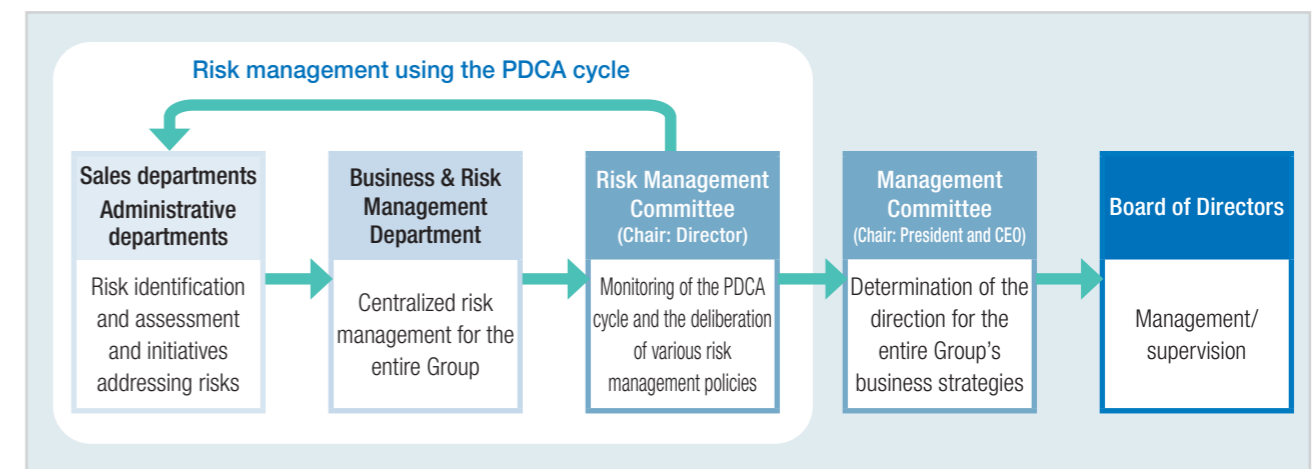
### 3. Risk management

Regarding climate-related risks, which we believe affect the business continuity of the entire Group, the PDCA cycle is followed for the identification, assessment, and creation of initiatives to address risks based on the risk action plans prepared by each department. The status of operations is centrally managed by the Business & Risk Management Department.

In addition, the Risk Management Committee monitors the status of operation of the PDCA cycle, discusses an

array of measures and policies for the appropriate management of risk. The Committee submits the results to the Management Committee which discusses the direction for management such as business strategies, for deliberation to enhance the risk management system of the entire Group.

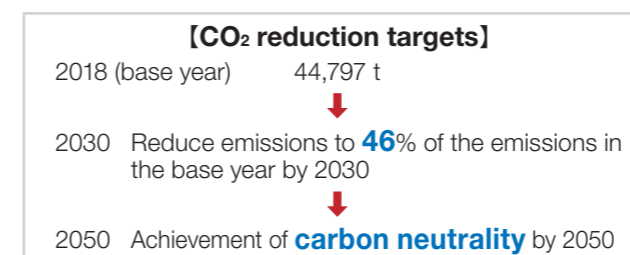
The Management Committee reports the issues that it determines to be important regarding management strategies to the Board of Directors.



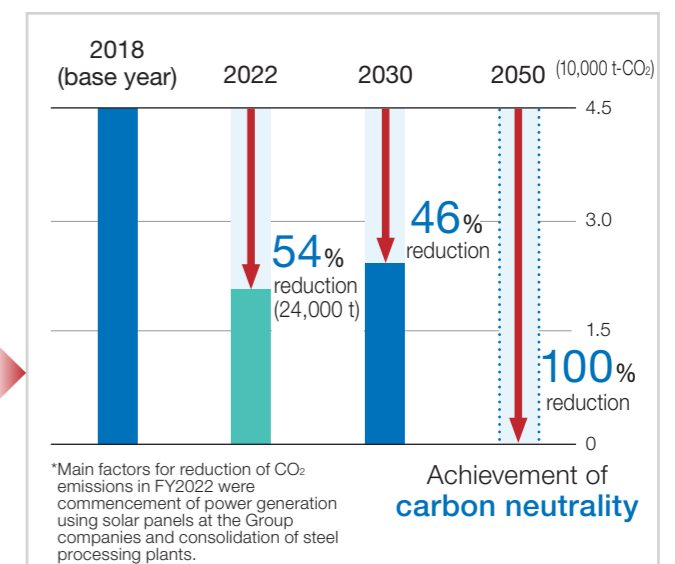
### 4. Metrics and targets

#### Initiatives to reduce CO<sub>2</sub> emissions

For the initiatives being taken by the Group to reduce CO<sub>2</sub> emissions, we have set the following long-term targets based on the CO<sub>2</sub> emissions in FY2018 (Scopes 1 and 2) and have decided to promote the introduction of green energy.



Going forward, we will consider the disclosure of the supply chain emissions (Scope 3).



#### Employee Growth Story

#### Hiroki Kobayashi

Planning & Administration Department, Ferrous Raw Materials Division (Joined the Company in FY2017)

When I was in charge of sales, I was scolded for not asking reasons, merely acting as a mere communicator between a supplier and a customer. Based on this experience, I'm now engaged in my duties while being conscious about eliciting information that would satisfy requestors. Currently, I am involved in operations to manage interests in a ferroalloy plant in Malaysia and a coal mine in Australia in which our Division has invested, and also operations to investigate and consider new investees. There are projects that are showing gradual progress, and I hope to establish new businesses by accumulating knowledge. The Ferrous Raw Materials Division handles biomass fuels and steel scrap, which are expected to contribute to the carbon neutrality. I think we can contribute significantly to Japan's initiatives toward decarbonization by increasing the handling volume of these materials and recycling them. In the future, I hope to create an export business through which we can stably supply biomass fuels for steel manufacturing from our Southeast Asian sites.



## Efforts Focused on Ensuring Diversity of Human Resources

The Company works on various measures based on a belief that it is important to create new value and a competitive edge through active participation by human resources with diverse values and ideas. Led by the Diversity Promotion Project Team established in October 2022, the Company is pushing ahead with its efforts to foster a culture in which employees' individual characteristics and abilities can be fully demonstrated.

### FY2030 Targets

#### ● Women employees

- ① **Ratio of women in career-track positions and women who desire to change their course to area-limited career-track positions among regular recruits of each year**  
At least 40% on an ongoing basis  
(55.5% as of the fiscal year ended March 31, 2022)
- ② **Ratio of women in managerial positions: at least 10%**  
(2.4% as at the end of the fiscal year ended March 31, 2022)
- ③ **Ratio of women in career-track positions: at least 20%**  
(11.2% as at the end of the fiscal year ended March 31, 2022)

#### ● Global human resources

- ① **Allow locally-hired staff of overseas subsidiaries to work at the head office to develop executive candidates**
- ② **Transfer locally hired staff between overseas subsidiaries to support business originated from overseas sites**
- ③ **Hire non-Japanese mid-career recruits**

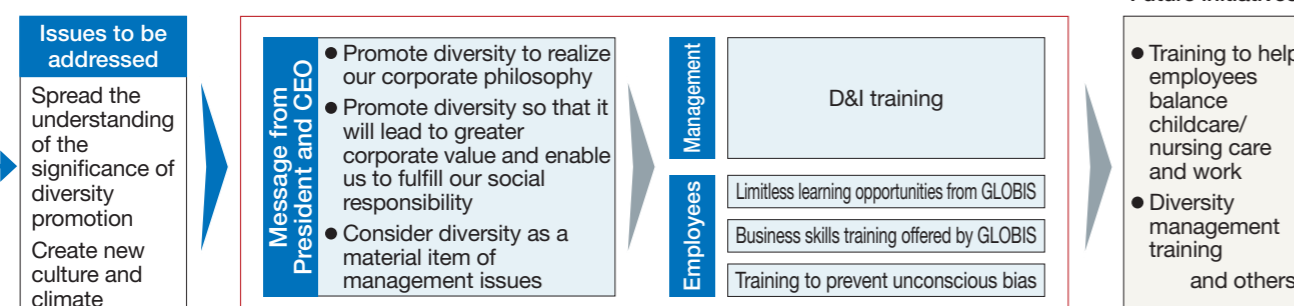
### Overview of diversity initiatives

The Company places diversity promotion among the material items in the management issues. Based on the interviews with our employees and with other companies in the same industry, we sorted out issues to be

addressed and put together measures to be taken and their priority order. We are currently at Stage 1, introducing measures to spread and deepen understanding of diversity through increased and ongoing communication.

In FY2022 and thereafter		In FY2024 and thereafter	
	Stage 1	Stage 2	Stage 3
Issues to be addressed	Spread the understanding of the significance of diversity promotion	Improve the system and environment to help employees balance childcare/nursing care and work	Create new values (innovation)
	Create new culture and climate	Stimulate internal and external communication	
Measures	● Communication ● Training	● Communication ● Training ● Environment ● System	● Communication ● System ● Environment
Scheduled events	● Lunchtime sessions to understand diversity ● Social gatherings among specialized trading companies in the same industry and projects ● Distribution of GLOBIS's enlightenment videos ● Training to prevent unconscious bias	● Socializing events for employees (e.g. a round-table talk for mothers and fathers) ● Internal point system ● Training to help employees balance childcare/nursing care and work ● Diversity management training ● Proposal for a flexible personnel system ● Support systems targeting employees on childcare leave and departments they belong to ● ● Interview with overseas subsidiaries and preparation to receive locally-hired staff at head offices	● External socializing opportunities on D&I (including affiliated companies) ● Work style reforms, etc. ● ● Promotion of overseas hiring Promotion of training and internal job transfer of locally-hired staff Promotion of cooperation with affiliated companies Obtaining social certifications (Currently working to obtain Kurumin certification from the Ministry of Health, Labour and Welfare)

### Now focusing on Stage 1



### Securing and developing diverse human resource

#### ● Initiatives to promote the advancement of women

Reflecting its efforts to leverage diversity, the Company strives to respect humanity, and to maintain and improve comfortable work environments. While doing this, it aims to respond to various needs and generate new value. These efforts also include promoting the advancement of women and initiatives to achieve work-life balance, which are positioned as issues of key importance. The Act on the Promotion of Women's Active Engagement in Professional Life, enforced from April 1, 2016, is the basis for the formulation of the Company's action plan. In addition to the initiatives and activities to date, we will promote action to an even further extent.

From a perspective of the advancement of women, the Company abolished previous restrictions on appointment to managerial positions depending on the professional groups at the time of joining the Company, and revised the personnel system in FY2022 to allow employees to change their courses to aim for a career path to a managerial position or to an area-limited career-track position after joining the Company. This revision has led to an increase in the percentages of women in career-track positions and managerial positions. Going forward, we will implement various initiatives while continuing activities to appoint women to managerial positions and create an environment where they can work with enthusiasm.

	Item	Purpose
Action plan based on the Act on the Promotion of Women's Active Engagement in Professional Life (For the period until March 31, 2026)  Ratio of women in career-track positions and women who desire to change their course to area-limited career-track positions among regular recruits of each year <b>At least 40% on an ongoing basis</b> Ratio of women in managerial positions*1 <b>At least 10%</b> Ratio of women in career-track positions*2 <b>At least 20%</b>	<ul style="list-style-type: none"> <li>Setting target rates for hiring and appointment</li> <li>Making it possible to take leave flexibly</li> <li>System for change of professional groups</li> <li>Flextime work system</li> <li>Work from home system</li> </ul>	<ul style="list-style-type: none"> <li>To strengthen recruitment and promote participation</li> <li>To enhance retention</li> <li>To expand areas of responsibility and create growth opportunities</li> <li>To promote autonomous work styles</li> <li>To take lifestyles into consideration</li> </ul>

\*1 Ratio of women among all employees in managerial positions as of the end of March of each year

\*2 Ratio of women among all employees in career-track positions and area-limited career-track positions as of the end of March of each year

#### Employee Growth Story

#### Ayano Okubo

Finance Department (Joined the Company in FY2013)

My job is to negotiate lending conditions with banks to borrow from them working funds necessary for operational activities and investment funds necessary for new business projects. What I find interesting about the job of Finance Department is that I can have a bird's-eye view, from the perspective of finance, of what the Company as a whole is thinking about its future business and what it is planning to do. The Department deals with money, so accuracy is of utmost importance in our job. I am keenly aware of the ways to treat documents, observing established procedures, and trying to improve efficiency using macros and automation. Being a trading company, we are constantly in need of working funds. I will do my best to improve my knowledge of finance so that we will be able to watch the market closely and source funds efficiently.



#### ● Initiatives to support employees with childcare

We are working to establish a working environment that is friendly to all employees, allowing them to balance work and childcare.

	Target	Initiatives
Action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children (for the period until March 31, 2024)	1. Promotion of male employees taking childcare leave <b>Percentage of eligible male employees taking childcare leave: 10% or higher</b>	Actual percentage in the fiscal year ended March 31, 2023: 15.4% <ul style="list-style-type: none"> <li>Notification during the training of managerial employees</li> <li>Individual notices for eligible employees and their supervisors (explanation in interviews, written provision of system information)</li> <li>Meeting with eligible employees regarding the use of the systems (regardless of whether they use the systems)</li> </ul>
	2. Notification regarding various systems related to supporting the development of the next generation	<ul style="list-style-type: none"> <li>Notification of systems and introduction of examples through the Intranet and the Company's in-house magazine</li> </ul>
	3. Promotion of diverse and flexible workstyles	<ul style="list-style-type: none"> <li>Implementation of balanced career development training (target: managerial employees who are raising children)</li> <li>Implementation of diversity management training (target: managerial employees)</li> </ul>

## Creation of Foundation and System to Support Realization of Personal Growth

People have been the Company's assets since the foundation. Under the Corporate Philosophy "‘Integrity’ is Shinsho Corporation's company motto. We are committed toward securing prosperity for our clients and shareholders through the creation of new values," we have set the prosperity of everyone, including our employees, as our foundation.

In addition, we believe that "companies cannot grow without growth of individuals," and therefore, have systems of training and skill development which allow employees to maintain their basic motivation to develop themselves (goals) and promote their proactive learning.

### Development of human resources

The Company is working to develop human resources in a way that supports each and every employee to respond to changes in the external environment and maintain an attitude to take on challenges based on their own will to realize an ideal form of the manufacturing industry. From a perspective of responding to changes in the external environment, we offer training courses in which employees can proactively choose the skills they wish to develop and the timing of their development. Training programs include the one to help employees balance childcare/nursing care and work, which is aimed at fostering an understanding of various needs of stakeholders.

As part of our measures to encourage challenges, we have also established a framework where "people who learn and act on their own" are highly recognized, and thereby intend to support active learning of employees.

Amount of the investment in human resource development in FY2022  
Up **126** million yen from the previous year

Direction of new development systems	Training contents and systems
A system in which people can play an active role according to "individual characteristics and attributes"	Global training, training to prevent unconscious bias
Development of oneself aligning with changes in the world and society	Training to help employees balance childcare/nursing care and work
A system in which goals can be updated in line with personal improvement	Role understanding training, subordinates management training, and evaluators training
A system in which employees can confirm the progress of each other on a regular basis	Review and follow-up training and introduction of skill testing
A system in which employees can take a position after understanding appropriate role expectations and required knowledge	Pre-deployment training for overseas assignments
A lineup of courses employees can choose when they like	Optional skill training and limitless learning opportunities from GLOBIS
A system in which efforts of people who learn and act are spotted and recognized	Linkage with evaluation items and selection of management personnel

### Global human resources

The Company is working actively to expand business overseas, and thus, places importance on the development of global human resources. We believe that it is essential to strengthen the language competency and the ability to understand and adapt to different cultures to create new value, and therefore, we have introduced various training programs for young employees. For example, now that restrictions on movement imposed during the spread of COVID-19 are lifted and ground has been laid for overseas trips, we invited employees who wish to go abroad to learn business skills in preparation for the creation of new values to apply for overseas dispatch training, and selected two employees in FY2023.

Aiming to develop people who can play active roles on the global stage, we have also started offering EF English Live programs to employees. We are providing practical support to ensure effective learning, including by receiving feedback from learners and giving support for future learning via online follow-up sessions held at the end of the first three months since the beginning of the program.

We believe that it is essential to strengthen the language competency and the ability to understand and adapt to different cultures to create new value, and therefore, we will continue exploring ways to improve and increase training programs.

#### Employee Growth Story

**Kazuhiro Kanai**  
General Affairs Department  
(Joined the Company in FY2003)

During my four years of assignment in the U.S., I was mainly in charge of financing, human resources, and management of Group companies. When I was encountered with one incident after another that would never have occurred if you were working in Japan, I studied local laws, rules, and customs in my own way. In the course of communicating with the lawyer and the persons concerned, my nerves turned into steel. While collaborating with the head office, I came in contact with people with whom I had had no connection and was able to build an internal network. I fondly remember working together with the president and the HR manager of SHINSHO AMERICAN CORP. to host various events aimed at building relationship of trust with the locally-hired staff, through which we were able to gradually develop a sense of solidarity.

My current job of IR/SR is to have an in-depth understanding of the Company and communicate it to people outside of the Company in an easy-to-understand way. In terms of knowing about the Company, I value my experience of having taken charge of the whole administrative work while in the U.S. I'd like to make every effort to make the Company even better by voicing out my honest opinion rather than trying to surmise the thoughts and feelings of others too much.



### Promotion of health management

Believing that it is an important duty of a company to maintain and promote the health of its employees, the Company established the "Health and Productivity Management Declaration" in 2022. We are taking proactive steps to manage employee health, including by increasing the screening items of regular health checkups available to all employees and appointing industrial physicians and public health care nurses, with opportunities made for employees who request to consult about the results of medical examinations and other matters.

#### <Mental and physical health>

##### ● Upgrading of health checkups

Cancer screening (upper endoscopy, tumor marker tests, abdominal ultrasonography, etc.)  
Complete medical checkup at ages 35, 40, 45 and 50  
Benefits for gynecological screenings, dental checkup

##### ● Promotion of non-smoking

Benefits for smoking cessation program, free distribution of nicotine patches, closing of smoking lounges

##### ● Measures against infectious diseases

Encouragement of hand washing, benefits for influenza vaccination  
Encouragement of working from home and remote meetings

##### ● Mental healthcare

Provision of counselling to new graduates and mid-career hires, etc.  
Provision of training based on the results of organization analysis conducted following employee stress check  
Provision of e-learning programs to all employees

In addition, given the transformation to the economy and industrial structure of recent years, there has been an increasing rate of workers who feel worried, anxious or stressed about their jobs or career lifestyle, which is said to be leading to a rising trend of emotional disorders. Shinsho has established a system where employees can consult with mental health experts such as clinical psychologists, about their worries and concerns in the workplace and in their private lives, and we also provide support for the mental health management of our employees.

#### <Creating a comfortable working environment>

##### ● Various working styles

Utilization of flextime system and work from home system, introduction of annual paid leave available in hourly increments, introduction of a no-dress-code system

##### ● Prevention of long working hours

Keep track of time-in/time-out and manage overtime hours using a working management system (Employee and his/her supervisor will be notified when overtime hours exceed a certain threshold.)

##### ● Promoting the use of paid leave

Encouragement to take leave for refreshment, establishment of recommended paid vacation days  
Internal announcement of the target number of annual paid leave days to be taken (FY2022 result: 14.9 days)

#### Health-related data (FY2022)

- |  |              |                                      |              |
|--|--------------|--------------------------------------|--------------|
| ① Regular health checkup attendance rate | <b>100%</b>  | ④ Those maintaining desirable weight | <b>67.1%</b> |
| ② Stress check attendance rate           | <b>93.5%</b> | ⑤ Those who habitually exercise      | <b>21.4%</b> |
| ③ Smoking rate                           | <b>25.5%</b> | ⑥ Those getting enough sleep         | <b>54.3%</b> |

\* ① and ② covers all employees, while ③ through to ⑥ are figures for those aged 40 or older but below 75 who are eligible for specific health checkups. Calculated excluding those on overseas assignment and on leave of absence (childcare leave, maternity leave). ④ represents those with BMI below 25 being defined as maintaining desirable weight. ⑤ represents those who engage in physical exercise daily for at least 30 minutes being defined as exercising habitually.



#### Received certification under the Certified Health & Productivity Management Outstanding Organizations Recognition Program 2023

The Company was certified as a recognized organization under the 2023 program (large enterprise category) of the Certified Health & Productivity Management Outstanding Organizations Recognition Program by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi.

We offer various schemes ranging from regular health checkups, benefits for cancer and gynecological screenings to mental healthcare services for employees, and also work on initiatives such as work style reforms, diversity initiatives, and more. Aiming to provide a workplace where all employees are mentally and physically fit and work energetically, we will continue to practice the health and productivity management.

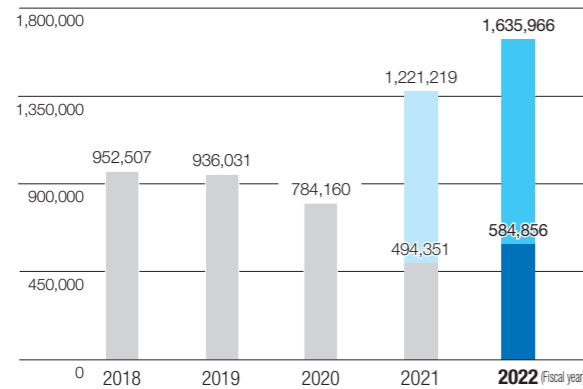


# Financial and Non-Financial Highlights

## Financial

### Net sales

(Million Yen)

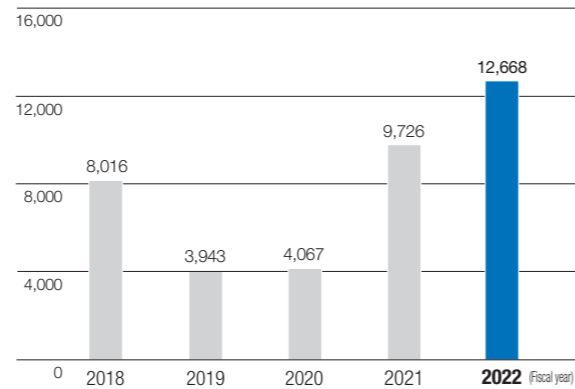


■ Net sales ■ Transaction Volume\*

\* Net sales if the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29), etc. had not been applied.

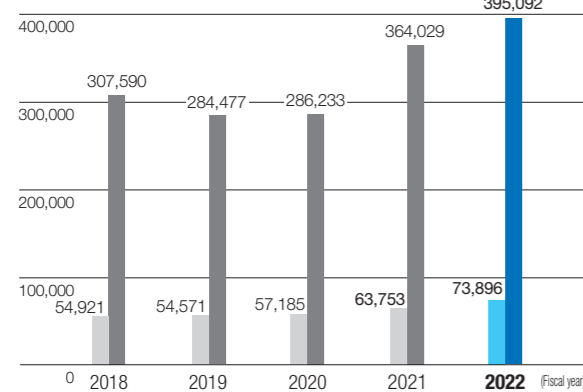
### Ordinary profit

(Million Yen)



### Equity/Total Assets

(Million Yen)

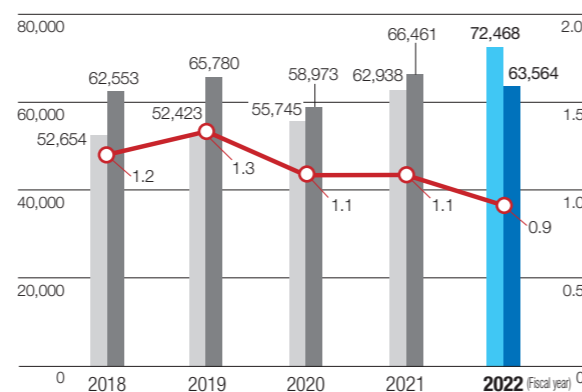


■ Equity ■ Total Assets

### Equity Capital/Interest-Bearing Debt/Debt Equity Ratio

(Million Yen)

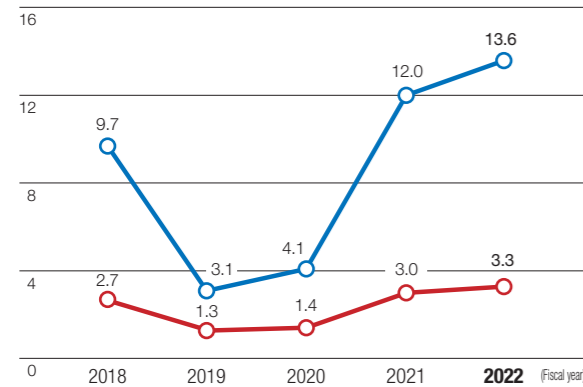
(Times)



■ Equity Capital ■ Interest-Bearing Debt  
○ Debt Equity Ratio (right scale)

### Return on Equity (ROE)/ Return on Total Assets (ROA)

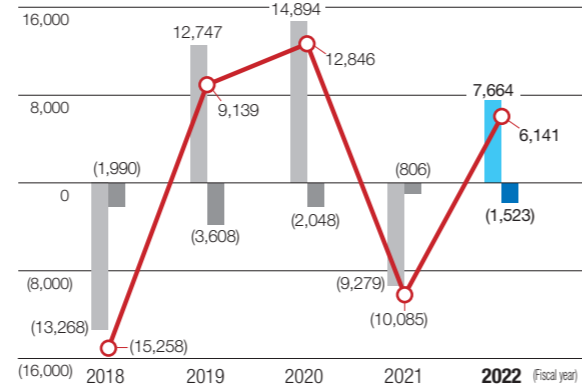
(%)



○ ROE ○ ROA

### Operating Cash Flows/Investing Cash Flows/ Free Cash Flows

(Million Yen)



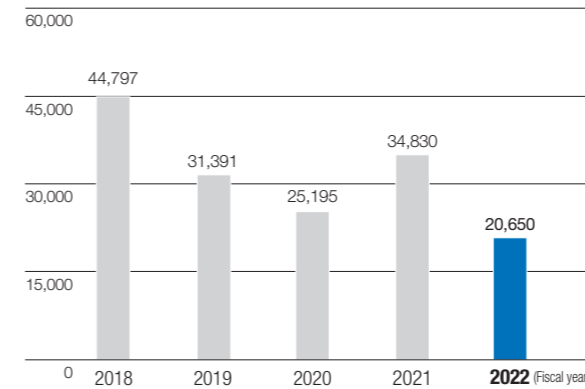
■ Operating Cash Flows ■ Investing Cash Flows  
○ Free Cash Flows

## Non-Financial

Scope of data: CO<sub>2</sub> emissions are for the consolidated; other figures are for Shinsho Corporation (Non-consolidated).

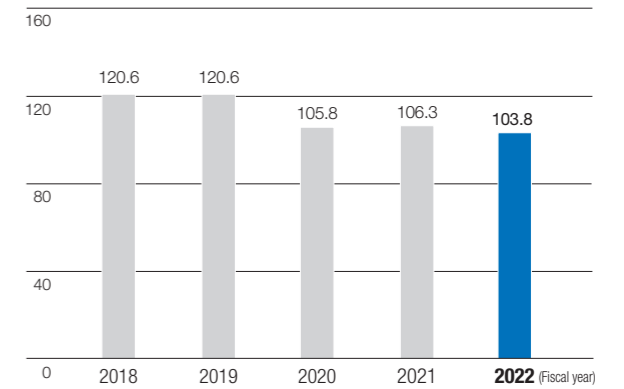
### Volume of CO<sub>2</sub> emission

(t-CO<sub>2</sub>)



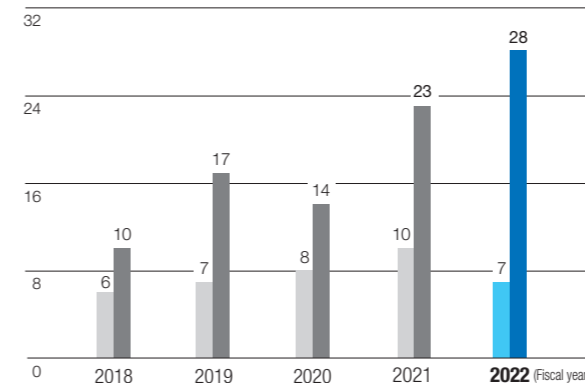
### Electricity consumption

(10,000 kwh)



### Number of persons taking childcare leave/ Number of persons taking childcare and nursing leave

(Persons)

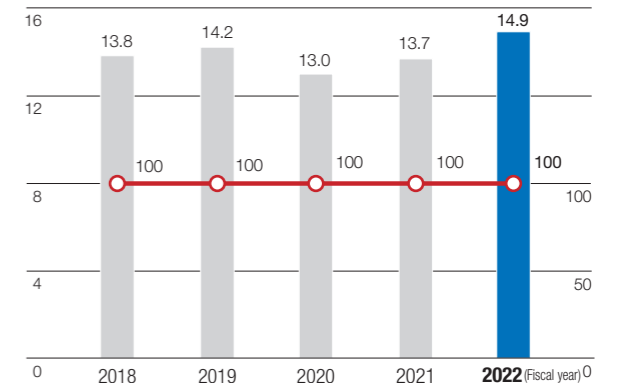


■ Number of persons taking childcare leave  
■ Number of persons taking childcare and nursing leave

### Average number of days of paid leave taken/ Rate of persons taking paid leave

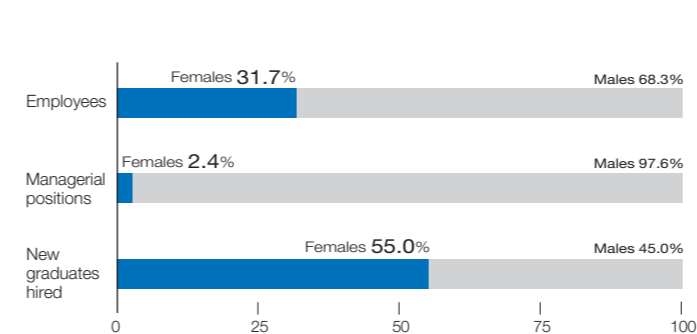
(Days)

(%)



■ Average number of days of paid leave taken  
○ Rate of persons taking paid leave

### Ratio of females (employees, employees in managerial positions, new graduates hired) (As of March 31, 2023)



### Financial wellness

To mitigate employees' future anxiety and provide an environment in which they can work with a sense of security, we offer training programs on asset management and other programs as part of employee benefits. We will continue to support our employees' asset formation.

#### Major initiatives:

- Asset building schemes (housing scheme, pension scheme, general scheme)
- Loan programs (housing loan, welfare loan)
- Employees' Shareholding Association
- Collective insurance (Kobelco Group)
- Corporate pension plan (defined contribution pension plan)
- Employee benefits (recreation resorts, company-owned flats, dormitories for unmarried employees, and various menu items offered by Benefit Station)

# Financial and Non-Financial Data for Eleven Fiscal Years

(Million Yen)

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
<b>Fiscal Years</b>											
Net sales	769,660	840,945	870,407	791,342	769,481	929,467	952,507	936,031	784,160	494,351	<b>584,856</b>
Operating income	5,455	5,736	6,788	5,831	4,819	8,119	7,922	4,829	4,454	10,054	<b>13,459</b>
Ordinary profit	4,860	5,318	6,575	5,908	5,248	8,624	8,016	3,943	4,067	9,726	<b>12,668</b>
Net income attributable to shareholders of the parent	1,880	3,160	3,974	3,480	2,970	5,449	5,019	1,629	2,198	7,136	<b>9,196</b>
Cash flows from operating activities	3,592	3,728	(1,701)	( 2,337)	5,875	199	(13,268)	12,747	14,894	(9,279)	<b>7,664</b>
Cash flows from investing activities	(4,311)	(4,017)	(1,632)	(3,429)	(1,318)	(680)	(1,990)	(3,608)	(2,048)	(806)	<b>(1,523)</b>
Cash flows from financing activities	1,335	(2,708)	5,122	4,568	(4,575)	2,840	2,104	1,977	(6,825)	4,068	<b>(9,188)</b>
<b>Fiscal Years ended March 31</b>											
Total assets	214,206	232,318	259,786	245,594	257,510	283,672	307,590	284,477	286,233	364,029	<b>395,092</b>
Equity	31,479	37,537	45,692	45,250	47,682	53,725	54,921	54,571	57,185	63,753	<b>73,896</b>
Equity capital	29,738	35,379	42,489	42,092	45,264	50,838	52,654	52,423	55,745	62,938	<b>72,468</b>
Interest-bearing debt	49,274	48,330	54,409	59,290	54,972	59,311	62,553	65,780	58,973	66,461	<b>63,564</b>
<b>Information per Share*1 (Yen)</b>											
Net income	212.36	356.86	448.84	393.04	335.43	615.47	566.81	184.03	248.24	805.91	<b>1,042.65</b>
Equity	3,358.36	3,995.32	4,798.41	4,753.62	5,112.18	5,741.27	5,946.33	5,920.30	6,295.46	7,107.83	<b>8,235.14</b>
Dividends	60.00	60.00	80.00	80.00	100.00	110.00	110.00	90.00	50.00	245.00	<b>315.00</b>
<b>Financial Indicators</b>											
Return on Equity (ROE) (%)	6.7	9.7	10.2	8.2	6.8	11.3	9.7	3.1	4.1	12.0	<b>13.6</b>
Return on Total Assets (ROA) (%)	2.2	2.4	2.7	2.3	2.1	3.2	2.7	1.3	1.4	3.0	<b>3.3</b>
Operating Income on Net Sales (%)	0.7	0.7	0.8	0.7	0.6	0.9	0.8	0.5	0.6	2.0	<b>2.3</b>
Capital Ratio (%)	13.9	15.2	16.4	17.1	17.6	17.9	17.1	18.4	19.5	17.3	<b>18.3</b>
Interest-Bearing Debt Ratio (Times)	1.7	1.4	1.3	1.4	1.2	1.2	1.2	1.3	1.1	1.1	<b>0.9</b>
<b>Non-Financial Information</b>											
Volume of consolidated CO <sub>2</sub> emission (t-CO <sub>2</sub> )	—	—	—	—	—	—	44,797	31,391	25,195	34,830	<b>20,650</b>
Non-consolidated electricity consumption (10,000 kwh)	126.0	128.0	124.2	125.9	126.6	125.6	120.6	120.6	105.8	106.3	<b>103.8</b>
Number of consolidated employees (Persons)	1,286	1,349	1,390	1,508	1,556	1,628	1,684	1,660	1,664	1,497	<b>1,404</b>
Number of non-consolidated employees*2 (Persons)	515	515	500	517	513	526	525	524	512	498	<b>561</b>
of which, males (Persons)	321	315	305	309	313	315	319	319	308	302	<b>383</b>
of which, females (Persons)	194	200	195	208	200	211	206	205	204	196	<b>178</b>
of which, foreign nationals (Persons)	10	15	15	17	20	20	24	25	19	21	<b>18</b>
Ratio of women in managerial positions (non-consolidated employees) (%)	1.3	1.3	1.3	1.2	1.2	1.2	1.2	1.8	2.6	3.3	<b>2.4</b>
Ratio of women in career-track positions (non-consolidated employees) (%)	8.9	9.5	9.5	9.4	8.4	7.8	7.7	6.9	7.2	7.2	<b>11.2</b>
Employment rate of persons with disabilities (non-consolidated employees) (%)	1.6	2.1	2.3	1.9	1.9	1.6	1.2	1.4	1.7	1.2	<b>1.6</b>
Number of new graduates hired (non-consolidated) (Persons)	35	32	22	31	28	25	26	25	28	11	<b>17</b>
of which, males (Persons)	19	15	10	20	18	16	19	15	17	6	<b>8</b>
of which, females (Persons)	16	17	12	11	10	9	7	10	11	5	<b>9</b>
Number of persons taking childcare leave (non-consolidated) (Persons)	2	1	4	4	5	6	6	7	8	10	<b>7</b>
Number of persons taking childcare and nursing leave (non-consolidated) (Persons)	—	—	5	5	6	11	10	17	14	23	<b>28</b>
Average number of days of paid leave taken (non-consolidated) (Days)	—	—	9.8	9.7	12.3	12.4	13.8	14.2	13.0	13.7	<b>14.9</b>
Rate of persons taking paid leave (non-consolidated) (%)	—	—	98.7	99.3	100	100	100	100	100	100	<b>100</b>

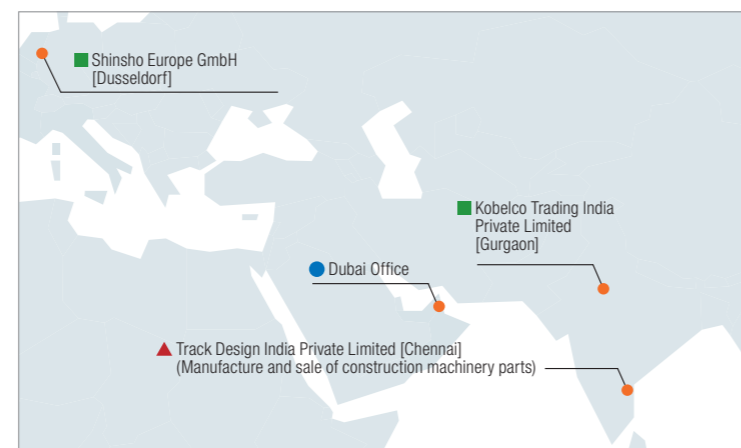
\*1 Since the Company implemented a reverse stock split of 10 shares of common shares into 1 share effective as of October 1, 2016, information per share is calculated on the assumption that the reverse stock split was implemented at the beginning of FY2011.

\*2 Figures for FY2021 and earlier are the number of employees actually working. Figures for FY2022 onwards represent the number of persons employed by the Company.

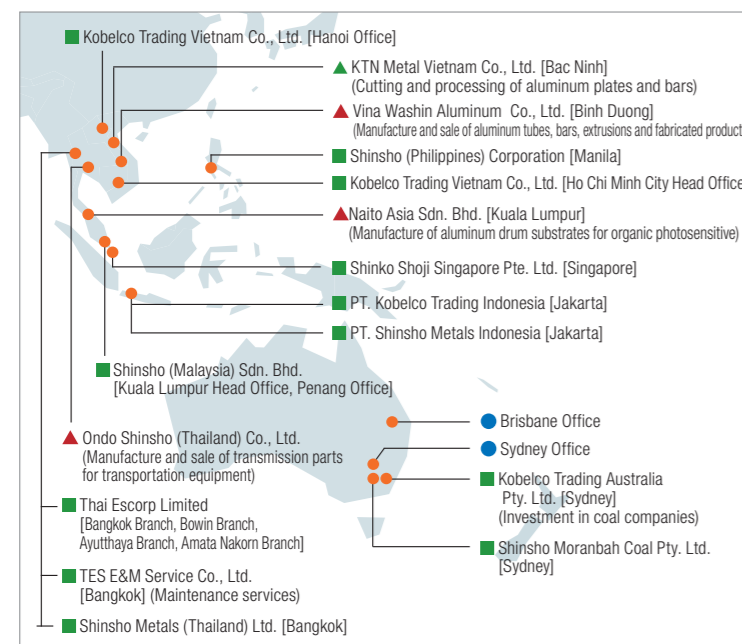
## <Overseas Networks>

- Overseas representative offices
- Major subsidiaries (Sales bases)
- ▲ Major subsidiaries (Processing and manufacturing bases)
- ▲ Major affiliated companies (Processing and manufacturing bases)

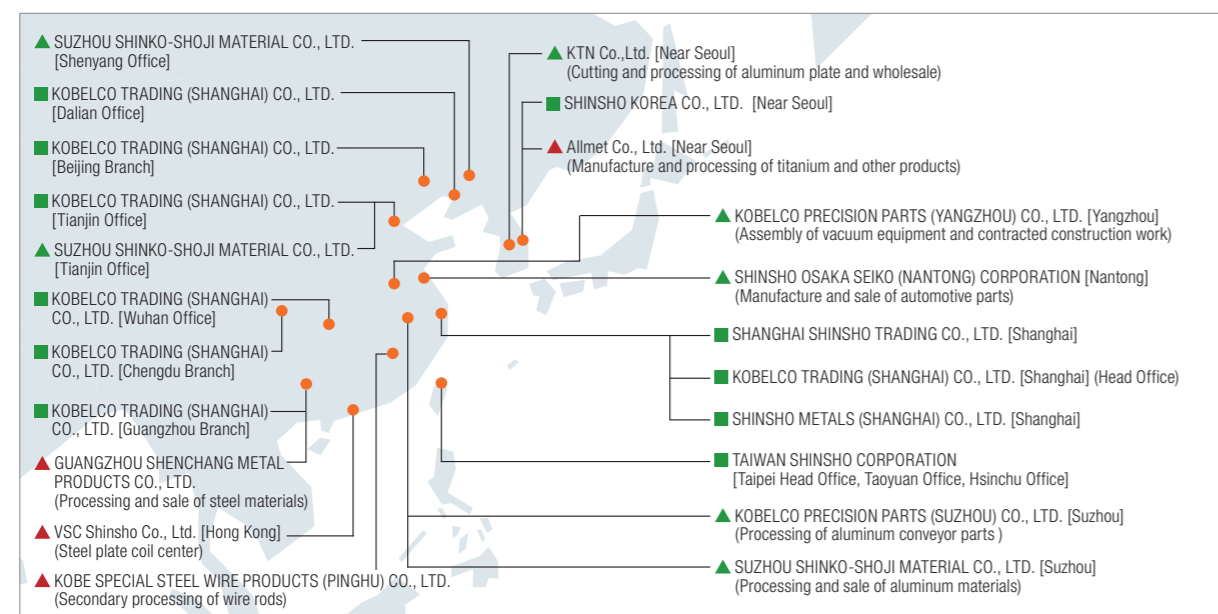
## Europe, Middle East and India



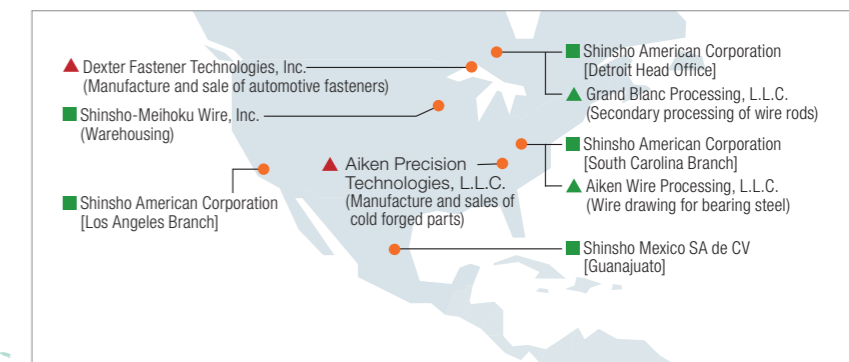
## ASEAN and Australia



## East Asia



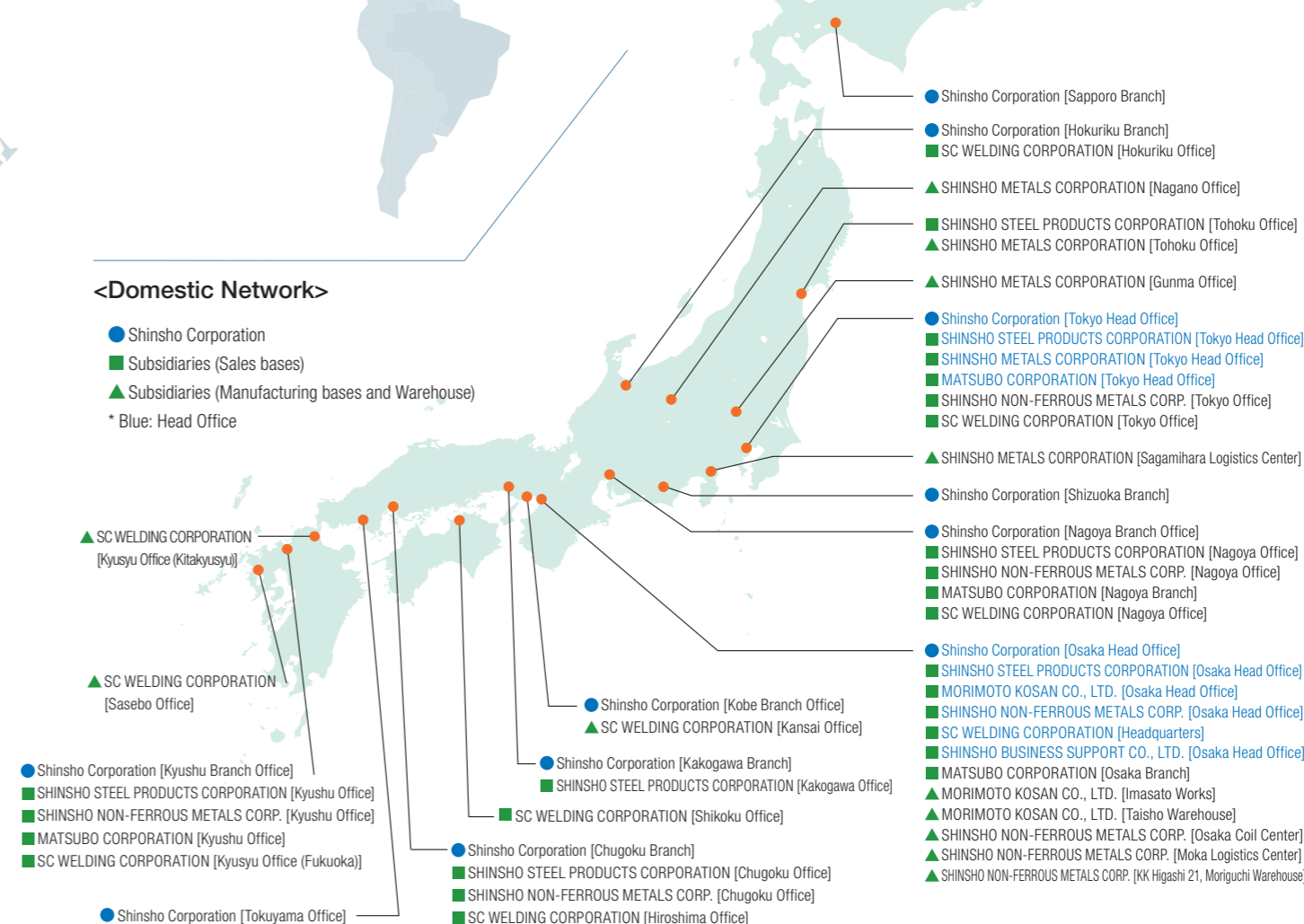
## North and Central America



## North and Central America

## <Domestic Network>

- Shinsho Corporation
- Subsidiaries (Sales bases)
- ▲ Subsidiaries (Manufacturing bases and Warehouse)
- \* Blue: Head Office

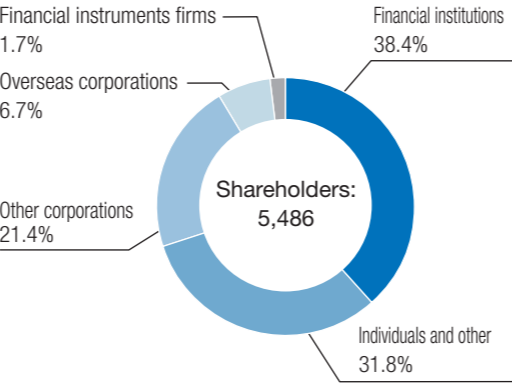


Stock Information

(As of March 31, 2023)

Stock Code	8075
Listing	Tokyo Stock Exchange Prime Market
Total number of shares authorized	27,000,000 shares
Total number of shares outstanding	8,855,524 shares (excluding 5,038 shares of treasury stock)
Number of shares per trading unit	100
Total number of shareholders	5,486
Base Date	March 31
Shareholder Registry Administrator	Mitsubishi UFJ Trust and Banking Corporation

Composition of shareholders by type

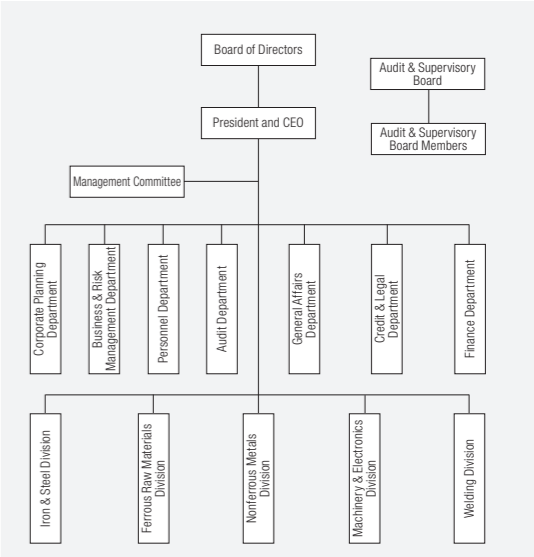


Company Profile

(As of March 31, 2023)

Name	Shinsho Corporation
Established	November 12, 1946
Paid-in Capital	¥5,650.28 million
Main Business Lines	Import/export and trading of products such as iron and steel, raw materials, nonferrous metals, machinery, information industry and welding
Employees	[Consolidated] 1,404; [Non-Consolidated] 561
Head Offices	Osaka: Yodoyabashi Square, 6-18, Kitahama 2-Chome, Chuo-ku, Osaka, 541-8557, Japan Tokyo: Museum Tower Kyobashi, 7-2, Kyobashi 1-chome, Chuo-ku, Tokyo, 104-8389, Japan URL: <a href="https://www.shinsho.co.jp/english/">https://www.shinsho.co.jp/english/</a>

Organization

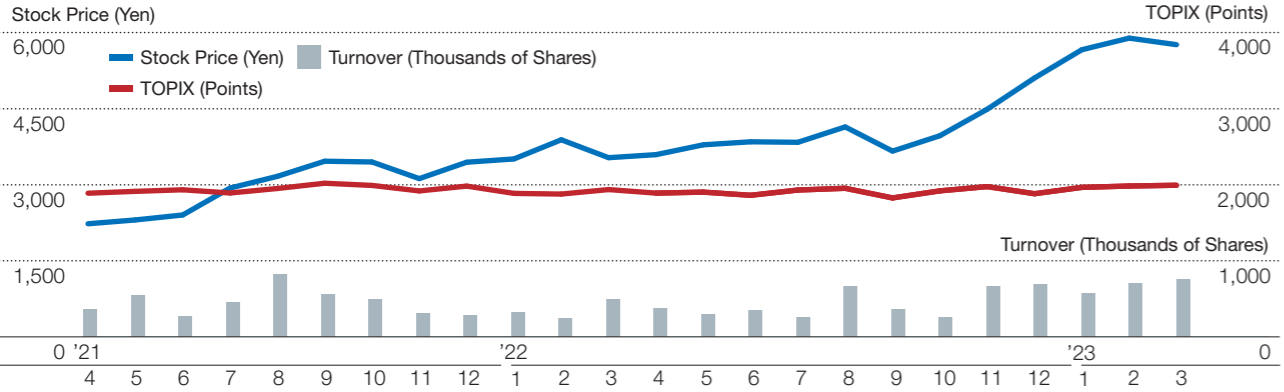


Major shareholders

Name	Number of shares held (thousand shares)	Ownership ratio (%)
Mizuho Trust & Banking Co., Ltd. (Kobe Steel, Ltd. Retirement Benefit Trust Account)	1,906	21.53
Kobe Steel, Ltd.	1,179	13.32
Shinsho Client Shareholding Association	805	9.10
The Master Trust Bank of Japan, Ltd. (Trust account)	620	7.01
Shinsho Employees' Shareholding Association	226	2.56
Custody Bank of Japan, Ltd. (Trust account)	187	2.11
SINFONIA TECHNOLOGY CO., LTD.	150	1.69
DFA INTL SMALL CAP VALUE PORTFOLIO	121	1.37
MUFG Bank, Ltd.	109	1.23
Tojiro Ashida	104	1.18

\*The Company holds 5,038 shares of treasury stock but is excluded from the above major shareholders.

Stock prices and turnover



Editorial Postscript

Integrated Report 2023, which is the second integrated report that we have issued, focuses on the expanded disclosure of non-financial information, in addition to the Group's strategies to enhance corporate value over the medium- to long-term as we set out on our journey in the second founding, as well as the issues that we recognize.

The report includes some new sections such as the "Employee Growth Story," in which our employees working actively in Japan and abroad talk about what they find rewarding about their job and what they aspire to achieve in the future, and the "Interview with Outside Directors," in which the directors discuss issues to be addressed in order to enhance our corporate value.

We hope that this Integrated Report will help deepen our stakeholders' understanding of our Group.

We will continue to make improvements to this report in terms of readability and content.

For more information, please contact

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**Shinsho Corporation**

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