

Shinsho Corporation Integrated Report 2025



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.**



CONTENTS

About Shinsho Corporation

- 01 Corporate Philosophy and Our Purpose
- 02 CONTENTS
- 03 President’s Message
- 09 Shinsho Corporation’s Journey of Growth
- 11 Value Creation Process
- 13 Six Types of Capital That Support Value Creation

Growth Strategy

- 15 Progress of Medium Term Management Plan 2026
- 21 Message from the Chief Financial Officer
- 23 Human Capital Management
- 25 Start of the Purpose Project

Sustainability Management

- 27 Advancing Sustainability Management
- 29 Material Issues for Realizing the Long-term Management Vision
- 31 Contribution to Tomorrow’s Manufacturing
 - Metals Division**
 - Iron & Steel Unit
 - Non-Ferrous Unit
 - Ferrous & Recycling Materials Unit
 - Machinery & Welding Division**
 - Machinery Unit
 - Welding Unit
- Major Domestic and Overseas Business Companies
- 43 Corporate Activities with Compliance
- 45 Activities in the Global Environment
- 53 Corporate Culture Respecting Diversity
- 55 Realization of Personal Growth
- 57 Corporate Governance
- 66 Roundtable Discussion with Outside Directors

Corporate Data

- 69 Financial and Non-Financial Highlights
- 71 Financial Data for Eleven Fiscal Years
- 73 Network
- 75 Company Information

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 our 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, 2024 to March 31, 2025
(Some corporate activities prior to April 1, 2024 and following March 31, 2025 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



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, 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.

President's Message

Kobelco Group Transforming our businesses to be even more appealing Medium Term Management Plan 2026 Fleshing out our strategies

Hironobu Takashita
President and CEO

KOBELCO
神戸製鋼グループ
神鋼商事株式会社



Striving to create social and economic value and achieving sustainable growth

Shinsho Corporation, founded 79 years ago, is the core trading company of the Kobelco Group. For many long years, our business has been deeply rooted in manufacturing sites, consisting of materials, raw materials, and machinery product business. Through the years, we have developed and expanded these businesses. We have cultivated expertise as a manufacturer-linked trading company, using the knowledge and manufacturing capabilities that we have refined as part of the Kobelco Group as the foundation from which we leverage our diverse product portfolio,

high quality domestic and global customer base, and global network. By handling the entire supply chain, from procurement to processing and logistics, we have met the varied needs of those both inside and outside our Group.

However, in today's mature markets, the role of trading companies has come to be seen as having less inherent value based on conventional trading. Accordingly, we face the challenge of how best to improve the functions we provide, help create future-oriented value, and become a vital entity.

In the Medium Term Management Plan 2026 which is currently underway, we are doing business supported by the following three pillars to embody high-quality management and transition to being a truly global company in our "second founding."

(1) Kobelco Group business

(2) Shinsho's original supply chains

(3) Promoting new SX businesses

As a member of the Kobelco Group, a manufacturing group, we must evolve into an entity that provides functional value to manufacturing processes and the entire supply chain. We will further polish our core competencies and help improve the competitiveness of our supply chains, which connect business partners and manufacturers. At the same time, we will combine diverse forms of manufacturing, such as metal and machine

manufacturing, within the Group to embark on ventures into new business domains and various industries, creating future value.

We emphasize the creation of businesses that create social value and actively think about business solutions that tackle social issues such as supply chain diversification, local production for local consumption, and labor-savings. We will work with partners both inside and outside the Group to create business and manufacturing innovation. We will also fuse manufacturing investment and trading while we reinforce our functions. Through this, we will transform our business portfolio to make it more competitive and reinforce our business foundation.

→ Medium Term Management Plan 2026 (Details on pp. 15-20)

Our recognition of our business environment

In recent years, the global economy has been undergoing a major structural change. The slowdown in the Chinese economy, precipitated by the real estate slump, has caused material prices to fall, triggered excessive competition, and accelerated the contraction of demand. Furthermore, trade friction between China and the US and tariff policies introduced by the Trump administration are shaking the foundations of the free trade system. These have led countries to switch course to building primarily domestic supply chains. The rise of protectionism has pushed companies which have previously been reliant on borderless economic activity to reconsider their business models.

These changes have also begun to undermine the growth momentum of industries, such as the automobile,

semiconductor, and renewable energy industries, that have recently been driving the global economy. The gap between ideals and reality has also grown more prominent for carbon neutral initiatives, as can be seen in the cooling of the EV market and the cost and inflation issues hampering the widespread adoption of hydrogen energy. Given this situation, traditional growth strategies that pursue volume or market share could be unsustainable. That's why we plan to shift from a "product-out" mentality of how to sell steel and how to sell non-steel products to a value creation-focused mentality rooted in social value. We will strengthen our cross-functional collaboration and accelerate our efforts to create future value, led by Kobelco Group business and Shinsho's original supply chains.

Initiatives for increasing our competitiveness

In advancing our three-pronged business strategy, we will enhance our functions as a trading company as we transform our business portfolio, expand our overseas business, and dedicate ourselves to thorough capital cost management.

Business portfolio reform Enhancing our functions and taking on the challenges of creating social value

For our Iron & Steel Unit, it is important that we coordinate with the strategies of Kobe Steel's steel business while improving its functions. Its goal is to

increase its economic value by strengthen the trading company functions of supply chains as a whole while at the same time expanding sales channels for strategic products, building domestic and global supply chains, and expanding manufacturing business fields such as processing.

Our Non-Ferrous Unit is engaging in new businesses that contribute to greater recycling of domestic raw materials, such as aluminum scrap upgrading business and new businesses that help achieve resource recycling. The Ferrous & Recycling Materials Unit aims to expand our handling of materials that are vital for achieving

President's Message

carbon neutrality, such as biomass fuels that can serve as substitutes for fossil fuels and steel scrap. It is taking on the challenges of doing business that generates social value.

The Machinery Unit is supporting capital investment in carbon neutrality, labor-savings, manufacturing advances, and the like. It is diversifying its product lines and expanding its areas and striving to expand its trading company functions, such as its incidental services. The Welding Unit is exploring diverse new businesses by approaching the manufacturing field in addition to enhancing its functions in the areas of materials and robotics.

The New Business Promotion Department is taking part in the manufacturing and sale of black bark pellets, which are made by roasting biomass fuel and significantly improve combustion calories and handling. Furthermore, it is analyzing environmental startup businesses from the perspectives of social value, synergy, and business viability and considering the launching of new businesses.

In this way, we are steadily fleshing out our efforts to promote growth investment and strengthen our trading company functions, which are strategies of the Medium Term Management Plan.

Expansion of overseas business Diversifying and strengthening the competitive power of our supply chains

When we think about our future growth, we must also think about strengthening our overseas supply chains. Internal demand is expanding in the Indian market, and in addition to our core products such as iron and steel, non-ferrous metals, and industrial machinery, we are also focusing on expanding our export business. Not only will we provide our existing customers with greater added value, but we will also work to create new demand. In the North American market, the key concept will be local production for local consumption. For the automobile industry, we will strengthen our entire North American supply chain, centering on Grand Blanc Processing, a secondary wire rod processing location. Recently, we have built new STC annealing furnaces and improved our pickling facilities, significantly increasing our production capacity and quality. We are steadily working to capture demand for high grade steel wire rods as the EV shift continues. Furthermore, we are aiming to build a specialized DX platform for the wire rod supply chain of the Kobelco Group and centrally manage steel manufacturers and our customers, secondary processing manufacturers, in real time.



As part of our efforts to increase engagement, we held a Shinsho Corporation Family Day in Tokyo in July 2024, in Osaka in March 2025, and in Nagoya in July 2025. These events were enjoyed by employees and family members alike.

Implementation of human capital management and Purpose-driven management

Our human resource approach will also need to be transformed to support these business strategies.

One of the organizational features of our company is that we don't work as a monolithic team. Instead, each of our employees acts almost like an independent company, making their own decisions, dealing responsibly with customers on their own, and expanding our business. Even though they may belong to the same organization, they each create their own different value. These diverse approaches, combined together, are what form our business foundation. This work style is supported by the high level of specialization of our employees, their ability to forge bonds of trust with customers, and their autonomy. These are all important intangible assets that support our competitive superiority. To elevate these assets into corporate value, it is vital that we have a framework for transforming the power of individuals into organization value. With conventional human resource systems, there is a tendency for career decisions to be made on the company side. If employees conceptualize their own futures but these visions repeatedly fail to become reality, it can lead to employees becoming passive and simply following company orders. This robs employees of their independent-mindedness and creativity and inhibits the transformation of these intangible assets into value.

We make independent-mindedness—learning and acting on one's own—the heart of our human resource approach, and we invest in human capital with the aims of promoting personal growth and the desire to contribute, increasing our competitiveness, and spurring

innovation.

In career development training, employees think about their career ambitions. They engage in small group activities aimed at improving our human resource system to make those ambitions possible and contributing to those around them. Through these activities, they advance our transformation efforts forward.

With respect to engagement in the organization, some employees see our social impact as being minor and have expressed uncertainty about the future. Our Corporate Philosophy is “‘Integrity’ is Shinsho Corporation’s company motto. We are committed toward securing prosperity for our clients and shareholders through the creation of new values.” While employees may understand this philosophy at a conceptual level, it is essential that they actually feel the ways we benefit society and the power of our company, and see the unique qualities of our company as something that relates to them personally.

This is why we formulated our Purpose, which puts into words our significance to society.

**To take on change, starting with ourselves.
To create, connect, and unlock the inherent value within people.
To create an exciting future.**

Behind this Purpose is a powerful conviction that we must value the identity that we have developed as the core trading company of the Kobelco Group, that all of our employees must take on the challenge of transforming themselves, that they must actively create value for society, and that they must create the future.

I hope that our ongoing dialogues with employees will help our Purpose take deeper root and prompt



President's Message

our employees to think about their own purposes, to consider how they will contribute to society, to put these ideas into words, and to be guided by them in their work.

→ Human Capital Management (Details on pp. 23-24)

Thorough capital cost management

We introduced ROIC as an indicator starting with Medium Term Management Plan 2026 and we have positioned it as an important KGI for measuring and improving capital efficiency and optimally allocating management resources. We don't just manage this indicator at the business or unit level, but also at the individual business unit and even the individual transaction level. In the past, due to our making the fulfillment of our customers'

requests our highest priority, we had a tendency for inventory to build up, which created capital efficiency issues. However, by utilizing ROIC, we have established a focus on efficiency throughout our corporate culture. Our business sites are working to reduce inventories and our finance and accounting departments are identifying and visualizing transactions which involve large capital demands. These company-wide initiatives are helping us improve our ROIC and our cash generation power.

Furthermore, we evaluate each business from a multitude of perspectives, such as its appeal, future potential, and functionality. We determine sustainability and potential to generate greater future business value on an individual business unit basis and optimize our business portfolio to help improve our capital efficiency.

The value improvements that can be achieved by Kobelco Group

For Shinsho Corporation, being part of the Kobelco Group has enabled us to build up a business platform, a wide-ranging network, and the intangible asset of reputation over the course of many years. By linking these to Group business growth strategies, we can create greater value. Furthermore, this solid foundation is the wellspring of our competitive advantage and serves as the base from which we can delve into new business opportunities.

Because we are a trading company that was

born of a manufacturing company, we are able to increase our involvement in manufacturing and our manufacturing functions. We can demonstrate our competitiveness even in manufacturing outside the Group and create new value. This contributes directly to increasing the competitiveness of our Group as a whole. We believe that Kobelco Group business and our original supply chains help us create value for our shareholders and represent the future direction of our business.

Refining our consolidated Group management and evolving our auditing system

To grow further and create greater corporate value, we have made the enhancement of governance one of our highest priorities. In our current consolidated Group management, our approach to control, including that of domestic and foreign subsidiaries, is becoming a major management issue. We are currently investigating how to exercise control over the entire Group, including the effectiveness of sales activities, the validity of business operations, and risk management, how to manage the Group in a healthy and efficient manner, and what measures to use to address issues.

To make our Board of Directors even more effective, in 2024, we transitioned to a company with an audit and supervisory committee. With this change, our audit evaluation standards have evolved from legality

to more substantive validity. We took the opportunity of the change in our system to fundamentally overhaul the roles of the audit division. We built a system that evaluates feasibility, monitors corrective measures, and strengthens internal control in an integrated manner. We are linking these changes to our improvements to the functions of the Board of Directors and raising the level of management transparency and trustworthiness with the aim of establishing a fast and effective audit and supervision system in 2025. From this foundation, we will boldly delegate authority to our executive team to maximize the independence of those in the field and the speed of their decision-making, accelerating our creation of an organization that is highly adaptable to change.



Transforming the unknown into value

In April 2025, we created a Sustainability Management Department. This department helps strengthen the appeal of our growth story and the logic of our new value creation through initiatives for tackling key issues from a social issue starting point. It also engages in deliberations aimed at conveying, in concrete terms, what we should change, in which fields, and by when. To ensure that these initiatives are effective, it is vital that each and every employee develops a sense of urgency. True portfolio reforms will not be possible if people expect tomorrow to be the same as today. We must discuss worst-case scenarios and work back from them to decide what to keep and what to change. True strength comes from being ready to generate new value even if we lose everything we already have.

That's why I urge those in the field to have a sense

of urgency and to transform how they feel and think. I am at the forefront, bearing the torch of behavioral change. What lies beyond those changes is the future—unimagined new markets, formless technologies, problems that have yet to be solved. By taking on the challenge of transforming that future into value, we will polish Shinsho Corporation's unique strengths and accelerate its transition to high quality management.

I will continue to strive to increase our corporate value through dialog with our stakeholders, and I look forward to your continued guidance and direction.

Shinsho Corporation's Journey of Growth

Shinsho Corporation was established in Osaka City in 1946 as Taihei Corporation (precursor to Shinsho Corporation) when it began handling Kobe Steel's products as the first manufacturer-specialized trading company in postwar Japan. 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. Even today, as a specialized trading company working globally from the perspective of the manufacturing of tomorrow, we take on the challenge of creating "a new world, new era, and new values."



Taihei Corporation Head Office



KOBELCO TRADING (SHANGHAI) CO., LTD.



Strengthening provision of added value by expanding the Group



Osaka Head Office Tokyo Head Office

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

Contributing to infrastructure development in Japan

Supplying products crucial for manufacturing on a global scale

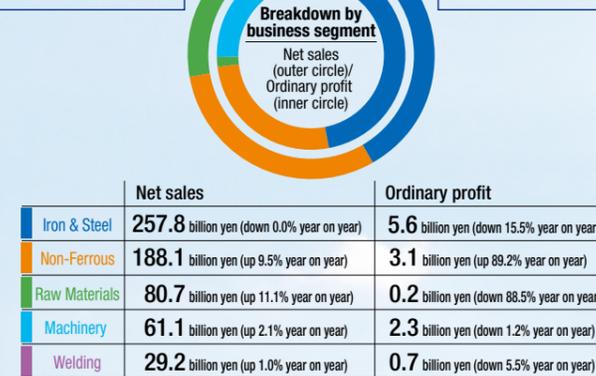
Legend: Nonconsolidated net sales (grey bar), Transaction volume* (million yen) (blue bar), Ordinary profit (million yen) (blue line).
 * Net sales if the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29), etc. had not been applied.



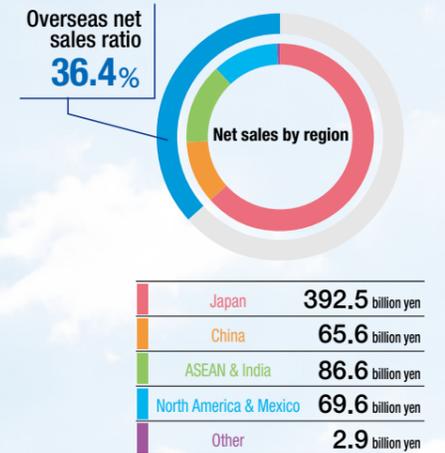
Contribution to manufacturing	Establishment: Global growth as a manufacturer-affiliated trading company				A trading company that supports manufacturing for tomorrow and contributes to society				
	Laying the groundwork	Diversification	Selection and concentration	Acceleration of globalization	Promotion of sustainability initiatives	Take on the challenge of creating "a new world, new era, and new values"			
1946	1966	1988	2006	2010	2021	2022	2023	2024	2025
Founded as Taihei Corporation in Kitahama, Osaka	Established The Shinsho American Corporation (now Shinsho American Corporation)	Established Thai Escorp Ltd. Established SHANGHAI SHINSHO TRADING CO., LTD. Acquired Grand Blanc Processing, L.L.C.	Established SUZHOU SHINKO-SHOJI MATERIAL CO., LTD Established KOBELCO TRADING (SHANGHAI) CO., LTD.	Established KOBELCO PRECISION PARTS (SUZHOU) CO., LTD	SHINSHO METALS CORPORATION established aluminum processing company in Vietnam Acquired KOBELCO PRECISION PARTS (YANGZHOU) CO., LTD. as a subsidiary Established Track Design India Private Limited Promoted sales of refuse derived paper and plastics densified fuel (RPF) Further enhanced facilities of Grand Blanc Processing Embarked fully on aluminum horizontal recycling	Entered fully into biomass fuel business Enhanced facilities of Suzhou Shinko-Shoji Material Enhanced facilities of Kobelco Precision Parts (Suzhou) Manufactured alloys using hydroelectric power, through Malaysia-based Pertamina Ferroalloys Sdn. Bhd. Invested in a decarbonization fund	Began a demonstration project to plant early-maturing trees in Ishikari City Established KTN Metal Vietnam Co., Ltd. Started invested in CHITOSE Group	Launched a joint study on the effective use of biomass combustion ash Established aluminum chamber joint venture Acquired Nippon Granulator Co., Ltd. as a subsidiary Invested in KG Motors Inc.	Strengthened biomass-related business in Malaysia Announced aluminum sash scrap upgrading business for building materials Studied establishment of joint venture in aluminum recycling business Announced black bark pellet business Sponsored Chitose Group's "ALGAL by MATSURI" project (Factory Area of the Japan Pavilion at Expo 2025 Osaka, Kansai, Japan)

FY2024 overview

Net sales **617.2 billion yen** Ordinary profit **11.8 billion yen**



Global development of diverse business



Employees: 1,437 (Consolidated), 566 (Non-consolidated)

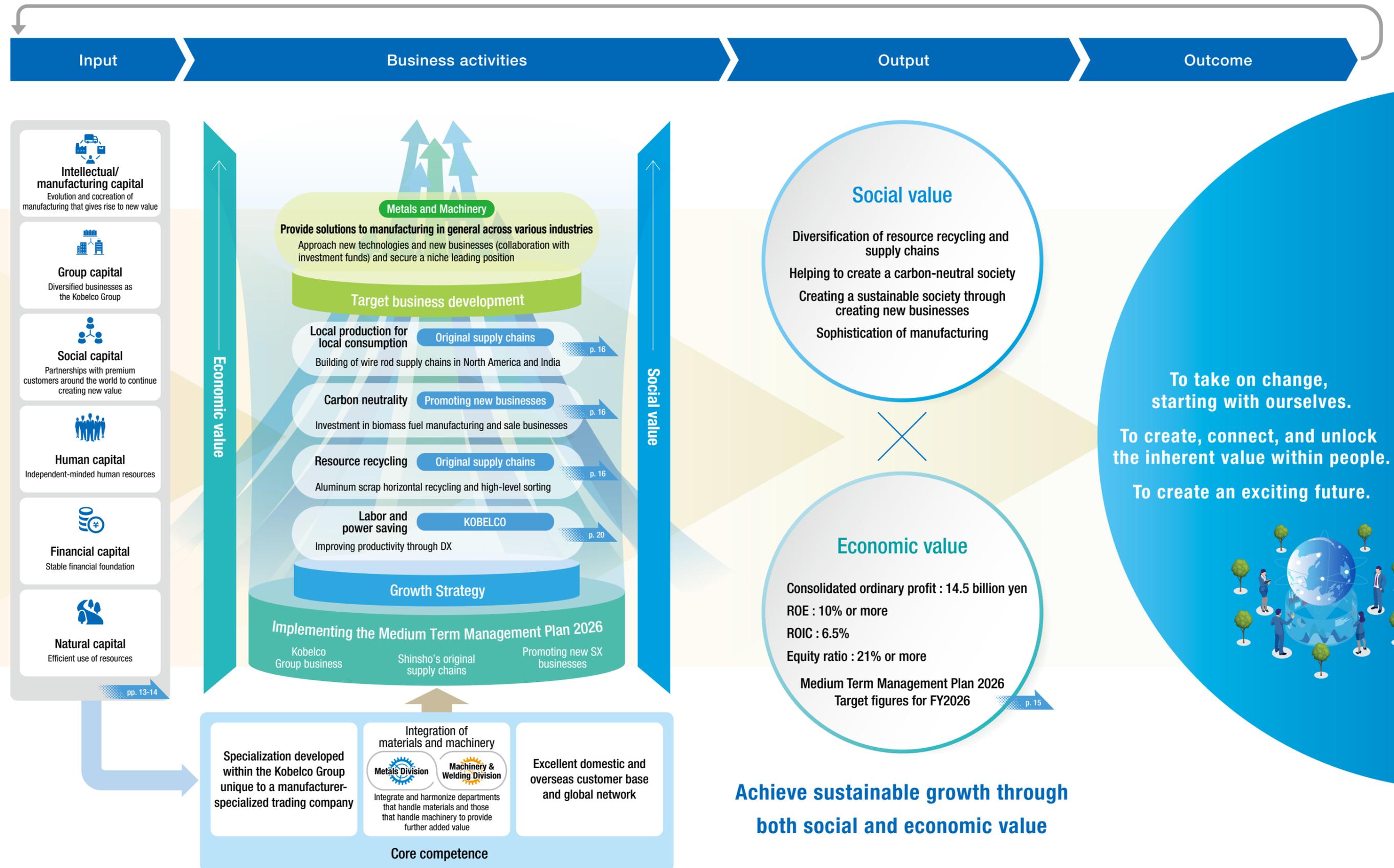
Group companies: 17 domestic companies, 42 overseas companies, Total of 59 companies

Global business bases: 77 bases (including entities not accounted for using equity method)

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.

Value Creation Process



Six Types of Capital That Support Value Creation

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

 <h2>Intellectual capital/ manufacturing capital</h2>  <p>Evolution and cocreation of manufacturing that gives rise to new value</p>	 <h2>Group capital</h2>  <p>Diversified businesses as the Kobelco Group</p>	 <h2>Social capital</h2>  <p>Partnerships with premium customers around the world to continue creating new value</p>	 <h2>Human capital</h2>  <p>Independent-minded human resources</p>	 <h2>Financial capital</h2>  <p>Stable financial foundation</p>	 <h2>Natural capital</h2>  <p>Efficient use of resources</p>
<p>Overview</p>	<p>Overview</p>	<p>Overview</p>	<p>Overview</p>	<p>Overview</p>	<p>Overview</p>
<p>Leveraging our technological capabilities and expertise developed as a manufacturer-specialized trading company, we provide solutions to assist with our clients' creation of value by combining diverse supply sources and manufacturing capital. We also take on the challenge of creating innovation and new value that lead to manufacturing excellence, without being confined by existing frameworks. To help create a sustainable society, we drive forward business efforts that, together with our customers, create the future of society.</p>	<p>We are the core trading company of the Kobelco Group, which has diverse business entities. Centered on the integration of materials and machinery, we work to create new value and engage in businesses that help solve social issues by combining the diverse business domains in which Group companies operate with our trading company functions, customer base, and information and proposal capabilities closely linked to sites.</p>	<p>As solutions-focused, manufacturer-specialized trading company that provides value to the entire value chain, we have grown together with premium customers with whom we have built relationships of trust. We aim for sustainable growth by advancing initiatives that create business together with our customers—such as establishing new companies through capital alliances and joint investments—and building strategic partnerships.</p>	<p>We will deepen understanding about our social significance by establishing our Purpose and actively support employees with independence who learn and act on their own to create innovation.</p>	<p>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.</p>	<p>We have been helping to create a circular society since we were first founded, handling scrap metal and going on to also handle biomass fuels in recent years. Setting "Activities in the global environment" as a material issue, we are working on the efficient use of natural capital and the reduction of our environmental footprint.</p>
<p>Features</p>	<p>Features</p>	<p>Features</p>	<p>Features</p>	<p>Features</p>	<p>Features</p>
<ul style="list-style-type: none"> 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 (including DX investments) <p>23.0 billion yen (FY2024–FY2026)</p>	<ul style="list-style-type: none"> Strengths in five Units: Iron & Steel, Non-Ferrous, Ferrous & Recycling Materials, Machinery, and Welding Obtain the latest information through cooperation with Kobelco Group 	<ul style="list-style-type: none"> Sales destination (Nonconsolidated) 2,045 (Domestic and overseas) Supplier (Nonconsolidated) 2,971 (Domestic and overseas) 	<ul style="list-style-type: none"> Employees Consolidated : 1,437 Nonconsolidated : 566 Ratio of women in career-track positions 16.1% Education and training expenses 145 million yen Per employee investment 257 thousand yen Learning time 54.8 hours 	<ul style="list-style-type: none"> Equity capital 91.4 billion yen Interest-bearing debt 61.3 billion yen ROE 9.7% Debt equity ratio 0.7 times Capital ratio 23.6% 	<ul style="list-style-type: none"> Reduce CO₂ emissions by expanding transactions in resource recycling businesses such as scrap metal and biomass fuels Environmental management system (ISO 14001) certified Electricity consumption 952,000 kWh Solar power generation at production bases
<p>Maintenance and strengthening initiatives</p>	<p>Maintenance and strengthening initiatives</p>	<p>Maintenance and strengthening initiatives</p>	<p>Maintenance and strengthening initiatives</p>	<p>Maintenance and strengthening initiatives</p>	<p>Maintenance and strengthening initiatives</p>
<ul style="list-style-type: none"> Enhancement of supply chain linkages through DX Acquisition of new expertise through M&As In-house training Introduction of highly-efficient equipment Creation of value that leads to manufacturing and thorough pursuit of QCD* <p>*QCD: Quality Cost Delivery</p>	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Construction of sustainable supply chain Participation in industry associations Contribution to society through business activities 	<ul style="list-style-type: none"> Enhancement of human capital investment Pursuit of social significance by establishing our Purpose Periodic engagement surveys Strengthening of dialogue between management and employees Promotion of diversity and inclusion Recognition under 2025 Outstanding Organizations of KENKO Investment for Health and Kurumin certification program Promotion of the Purpose Project 	<ul style="list-style-type: none"> Diversification of financing instruments Enhancement of cash management Promotion of business portfolio reorganization 	<ul style="list-style-type: none"> Expansion of resource recycling businesses Support a transition to decarbonization Promotion of introduction of renewable energy

Progress of Medium Term Management Plan 2026



Initiatives for medium- to long-term growth are making steady progress. We will enhance our capabilities toward achieving our targets. At the same time, toward business expansion, we will push forward with accelerating investments and reviewing our business portfolio.

Jun Takahashi
Director and Executive Officer
Responsible for the Corporate Planning Department and the New Business Promotion Department

Achievements in the first year

Under the Medium Term Management Plan 2026, we are focusing on strengthening our corporate structure as a global trading company using the three pillars of Kobelco Group business, original supply chains, and promoting SX new businesses. In FY2024, the first year of the plan, our net sales increased from FY2023 amid a harsh macro environment that includes deceleration of the global economy and rising geopolitical risks. However, ordinary profit and net income were lower than FY2023 as we accounted for allowance for doubtful accounts in regard to our investments. Our target indicators of return on equity (ROE), return on invested capital (ROIC), and equity ratio are progressing generally according to plan due to the reduction of cross-shareholdings and other efforts.

We are also steadily implementing initiatives for future growth. Our actions toward creating new value have started to take shape, such as establishing the New Business Promotion Department and launching the wood black bark pellet (BBP) business, serving as key steps toward future business expansion. In the organizational aspect, we reorganized into a two-division structure—the Metals Division and the Machinery & Welding Division—that allows personnel transfers between units and interactions between executives, which had been limited previously. We look forward to future effects on organization invigoration and synergy creation.

Focus areas in the second year

In FY2025, we will enhance our capabilities toward achieving our targets while adapting flexibly to the external environment, such as the Trump administration's tariff policy and other geopolitical risks as well as exchange rate fluctuations. At the same time, toward business expansion, we will push forward with accelerating investments and reviewing our business portfolio. In particular, we are strengthening recycling initiatives toward expanding resource recycling businesses. Specifically, we will promote businesses that contribute to the realization of a circular society, such as sash recycling and advanced sorting of aluminum in the Kanto area. In the BBP business, we will also actively undertake the next investment toward future growth.

Another major theme is the rebuilding of our businesses in North America. So far, our expansion has been centered on Asia and India, and we did not have a clear strategy in North America. In consideration of this situation, we reached out to the Iron & Steel Unit to launch a project together with the Head Office. We are in the midst of formulating strategies and tactics to further expand the automobile special steel secondary processing business, led by Group company Grand Blanc Processing.

Regarding the strengthening of management base, we established a new Sustainability Management Promotion Office in April 2025.

In addition to promoting sustainable corporate activities through ESG initiatives, we will strengthen our medium- to long-term growth story and logic for creating new value through our initiatives to address material issues, thereby advancing the transformation to high-quality management.

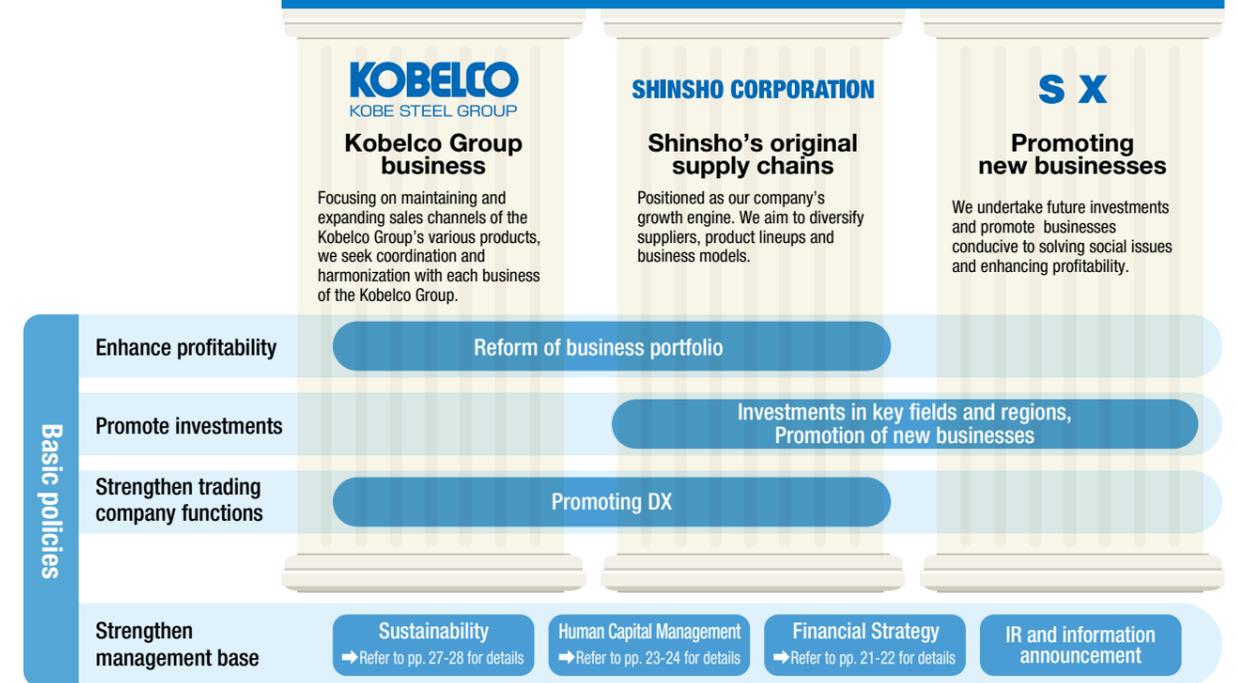
Progress of mid-term management plan Progress of KGI and target figures

	First year		Second year		Final year	
	FY2023	FY2024		FY2025		FY2026
	Actual	Actual	Change from previous period	Forecast	Change from previous period	Plans
Consolidated ordinary profit	12.8 billion yen	11.8 billion yen	- 1.0 billion yen	12.0 billion yen	+0.2 billion yen	14.5 billion yen
ROE	11.5%	9.7%	-1.8%	10.0%	+0.3%	10.0% or more
ROIC	7.0%	6.1%	-0.9%	6.3%	+0.2%	6.5%
Equity ratio	21.7%	23.6%	+1.9%	24.6%	+1.0%	21% or more
External interest-bearing debt	60.6 billion yen	61.3 billion yen	+0.5 billion yen	(Optimize funding with a debt equity ratio of 0.7 or less target)		
D/E ratio	0.7 times	0.7 times	-	0.6 times	-0.1 times	0.7 times or less

Changes in business environment



Pillars of business



Key initiatives for FY2025

Field	Three Pillars			Key initiatives
	Kobelco Group business	Original supply chains	SX	
Automobile	● Supply chain enhancement			Strengthen the supply chain centered on secondary processing company Grand Blanc Processing in North America Build a supply chain in the Indian market
Semiconductors	● Components business for semiconductor manufacturing equipment			Expand product lineup by commercializing aluminum processing for semiconductor manufacturing equipment centered on Shinsho Seimitsu Co., Ltd., established in FY2024
Resource recycling	● Resource recycling businesses			Expand horizontal recycling through the strengthening of automotive panels and the commercialization of aluminum sash scrap upgrading, while also considering business expansion into PCR* to strengthen domestic resource recycling business
Energy	● Develop new biomass fuels products	● Expand biomass fuel handling	● Develop new biomass fuels products	Diversify the supply chain by expanding biomass fuel sources and enhancing functionality, and participate in the semi-carbonized pellet business to expand global biomass fuel handling
Manufacturing sites	● Provide value-added products			Expand customer value and strengthen profitability by expanding the range of products offered through a wider network of procurement partners, and at the same time, strengthening maintenance and engineering capabilities
Other	● Expand handling by TRACK Design India (TDI)			Begin full localization (local procurement, production, and sales) in India starting from FY2025, and expand handling of construction machinery parts in the Indian market
DX	● Supply chain DX			Promote productivity improvement, database creation, and such through DX both domestically and internationally to enhance customer satisfaction and strengthen competitiveness. Begin initiatives to upgrade core systems

● Iron & Steel Unit ● Non-Ferrous Unit ● Ferrous & Recycling Materials Unit ● Machinery Unit ● Welding Unit ● New Business Promotion Dept.
* PCR is an abbreviation of post-consumer recycling, which refers to recycling products and materials that have been discarded by consumers after use and then collected and reused

Progress of Medium Term Management Plan (FY2024-2026)

Strategies and Measures

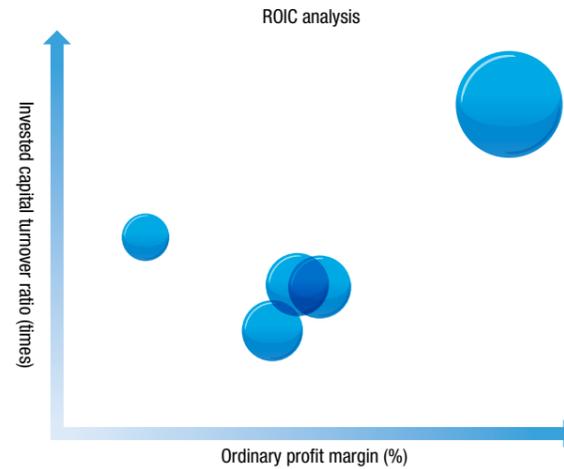
Enhance profitability

Reform of business portfolio through capital cost-conscious management

To strengthen profitability, we will shift capital allocation to investments in businesses that offer growth potential and stability, away from trade businesses that are easily impacted by external environments. We are also actively investing in new sustainability transformation (SX) businesses with high growth potential.

In pushing forward this shift, we analyze each business unit, centered around return on invested capital (ROIC) to reform our business portfolio with an emphasis on capital efficiency. We are also building a system that can swiftly implement improvement measurements by setting ROIC targets by unit and regularly monitoring the gap with actual results.

By using ROIC as a management indicator, we strive to improve the capital efficiency of trade businesses, and at the same time, we optimize resource allocation to highly profitable businesses to aim for a highly profitable structure.



Promote investments

Investment results and future investment plans

Regarding our investment and loan plan, we are planning to invest a total of 23.0 billion yen between FY2024 and FY2026. Together with expanding investments in original supply chains, we see ASEAN and India as growth regions and plan to prioritize investments there. In response to changes in the external environment, we are also focusing on building "local production for local consumption" businesses. For FY2025, we plan to execute investment projects that we are working on in particular (totaling 7.7 billion yen) and steadily advance our growth strategy.

Actual investments in FY2024, the first fiscal year of the Medium Term Management Plan, remained low at 1.9 billion yen. To promote growth investments across the company, we formulated a new investment policy and created a Strategic Investment Meeting that takes in investment projects across units at the idea stage. The members of the Strategic Investment Meeting come from across the company, selected from the units. They conduct discussions not only on investment projects but also with a view of the next medium term management plan.

Investment fields	Three Pillars (upper row: actual results for FY2024; lower row: main plans for FY2025 and FY2026)			FY2024 actual investments	FY2025 planned investments
	Kobelco Group business	Original supply chains	SX		
Automobile	<ul style="list-style-type: none"> Additional investment in Sanyo Seiki, etc. Capital investment and supply chain DX 	<ul style="list-style-type: none"> Warehouse automation system 		1.9 billion yen	7.7 billion yen
Semiconductors		<ul style="list-style-type: none"> Establishment of Shinsho Seimitsu and capital investment in operating companies Capital investment in Shinsho Seimitsu, etc. 			
Resource recycling		<ul style="list-style-type: none"> Investment in aluminum recycling business 			
Energy	<ul style="list-style-type: none"> Develop new biomass fuels products 	<ul style="list-style-type: none"> Investment in biomass business 	<ul style="list-style-type: none"> Participation in black bark pellet business 		
Manufacturing sites		<ul style="list-style-type: none"> Business investments 			
Other		<ul style="list-style-type: none"> Capital investment TDI, Nippon Granulator M&A 			
		<ul style="list-style-type: none"> Capital investment Reinforcement of welding trading company functions 	<ul style="list-style-type: none"> Additional investment in funds 		

● Iron & Steel Unit ● Non-Ferrous Unit ● Ferrous & Recycling Materials Unit ● Machinery Unit ● Welding Unit ● New Business Promotion Dept.

Profits contributed by investment projects*



Promote investments: Project introduction

Seeking to diversify biomass fuel supply chain

Participation in wood black bark pellet business



Project member: Daiki Yokoyama, New Business Promotion Department
 Project member: Yukinaga Fujino, General Manager of Planning Department, Local Energy System Corporation (seconded from Shinsho Corporation)
 Project leader: Shin Sakaguchi, Manager of New Business Promotion Department

Key points of the wood black bark pellet (BBP) business

- Invested in Local Energy System Corporation and launched BBP manufacturing business at Saijo Pellet Plant
- Contributes to the effective use of environmental resources and revitalization of the domestic forestry industry through the use of discarded bark
- As a carbon-neutral fuel, BBP helps reduce CO₂ emissions by replacing coal
- Able to utilize expertise as a trading company that has traditionally handled biomass fuels such as palm kernel shells (PKS) and wood pellets
- Undertake energy transition to non-fossil fuels through the SX business

Toward commercialization of a new business

Sakaguchi: With the opportunity presented by the establishment of a New Business Promotion Department in April 2024, we started investigating the growth potential of BBP. Being wood pellets that are partially carbonized, BBP can be easily mixed for combustion at coal-fired power plants. It is gaining attention due to its high grindability and excellent efficiency when burned together with coal. Biomass fuels must be handled with care due to the risk of accidents caused by decay and heat generation, but demand is increasing year by year from the perspective of reducing environmental impact, and the market is expected to expand. Against this background, with Kumagai Gumi Co., Ltd. stating initiatives for decarbonization and biomass in its Mid-term Management Plan, we approached Kumagai Gumi, leading to the building of an excellent partnership.

Fujino: I worked in sales for around 20 years and was transferred to the Corporate Planning Department three years ago. I participated in the establishment of the New Business Promotion Department and am involved in its current operations. Presently, I am seconded to the Planning Department of the joint venture Local Energy System, where I am in charge of BBP business planning, sales channel development, and logistics implementation. The participation of Shinsho Corporation is accelerating initiatives in the sales channel and logistics aspects.

Yokoyama: I joined the company in 2017 and was assigned to the sales department handling biomass fuels. When the establishment of the New Business Promotion Department in 2024, I was transferred and am currently in charge of dealing with customers toward expanding BBP sales. It is different from traditional sales and I feel a sense of job satisfaction from handling products that are still new to the market.

Sakaguchi: It is still unknown how well the market will accept BBP, and we intend to steadily move forward while carefully discerning the reactions from customers. The goal is to grow

this business to the size of a standalone department in the future.

Fujino: This business is unlike the traditional sales of a trading company. I feel very attracted to the idea that we are launching a manufacturing business from zero. Local Energy System is a company with only five people, so the scope of work is extremely broad and we work with an attitude of doing whatever there is that needs to be done.

Yokoyama: This business requires us to take on challenges from scratch, such as marketing, setting prices, and discovering demand for a product that has not yet been launched. It is also an opportunity to hone new skills in sales. It is also my first time working with a joint venture, helping me to develop the ability to see business from a higher-level perspective that goes beyond profits and losses, such as understanding the balance sheet and coordinating between shareholders.

Future prospects

Sakaguchi: Going forward, we will engage in business centered on Local Energy System and seek to create our second and third businesses. Saijo Plant has an annual production capacity of 30,000 tons, and we are also looking at enhancing the plant's capacity in the future as there is significant demand for mixed combustion.

Fujino: I hope to use my experience in procurement operations from my secondment to Kobe Steel and my knowledge from establishing our site in Yangon (in 2015) to develop a business plan that also looks at expansion into Southeast Asia. Besides putting the BBP business on track, we will also explore new business potential.

Yokoyama: I will first do my best to expand the BBP business. Besides this business, I also hope to be actively involved in proposing new projects. Using my experience so far, I am ready to move to the next step.

Progress of Medium Term Management Plan (FY2024-2026)

Promote investments: Project introduction

Toward building a new resource recycling business model

Aluminum sash scrap upgrading business for building materials



Project member
Toshiyuki Miyauchi
Nagoya Raw Materials Group, Raw Materials and Specialty Products Department, Non-Ferrous Unit Metals Division

Project leader
Eiji Ueda
Manager of Raw Materials and Specialty Products Department, Non-Ferrous Unit Metals Division

Project member
Hiroshi Okamoto
Group Leader of Nagoya Raw Materials Group, Raw Materials and Specialty Products Department, Non-Ferrous Unit Metals Division

Key points of aluminum sash scrap upgrading business for building materials

- Automated advanced sorting and upgrading of sash waste for building materials to achieve horizontal recycling (sash to sash)
- Diversified business models by establishing the “original supply chains” of the Medium Term Management Plan, and responded to the challenges of domestic circulation
- Established a partnership with Kuruma Shoji Co., Ltd., a metal recycling company in Hokuriku, to promote resource recycling in the region

Challenge in new area

Ueda: We entered this business because of a request from an aluminum sash manufacturer in Hokuriku that wanted to increase its recycling rate and procure low-carbon raw materials. Traditional, sash scrap is usually exported overseas, where impurities are removed in a labor-intensive process. The essence of this business is to upgrade such scraps domestically by using machines to process them so that they can be used for products again. We embarked on commercialization after assessing that we can build a business model with competitive advantage that uses our knowledge in processes such as the procurement of scraps, selection of equipment, and securing of sales channels.

Okamoto: As the project manager, I am in charge of matters such as business profit and budget management, ordering of manufacturing equipment, and developing manuals for tasks. Raw material operations in the past had revolved around trading, but this time, it is a series of trials and errors as it is a new business model that adds value before selling. It is most important to have a stable supply of competitive raw materials. We also put efforts into negotiating prices with customers and adjusting specifications.

Miyauchi: I work under Okamoto, carrying out tasks such as ordering equipment, managing project progress, and testing raw materials. I keep in mind to look for issues from a perspective different from the leader. A major motivation is that I can be directly involved in a business with social significance. Another appeal is being able to use the latest equipment.

Ueda: In this business, we are collaborating with Kuruma Shoji, a long-established scrap dealer in Hokuriku. We install our equipment in their yard and contract them to carry out recycling. Site operations are delegated to Kuruma Shoji, while we are in charge of raw material procurement and sales. We also expect to strengthen relationships with companies

in the Hokuriku region, and for Kuruma Shoji, there is the potential that this will become a key business in the future.

Okamoto: Through collaborating with Kuruma Shoji, I felt the importance of sharing our goals for improving equipment and product quality. Amid insufficient expertise, I again realized that it is important to keep discussing until the parties are convinced.

Miyauchi: It may be difficult to move toward the same goals while respecting each other's roles, but there is a sense of job satisfaction. We emphasize the process of recognizing and resolving the gap between expected roles and actual issues.

Future prospects

Ueda: In this business, we oversee the relevant parties as the risk owner and have the responsibility of executing the project according to plan. By taking a step away from the traditional model centered on trading and using in-house equipment to add value to raw materials, this business serves as a model case for developing new potential in the recycling business. We are also considering expansion into materials other than aluminum in the future, aiming to further expand our resource recycling businesses.

Okamoto: Awareness is rising in the industry, and I am hearing people say that our raw material business has changed. I hope to engage in this business, keeping in mind to create benefits for customers while applying the strengths of the Kobelco Group.

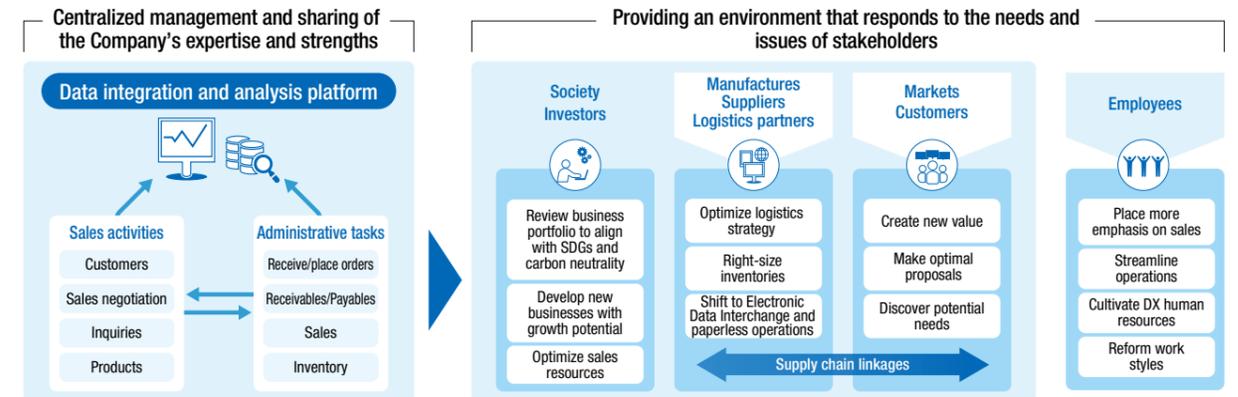
Miyauchi: So far, I have been handling mainly iron scraps. Through this project, I feel I have developed a perspective that is not bound by existing frameworks, taking on challenges in new possibilities. Going forward, I hope to continue engaging in this business with a flexible mindset.

Strengthen trading company functions

Promoting DX

By setting the objective of DX promotion as enhancement of corporate value and reviewing our business and systems from the ground up, we will work on the creation of customer-oriented value to be provided, productivity improvement/work style reforms, and the strengthening of our trading company function through the development of DX human resources.

Besides expanding the use of internal chatbots, our policy for the future is to strive to maximize the various benefits that can be enjoyed using artificial intelligence (AI), such as studies about the implementation of AI agents and AI software as a service (SaaS) that contribute toward improving operations and productivity.



Develop more digital talents

We have built targets for DX human resource cultivation in three phases. The Medium Term Management Plan 2026 is positioned mainly as a “period to foster a digital culture,” and we will make it a practice for employees to use digital

tools such as generative AI on a daily basis to resolve issues, create new businesses, streamline operations, and improve productivity.

Company-wide DX human resource cultivation activities and ultimate goals

DX human resource cultivation target phases



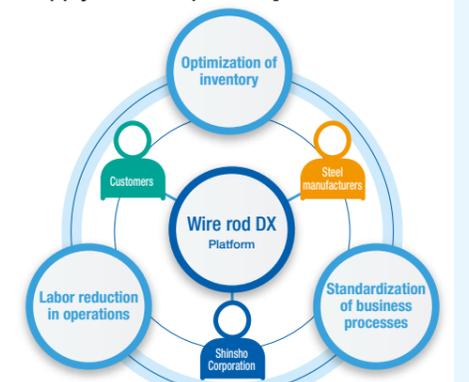
New initiative

The Kobelco Group is building a DX platform specifically for its special steel wire rod supply chain.

By connecting steel manufacturers with customers—secondary processors of wire rods and parts manufacturers—via the DX platform, we aim to integrate and visualize currently fragmented business processes, thereby enhancing efficiency across the entire supply chain.

- Optimization of inventory:** Reduce excess inventory through demand-linked inventory management while lowering the risk of stockouts
- Labor reduction in operations:** Systematizing delivery operations such as order processing and delivery schedule adjustments to help improve labor savings and productivity gains
- Standardization of business processes:** Unify, standardize, and visualize the business flow of all customers for centralized supply chain management

[Expected benefits of implementing the supply chain DX platform]



Message from the Chief Financial Officer



Using ROIC-focused management, we will generate cash and undertake investments for sustainable growth.

Kanehisa Ueda
Executive Officer
Responsible for Finance & Accounting Department and Audit Department and
General Manager of Finance & Accounting Department

Financial strategies under the Medium Term Management Plan 2026

Introduction of ROIC-focused management

We introduced management using return on invested capital (ROIC) as a management indicator to achieve both capital efficiency and profitability. ROIC is calculated and managed not only by business or unit, but also applied at a more practical level, down to each unit of business. It is positioned as a key goal indicator (KGI) for allocating management resources and improving capital efficiency.

Through the implementation of ROIC at multiple levels in this way, we can achieve an understanding of the returns in line with capital costs at each business unit, achieving capital efficiency improvement at the site level, such as reviewing business models with poor profitability and improving inventory efficiency.

We will continue to optimize company-wide portfolio and sustainably enhance corporate value by further establishing ROIC application and improving ROIC.

Maintaining financial soundness

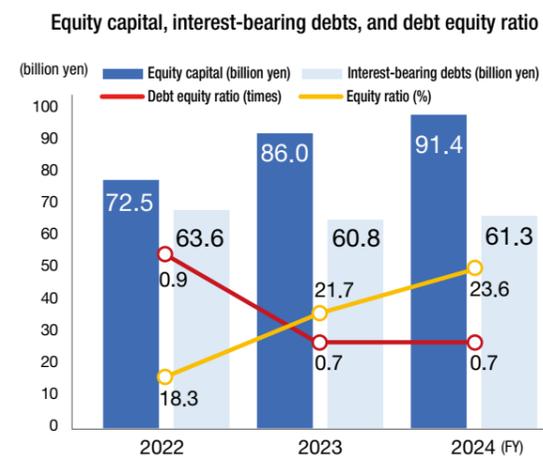
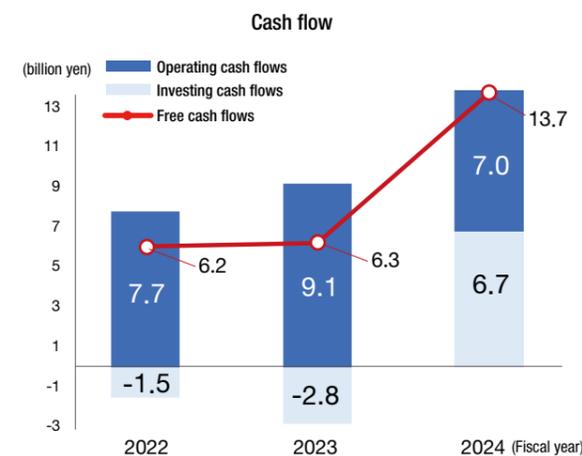
We emphasize the building of a sound and highly flexible financial base to prepare for sustainable growth and future strategic investments. In FY2024, we improved our equity ratio to 23.6% through measures such as reducing cross-shareholdings, thoroughly implementing ROIC-focused

management, and optimizing inventory and receivables, further increasing our financial stability. We continue to maintain an appropriate level of outstanding interest-bearing debts, with our debt equity ratio at our guide of 0.7.

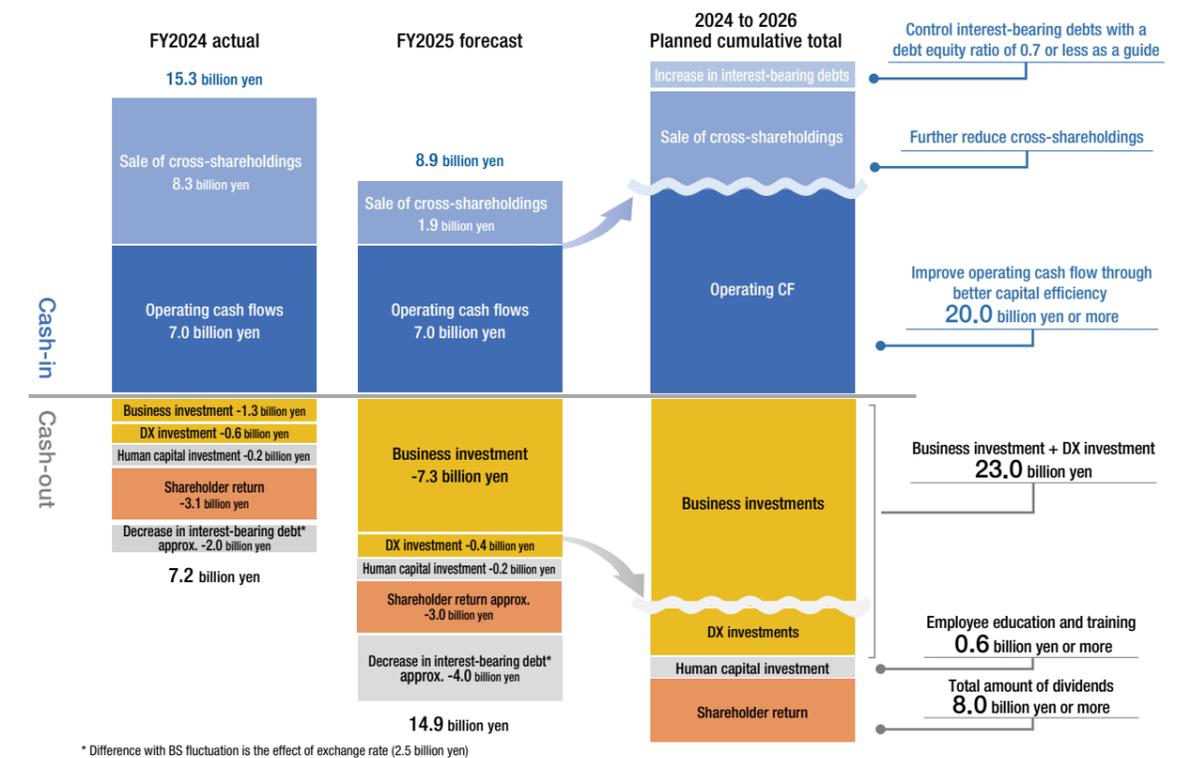
We also developed a company-wide approach for financial discipline in FY2024 to balance cash inflows and outflows for the promotion of our cash allocation strategy. By disseminating this approach and thoroughly implementing financial discipline, we are striving to improve our Group's financial literacy and generation of operating cash flows.

Cash allocation

Under the Medium Term Management Plan 2026, as a cash allocation strategy, we plan business investments and DX investments totaling 23.0 billion yen, funded by 20.0 billion yen or more in operating cash flows generated by expansion of profits and capital efficiency improvement. In FY2024, we generated 7.0 billion yen in operating cash flows and carried out business investments and DX investments totaling 1.9 billion yen. We plan to continue to generate operating cash flows in FY2025 and carry out at least 7.7 billion yen in growth investments.



Cash allocation (image diagram)



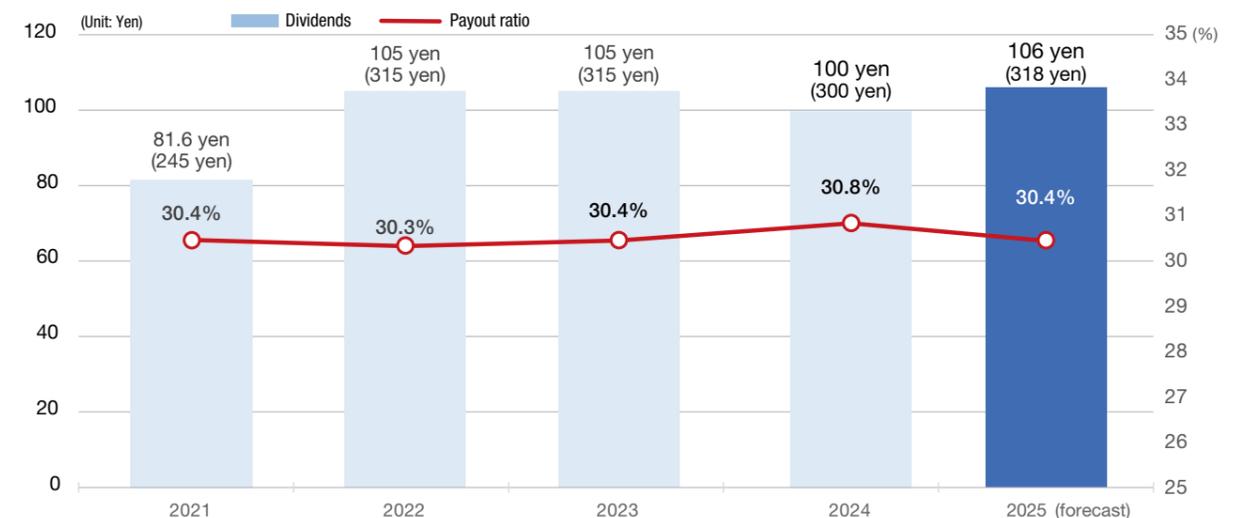
Reduction of cross-shareholdings

From the perspectives of improving capital efficiency and strengthening governance, we will continue to reduce cross-shareholdings in the medium-to-long term. In FY2024, we brought our cross-shareholdings to 17.0 billion yen by selling 10.4 billion yen in five stocks. Our ratio of cross-shareholdings against consolidated net assets decreased to 18.3% from 31.3% in FY2023.

To promote growth investments for further improvement of capital efficiency, we have set a new target of bringing our ratio of cross-shareholdings against consolidated net assets to 15% or less by the fiscal year ending March 31, 2027. We will also work toward a ratio of 10% or less in the future.

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 the need to secure internal reserves necessary for strengthening the company's financial structure and for future business development. The dividend policy for the Medium Term Management Plan 2026 has been established as a consolidated dividend payout ratio of 30% or more or a dividend of 100 yen per share (300 yen before the stock split), whichever is higher. The dividend forecast for FY2025 is a dividend of 106 yen per share (payout ratio of 30.4%).



Human Capital Management

Our human resource management focuses on the enhancement of our three strengths, namely the diversity of our business with its foundations in the Kobelco Group, our specialties as a manufacturer-based trading company, and our supply chains that extend across the globe. Based on these three strengths, we encourage each and every employee to draw their own career paths and proactively learn and act on their own with a clear sense of purpose. We create new value capitalizing on diversity, create environments in which individuals can realize their desired career, and measure individual capabilities and enhance their motivation to make contributions through fair evaluation and appropriate placement. In empowering individuals and organizations in this way, we will strengthen competitiveness and promote innovation.



Message from the officer in charge of the Human Resources Department

We will continuously strive to improve employee engagement by embarking full-scale on human capital management centered on our Purpose.

Masahito Adachi
Representative Director and Senior Executive Officer



Start of activities to spread our Purpose after its establishment

As we look for the ideal management toward realizing a sustainable society, we established our Purpose in November 2025 to formalize our raison d'être in society and our aspirations. This was because our Corporate Philosophy and social responsibilities did not fully become instilled in our young employees and there was an ambiguous understanding about our corporate direction. To promote sustainability management based on material issues such as responding to environmental and social issues and fulfilling economic responsibilities, it is essential to share and instill our Corporate Philosophy. We need to aim for a state where every employee understands our corporate raison d'être.

In establishing our Purpose, we launched a project actively involving our employees and selected members—primarily young employees—from the units and corporate departments. We seek to align our corporate purpose with individual values and foster shared values through this project. Starting in the second half of FY2025, we will promote dialogue among officers, including the President and CEO, and the formulation of individual purposes for all officers and employees. These will be shared within the company, and we will undertake activities that lead to personal growth and self-realization through mutual recognition and praise.

We introduced our Purpose to clarify the reasons our businesses are needed by society and to improve employee engagement and motivation. Specific examples include letting our employees involved in resource recycling business appreciate the social significance of their work, and those supporting our supply chains feel their economic contributions. In this way, we will develop a shared awareness that there is a way to participate in society and management in every aspect of our businesses. As for measuring the effects, we are studying the addition of Purpose-related evaluation items centered on our engagement survey.

Advancing human capital management

We are expanding our human capital investment year after

year, focusing on four themes: strengthening human resource development, promoting diversity, quantifying human data, and improving engagement. In FY2024, besides expanding strategic training for the management and employees in managerial positions, we sought to further enhance our education system, including the provision of practical learning opportunities such as business proposal exercises in collaboration with venture companies. We also focused on encouraging male employees to take childcare leave, visualizing the state of participation of female employees in area-limited career-track position, quantifying human data through the introduction of the talent management system Talent Palette, and conducting engagement surveys.

At the same time, we recognize that we could have done more to address diversity other than gender in FY2024, such as by developing foreign human resources and promoting the participation of mid-career hires. Reflecting on this point, in FY2025, we are seeking to strengthen our human resource development structure, including reviewing our training system for locally-hired staff of overseas subsidiaries. In addition, the development of multifunctional personnel who can flexibly respond to business structure changes is an urgent issue. We are working to develop human resources who are versed in several business domains and have experience in matters such as establishing and acquiring businesses. As part of this effort, we are promoting human resource exchange and mobility between divisions to let approximately one-third of young employees experience transfers. In this way, we seek to break down the rigid way of thinking from having siloed organizations and invigorate collaboration between businesses.

Through advancing human capital management, we can accumulate data—including engagement scores and multifaceted evaluation—and properly evaluate the capabilities and achievements of each employee, thereby also increasing the fairness of our human resource evaluation. It will also help to improve engagement as employees will feel that their opinions and proposals are being reflected in the company's measures.

Human Resources Strategy and KPIs of Medium Term Management Plan 2026

Human resource strategy	KPIs	FY2024 results
Strengthen competitive power		
Strengthen competitive power		
1. Strengthen specialties	Development	
2. Cultivate global human resources and DX human resources	• Number of participants in executive training	• 12 selected based on open application
3. Business improvement activities and evaluations	• Number of participants in DX/IT training	• 378 for generative AI training • All employees for information security training
4. Develop managerial talents and leaders	• Investment amount and hours for training per person	• 257,000 yen; 54.8 hours
Innovation		
5. Increase mobility of in-house human resources through job reassignments	Increase in mobility of human resources	
6. Cultivate human resources engaged in business investment and projects	• Number of transfer requests accepted	• 12 (75%)
7. Promotion of diversity	Diversity	
8. Cultivate locally-hired staff	• Ratio of female employees (new graduates hired, employees in managerial positions, women in career-track positions)	• 25%, 2.8%, 16.1%
Personal growth and motivation for contribution		
9. Career design and achievement	Career autonomy	
10. Dialogue to foster proactiveness to learn on their own	• Number of participants in career development training	• Scheduled for FY2026
11. Evaluations and feedback for further growth	Empowerment	
12. Create a healthy work environment both mentally and physically	• Number of participants in elective training	• 154 (total)
KENKO Investment for Health		
	• Percentage of persons applicable for specified health guidance	• 20.4%
	• Overall health risk	• 82 *Based on a figure of 100; the bigger the number, the higher the risk

Human capital investment and training results

To develop human resources who proactively learn and act on their own, we are investing 600 million yen over the three-year period of the Medium Term Management Plan 2026. In FY2024, we invested 145 million yen, and we plan to invest 211 million yen in FY2025 to continue to strengthen human resource development.

	Mindset	Skill	Diversity	Social, DX, etc.	
Investment (FY2024)	33 million yen	70 million yen	22 million yen	20 million yen	Total investment in human resources: 145 million yen
FY2024	We conduct training to help self-awareness mainly for new employees, promoted employees, and employees who changed professional group.	We introduced executive development plan training – by application – to develop managers as well as training linked to work. There are increasingly more employees volunteering to participate.	We aim for a state of inclusion through online language training, career training for women in career-track positions, and support for balancing work with childcare and nursing care.	We conduct training for better mental and physical health to improve well-being. We also conduct training to improve DX literacy.	Per person: • Investment of 257,000 yen • Learning time of 54.8 hours
FY2025	We will develop human resources who proactively learn and act on their own through conducting dialogues involving the President and CEO, officers, and employees and formulating individual purpose for everyone.	We will conduct training to improve the communication and coaching skills of line leaders to encourage subordinates' growth and motivation for contribution.	We will plan and conduct training and exchange events for mid-career hires, area-limited employees, and locally-hired staff of overseas subsidiaries to deepen mutual understanding and aim for a state of inclusion.	We continuously hold events on appropriate alcohol consumption, meals, and exercise to encourage employees to change their health awareness. We will also conduct training on the use of generative AI to improve productivity.	

Executive development plan

In FY2024, we introduced a one-year training program—by application—focusing on business management, with the aim of developing managers who will take on key positions such as line managers and presidents of domestic and overseas affiliated companies, as well as developing management human resources for the future. The 12 selected participants underwent 120 hours of training on management literacy and accountability. We will continue to conduct this program every other year to develop management human resources.

Comments from training participants

Team A
During the one-year training, we struggled and wavered together to develop a concept, then solidified our thinking as a team and saw it through to the end. This experience became a major asset. In the final presentation, we stuck to our approach, which emphasized earning power, but we also gained many insights from the feedback we received, including comments on social value. Personally, I particularly realized the importance of having my own core values, and I also strongly felt the need to change the mindsets of those around me through dialogue. I hope to turn my sense of crisis about the current situation into strength and, together with my fellow learners, take action myself to realize our concept for a better company.

Team B
The one-year training was extremely intense even though it felt like a short time. I am truly grateful to have been able to participate. The knowledge and connections I gained through discussions with people from a variety of occupations will be a major asset in my future work. In particular, I keenly felt the importance of having my own assessment criteria and the ability to explain logically. I intend to continue to keep this lesson in mind. Each team's proposal has the potential to pave the way for our company's future, and I have a strong desire to give shape to at least one of them instead of just leaving them as presentations. It was a pity that the organizational innovation concept presented by our team was not fully conveyed, but it was the result of our team members' struggles, deliberation, and perseverance until the very last minute. I am grateful to have grown while being exposed to each other's expertise.

Team C
I applied for the training lightheartedly, but it was tough studying to pass, and when the training started, I struggled to balance it with work and regretted it many times. However, after completing the training, the friends I made and the lessons I learned became invaluable assets. I gained confidence that I could do it if I tried, and I hope to contribute to the company from a management perspective in the future. I felt feasibility and issues in the innovation concept that we proposed to enter the manufacturing industry, and it became an opportunity to think deeply about social value. Determination and learning are essential to aim for a position in management. The days I spent struggling to the end together with my fellow participants were an invaluable experience, and I am truly grateful for the year we spent together.

Management human resources

Coaching training Officer and director training

Executive development plan

Next-generation line leader development plan

Start of the Purpose Project

Amid major changes in the environment surrounding our business activities, our Group is actively addressing important sustainability issues (material issues) to help solve social issues, create new value, and further strengthen our management base. To enhance this driving power of sustainability management going forward, it is necessary to increase every employee's awareness and perspective about our Group's Corporate Philosophy and the importance of sustainability as well as to cultivate a corporate culture where employees act and take on challenges proactively.

Our Group's Corporate Philosophy was established in November 1998, followed by the corporate message in December 2014. We then announced our new Core Values and long-term management vision in April and May 2021. The requirements of stakeholders—our shareholders, investors, business partners, and employees—change with the times, and the formalization of our Group's raison d'être in society and aspirations in the form of our Purpose will help to further improve our corporate value, brand, and employee engagement.

While maintaining our Group's current Corporate Philosophy, we have created a new Purpose that complements and details the Corporate Philosophy. It formalizes the value we provide for the future, our promise to society, and our raison d'être in a message that clearly conveys our Group's unique "North Star essential to our great voyage," "aspirations that well up from within," and "exciting future." After establishing our Purpose, we will ask all employees to think about their individual purpose through dialogues between them and the President and CEO and other officers, and in the process, let our employees feel a connection with society, the significance of their work, and a sense of job satisfaction.

Purpose

To take on change, starting with ourselves.
To create, connect, and unlock the inherent value within people.
To create an exciting future.



A North Star indispensable to a great voyage

An aspiration that wells up from within

An exciting future

→ Purpose (refer to P.1 for details)

Workshop to formulate our Purpose

Members selected from the units thought about the uniqueness of Shinsho Corporation as well as the needs of our customers, markets, and society to derive our Purpose and formalize it.



Day1
Kick-off and alignment of project members (issues and desired outcomes)

Day2
Interview with President Takashita, our uniqueness, and the assets to keep or discard

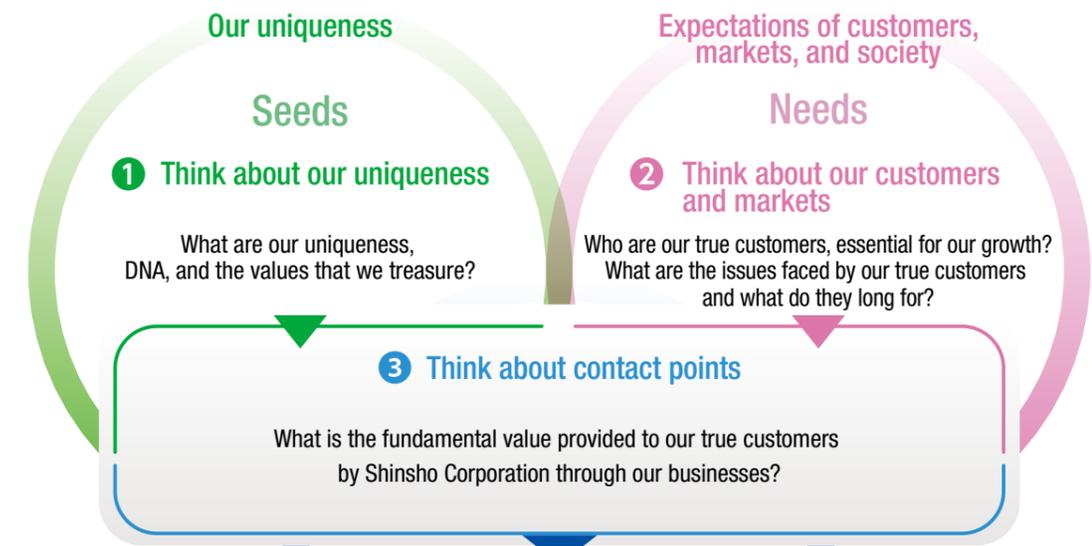
Day3
Our true customers, the things that our true customers want, and the value we should provide

Day4
Our future, our future story, and our future timeline

Day5
Discussions on proposals for our Purpose

Day6
Determination of our Purpose

Steps to formulate our Purpose





Yuichi Matsumoto
Finance & Accounting Department

Comments from employees



Yuji Kanamori
Osaka Steel Sheet Group, Steel Sheet Department Iron & Steel Unit, Metals Division

Gathering 13 members from different departments and age groups, we started from a state where we had different levels of understanding, with questions about the definition of a purpose and why it is needed. I myself felt uncertain about whether I could meet the expectations, even though I took my selection as a member positively.

Under such circumstances, through the dialogue session with President Takashita, understanding about the project deepened after hearing the President's thoughts and the members openly sharing their worries and questions, giving birth to a shared mindset of "we ourselves must change."

Subsequently, we looked at our issues seriously, carried out repeated discussions, and reviewed again and again the plan that was almost decided to arrive at a Purpose that all members could agree with.

As a project member, I will continue to undertake activities to spread this Purpose so that it reaches all employees and everyone takes ownership over the direction that our company is moving toward.

In the process of discussions toward formulating our Purpose, members shared opinions without reservations about the uniqueness of Shinsho Corporation, both positive and negative. I was worried that it would be difficult to consolidate the opinions of members who work in different fields, but there was commonality in the uniqueness of the company felt by each member, and we started by understanding ourselves.

Defining what we perceive as the true customers of Shinsho Corporation, we repeatedly discussed the kind of value that we should provide to address the labor shortages, technology succession, and uncertain future that our customers face. I was impressed by the sense of unity that emerged among us. In an era of rapid changes, I recognized the importance of taking on challenges without fear of failure.

Centered on our Purpose, I hope that all employees will act with passion and create a sense of unity that will allow us to take on the challenge of addressing future issues, both internally and externally.

Activities to spread our Purpose after its establishment

First half of 2025 Second half of 2025 First half of 2026 Second half of 2026 First half of 2027

80th anniversary Start of next Medium Term Management Plan

Formulate Purpose

- Dialogue with the President and CEO and officers
- Development of individual purpose by officers and employees and sharing of individual purpose with the workplace
- Issuing of Purpose Handbook

Purpose branding

[Dialogue with the President and CEO and officers]

- Spread our Purpose and provide reason and support for formulating individual purpose by having the President and CEO and officers directly speak about their own purpose to employees. Dialogue with officers will continue to be conducted in the second half of each year to create regular opportunities for dialogue with management.

[Formulation of individual purpose]

- Officers and employees will formulate their individual purpose and carry out sharing within their workplaces to lead toward personal growth and self-realization while gaining mutual approval and praise.

[Engagement survey]

- Monitoring of the understanding about our Corporate Philosophy and Purpose will be carried out using the individual purpose of officers and employees.

Anticipated effects

- Develop a corporate culture where employees recognize connection with society and act and take on challenges proactively
- Improve employee engagement
- Improve corporate value and brand

Individual purpose

Aspiration

Corporate purpose

Advancing Sustainability Management

Through advancing sustainability management rooted in our Corporate Philosophy, our Group seeks to fulfill the wide range of social responsibilities expected of companies, and at the same time, contribute toward solving social issues through our business activities and improve our medium- to long-term corporate value.

Amid the rapidly changing business environment, we established the Sustainability Committee headed by the President and CEO. We strive to solve social issues, create new value, and strengthen our management base through initiatives that address material issues.



Basic Policy for Sustainability

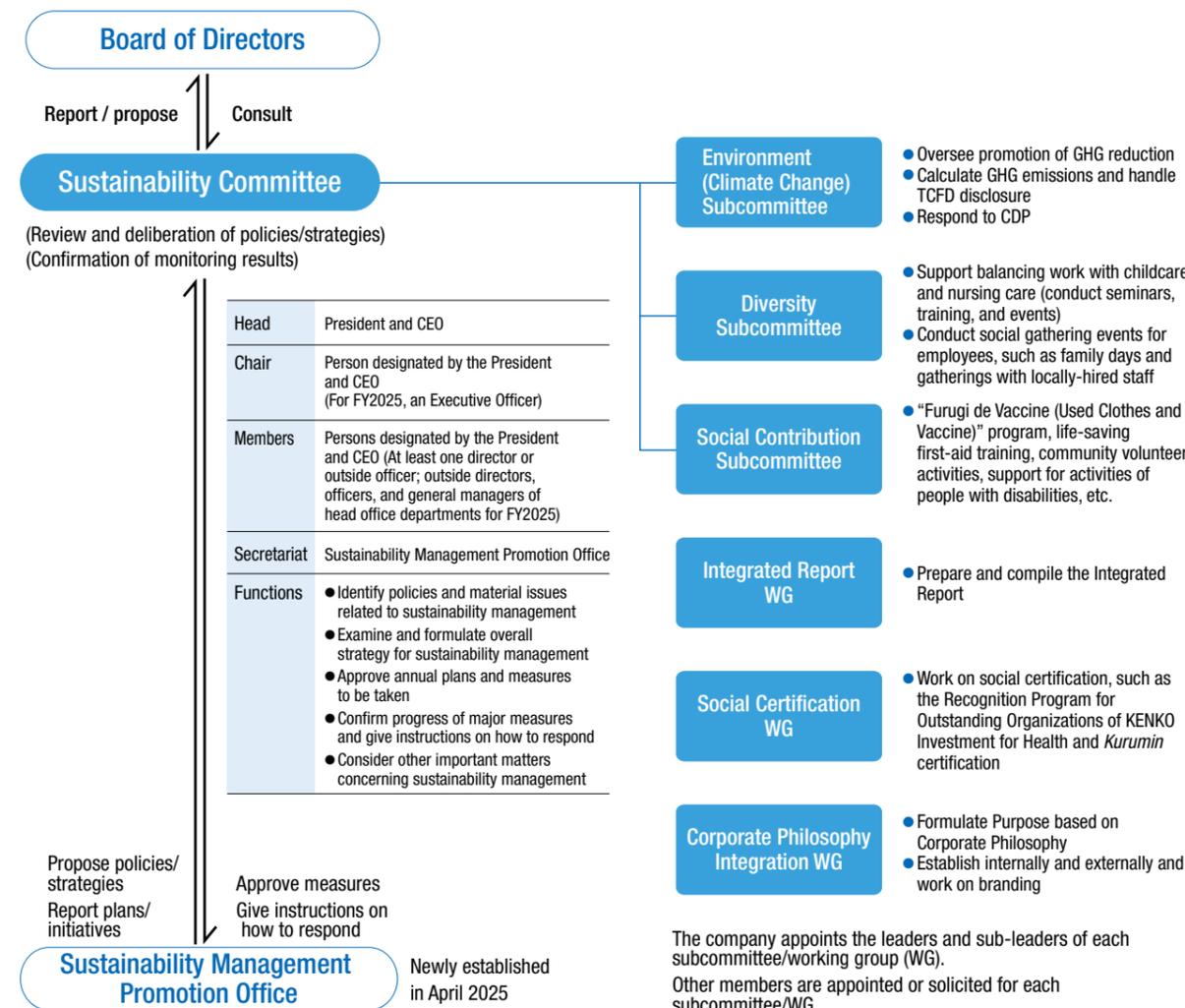
Shinsho Corporation's company motto is "Integrity." Our Corporate Philosophy is that we are committed toward securing prosperity for our clients and shareholders through the creation of new value.

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

We also carry out fair and transparent governance.

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

Sustainability promotion structure



Sustainability Committee agenda

August 2024 (5th Sustainability Committee meeting) <ul style="list-style-type: none"> Report on each subcommittee's annual schedule, budget, and activities Discussion of issues raised by subcommittees Discussion on issues of sustainability management 	March 2025 (6th Sustainability Committee meeting) <ul style="list-style-type: none"> Report on each subcommittee's and WG's activities for the year, FY2025 budget, and activity plan Approval for the establishment of the Sustainability Management Promotion Office Discussion on sustainability promotion structure for FY2025 Approval of revisions to environmental policies 	May 2025 (ad-hoc Sustainability Committee meeting) <ul style="list-style-type: none"> Approval of corporate philosophy integration and purpose formulation project Report on sustainability management promotion structure 	August 2025 (7th Sustainability Committee meeting) <ul style="list-style-type: none"> Review of each subcommittee's and WG's activities for the first half of the year and report on activity plan for the second half Review of the Sustainability Management Promotion Office's activities for the first half of the year and report on activity plan for the second half Discussion on overall budget for sustainability activities
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Establishment of new Sustainability Management Promotion Office

In April 2025, we established a new Sustainability Management Promotion Office. It strives to further strengthen sustainability activities—responding to both opportunities and risks—by embarking full-scale on strategic initiatives that support sustainable growth.

(Key activity areas of the Sustainability Management Promotion Office)

Strengthening of company-wide oversight and monitoring functions	<ul style="list-style-type: none"> Proposal of company-wide policies and strategies regarding sustainability activities Report on progress and results of sustainability activities to various meetings and the Board of Directors as well as dialogue with management Support for and monitoring of initiatives for material issues
Enhancement of information disclosure	<ul style="list-style-type: none"> Timely internal and external communication of sustainability information as well as enhancement of information disclosure
Company-wide awareness-raising and integration activities	<ul style="list-style-type: none"> Development of mechanisms and culture to heighten employees' awareness and perspective about the importance of sustainability

Measures to spread sustainability

Sustainability training

In FY2025, we conducted e-learning, split into two sessions, for all officers and employees on the theme of sustainability management to improve our overall internal awareness about sustainability. To increase desire for undergoing training, we also incorporate ideas to encourage participation, such as distributing original completion stickers each time to those who complete the training.

Completion sticker



June to July 2025	Sustainability management—Basic knowledge (Scope: About SX; trading company and sustainability; purpose-based management; improvement of corporate value through sustainability management)
September to October 2025	Sustainability management—Carbon neutrality (Scope: Environmental issues; Japan's initiatives toward decarbonization; corporate growth strategy; approach and steps to decarbonization management; GHG emission calculation; carbon footprint; SBT certification)

Information dissemination through internal portal site

We have launched an internal portal site to improve our employees' awareness about sustainability.

On this portal site, the Sustainability Management Promotion Office and subcommittees use photos and illustrations to visually introduce their activities and latest initiatives in an easy-to-understand manner.

It seeks to enhance company-wide understanding by establishing an environment where employees can easily access sustainability-related information on a daily basis.



Donation of old uniforms by overseas subsidiary Thai Escorp Ltd.

Our overseas subsidiary Thai Escorp Ltd. donated uniforms to a school in the province of Tak in northern Thailand. Number more than 100 sets, the uniforms were returned from retirees and such. Disposal was considered at first, but as social contribution activities were being explored for some time, it was decided to donate them to an external party based on a staff suggestion. One of the staff's relatives works at the recipient school, which has a shortage of clothes. Therefore, the uniforms were distributed to students, their guardians, and neighboring residents.

We and our Group companies will continue to develop and support local communities through social contribution activities.



Material Issues for Realizing the Long-term Management Vision

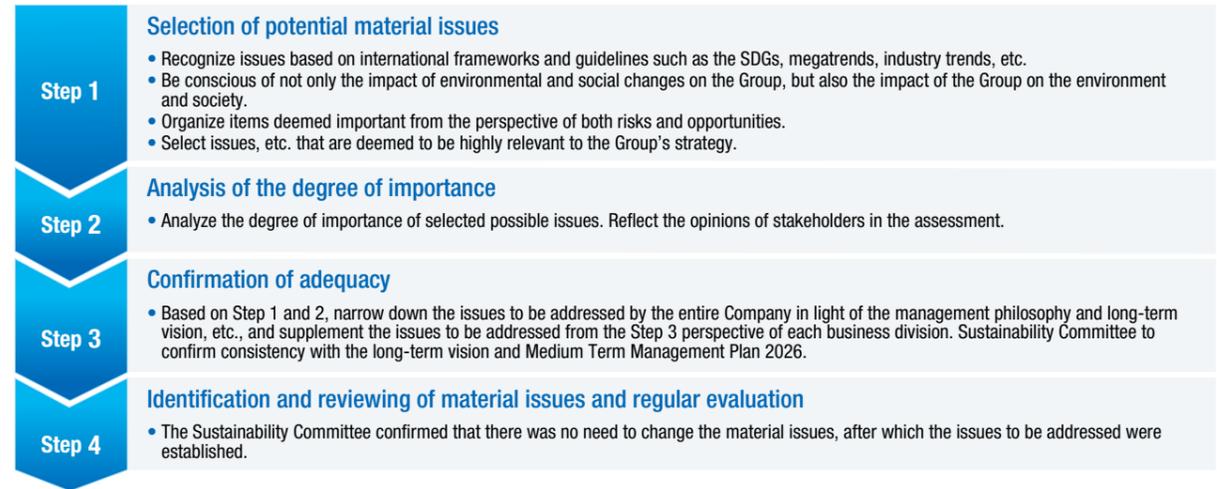
We formulated our long-term management vision, “A trading company that supports manufacturing for tomorrow and contributes to society” at the beginning of FY2021, and revised our Core Values toward bringing this vision to fruition. With regard to the revision, we formalized issues to be addressed in our Core Values, with reference to the Sustainable Development Goals (SDGs) and taking into consideration our Corporate Philosophy and the impact of business activities on our stakeholders.



In April 2022, we embarked on identifying material issues related to sustainability issues and positioned our Core Values as material issues. Subsequently, when formulating the Medium Term Management Plan 2026, we reviewed the material issues and confirmed that no changes were necessary, after which we established specific issues to work on for each material issue.

In FY2025, we assigned departments to oversee each material issue. At the Sustainability Coordination Meeting conducted monthly by the Sustainability Management Promotion Office, the relevant departments confirm the state of issues to be addressed and share information. Through these initiatives, we seek to promote company-wide sustainability activities and create sustainable value for our stakeholders.

Material issue identification process



Material Issues	Explanation	Issues to be addressed	Initiatives	
			Achievements (FY2024)	Initiatives for next fiscal year (FY2025)
Contribution to tomorrow's manufacturing	Based on the long-term management vision, we are striving to improve sustainable corporate value to achieve "high-quality management" and "transformation into a truly global company." The key measures we are advancing to achieve this are: strengthening trading company functions; building supply chains; strengthening business investments; and strengthening the management base through DX and IT.	Advance portfolio strategy from analyzing current businesses by demand domain and product	Analyzed gross profit rate of the Three Pillars and conducted ROIC analysis using ordinary profit margin × invested capital turnover ratio	Examine the business image of each unit in 10 years' times
		Build supply chains that also make use of DX	Embarked on wire rod supply chain DX project, conducting specification of requirements and such	Embark on designing and developing wire rod supply chain DX (until January 2027)
		Strengthen and promote business investments	Formulated investment guidelines and checklist for use when considering investment, and disseminated them company-wide	Launch Strategic Investment Meeting and accelerate promotion of investments
		Promote new SX businesses	Established New Business Promotion Department, which collaborated with the units to promote the consideration of new businesses	Participate in wood black bark pellet (BBP) manufacturing business
		Streamline operations using DX	Introduced generative AI and deployed it company-wide, using it to generate minutes of meetings and such	Promote use of generative AI
		Cultivate global human resources and DX human resources	Cultivated promoters of DX (9 persons)	Develop 10 promoters of DX and increase efforts in training
Corporate activities with compliance	We strive to improve transparency and trustworthiness through thorough compliance with laws, regulations, and internal regulations and strengthening corporate governance. We practice sound corporate activities, striving to prevent non-compliance.	Prevent non-compliance	Compliance <ul style="list-style-type: none"> Conducted compliance training, by field, for officers and employees Thoroughly made known the establishment of new laws and legal revisions Saw an increase in the number of whistle-blowing cases 	Compliance <ul style="list-style-type: none"> Continue to conduct compliance training, by field, for officers and employees Further raise awareness about the whistle-blowing system Strengthen compliance with competition laws (Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors)
			Risk management <ul style="list-style-type: none"> Strengthened domestic subsidiaries' collection of receivables Adopted self-assessment for implementation state of risk management action plan Conducted pre-assignment training for employees assigned overseas 	Risk management <ul style="list-style-type: none"> Strengthen overseas subsidiaries' collection of receivables Continue self-assessment of risk management action plan Continue to conduct pre-assignment training for employees assigned overseas Create database of risks that have manifested in the past and share with the relevant departments Conduct workshops using past cases as materials; use the cases to discuss causes and measures to prevent reoccurrence
Activities for the global environment	We view the risk from climate change as an important management issue and implement active measures toward realizing a decarbonized society. We also enhance the resilience of our business activities and aim to realize sustainable growth by properly recognizing climate change-related opportunities and emphasizing contributions to environmental protection.	Support a transition to decarbonization across supply chains	<ul style="list-style-type: none"> Introduced GHG calculation system (October 2024) 	<ul style="list-style-type: none"> Develop decarbonization strategy for sales departments through responding to CDP information disclosure Strengthen strategic initiatives, such as development of internal awareness through environment-related training and provision of environmentally friendly products and services Calculate Scope 3 emissions
		Expand the usage rate of renewable energy <ul style="list-style-type: none"> Reduce CO₂ emissions by 46% by 2030 (vs. 2018) Achieve carbon neutrality by 2050 	GHG reduction activities <ul style="list-style-type: none"> Reduction of 46% by 2030 and carbon neutrality by 2050 (base year: 2018) Conducted sustainability training for management (October 2024) Introduced GHG calculation system (October 2024) Revised scope of TCFD disclosure (March 2025) Promoted online meetings and retained work from home system 	GHG reduction activities <ul style="list-style-type: none"> Use GHG emission calculation system to visualize Scope 1 and 2 emissions; develop reduction management systems and promote emission reduction at each company Continuously conduct training for officers and employees; promote understanding about the issue of climate change as well as recognize impacts and risks of climate change in business activities to create business opportunities and realize a sustainable society Continue to implement online meetings and retain work from home system
Corporate culture respecting diversity	To help create an environment where the abilities of diverse human resources can be fully demonstrated, we are focusing on the advancement of women and cultivation of locally-hired staff. Led by the Diversity Subcommittee established in October 2022, we are fostering a corporate culture that is fair and respects individual characteristics and abilities.	Appoint women to managerial positions: 10% for the percentage of women in managerial positions by FY2030	Conducted career development training for women in career-track positions	<ul style="list-style-type: none"> Conduct social gathering events for women in area-limited positions Introduce system for change of professional groups
		Maintain at least 40% for the ratio of women in career-track positions and women who desire to change their course to area-limited career-track positions among regular recruits	Conducted activities to actively approach and improve recognition among new female graduates who want to join a trading company	<ul style="list-style-type: none"> Continue to release YouTube videos Introduce system for change of professional groups
		Improve paid leave utilization rate	Continued activities to promote the taking of paid leave by setting days where employees are encouraged to take paid leave	<ul style="list-style-type: none"> Implement measures for the promotion of male employees taking childcare leave Introduce leave for childcare
		Cultivate locally-hired staff	Conducted short-term training program in Japan for locally hired staff (executive candidates)	<ul style="list-style-type: none"> Hold social gathering events for locally-hired staff and company employees Conduct training related to credit, compliance, and information security
Realization of personal growth	Toward securing prosperity for everyone as stated in our Corporate Philosophy, we are working to create a healthy work environment both mentally and physically and are focusing on the creation of a dynamic organization. Furthermore, to develop people who learn and act on their own, we have implemented a training system where employees learn according to their own careers.	<ul style="list-style-type: none"> Enhance well-being Achieve personal growth and develop motivation for contribution Develop human resources who proactively learn and act on their own through training, workshops, townhall meetings, and such 	<ul style="list-style-type: none"> Conducted event about proper alcohol consumption and meals (Tokyo) Conducted online training linked to operations Conducted human resource development of management candidates (executive development plan) 	<ul style="list-style-type: none"> Conduct seminar about improving intestinal environment Conduct event about proper alcohol consumption and meals (Osaka and Nagoya) Conduct townhall meeting involving the President and CEO, management, and employees Enhance intrinsic motivation through the formulation of individual purpose
		<ul style="list-style-type: none"> Increase DX literacy Promote investment in human capital Disclose investment in education and training expenditure and number of training hours 	<ul style="list-style-type: none"> Conducted digital literacy enhancement training for all employees Conducted training on the utilization of generative AI Conducted training on citizen development of digital tools (RPA) 	<ul style="list-style-type: none"> Conduct training on the utilization of generative AI Conduct training on citizen development of digital tools (RPA and no-code tools)
		Cultivate global human resources → Enhance overseas dispatch training and dispatch	—	Dispatch one employee to Washington State University under overseas dispatch training

Iron & Steel Unit, Metals Division



Based on relationships of trust with customers, we are advancing the supply chain's sophistication and digital transformation (DX), aiming to expand business through investments and improve profitability.

The iron and steel industry's operating environment is undergoing major changes, such as shrinking domestic demand, advances in the adoption of electric vehicles, carbon neutrality initiatives, and issues with logistics and human resources. Amid such circumstances, we are advancing the sophistication and DX of the supply chain, centered on collaboration with the Kobelco Group and using our specialization and relationships of trust with customers as our strengths. Anticipating future changes in the operating environment, we are seeking sustainable growth and improvement of corporate value by shifting away from businesses centered on trading toward highly profitable businesses through business investments.

Yuji Mihara
Executive Officer
Head of Iron & Steel Unit,
Metals Division



Satoshi Nishimura
Representative Director and Senior
Executive Officer
Responsible for Iron & Steel Unit,
Metals Division and assistant to
the president (supply chain reform)



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 Unit utilizes the unique global network comprising of Kobe Steel, Ltd. and KOBELCO Group 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 price 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 mission of the Unit is to look at things from the customer's perspective, then work and propose solutions to satisfy customer requirements and always derive maximum value.

Business model

In addition to the functions of processing, delivery, and logistics, as an indispensable presence in the supply chain of steel products, we also provide stable services, such as support for our customers' overseas expansion.



Main products handled by the Unit



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 while meeting customer needs.



Steel Sheets
We supply steel sheets from Kobe Steel, which produces high-strength steel sheets and has a strong track record.



Titanium
We offer Kobe Steel's highly reliable titanium products and can also procure from overseas manufacturers to meet a wide range of needs.



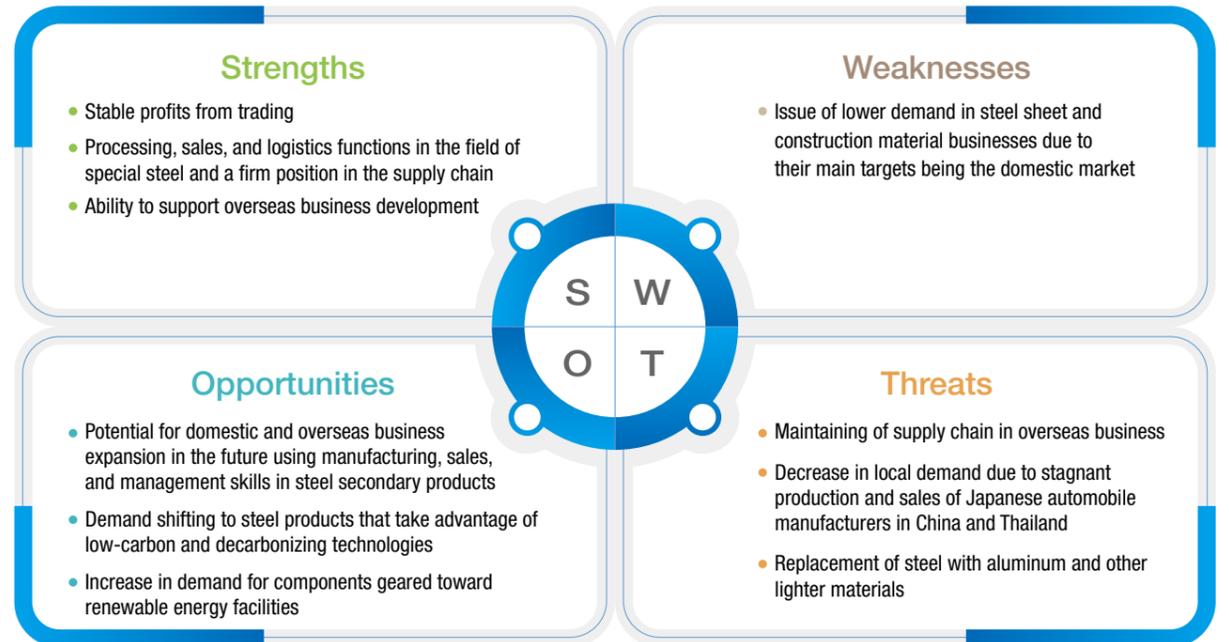
Understanding of business environment

There is a high possibility that domestic demand will further decrease due to demand moving overseas and a shrinking and aging population.

Demand for steel pillars and beams is at a low level because construction plans are being postponed due to labor shortages. While redevelopment projects are advancing in the Tokyo metropolitan area, plans in regional areas and those for small- and medium-sized projects face delays due to high costs.

Overseas, Japanese automobiles are struggling in China and Southeast Asia. In the United States, business—centered on Japanese materials—face a difficult situation with rising transportation costs and high interests as well as the onset of the Trump administration's tariffs.

SWOT analysis



Key points of the Medium Term Management Plan 2026 and toward achievement of the targets

Enhance profitability

We will aim to build a highly profitable unit by leveraging ROIC to select and concentrate our business portfolio. In addition, we will advance risk measures toward maintaining and strengthening the Kobelco Group business.

Promote investments and expand business domains

We will improve our portfolio through business investments centered on the Three Pillars of "Kobelco Group business," "Shinsho's original supply chains," and "promotion of SX new businesses." Besides existing investment projects, we are also studying new projects, such as logistics automation and entry into India.

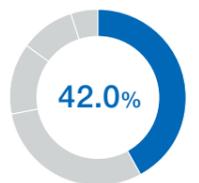
Strengthen trading company functions and expand into non-trading areas

We will expand our market share by shifting to DX in the supply chain, and at the same time, seek to create added value in non-trading areas through business investment. In consideration of the future prospects of inventory supply functions for materials and raw materials, we will also work on redefining functions.

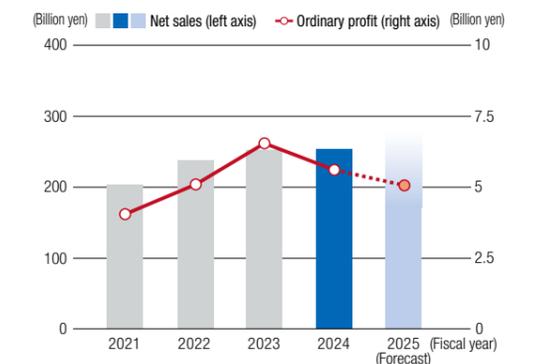
Deepen partnerships and explore alliances

Besides supporting global expansion using our capital relationships with parts manufacturers, we will also actively study the possibility of collaboration through building complementary relationships with other distributors. We will also explore business succession projects.

FY2024
Composition of net sales
by unit



Unit net sales and ordinary profit (consolidated)



Contribution to Tomorrow's Manufacturing

Non-Ferrous Unit, Metals Division



We will ensure safe and reliable supply while creating added value and advancing resource recycling businesses to continue to meet market expectation.

We are leveraging our manufacturing sites in East Asia and Southeast Asia to further strengthen our original supply chain with Japan at its core. We are also fully committing toward expanding our recycling business, growing resource recycling businesses into income pillars. At the same time, we are advancing our precision processing business in the field of semiconductor manufacturing. To accelerate these initiatives, we are promoting DX and working toward both improvement of efficiency and creation of added value. In the long term, we will aim for an overseas profit ratio of 50%. Meanwhile, with customer needs becoming more diversified and sophisticated due to the progress of DX, it is no longer possible to maintain competitive advantage through purchasing and stocking materials. Therefore, we are working to move away from businesses centered on trading to evolve into a coordinator that connects and creates value.

Masahito Adachi
Representative Director and Senior Executive Officer
General Manager of Metals Division and Head of Non-Ferrous Unit



Business overview

Total production, from materials to assembly

Beginning with Kobe Steel, the Non-Ferrous Unit 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 provide modules by assembling resin molded products with processed copper

products, 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, supervise facility installation, and develop an aluminum plate cutting base in ASEAN countries. We will continue to offer total production packages, with an eye on changes in the business environment and society.

Business model

Using our safe and reliable supply capabilities, we combined technologies and services to create additional value.



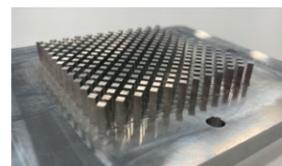
Main products handled by the Unit



Chinese Coil Center (Suzhou)
This coil center is dedicated to producing aluminum coils. It meets a wide range of 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 alloy 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.



Understanding of business environment

It is unclear how necessary the function for inventory supply of materials and raw materials will be in the future, and there is the possibility that trading company functions themselves will change with the advancement of DX.

The focus area of automobiles is recovering and growing in the United States and China while facing a decreasing trend in Japan. Market growth is expected for Japanese semiconductor manufacturing equipment due to recovery in the demand for memory for AI and for data centers.

Although the Chinese economy is showing signs of recovery, the demand structures and supply chains in key markets, including the United States, continue to change.

SWOT analysis



Key points of the Medium Term Management Plan 2026 and toward achievement of the targets

Expand investment in resource recycling businesses

We plan to enter full-scale into the collection and recycling of used scraps and establish two new companies to turn resource recycling businesses into new income pillars. We will advance the development of carbon-neutral business models.

Promote new business investment and M&A

We will secure future growth areas, including business investment to strengthen aluminum chambers for semiconductor manufacturing equipment.

Accelerate streamlining of operations through DX

We will use an order placement and acceptance platform and RPA to promote labor saving and efficiency in administrative operations. We will calculate quantitative effects, such as reduction in overtime work hours, and accelerate operational reforms.

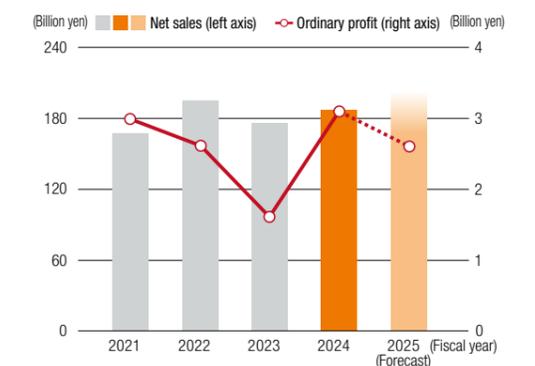
Strengthen organizational capabilities

With a view of future business expansion, we will develop and secure human resources with a high level of skills, such as investment validation and business plan formulation. Another key issue is to improve the motivation of employees involved in operations essential for maintaining supply chains (delivery management and price adjustment), and we will promote the streamlining of operations and visualization of contribution by leveraging DX.

FY2024
Composition of net sales
by unit



Unit net sales and ordinary profit (consolidated)



Contribution to Tomorrow's Manufacturing

Ferrous & Recycling Materials Unit, Metals Division



We will contribute to decarbonization and the realization of a circular society by providing a stable supply of materials indispensable for the production of steel and handling a wider range of recyclable resources.

With the supply of key raw materials to Kobe Steel as the foundation, we are expanding our handling of recyclable resources, such as iron scraps and biomass fuels. Leveraging our domestic and overseas networks, we are strengthening our system for stable supply, and at the same time, contributing toward the creation of a resource recycling society. Besides importing wood pellets and palm kernel shells, we are also advancing sustainable initiatives such as experiments in afforestation and reuse of combustion ash. Furthermore, we are also working to improve transportation efficiency and optimize inventory management to increase supply flexibility and reliability.

In the future, besides developing new fuels and expanding sales channels, we will also focus on introducing technologies that contribute toward achieving carbon neutrality, engaging in business with a global perspective to achieve both environmental impact reduction and economic performance.

Mitsuharu Karikomi
Executive Officer
Head of Ferrous & Recycling
Materials Unit, Metals Division



Business overview

Ferrous raw material business and resource recycling businesses as the two 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 industry. The Unit 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 resource recycling 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 biomass fuels and cold iron materials. We will thus contribute to the creation of a sustainable society.

Business model

We use our global network, developed over many years, to achieve stable supply.

As a manufacturer-affiliated trading company, we have thorough knowledge in processes—from upstream to downstream—and provide proposals, paying particular attention to quality and added value.



Main products handled by the Unit



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



Biomass Fuels
Shinsho Corporation supplies plant-derived fuels for biomass power plants, which are increasing as a new power source that does not increase CO₂ on the planet.



Recycled Fuels
Shinsho Corporation supplies RPF*, which is solidified from 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 direct and trilateral trade agreements.



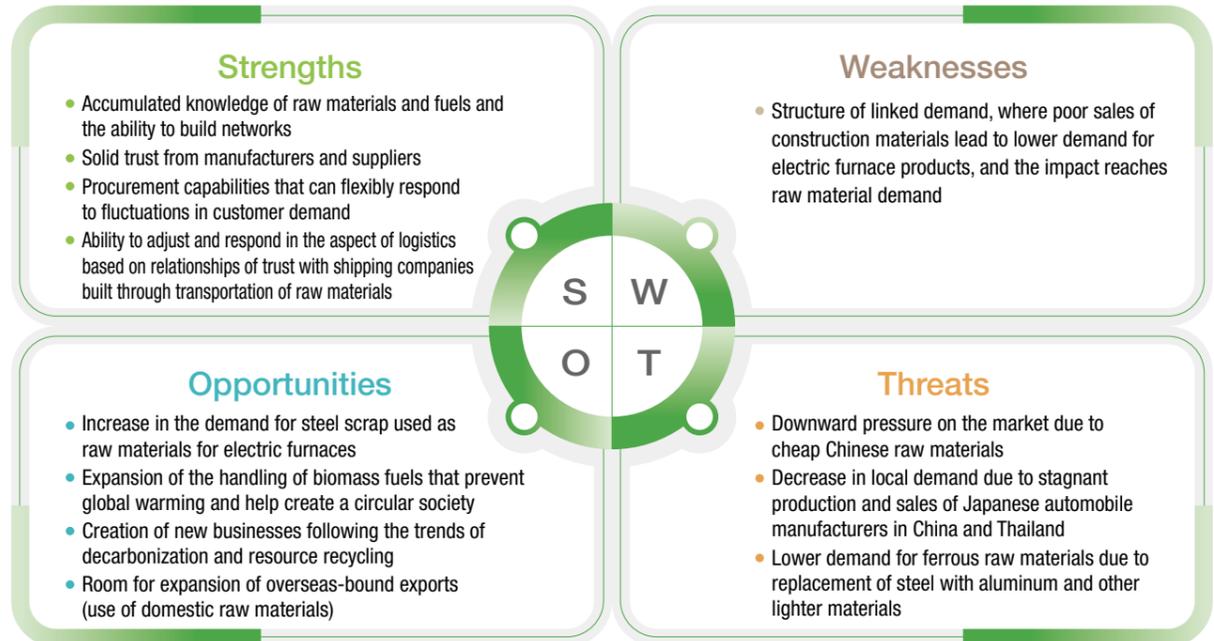
Understanding of business environment

Steel production remains in a difficult situation. In addition to trends in the automobile industry, a major user, it is unclear how the impact of U.S. Trump tariffs will manifest.

Demand for construction materials is stagnant among furnace manufacturers—which center on demand for construction—due to the impact of construction delays arising from labor shortages. Opportunities continue to be seen in overseas-bound exports.

Although the biomass market is expanding gradually, demand is lower than expected due to operational problems with biomass power plants and other issues.

SWOT analysis



Key points of the Medium Term Management Plan 2026 and toward achievement of the targets

Strengthen procurement capabilities to expand the handling of recyclable resources

Strengthen biomass fuel supply system

We will operate facilities for distributing palm kernel shells (PKS) at Shinsho (Malaysia) and build a stable supply chain.

Strengthen global network in the area of scraps

With a view of future scrap imports, we will dispatch professionals to the United States and Australia and work on building relationships with overseas recycling companies.

Develop biomass raw materials and expand lineup

We will begin handling algae, eucalyptus, black bark pellets, coconut kernel shells (CKS), and such.

Participate in resource recycling projects

We will contribute toward environmental impact reduction and resource recycling through the reuse of combustion ash and projects for growing early-maturing trees.

Optimize the overall supply chain through DX

We will save power and labor in operations by systemizing tasks for adjusting scheduled incoming shipments and customer demand. Going beyond improving our own efficiency, we will seek to optimize the overall supply chain by encouraging Kobe Steel and other business partners to adopt the system.

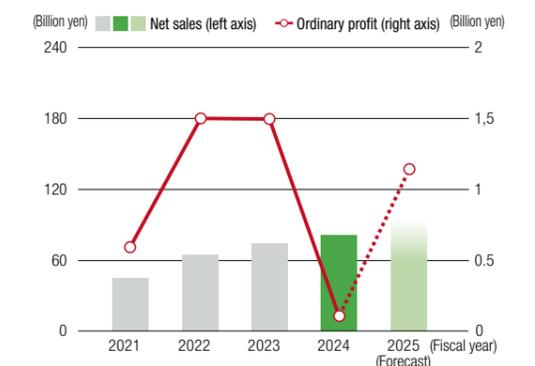
Develop human resources with good judgment

We will expand the perspectives of our employees by rotating them between units and divisions and assigning them overseas to lead to the creation of new businesses.

FY2024
Composition of net sales
by unit



Unit net sales and ordinary profit (consolidated)



Contribution to Tomorrow's Manufacturing

Machinery Unit, Machinery & Welding Division



Using our technological capabilities and networks, we accelerate initiatives for overseas deployment and a decarbonized society and support the future of manufacturing.

We use our domestic and overseas networks as well as our technological capabilities to contribute to our customers' stable manufacturing through our equipment maintenance business and strengthening of the supply chain. We are expanding our machinery and equipment business to a wide range of manufacturing fields. We will expand our business scope and strengthen our earnings base by using our specialization in niche machinery fields and promoting "Koto-uri (selling intangible values rather than physical products)" through adding engineering functions. We are developing human resources and using digital tools to enhance our proposal capabilities and our ability to meet customer needs.

Going forward, as a trading company trusted by customers and suppliers, we will strengthen collaboration with the Welding Unit to contribute toward solving social issues through products and services that help to reduce CO₂. Toward sustainable growth, we will accelerate overseas expansion—such as to India—and our initiatives toward a decarbonized society.

Shinji Urade
Director and Executive Officer
General Manager of Machinery & Welding Division and Head of Machinery Unit



Business overview

Customer support utilizing a global supply chain

Starting with KOBELCO Group products, the Unit selects and supplies customers around the world with the best industrial machinery and electronics and information equipment. Our ability to provide global procurement and proposals comes from our subsidiaries and offices throughout Eastern Asia, Southeast Asia, Europe, the United States, and beyond. We work closely with each base and 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.

Business model (decarbonization-related)

We solve our customers' manufacturing issues with our high expertise in niche area where we have strengths.

With capabilities to propose solutions for strengthening supply chains, we contribute toward reducing CO₂ emissions through the products we handle.



Main products handled by the Unit

<p>General-purpose air compressors General-purpose compressors are largely screw-type, for air compressors and freezers.</p>	<p>Large non-general purpose gas compressor For various applications such as various gases, air, and steam, we propose and respond to customers' requests for optimal equipment in the form of screw, turbo, and reciprocating types.</p>	<p>Ultra-high efficiency inverter heat pump chiller Heat pumps are a technology that significantly reduces CO₂ emissions compared to combustion methods using gas or oil. It is possible to use a large amount of heat with a small amount of electric power, resulting in decarbonization and energy saving.</p>	<p>Water electrolysis type high-purity hydrogen generator This is a device that supplies high-purity hydrogen gas from tap water on-site using a solid polymer electrolyte membrane (PEM). We supply CO₂-free hydrogen by water electrolysis using renewable energy.</p>	<p>Construction machinery parts (shoes) We mainly handle cast steel and forged parts that are components of construction machinery. The photograph (shoe) is a typical example of the products handled, and is an important part of the shovel underbody. We connect with suppliers around the world to provide parts that meet customer needs.</p>
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Understanding of business environment

Domestic market

In the chemical industry, while basic ethylene chemical products are sluggish, environment-related capital investments that involve decarbonization, such as LNG-fired and ammonia co-firing power generation, are strong, and there are also plans to produce hydrogen and alternative fuels.

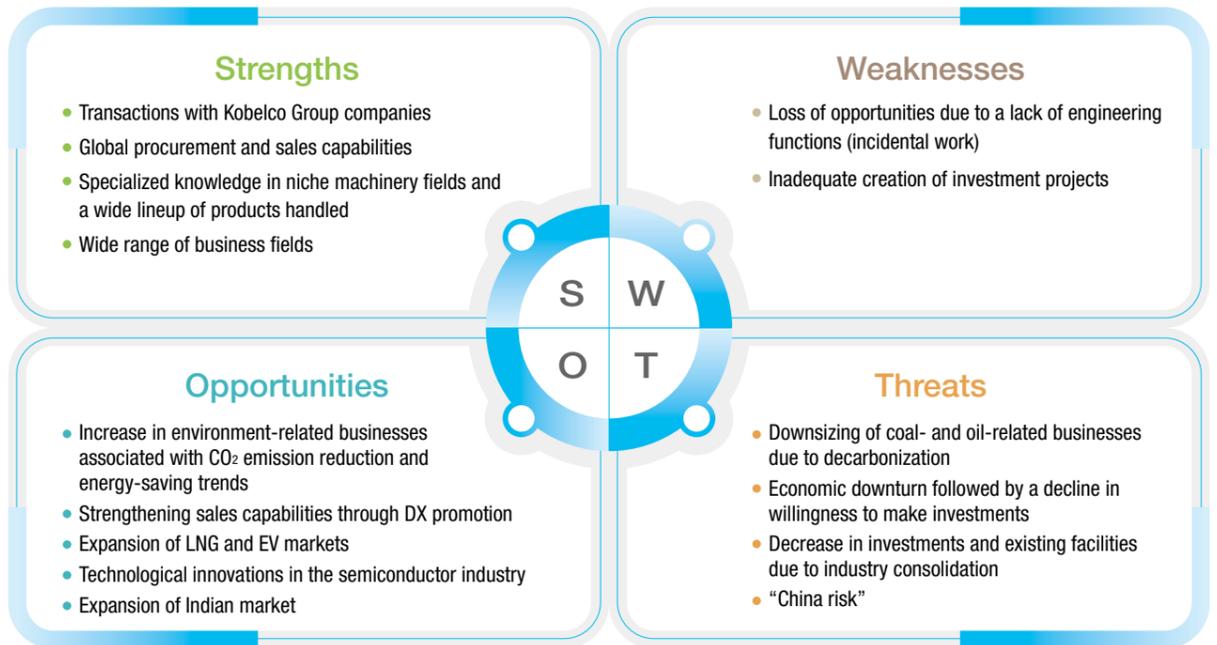
Overseas markets

In the Chinese market, EV sales are strong and the volume of automobile sales is expected to increase year-on-year, but China's economy remains uncertain. Automobile-related production is decreasing in the ASEAN region due to sluggish automobile-related exports. There continues to be investment plans such as the relocation of plants from China to Southeast Asia.

Construction machinery

It is expected that the shipment value of major domestic construction machinery manufacturers will decrease in FY2025 due to interest rates in Europe and the United States as well as the impact of the U.S. tariffs.

SWOT analysis



Key points of the Medium Term Management Plan 2026 and toward achievement of the targets

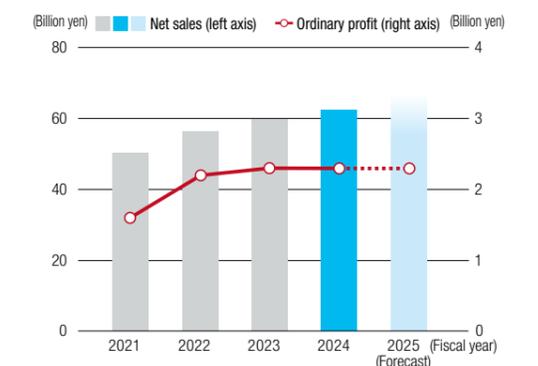
Shift from selling things to selling intangible value

We will shift from our current state centered on selling things, to "Koto-uri (selling intangible value rather than physical products)," which combines products with services and solutions that have added value. We are therefore studying ways to supplement functions, including M&A and capital participation, to strengthen engineering functions (incidental work) and prevent the loss of opportunities. By acquiring engineering capabilities, we will expand our maintenance business, which serves as the key to business expansion, and secure stock-based revenue. At the same time, we will strive toward evolving into a business model that emphasizes solving customer issues and providing added value.

FY2024
Composition of net sales
by unit



Unit net sales and ordinary profit (consolidated)



Firmly incorporate demand for construction machinery in India

Besides selling finished products, the construction machinery parts manufacturing company established in India as a joint venture with a South Korean manufacturer has started assembly of parts—using Indian materials—and operation evaluation in October 2025. Its customers are Japanese manufacturers, and European manufacturers are also being targeted. Furthermore, in the future, we will pursue a global growth strategy that also looks at business expansion into Asia, the Middle East, and Africa, with India as the base.

Contribution to Tomorrow's Manufacturing

Welding Unit, Machinery & Welding Division



We create growth opportunities based on social issues and advance the expansion of our business domains in response to changes in market structures.

The Welding Unit has a wide lineup centered on Kobe Steel products—a top brand—and strong technological capabilities. With these as our strengths, we provide optimal welding solutions to customers in Japan and overseas. We handle at least 20% of the domestic market for welding materials, and in overseas markets, we also sell welding materials and equipment, mainly in Asia. We have built a sales system founded on many years of relationships of trusts, establishing a stable earnings base.

In recent years, we have been offering laser welding equipment and other products with high added value and addressing social issues—such as the aggravating shortage of labor and skilled workers—by responding to DX and automation. We are also contributing to our customers' sustainable growth by expanding distribution networks using welding materials and strengthening proposal capabilities meeting the needs of sites to provide a variety of new products and services.

Tatsunori Takebayashi
Officer
Head of Welding Unit, Machinery & Welding Division



Business overview

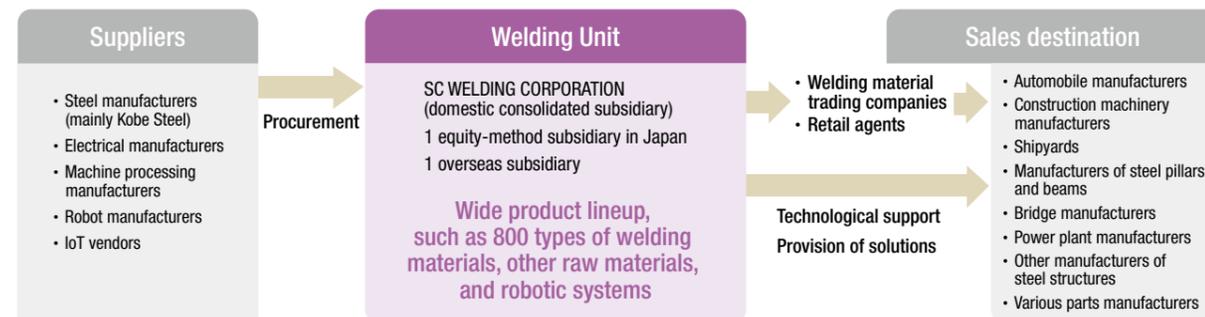
Total solution packages based on abundant product knowledge and technical capabilities

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. Furthermore, in addition to the robot business on its own, we aim to strengthen the Company's engineering functions and build a business model in which peripheral equipment and robots are proposed and sold as a set.

Business model

Using a wide product lineup and specialized knowledge, we provide the optimal materials and technologies for all kinds of sites.



Main products handled by the Unit



Welding Materials
About 800 types of welding materials of Kobe Steel delivered by the Machinery & 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 CO₂ arc welding kits.



Robotic Welding Systems for Large Pillar Assembly
We provide systems to automate welding processes for the manufacture of 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.



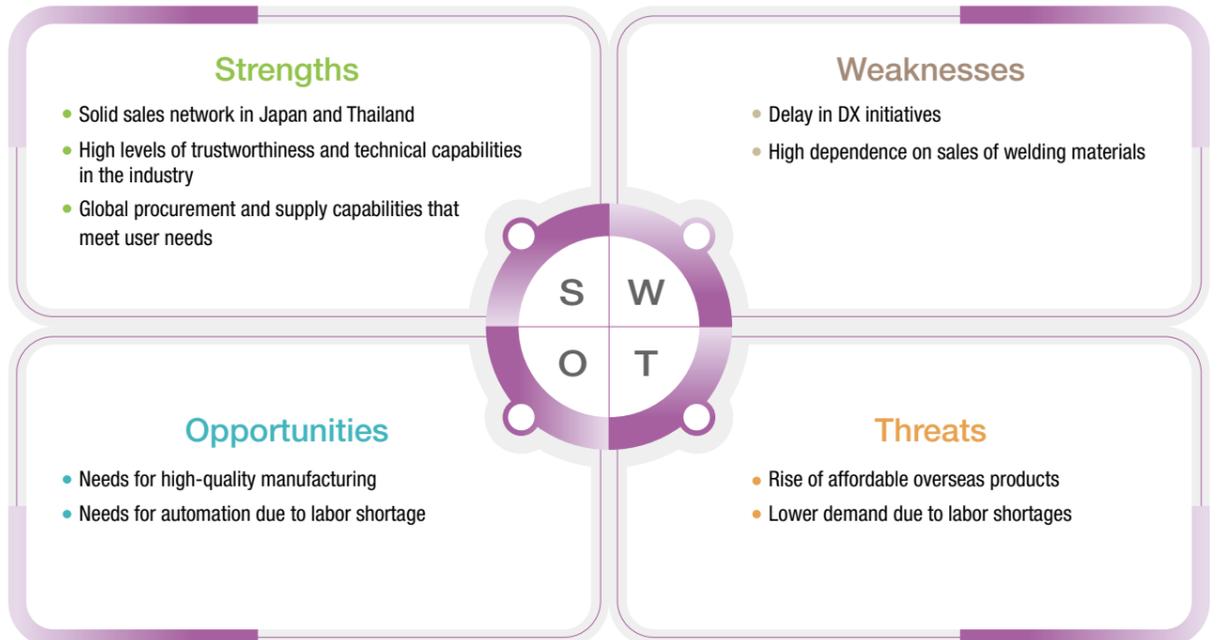
Understanding of business environment

Besides shrinking demand, the welding material quantity needed is also decreasing due to better welding efficiency from technological progress, with demand in Japan dropping by approximately 60% in the last 30 years.

As it is difficult to expect significant recovery in demand, business domain expansion is important and it is necessary to incorporate needs through overseas expansion and new technologies.

The key to growth is to expand into adjacent fields using existing knowledge, such as generalizing products that have previously been expensive and targeted at a limited number of users.

SWOT analysis



Key points of the Medium Term Management Plan 2026 and toward achievement of the targets

Expand engineering business

Labor shortages are becoming more severe in the manufacturing industry. To meet the automation needs of sites, we are introducing robots and strengthening our system integrator functions to operate them optimally. We will help to improve our customers' productivity by designing processes and proposing control systems. Furthermore, we are advancing the acquisition of qualifications to back our technological capabilities, and more than half of the Unit's employees have attained certification as welding coordinators (WES 2 standard). In this way, we are increasing the added value of our engineering business while guaranteeing safety and reliability.

Expand sales of new products

To improve our customers' productivity, we are focusing on expanding sales of laser welding equipment, which are products with high added value. Domestically, SC Welding is in charge and has been handling them since the early stages. Through maintenance and parts supply, services are provided from a position similar to a manufacturer.

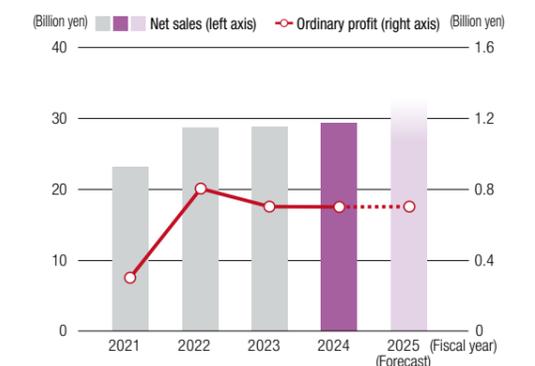
Diversity of human resources

From integrating several organizations, we have gathered diverse human resources and built a system capable of swiftly responding to new technologies. We can therefore discover promising products and anticipate market needs to create new business opportunities.

FY2024
Composition of net sales
by unit



Unit net sales and ordinary profit (consolidated)



Contribution to Tomorrow's Manufacturing

Major Domestic and Overseas Business Companies

Domestic affiliates and business in overseas priority regions

Global Presence:

17 domestic companies
42 overseas companies
Total of 59 companies



Contribution to Manufacturing Glocally

Americas

GRAND BLANC PROCESSING, L.L.C. (hereinafter, "GBP") <https://www.shinsho.com/>

Contribute to a stable supply of high-quality wires as a wire rod secondary processing site in the North American region:

As a wire rod secondary processing site of Shinsho American Corp., its main investor, GBP is our site in North America with pickling facilities, heat treatment furnaces, and wire drawing machines, responding to the diverse requirements of customers in a meticulous manner. We will continue to aim to be an integral part of our customers' manufacturing through the stable supply of high-quality wire rods.



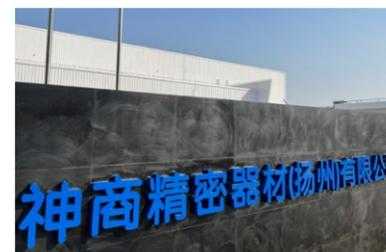
East Asia

KOBELCO PRECISION PARTS (YANGZHOU) CO., LTD.

<https://www.shinsho.co.jp/english/biz/global/china.html>

Provides total solutions using the strengths of a trading company and manufacturer:

Kobelco Precision Parts (Yangzhou) manufactures ion implanters—which are used in a key process for manufacturing flat-panel displays and semiconductors—and provides the service of dispatching engineers to customers' plants. In 2021, we were transferred and embarked on a new start with the Shinsho Group as an East Asian site of the Shinsho Seimitsu concept. Partnering Kobelco Precision Parts (Suzhou) Co., Ltd., our sister company that carries out machining and also located within Jiangsu Province, we provide the full range of OEM production services to China's equipment market, from parts procurement to processing, equipment assembly, and on-site installation. We also have engineers with a variety of qualifications and our own clean room, and we will also use them to take on the challenge of launching new businesses.



Southeast Asia, Oceania, Europe, etc.

Thai Escorp Ltd. <http://www.thaiescorp.co.th/>

Support manufacturing and contribute to society through value creation:

Thai Escorp provide JIT support for special steel wire rods and aluminum and copper products and has developed together with local communities while helping to save labor and improve safety through proposals and sales of automated facilities such as industrial robots and environmental improvement facilities. In an ever-changing global economy, we will continue to take on the challenge of creating new value while leveraging our diversity to become a "trading company that supports tomorrow's manufacturing and contributes to society."



Kobelco Trading Vietnam Co., Ltd. <https://kobelcotradingvn.com/en/home-english/>

Promote the growth of local industries by combining materials and machines:

Established in 2011 Kobelco Trading Vietnam has been engaged in a range of businesses—from the businesses of the Non-Ferrous Unit and ferrous raw materials to the business of the Iron & Steel Unit and the Machinery Unit—while collaborating with Japan.

Subsequently, we established joint ventures for plants for aluminum extrusion and plate cutting, expanding sales in the Vietnamese market. Going forward, we will pursue activities to enhance social value and corporate value in Vietnam through sustainability initiatives.



Iron & Steel Unit

SHINSHO STEEL PRODUCTS CORPORATION <https://www.shinshosteel.co.jp/>

Respond quickly to diversifying needs through our unique supply network:

As a general building materials trading company that handles everything from steel products to secondary and tertiary 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, and condominiums. 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.



MORIMOTO KOSAN CO., LTD. <https://www.morimoto-kosan.com/>

Aiming to celebrate the 100th anniversary of its establishment as a long-established coil center:

Morimoto Kosan was established in 1949, and became a distributor of Kobe Steel, Ltd. in 1968. Since then, it has sold and processed mainly goods and materials produced from hot coils and steel plates. It became a wholly-owned subsidiary of Shinsho Corporation in 2018. As a long-established coil center in the Kansai area and the only hot-rolled coil center in the Kobe Steel, Morimoto Kosan is fully committed to responding quickly to requests from customers.



Non-Ferrous Unit

SHINSHO NON-FERROUS METALS CORP. <https://www.shinshohitetsu.co.jp/>

Upgrade non-ferrous metal product inventory and processing center functions:

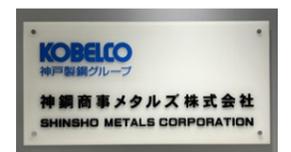
Established as Shinsho Metal Processing Corp. in 1982 and later merging with Shinsho Nonferrous Metals Corporation which split off from Shinsho Corporation, Shinsho Non-Ferrous Metals made a new start in 1996. To meet diverse needs for aluminum sheets, plates, rolled copper products, and a range of other processed products. As a processing center with a wealth of products in stock, it makes proposals tailored to customer needs by taking advantage of extensive functions including quick delivery and small lot handling.



SHINSHO METALS CORPORATION <https://shinshometals.co.jp/>

Contributing to total cost reduction as a non-ferrous metals supplier:

In 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 will be proposed from a range of options, to be used in the transport aircraft, IT, and infrastructure fields.



INAGAKI-SHOUTEN Co., Ltd. <https://www.inagaki-shouten.jp/>

Long-established company founded in 1960:

Inagaki-Shouten purchases copper, bronze, brass, aluminum, stainless steel, lead plates, and such from a wide variety of manufacturers, and has a wide range of products by size, boasting the best lineup in western Japan. In particular, the company specializes in copper and aluminum forged products that utilize material inventories. In addition, it has realized short delivery times and handling of small lots through in-house cutting and delivery, and its strength is the meticulous response to customer needs. In the future, INAGAKI-SHOUTEN will further differentiate itself from other companies by enhancing facilities and introducing DX and IT. The company will support the manufacturing efforts of small and medium-sized enterprises through its ability to respond effectively to long-established relationships with business partners.



Machinery Unit

MATSUBO Corporation <https://www.matsubo.co.jp/en/>

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

After Matsuzaka Trading Co. Ltd., the forerunner of MATSUBO Corporation, was established in 1955, the company focused on cutting-edge technology and provided new products and added value. In addition to providing technical and product information tailored to customer needs, it has an integrated system that includes consulting on engineering functions and facility remodeling, as well as after-sales services, and proactively provides products tailored to customer needs.



NIPPON GRANULATOR CO., LTD. <http://www.granulator.co.jp/>

Advanced technical capabilities to meet a diverse range of users:

NIPPON GRANULATOR CO., LTD. was established in 1960, and developed a proprietary pulverizing and sizing machine for coffee beans. Since then, the company has manufactured and sold pulverizing and sizing machines for food, medicine, and chemicals. Incorporate user requirements, its original products have high reliability and technical capabilities. Shinsho Corporation and Matsubo Corporation will strive to expand the business of the Machinery Unit, in view of its future potential and expansion of the Machinery Unit business, as Shinsho Corporation and Matsubo Corporation expect to expand their new businesses by utilizing Nippon Granulator's technical capabilities.



Welding Unit

SC WELDING CORPORATION <https://www.scwel.co.jp/english/index.html>

Contributing to industrial manufacturing through unparalleled, total welding support:

SC Welding is a long-established welding materials trading company established 82 years ago and consolidated by Shinsho Corporation in 2016. It sells primarily Kobe Steel's welding materials and welding-related products in the distribution sector in Japan. The company will drive locally rooted, proposal-based sales activities finetuned to each customer and help offer high-quality products and services that meet customer needs. SC Welding will thereby contribute to the growth of manufacturing companies, as well as to the development of society.





Corporate Activities with Compliance

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			
I. Basic policies		<ul style="list-style-type: none"> ■ We will maintain a high level of corporate ethics and conduct corporate activities trusted by society. ■ We will comply with laws and regulations and other social norms as well as the company rules, and act fairly and faithfully. 	
II. Action standard			
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 the 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 antisocial forces	We will maintain a resolute attitude toward antisocial 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 Committee 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.

Themes and targets of training conducted in FY2024
• Acquisition proposals from activists and such and corporate response (for officers)
• Responsibilities and duties of officers after transition to a company with an audit and supervisory committee (for officers)
• Subcontract Act e-learning and video (for all employees)
• E-learning about compliance in general (for all employees)
• Tariff scheme training (for employees who are group leaders and below)
• Freelance Act training (for departments that have transactions with freelancers)
• Security trade control training (practical application training for employees who are group leaders and below)

Whistle-blowing system

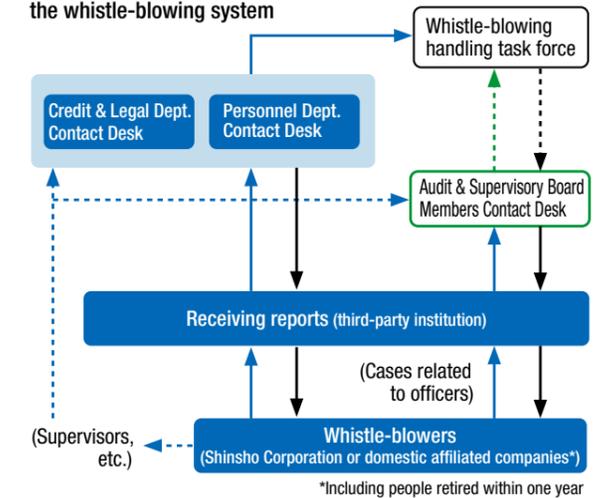
The Company has established the Shinsho Group Whistle-blowing Contact Desk to detect any issues such as misconduct that may affect the Company in advance and ensure sound management.

The Company adopts a whistle-blowing system where a third-party external vendor centrally receives reports, from a viewpoint of strengthening the way to ensure convenience and anonymity of employees, etc. This allows whistleblowers to maintain their anonymity as they cannot be identified unless they disclose their information themselves. In addition, 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.

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 Committee Members Contact Desk established under the Audit & Supervisory Committee will handle the case to ensure independence from such Director or officer.

Information on the whistle-blowing system is widely communicated through various training sessions, pamphlets, cards, etc., and there is an increasing trend of reports. This improves recognition of the contact desks across the Group and also helps to improve workplace environments.

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 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 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 who include the officer in charge of the Credit & Legal Department who is a chief officer responsible for security trade control, Audit & Supervisory Committee Members, members of the Credit & Legal Department, and persons responsible for export control in each sales unit, and discusses measures, policies, etc. related to export control operations.

Activities in the Global Environment

Activities in the Global Environment

The Shinsho Group continues to consider the global environment as an important management issue (material issue) toward the creation of a sustainable society, based on its Basic Policy for Sustainability that “We are contributing to the establishment of the sustainable society that all people desire.”

We are further strengthening environmental management across the Group after revising our environmental policies as Group-wide policies on April 1, 2025, with new policy items added in response to changes in the social situation and environmental issues.

Specifically, the Sustainability Committee will take the lead 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.



Environmental Policies

Established on January 28, 2000
Last revised on April 1, 2025

Basic Philosophy

The Shinsho Group has set “Activities in the global environment” as a material issue and undertakes initiatives toward a decarbonized society and preservation of the global environment through its business activities to achieve the development of a sustainable society, based on its Corporate Philosophy that “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

1

Concern for the Natural Environment

In our business activities, we will adequately consider the impacts on the natural environment and ecosystems and strive to prevent pollution, reduce environmental our footprint, and maintain and preserve biodiversity.

2

Initiatives for Climate Change

We will strive to reduce greenhouse gas emissions across our business activities. In addition, we will promote the handling of products and services that contribute to greenhouse gas reduction.

3

Compliance with Environmental Laws and Regulations

We will comply with all environment-related laws and regulations both in Japan and abroad. We will also adhere to all agreements with stakeholders and work to strengthen mutual understanding and cooperative relationships.

4

Efficient Use of Resources and Energy

We will contribute to the realization of a circular society through means such as efficiently using and reusing resources and energy, as well as protecting resources.

5

Continuous Improvement of Our Environmental Management System

We will continuously improve our environmental management system that is based on the environmental policies outlined here.

6

Improvement of Environmental Awareness and Disclosure of Information

We will promote environmental education for all Group officers and employees to improve environmental awareness. In addition, we will publicize the details of activities based on these core values and disclose environment-related information.

Environmental management system

Maintenance and operation of ISO 14001

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 procedures.

Internal audit:

Internal auditors who have completed internal auditor training audit all departments annually (in March 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 in other domains that they cannot understand through business of their own departments only, how to handle risks, and other matters.



ISO 14001 certificate

External examination:

Examination by an external certified body is conducted after the completion of the internal audit (in early September). 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.

Status of ISO 14001 certification (renewed in 2024) The scope of examination for ISO 14001 is as follows.

Scope: 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 Sustainability 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 Company has established a Sustainability Committee headed by the President and CEO to address material issues, thereby solving social issues, creating new value, and strengthening its management base. In April 2025, a new Sustainability Management Promotion Office was established. It will further strengthen sustainability activities responding to both opportunities and risks by embarking full-scale on strategic initiatives supporting sustainable growth. ISO 14001 is also incorporated in this structure to strengthen the structure.

Compliance with environmental laws and regulations

The laws and regulations related to each department’s business are listed in the “Assessment List for Compliance with Related Laws and Regulations.” 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. Progress is checked on a semi-annual basis (at the end of the first and second halves) and confirmed through internal audits and such before being reported to the Sustainability Committee.



“ALGAL by MATSURI ” exhibit at the Japan Pavilion at Expo 2025 Osaka, Kansai, Japan

Agreeing with the concept of the “ALGAL by MATSURI” exhibit at the Factory Area of the Japan Pavilion at Expo 2025 Osaka, Kansai, Japan, we sponsored the project. It showcased algae-based circular manufacturing and conveyed the potential of algae through a diverse range of products, such as clothes, cosmetics, and fuels. We are participating in the MATSURI project led by the CHITOSE Group, supporting initiatives toward realizing a sustainable society through building an algae industry.



Responding to CDP questionnaires and scores

We respond to questionnaires from CDP, an international non-profit environmental organization that encourages initiatives for environmental issues. In FY2024, we received a B score for climate change and B- score for water security. It was the first time that we responded to the questionnaire on water security.



Activities in the Global Environment

Concern for the Environment

Environmentally friendly products/Efficient use of resources and energy

The priority areas are “Automobiles,” “Semiconductors,” “Metal Recycling,” “Biomass Fuels,” “Decarbonization-related Equipment,” and “Strengthening Response to Labor-saving Needs,” and each unit is developing various initiatives.

Weight reduction of EVs and automobiles

Iron & Steel
Soft magnetic material (weight reduction of automobiles)
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.

Non-Ferrous
Aluminum plates for automobiles (weight reduction of EVs and automobiles)
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.

Non-Ferrous
IGBT* heat sinks for automobiles (for EVs)
Heat sinks, indispensable for EVs. Offer high quality products to semiconductor manufacturers, after processing and assembling machinery materials.
* IGBT: Insulated gate bipolar transistor

Iron & Steel
Aluminum bolts (weight reduction of automobiles)
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.

Machinery
EV DC-DC (voltage step-down) converter for construction machinery
[EV for construction machinery] Handle equipment (DC-DC converter) that converts high-voltage current into low-voltage current in batteries mounted on EVs.

Non-Ferrous
Semiconductor lead frame for EVs
Sell lead frames used for semiconductors for xEVs to resin mold manufacturers, and which in turn sell them to semiconductor manufacturers.

Resource recycling businesses

Ferrous & Recycling Materials
Scrap of materials (steel and aluminum)
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.

Machinery
Inverter compressor
Sell inverter compressors, inverter freezers, heat pumps to contribute to cost reduction through energy saving as well as reduction of CO₂ emissions.

Welding
Recycling of welding material spools
Pulverize welding material spools (welding material rolling table) used for welding at shipyards, and form and reuse them. Realize horizontal recycling.

Non-Ferrous
Closed loop for aluminum for automobiles
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.

Ferrous & Recycling Materials
Biomass fuels (wood pellets and PKS)
Have concluded long-term fuel supply contracts with three biomass power generation stations in Japan, supplying biomass fuels.

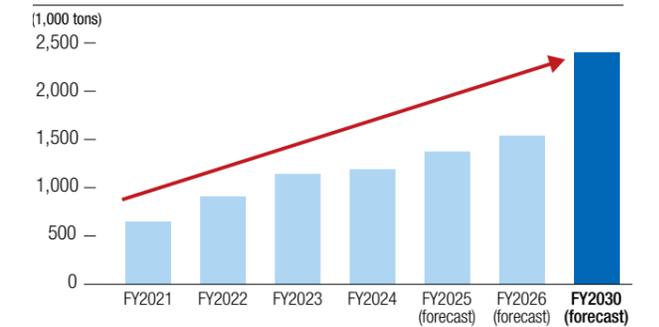
Iron & Steel
KOBEMAG®
Application: Mount systems for solar panels, etc.
Handle KOBEMAG®, galvanized steel sheets with high corrosion resistance produced by Kobe Steel as materials for mount systems that support solar panels.

Developments related to environmentally-friendly products

To date, we have worked with recycled raw materials and fuels like steel scrap, refuse derived paper and plastics densified fuel (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.



Achievements and future vision of environmentally-friendly product (Steel scrap, biomass fuel, etc.)



Response to climate change

The Shinsho Group positions its response to climate change as an important management issue. Besides reducing CO₂ emissions across the Group, we are using our functions as a trading company to advance initiatives toward realizing a sustainable society. Through these activities, we will contribute toward solving social issues related to climate change and fulfill our corporate responsibilities.

TCFD's disclosure recommendations and related initiatives

<Governance>

The President and CEO is the person responsible for promoting the Shinsho Group's sustainability management, including climate change measures. To consider reports on climate-related items when making decisions regarding management, the Board of Directors has established the Sustainability Committee (headed by the President and CEO) as an advisory body to undertake sustainability-related responses.

The Sustainability Committee examines and discusses matters such policies regarding sustainability management, identification of important issues, and consideration and formulation of sustainability management strategies in general. Regular reports are made to the Board of Directors twice each year, and it is managed and supervised by the Board of Directors. It also collaborates with the Risk Management Committee, which mainly identifies and evaluates risks, and monitors the progress (such as progress in greenhouse gas emission reduction) of initiatives for promoting sustainability management. These results are also regularly reported to the Board of Directors, which manages and supervises the reported activities.

<Strategy>

The Shinsho Group adopts a two-division structure, consisting of the Metals Division, under which are the Iron & Steel Unit, Non-Ferrous Unit, and Ferrous & Recycling Materials Unit; and the Machinery & Welding Division, under which are the Machinery Unit and Welding Unit. The business units are engaged in unique businesses at the global level.

To comprehensively identify the impacts of climate change on the businesses and supply chains of our business units, we follow the categories stipulated in the TCFD recommendations to identify and evaluate—at the global level—the risks and opportunities related to climate change. Out of these risks and opportunities, the ones important to us are identified by the Sustainability Management Promotion Office and the respective business units evaluating them from the aspects of degree of impact as well as the timing and possibility of occurrence.

Corporate governance structure → P.57



Signing of LOI on biomass-related businesses in Malaysia

We import and supply palm kernel shells (PKS) and wood pellets to biomass power plants in Japan, and Malaysia is a major supply location. In September 2025, we signed a letter of intent (LOI) with Palmitco Alliance Sdn. Bhd. to jointly promote businesses related to biomass fuels., strengthening our supply chain with a view of stable PKS supply and expanding handling quantity as well as the development of new fuels. This initiative is part of the promotion of SX new businesses in our Medium Term Management Plan 2026. We will contribute toward decarbonization and regional economic revitalization through spreading the adoption of biomass fuels, a form of renewable energy.



Activities in the Global Environment

The following are the definitions regarding the degree of impact of risks and opportunities as well as the timescale of these impacts, which serve as the evaluation axes.

Degree of impact	Definition
High	Impact so great that it causes business to significantly contract or expand
Medium	Impact to a part of business
Low	Almost no impact

Timescale	Timing	Reasons for the timing
Short term	Next two years	Time period that can be predicted with relatively high certainty
Medium term	Until 2030	Reduction of 46% by 2030 compared to 2018 has been set as the CO ₂ reduction target toward carbon neutrality by 2050, and the final year of "medium term" has been aligned to the target year of 2030
Long term	Until 2050	Achievement of carbon neutrality by 2050 has been set as a target, and the final year of "long term" has been aligned to the target year of 2050

To comprehensively identify risks and opportunities related to climate change and objectively and quantitatively evaluate the resilience of our business portfolio, we use several climate scenarios to analyze business environments for each business unit.

In scenario analysis, we set two climate scenarios. In the 1.5°C scenario, progress is made in the transition to a decarbonized society toward realizing the Paris Agreement and the rise in global average temperature is kept to 1.5°C by

the end of this century. Meanwhile, in the 4°C scenario, the rise in global average temperature is around 4°C by the end of this century and natural disasters become increasingly severe. Using these scenarios, we analyze the financial impacts of risks and opportunities in the medium term (until 2030) and long term (until 2050).

We regularly revise our business environment analysis to reflect changes in our business portfolio and the latest climate scenarios.

1.5°C scenario	
Scenario overview	In this scenario, greenhouse gas emissions are suppressed, temperatures are kept to 1.5°C above pre-industrial levels, and transition risks and opportunities are expected
Expected business environment	Group-wide <ul style="list-style-type: none"> Rapid progress in energy saving, renewable energy adoption, and electrification due to expanding policy support for decarbonization and higher carbon prices As of 2050, 85% of total energy supply and 97% of electricity supply comes from renewable energy Acceleration in purchasing behavior with an awareness of environmental aspects
	Iron & Steel Unit <ul style="list-style-type: none"> Increase in steel demand for automobiles and ships powered by renewable energy Expansion in demand for stainless steel and titanium for renewable energy power generation facilities and hydrogen-related facilities Expansion in green steel supply due to adoption of hydrogen reduction furnaces, electric furnaces, etc.
	Non-Ferrous Unit <ul style="list-style-type: none"> Increase in aluminum and copper demand for automobiles and ships powered by renewable energy and renewable energy-related facilities Increase in aluminum demand for weight reduction needs due to battery electric vehicles (BEVs) making up at least 90% of new passenger vehicle sales and approximately 50% of new commercial vehicle sales Rise in demand for aluminum and copper scraps; with demand for aluminum scraps rising to at least 50% of total demand for aluminum, and demand for copper scraps rising to at least 20% of total demand for copper
	Ferrous & Recycling Materials Unit <ul style="list-style-type: none"> Demand for steam coal for power generation and coking coal for blast furnaces expected to decline significantly by 2050 Demand for biomass energy expected to increase until 2050
	Machinery Unit <ul style="list-style-type: none"> Increase in demand for machinery being introduced for purposes such as energy saving, renewable energy adoption, and electrification, as well as for machinery powered by low-carbon fuels and electricity
Welding Unit <ul style="list-style-type: none"> Increase in demand for welding materials and technologies needed to manufacture facilities being introduced for purposes such as energy saving, renewable energy adoption, and electrification 	
Base climate scenario	Net Zero Emissions by 2050 Scenario of the International Energy Agency (IEA), abbreviated as IEA NZE

4°C scenario	
Scenario overview	In this scenario, temperatures rise to 4°C above pre-industrial levels due to dependence on fossil fuels, disasters become increasingly severe and weather patterns change, and physical risks are expected
Expected business environment	Group-wide <ul style="list-style-type: none"> Increasing severity of disaster damage from floods and typhoons Rise in average temperature Changes in weather and precipitation patterns
	Base climate scenario

Note: The qualitative and quantitative information presented in the above business environment analysis is stated as an example of information contained in the climate scenarios referenced for the purpose of evaluating the resilience of our business, and does not represent the assumptions of our management strategy.

The following are our key climate-related risks and opportunities identified through the business environment analysis based on the scenarios.

Physical risks							
Category	Details of risk	Relevant financial items	Timescale of impact	Affected value chain	Financial impact		Strategies to address risk
					Medium term	Long term	
Acute	Incurrence of additional costs, such as for arranging alternative products, when suppliers are affected by torrential rain, floods, etc.	Additional costs such as transportation expenses	Short term Medium term Long term	Upstream	Low	Low	<ul style="list-style-type: none"> Prevent the incurrence of additional costs through the formulation of BCP (securing of alternate suppliers, distributed storage of inventory, and securing of alternate transportation routes), etc.
Chronic	Rise in electricity costs due to higher air-conditioning utilization arising from an increase in average temperature	Energy costs	Medium term Long term	Directly operated	Low	Low	<ul style="list-style-type: none"> Reduce electricity consumption by adopting work from home, etc.

Transition risks								
Category	Details of risk	Relevant financial items	Timescale of impact	Affected value chain	Relevant units	Financial impact		Strategies to address risk
						Medium term	Long term	
Policies and regulations	Rise in purchasing costs due to introduction of carbon tax	Purchasing costs	Medium term Long term	Upstream	<ul style="list-style-type: none"> Iron & Steel Non-Ferrous Machinery Welding 	Medium	High	<ul style="list-style-type: none"> Strengthen activities to engage suppliers regarding emission reduction
	Rise in transportation costs due to introduction of carbon tax	Transportation costs	Medium term Long term	Directly operated Upstream Downstream	<ul style="list-style-type: none"> Iron & Steel Non-Ferrous 	Low	Low	<ul style="list-style-type: none"> Consider low-emission transportation methods
	Decrease in sales from lower demand for fossil fuels (coking coal and steam coal) due to introduction of carbon tax	Net sales	Medium term Long term	Downstream	<ul style="list-style-type: none"> Ferrous & Recycling Materials 	Low	Medium	<ul style="list-style-type: none"> Continue supply for current coking coal and steam coal demand Distribute business risk by focusing on cold iron materials, biomass fuels, etc.
Technology	Decrease in sales of high-grade wire rods due to chassis weight reduction needs arising from progress in the adoption of EVs	Net sales	Medium term Long term	Downstream	<ul style="list-style-type: none"> Iron & Steel 	Low	Medium	<ul style="list-style-type: none"> Develop suppliers of alternative materials such as aluminum, optimize the supply chain, and capture EV-related opportunities
	Decrease in sales of products related to internal combustion engines arising from progress in the adoption of EVs	Net sales	Medium term Long term	Downstream	<ul style="list-style-type: none"> Non-Ferrous 	Low	Low	<ul style="list-style-type: none"> Strengthen development and sales of parts for EVs by enhancing collaboration with customers
Market	Decrease in sales of steam coal arising from reduction in coal-fired power generation	Net sales	Short term Medium term Long term	Downstream	<ul style="list-style-type: none"> Ferrous & Recycling Materials 	Low	Low	<ul style="list-style-type: none"> Continue to respond to demand for steam coal Distribute business risk by focusing on biomass fuels, etc.

Opportunities							
Category	Details of opportunities	Relevant financial items	Timescale of impact	Affected value chain	Relevant units	Financial impact	
						Medium term	Long term
Resource efficiency / Products and services	Decrease in purchasing costs and increase in sales of recycled raw materials through the building of a closed scheme in the supply chain	Purchasing costs Net sales	Medium term Long term	Directly operated Upstream Downstream	<ul style="list-style-type: none"> Iron & Steel Non-Ferrous Ferrous & Recycling Materials 	Low	Medium
Products and services	Increase in sales of electric furnace materials and green steel	Net sales	Medium term Long term	Downstream	<ul style="list-style-type: none"> Iron & Steel 	Low	High
	Increase in sales of high-grade wire rod products for EVs	Net sales	Medium term Long term	Downstream	<ul style="list-style-type: none"> Iron & Steel 	Low	High
	Increase in sales of aluminum plates and copper strips for EVs	Net sales	Medium term Long term	Downstream	<ul style="list-style-type: none"> Non-Ferrous 	Low	Medium
	Increase in sales of biomass fuels for thermal power plants	Net sales	Short term Medium term Long term	Downstream	<ul style="list-style-type: none"> Ferrous & Recycling Materials 	Low	Low
	Increase in sales of ammonia co-firing products for thermal power plants	Net sales	Medium term Long term	Downstream	<ul style="list-style-type: none"> Machinery 	Low	Low
	Increase in sales of compressors, heat pumps, and freezers equipped with inverters due to higher demand for energy-saving products	Net sales	Short term Medium term Long term	Downstream	<ul style="list-style-type: none"> Machinery 	Low	Low
	Increase in sales of compressors for CO ₂ recovery and use due to wider adoption of CCUS	Net sales	Medium term Long term	Downstream	<ul style="list-style-type: none"> Machinery 	Low	Low
	Increase in sales of welding materials for LNG vessels	Net sales	Short term Medium term	Downstream	<ul style="list-style-type: none"> Welding 	Low	Low
	Increase in sales of black bark pellets for thermal power plants	Net sales	Medium term Long term	Downstream	<ul style="list-style-type: none"> New Business Promotion Department 	Low	Medium

Activities in the Global Environment

Resilience

For the severe risks identified through scenario analysis, we implement measures such as revising the strategies of the relevant businesses. In addition, by actively capturing the transition opportunities from changes in the business environment arising from climate change measures, we are strengthening the resilience of our business activities in regard to climate change and aiming for sustainable growth in the medium-to-long term. Particularly for transition opportunities, we see the expansion in sales of products with greater demand toward realizing a decarbonized society as a major opportunity, and we will focus on enhancing our supply system.

First, in a decarbonized society, we expect greater needs for products related to renewable energy, energy saving, and electrification. In particular, regarding EV-related products, we will strive to further expand sales of high-grade wire rods—where we have strengths—as well as implement measures toward securing new needs, such as integrated research and development of aluminum materials for EVs together with manufacturers of rolled products.

With the growing needs for reducing Scope 3 emissions, we expect greater demand for low-emission steel materials such as electric furnace materials and green steel as well as recycled steel and aluminum scraps, which are deemed to

have lower emissions compared to virgin materials in general. Particularly for recycled scraps, to build closed loops in the supply chain, we are advancing various measures—including cooperation with automobile and construction material manufacturers, investments in aluminum scrap sorting facilities, and M&A aimed at expanding the handling volume of scraps—based on collaboration between several business units.

We are also participating in the business for the manufacturing and sales of wood black bark pellets (BBP), a decarbonized biomass fuel. BBP is a fuel that uses processed domestic tree bark that has been discarded as its raw material and given high added value through processing with heat (semi-carbonization). It is expected to grow in demand as an alternative fuel for reducing CO₂ emissions of coal-fired power plants as co-firing is possible at these power plants without the need for major capital investment.

Besides responding to risks, we are also actively implementing initiatives that capture transition opportunities to strengthen the resilience of our business portfolio, aiming to build a business structure that can secure stable profits even in a social environment that is transitioning toward decarbonization.

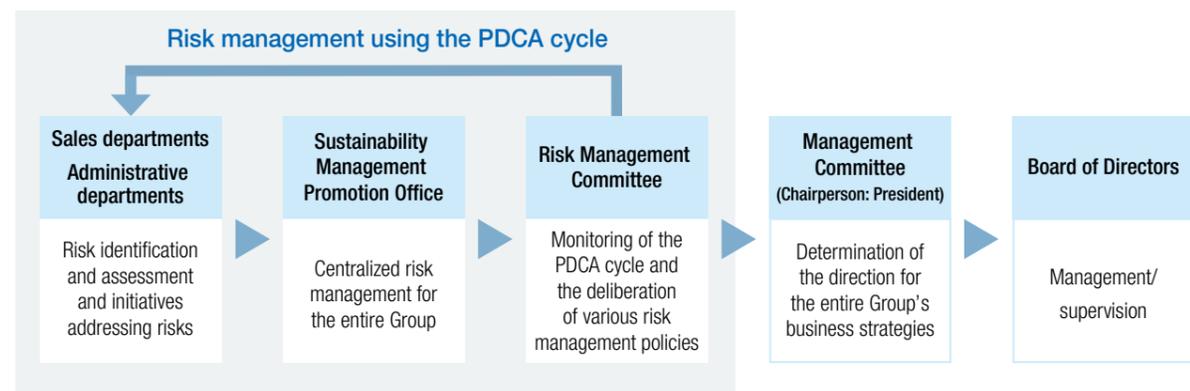
<Risk management>

The Shinsho Group recognizes risks related to climate change as important risks that affect the business continuity of the entire Group. Each department carries out risk identification, evaluation, and response based on the Risk Management Action Plan. The initiatives are centrally managed at the Sustainability Management Promotion Office using the plan-do-check-act (PDCA) cycle. In addition, the Risk Management Committee—an advisory body of the Management Committee—monitors the operation status of the PDCA cycle and discusses measures and policies for the proper conduct of risk management.

In identifying climate change-related risks, we reference the framework given in the TCFD recommendations and evaluate all Group units after considering external factors, such as the

introduction of regulations, technological innovations, changes in the market environment, and weather condition changes. We evaluate the criticality of the identified risks based on the degree of impact as well as the timing and possibility of occurrence, and also evaluate financial impact through scenario analysis.

The results of the Risk Management Committee's consideration of climate-related risks are submitted to the Management Committee and reflected in the enhancement of the risk management system across the Group. Issues that are determined to be important regarding management strategies are reported to the Board of Directors, which then manages and supervises them.



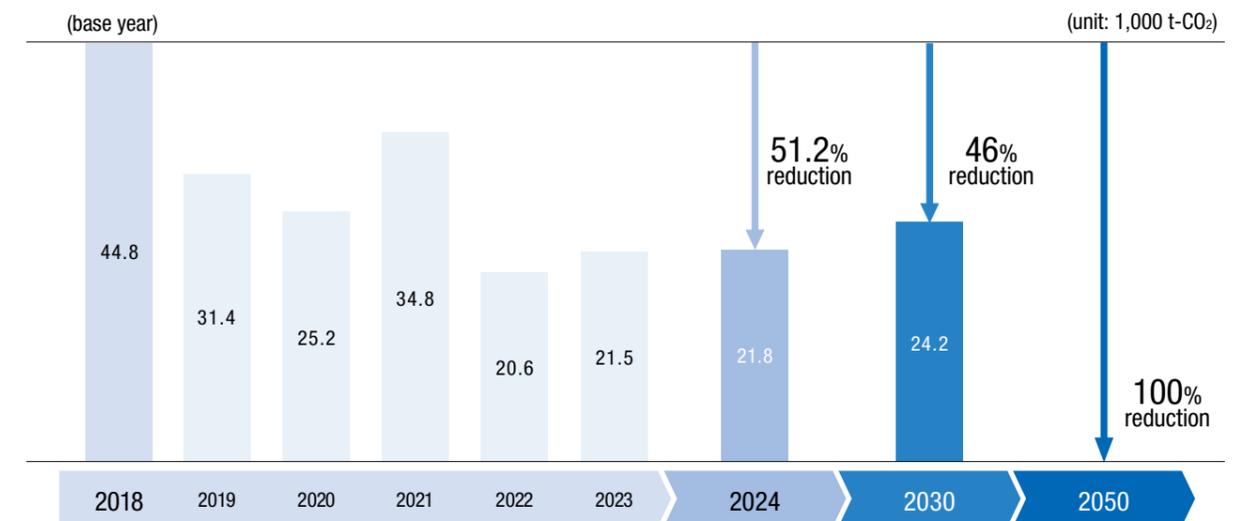
(As of June 25, 2025)

<Metrics and targets>

Initiatives toward CO₂ reduction

As part of global environmental preservation, the Shinsho Group works to reduce CO₂ emissions. We have set the following long-term reduction targets based on the CO₂ emissions in FY2018 (Scopes 1 and 2). We will actively promote the introduction of green energy to contribute toward realizing a sustainable society. We will also promote initiatives for a decarbonized society and expand the content of disclosure (Scope 3, etc.).

2018 (base year)	44,800 t-CO ₂
2030	Reduce emissions by 46% of the emissions in the base year
2050	Achievement of carbon neutrality



Supporting a company that aims to realize a decarbonized society through compact mobility robots

Shinsho Corporation collaborate with KG Motors, which develops next-generation mobility. We support the mass production of the small mobility robot "mibot" from the aspects of material and parts supply. Bringing efficiency to short-distance mobility in urban and rural areas, mibot contributes toward the reduction of CO₂ emissions and the realization of a decarbonized society. It also addresses mobility issues for the elderly and those with limited mobility, and is expected to become a regional transportation infrastructure that is sustainable. A "minimal MaaS" concept that uses autonomous driving and sharing is also being considered for the future. Shinsho Corporation is supporting this challenge from the technology and supply aspects, advancing the solving of social issues and the creation of new value.



Ultra-compact EV "mibot" developed by KG Motors

Corporate Culture Respecting Diversity

Efforts Focused on Ensuring Diversity of Human Resources



The Company implements various measures based on the 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

Females	
Targets	FY2024 results
① Annual ratio of women in career-track positions and women who desire to change their course to area-limited career-track positions among regular recruits: At least 40% on an ongoing basis	25.0%
② Percentage of women in managerial positions: At least 10%	2.8%
③ Percentage of women in career-track positions: At least 20%	16.1%

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 originating from overseas sites
- ③ Promote hiring of non-Japanese mid-career recruits

Overview of diversity initiatives

The Company places the promotion of diversity among the material items in its management issues. Based on 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

in order of priority. At present, Stage 1, which involved deepening understanding and cultivating culture and climate, has been completed, and Stage 2, which involves developing systems and environments and revitalizing communication, is currently underway.

Category	From FY2022		From FY2024
	Stage 1 (Implemented)	Stage 2	Stage 3
Issues to be addressed	Spread understanding of the significance of promoting diversity Create new culture and climate	Improve the system and environment to help employees balance childcare/nursing care and work Stimulate internal and external communication	Create new values (innovation)
Measures	<ul style="list-style-type: none"> Communication Training 	<ul style="list-style-type: none"> Communication Training Environment System 	<ul style="list-style-type: none"> Communication Training Environment System
Major events (color corresponds to the color of the measure)	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Socializing events for employees (e.g., roundtable talks for employees who took childcare leave, roundtable talks for mothers and fathers, collaborations with other specialist trading companies, and family days) Training to help employees balance childcare/ nursing care and work Diversity management training 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 	<ul style="list-style-type: none"> External socializing opportunities on D&I (including affiliated companies) Holding of roundtable talks for balancing work with childcare and nursing care Holding of Family Days by site Holding of communication events (women's activities, mid-career recruitment, etc.) Promotion of training of locally-hired staff Development of leave system for childcare Continuation of training to prevent unconscious bias

2nd Stage Event: Pick up



Social gathering events held with locally-hired staff of overseas subsidiaries (in October 2024 and October 2025)

Opinion exchange and social gathering events were conducted where the locally-hired staff of overseas subsidiaries were invited to offices in Japan. The first event was held at the Tokyo Head Office in October 2024. Six locally-hired staff members from five countries—China, Vietnam, Thailand, Indonesia, and the United States—participated in the event together with six young Japanese employees who volunteered from the various units. Based on explaining the Medium Term Management Plan, discussions about the creation of new business opportunities focusing on ties with overseas subsidiaries were conducted under the topic of local production for local consumption. The second event was held at the Osaka Head Office in October 2025. Three locally-hired staff members from three countries—China, Malaysia, and Philippines—participated in the event together with 10 Japanese employees who volunteered, with no limitations on their departments. Participants deepened their ties while discussing the theme of "Diversity: Mutual understanding transcending nationality and positions" without differentiating between locally-hired staff and Japanese employees.



First event held at the Tokyo Head Office



Second event held at the Osaka Head Office

Securing and developing diverse human resource

Initiatives to promote the advancement of women

Reflecting its efforts to leverage human resource 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.

Item	Purpose
Action plan based on the Act on the Promotion of Women's Active Engagement in Professional Life (for the period from April 2021 until March 31, 2026)	<ul style="list-style-type: none"> To strengthen recruitment and promote participation To enhance retention To expand areas of responsibility and create growth opportunities To promote autonomous work styles To take lifestyles into consideration

*1 Percentage of women in managerial positions as of March 31 each year

*2 Percentage of women in career-track positions and area-limited career-track positions as of March 31 each year

Hiring of new female graduates

We are putting efforts into hiring women. In the ranking of popular companies for female liberal arts graduates, conducted by Diamond, Inc., we were outside the ranking for 2024 and were in the 105th position for 2025. This time, for 2026, we rose significantly to reach the 48th position. Our website and YouTube advertisements also earnestly highlight female employees playing active roles, and we will continue to work toward securing talented, diverse human resources.

System for change of professional groups

In the past, we did not have a system that allows employees in area-limited career-track positions to change their course to career-track positions. With the spread of the concept of diverse work styles and feedback from employees themselves about their wishes to expand their career fields, we introduced such a system to allow employees who so desire to change professional groups.

Percentage of women in managerial positions

Toward improving the percentage of women in managerial positions, we are implementing various measures to increase the denominator, setting a rolling target of having women make up at least 40% of regular recruits and strengthening new-graduate and mid-career hiring. To prevent resignations, we have also introduced a flextime work system and a work from home system and established dormitories for unmarried employees. In addition, to alleviate concerns about taking on managerial positions, we also conduct training and social gathering events that involve women in both managerial and nonmanagerial positions, putting efforts in activities that increase the number of employees who aim for managerial positions.

Initiatives to support employees with childcare

We formulated a two-year action plan starting from April 1, 2022, working to develop a corporate culture that allows diverse work styles to be chosen. Meeting the certification requirements in FY2024, we attained Kurumin certification.

As part of our support for balancing childcare and work, in FY2025, we conducted training for support in this area that also includes male employees who took childcare leave and those who have not. We also introduced leave for childcare (five days of special paid leave during the period from six weeks before expected due date until the child's first birthday) to support our employees' participation in childcare.

Targets	Initiatives	
	Percentage of male employees taking childcare leave FY2024 results: 26.3%*	Number of male employees who took childcare leave, etc.
1. Promotion of male employees taking childcare leave Percentage of eligible male employees taking childcare leave within the plan period: 50% or higher	Number of male employees whose spouses gave birth: 19	Number of male employees who took childcare leave, etc.: 5
2. Development of mindsets and environments for mutual understanding among employees <ul style="list-style-type: none"> Creation of environments that make it easy to use systems related to childcare and taking of leave Development of environments that deepen mutual understanding 	* Leave for childcare was introduced to encourage male employees to take childcare leave. <ul style="list-style-type: none"> Thorough dissemination of introduction and utilization methods of systems related to childcare, etc. Implementation of return-to-work interviews with employees who took long-term childcare leave Continued implementation of work-life balance support training and expanding the scope of training Holding roundtable talks for mothers and fathers Holding Family Days (in Tokyo, Osaka, and Nagoya) Notification of systems and introduction of examples through the Intranet and the Company's in-house magazine Implementation of balanced career development training (target: managerial employees who are raising children) Implementation of diversity management training (target: managerial employees) 	



Support for balancing nursing care and work

As part of the Diversity Promotion Project, we help employees balance nursing and work. To prevent employees from resigning due to worries about nursing care and to meet the requests obtained through employee surveys, we conducted online nursing care seminars to deepen understanding about nursing care, with sessions covering fundamentals, facilities, dementia, and nursing care insurance. There has been a lot of feedback from employees asking for further sessions in this series, and we will continue to strengthen support closely aligned to the life careers of our employees.



Realization of Personal Growth

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 the 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.



Personal growth and self-expression

Stage	What to learn through practical operations		What to learn through training	
	Global business	Area	Management skills	Work-related skills
5	Management experience	—	Executive development General manager training	Team management Narrative communication Knowledge management Strengthening expertise Business innovation
4	Experience in management positions Operations in specialized areas Sustainability	Project leader Sustainability	Next-generation line leader development Organization and human resources management	Creation of new businesses Improving productivity Time management Facilitation
3	Overseas experience Project leader New business development Coordination and negotiation	Promoting DX Improving productivity Compilation of manuals Streamlining operations	Management skills (basic and applied)	Creation of new businesses Improving productivity Time management Facilitation
2	Basic operations	Routine operations	Logical thinking Problem resolution	QA Skills Prevention of administrative errors
1				

Language DX/No-code Diversity Career autonomy

Common lessons for all employees

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, we invited employees who wish to go abroad to learn business skills in preparation for the creation of new value to apply for overseas dispatch training, and selected

one employee in FY2024.

The Personnel Department also visited all overseas subsidiaries in FY2024, identifying issues with human resource development after interviewing expatriates and locally-hired staff.

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.

VOICE Perspective broadened and self-confidence gained through discussions with diverse peers

Dispatched to: Washington State University
Course: Global Business Certificate Program

Through participating in this program, I was able to systematically learn the latest methods for strategy formulation and marketing in global business from lecturers who have played active roles for many years at companies such as Microsoft and Amazon. Furthermore, through repeated discussions with peers having diverse backgrounds in a very international setting, I came in touch with multi-faceted perspectives and also significantly broadened my own way of thinking. I also gained a lot of self-confidence when my lecturers and classmates highly evaluated my ideas and coursework.

During the visit to Microsoft's headquarters, I encountered the actual situation on the ground, experiencing the dynamism and challenges of global management. I could feel for myself that a culture of continuing to take on challenges without fear of failure is the driving force that gives birth to growth.

I will continue to use these experiences as resources to actively contribute toward global business expansion.



Ryuji Ikeda,
Section 1, Tokyo Raw Materials Department,
Ferrous & Recycling Materials Unit,
Metals Division
(Joined the Company in 2019)

KENKO Investment for Health

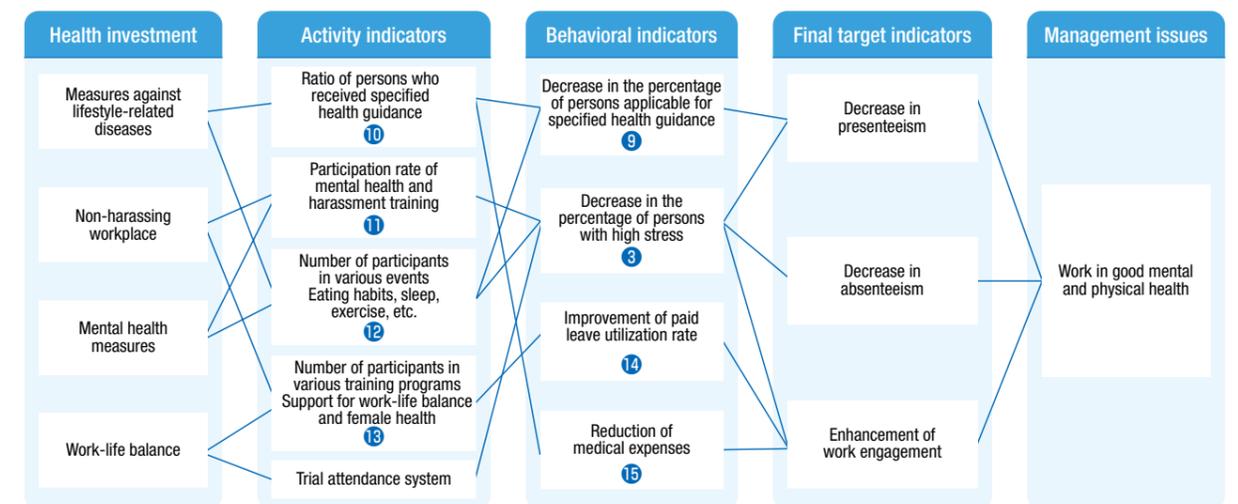
In our Health and Productivity Management Declaration, to realize "securing prosperity for our clients and shareholders"—including our employees—as stated in our Corporate Philosophy, we declare that we will push forward with initiatives for promotion of health through cooperation between the Company and the Health Insurance Association. Carrying out activities under the theme of creating environments where employees can work healthily in both mind and body, in FY2024, we were again recognized under the 2025 Outstanding Organizations of KENKO Investment for Health.

Our issue relates to efforts for employees who cannot change their behavior to improve their diets or make it a habit to exercise, even if they recognize they have health problems. In FY2024, to change our employees' attitudes toward

health, we conducted events that also allowed them to enjoy with their coworkers, such as appropriate alcohol consumption and nutrition seminars as well as events that allow them to manage and measure their blood vessel age and vegetable consumption. We will continue to focus on activities that encourage employees to change their mindset through various events and training, and aim to become a dynamic organization where employees can experience well-being through hands-on experience.



Health and productivity management strategy map



* The numbers in the strategy map are linked to the following health-related data (FY2024).

Health-related data

	Item	FY2023	FY2024
1	Regular health checkup attendance rate	100%	100%
2	Stress check attendance rate	96.2%	94.8%
3	Percentage of persons with high stress	8.0%	7.3%
4	Overall health risk*	80	82
5	Smoking rate	24.6%	25.4%
6	Those maintaining desirable weight	71.4%	64.7%
7	Those who habitually exercise	16.9%	25.4%
8	Ratio of employees getting enough sleep	57.3%	61.9%
9	Percentage of persons applicable for specified health guidance	25.9%	20.4%
10	Ratio of persons who received specified health guidance	64.4%	46.6%
11	Participation rate of mental health training	62.8%	83.6%
12	Number of participants in health events and seminars	—	106
13	Number of participants in training to help employees balance childcare and work	10	36
14	Paid leave utilization rate	79.5%	82.8%
15	Medical expenses per person	176 thousand yen	192 thousand yen

1 through 4 cover all employees, while 5 through 10 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). 11 represents those with BMI below 25 being defined as maintaining desirable weight. 12 represents those who engage in physical exercise daily for at least 30 minutes being defined as exercising habitually.

* Based on a figure of 100; the bigger the number, the higher the risk

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. 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. We have 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. In FY2024, we also conducted mental health video training.

We will continue to provide support for the mental health management of our employees.



Corporate Governance

Strengthening the Governance Structure

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



Basic views on corporate governance

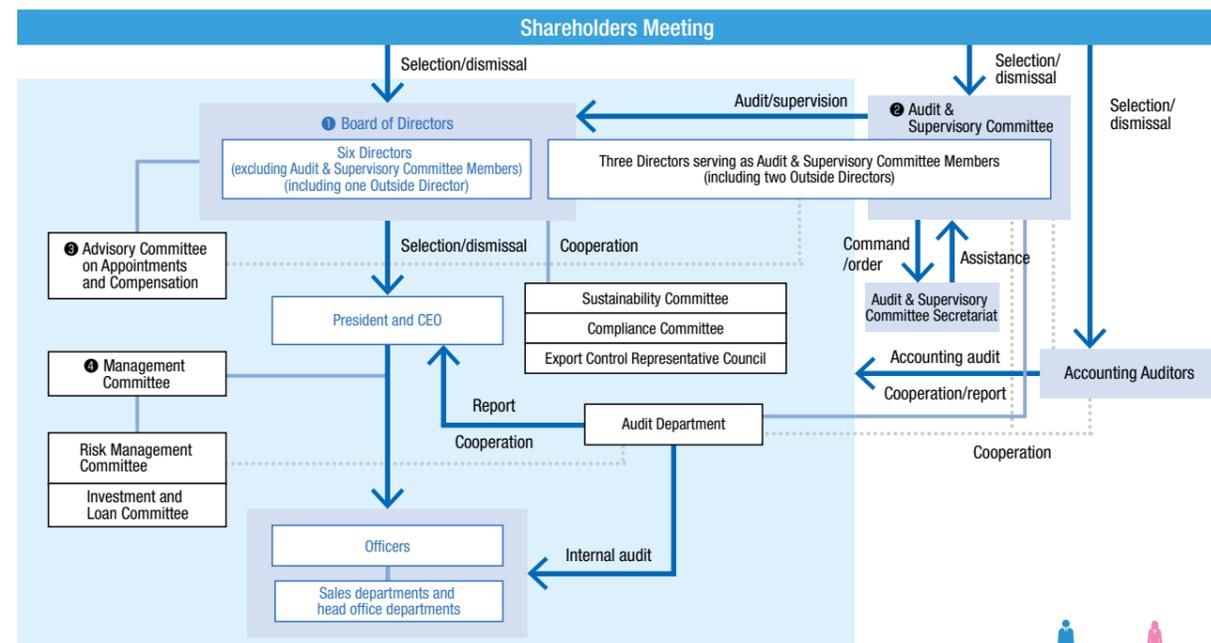
Based on our Corporate Philosophy, we believe that increasing our corporate value, supporting the manufacturing for tomorrow, and contributing to society through our corporate activities, are ways to meet the expectations of all our stakeholders, including our shareholders and business partners.

Corporate governance structure

We adopt the organizational format of a company with an audit and supervisory committee. Together with further delegating authority to Executive Directors and Officers to accelerate decision-making, the discussions at meetings of the Board of Directors center on our management policies and strategies in an effort to improve medium- to long-term corporate value. Furthermore, we seek to strengthen our governance structure in relation to the Board of Directors'

management, such as through Directors who are Audit & Supervisory Committee Members having voting rights at the Board of Directors.

In addition, the Advisory Committee on Appointments and Compensation has been established as an advisory body to the Board of Directors. A majority of the committee members are Independent Outside Directors to enhance transparency and objectivity.



Directors		Audit & Supervisory Committee Members		Percentage of women in the Board of Directors	Percentage of Outside Directors in the Board of Directors
Company	Outside	Company	Outside		
5	1	1	2	22%	33%

1 Board of Directors (met 20 times in FY2024)

The Board of Directors consists of nine Directors (of which three 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.

In addition, the Sustainability Committee, which is an advisory body to the Board of Directors, regularly reports the status of its activities to the Board of Directors, and the Board of Directors appropriately monitors the sustainability activities of the Company.

[Advisory bodies]

- Sustainability Committee (refer to p. 27 for details)
- Compliance Committee (refer to p. 43 for details)
- Export Control Representative Council (refer to p. 44 for details)

Agenda of the Board of Directors

Category	FY2024	
	Cases	Percentage
Management strategies, sustainability, or governance	37	20%
Financial statements or finance	46	25%
Audit & Supervisory Committee Member or Accounting Auditor	5	3%
Risk management, internal control, or compliance	15	8%
Human resources	43	23%
Individual topics	39	21%
Total	185	100%

Main agenda in FY2024

Management strategies: Transition to plan implementation phase and confirmation of progress as the first year of the Medium Term Management Plan

Governance: Embed governance structure, in terms of organizational design and as a company with an audit and supervisory committee

Investment and business restructuring: Business plans, capital investment plans, other important investments, and business restructuring projects

1 Audit & Supervisory Committee (met 7 times in FY2024)

The Audit & Supervisory Committee meets the requirement where two out of the three Audit & Supervisory Committee Members are Outside Directors. In the selection of members, specialization, career, and other factors are comprehensively considered.

Besides the Board of Directors, we actively create two-way communication opportunities for Audit & Supervisory Committee Members, including regular meetings with Representative Directors, meetings and collaboration with the internal audit department (Audit Department), as well as meetings and information exchange with the directors and auditors of Group companies.

Through these activities, the Audit & Supervisory Committee seeks to accurately grasp important information related to management and collaborate closely with the relevant departments, thereby enabling early

responses to issues and risks in management and contributing to the maintenance and enhancement of sound management.

3 Advisory Committee on Appointments and Compensation (met 4 times in FY2024)

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 Outside Director Miyuki Nakagawa, and a majority of its members are Independent Outside Directors/Audit & Supervisory Committee Members. The Committee deliberates on matters related to topics such as the selection of Directors and Directors' remuneration.

● Appointment of Outside Directors

We consider it important that our management is monitored from an external, objective, and impartial standpoint. We therefore select Outside Directors/Audit & Supervisory Committee 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 15 times in FY2024)

The Management Committee serves as an advisory body for the President and CEO, and consists of full-time Directors, Officers, and Directors serving as full-time Audit & Supervisory Committee 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. 65 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 Committee Members

In addition to the provisions concerning Outside Directors in the Companies Act, we have established the "Independence Standards for Outside Directors/Outside Audit & Supervisory Committee 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 Committee Members is secured in terms of their substance as well as their qualifications, backgrounds, and knowledge.

Independence Standards for Outside Directors/Audit & Supervisory Committee 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	<ul style="list-style-type: none"> ● A person who has fallen under any of the items on the left in the past three years ● A relative within second degree of kinship to a person who falls under any of the items on the left
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 a large amount of 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	
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	

Corporate Governance

● 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.

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 Executive Directors

Remuneration paid to Executive 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 Executive 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 Executive Directors has been resolved at the 106th Ordinary General Meeting of Shareholders held on June 26, 2024, 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 Directors serving as Audit & Supervisory Committee Members

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

The upper limit of the remuneration for Directors serving as Audit & Supervisory Committee Members has been resolved at the 106th

● Relationship with Kobe Steel, Ltd.

The Company is an equity-method affiliate of Kobe Steel, Ltd., with which the Company has continuous business transactions. The Company does not have officers who concurrently serve as an officer of Kobe Steel. In addition, the Company conducts business operations based on management policies and strategies that are independent of the Kobelco Group, and the Company recognizes that the independence of management is secured.

In order to use trademarks, etc. held by Kobe Steel, the Company has entered into a "Head Office Management Brand License Agreement" with Kobe Steel. Although the status of the Company's subsidiaries, etc. is reported based on the agreement, it is from the perspective of maintaining the trust of the brand, and Kobe Steel is not involved in the decision-making of the Company.

Ordinary General Meeting of Shareholders held on June 26, 2024, to be 75 million yen per year (out of which, 33 million yen per year for Outside Directors).

● 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 set as a percentage of the remuneration for Directors/Audit & Supervisory Committee Members, 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.

In addition, from the perspective of sustainability management, items regarding ESG and human capital are incorporated in evaluation as nonfinancial indicators to encourage active involvement in measures that support corporate value improvement and sustainable growth. (From July 2025)

<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 6% of total 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 an Executive 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 Committee Members by category

Category	Remuneration for Directors/Audit & Supervisory Committee Members			Notes
	Fixed remuneration	Performance-linked remuneration	Stock compensation	
Executive 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).
Directors serving as Audit & Supervisory Committee Members	○	—	—	Audit & Supervisory Committee 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*

President and CEO	Fixed remuneration Approx. 54%	Performance-linked remuneration Approx. 40%	Stock compensation Approx. 6%
Representative Director and Senior Executive Officer	Fixed remuneration Approx. 58%	Performance-linked remuneration Approx. 36%	Stock compensation Approx. 6%
Director and Executive Officer	Fixed remuneration Approx. 59%	Performance-linked remuneration Approx. 35%	Stock compensation Approx. 6%
Director and Officer	Fixed remuneration Approx. 63%	Performance-linked remuneration Approx. 31%	Stock compensation Approx. 6%

* The percentage stated for performance-linked remuneration is for the highest rating rank and fluctuates with the rating rank results.

● Actual remuneration for FY2024

Category	Total amount of remuneration, etc. (million yen)	Total amount of remuneration, etc. by type (million yen)			Number of eligible Directors/Audit & Supervisory Committee Members
		Basic remuneration	Performance-linked remuneration	Non-monetary remuneration	
Directors (excluding Directors serving as Audit & Supervisory Committee Members) (Outside Directors)	211 (10)	150 (10)	44 (—)	16 (—)	10 (2)
Directors serving as Audit & Supervisory Committee Members (Outside Directors)	38 (12)	38 (12)	— (—)	— (—)	3 (2)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	17 (4)	17 (4)	— (—)	— (—)	4 (2)

1. The stock compensation for Directors, etc. is the amount recognized as expenses in the current fiscal year. As for the stock compensation, it was resolved at the 106th Ordinary General Meeting of Shareholders held on June 26, 2024, 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 (shares) per fiscal year.

2. The Company has transitioned from being a company with a board of company auditors to being a company with an audit and supervisory committee on June 26, 2024.

Corporate Governance

Officers

Directors (excluding Directors serving as Audit & Supervisory Committee Members)



Hironobu Takashita
President and CEO



Masahito Adachi
Representative Director and Senior Executive Officer



Satoshi Nishimura
Representative Director and Senior Executive Officer



Shinji Urade
Director and Executive Officer



Jun Takahashi
Director and Executive Officer



Yoshio Tano
Outside Director

Directors (Audit & Supervisory Committee Members)



Yasuyuki Watanabe
Director and Audit & Supervisory Committee Member



Hiroko Kaneko
Outside Director and Audit & Supervisory Committee Member



Miyuki Nakagawa
Outside Director and Audit & Supervisory Committee Member

Officers

Executive Officer

- Masaaki Takada
- Akira Ichikawa
- Kanehisa Ueda
- Yuji Mihara
- Mitsuharu Karikomi

Officer

- Yutaka Koba
- Toshinori Fujiwara
- Ryosuke Misawa
- Yoshiyuki Nakagawa
- Tatsunori Takebayashi
- Shigeru Umemori
- Takeshi Koshida



Years in position, skills matrix, and board meeting attendance in FY2024

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: (1) management experience, (2) global perspective, (3) sales and marketing, (4) accounting and finance, (5) legal affairs and compliance, and (6) sustainability and governance. The skills possessed by each Director are as below.

Name and Position	Years in position	Board meeting attendance (FY2024)		Expertise of Directors						Advisory Committee on Appointments and Compensation	Management Committee	Investment and Loan Committee	Sustainability Committee
		Board of Directors	Audit & Supervisory Committee	Management Experience	Global Perspective	Sales and Marketing	Finance and Accounting	Legal Affairs and Compliance	Sustainability and Governance				
Hironobu Takashita President and CEO	1	16 / 20* 80%	—	○	○	○	○	○	○	□	■		◆ (Head)
Masahito Adachi Representative Director and Senior Executive Officer	3	20 / 20 100%	—	○	○	○	○	○	○		□		
Satoshi Nishimura Representative Director and Senior Executive Officer	1	16 / 20* 80%	—	○	○	○	○	○	○		□		
Shinji Urade Director and Executive Officer	1	16 / 20* 80%	—	○	○	○	○	○	○		□		
Jun Takahashi Director and Executive Officer	1	16 / 20* 80%	—	○	○	○	○	○	○		□	■	
Yoshio Tano Outside Director	3	20 / 20 100%	—	○	○				○	□			□
Yasuyuki Watanabe Director and Audit & Supervisory Committee Member	4	20 / 20 100%	7 / 7 100%	○	○				○		□	□	
Hiroko Kaneko Outside Director and Audit & Supervisory Committee Member	6	20 / 20 100%	7 / 7 100%		○				○				
Miyuki Nakagawa Outside Director and Audit & Supervisory Committee Member	3	20 / 20 100%	7 / 7 100%						○	■			□

* Attendance after appointment at the 106th Ordinary General Meeting of Shareholders
1. Directors and Officers as of June 25, 2025

■ Chair □ Members

Basic policy for appointment and remuneration

In selecting candidates for Director, we select management candidates who have the qualifications, knowledge, and experience appropriate to be entrusted with the management of the Company by shareholders and other stakeholders in order to realize our basic management policy of "A trading company that supports manufacturing for tomorrow and contributes to society." In determining remuneration, as it is also important to provide incentives so that our management team takes risks appropriately and engages in active business management, besides monetary remuneration consisting of fixed remuneration and short-term performance-linked remuneration, we put aside a portion of monetary remuneration to purchase our own shares through a shareholding association to incorporate an element that develops an attitude toward management from a shareholder's perspective. To ensure transparency and fairness of the decision-making process of the Board of Directors when deciding on proposals related to appointments and remuneration, the Advisory Committee on Appointments and Compensation will carry out prior deliberations before decisions are made. This Committee is chaired by an Independent Outside Director, and a majority of its members are Independent Outside Directors/Audit & Supervisory Committee Members.



Corporate Governance

Evaluation of the Board of Directors' effectiveness

We evaluate the effectiveness of the Board of Directors every year to strengthen the its functions of making managerial decisions and supervising the management, so that we can increase corporate value and meet our stakeholders' expectations. In addition, for FY2024, the evaluation was again conducted by a third-party organization to secure objectivity and fairness, as well as to be open to adopting outside opinions.

As a result of the deliberations, the Board of Directors was highly evaluated for being operated in an open atmosphere, for having an increasing number of discussions from a company-wide perspective and for making progress on stimulating its discussions such as by Outside Directors deepening their understanding of the business, management environment and other areas through site visits. Accordingly, the Board of Directors was evaluated as functioning effectively. An issue identified in FY2023 was the need to set up opportunities for Board of Director Members to discuss execution performance evaluations from the perspective of realizing the corporate philosophy and achieving the Medium Term Management Plan 2026. Regarding this issue, the Board of Directors introduced qualitative evaluations of relating to some ESG areas from FY2025 to enhance execution evaluation indicators. Accordingly, it was highly rated because effective performance evaluations can be expected and because there is a trend for improvement. On the other hand, we recognize the need for the Board of Directors to focus on the following matters to promote autonomous execution functions and to be able to contribute to sustainable growth.

- ① Increase the sophistication of the risk management system and strengthen monitoring of business execution
- ② Further enhance deliberations by the Board of Directors through expanding the scope of the delegation of business execution authorities to Directors
- ③ Hold deliberations on human resource development and medium- to long-term strategies

We will work on these matters and strive to ensure the Board of Directors can function even more effectively in the future.

Evaluation method

Target:

In March 2025, all nine Directors and Audit & Supervisory Committee Members answered questionnaires to evaluate effectiveness, after which interviews were conducted with the President and CEO as well as with Outside Directors.

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.
6. Response to issues in the previous fiscal year

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

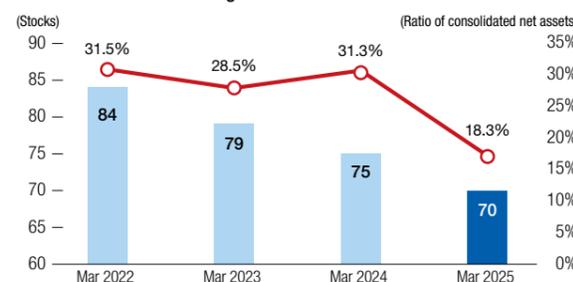
Decisions on shareholding are made after a comprehensive consideration. We hold shares for business purposes, such as to maintain and strengthen business relationships and to facilitate business activities. We also take into account economic rationality, including investment returns and potential links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

Concerning publicly listed shares held by Shinsho Corporation, in addition to the propriety of holding such shares considering our operating policy, we confirm and verify that the combined total of profit and dividends gained by transactions with the issuing company surpasses our weighted average cost of capital (WACC 4% to 5%); specifically, the economic rationality, and that those shares determined to be of little significance for us to hold are promptly sold. In FY2024, we sold five stocks, and the ratio of our cross-shareholdings balance to consolidated net assets as of March 31, 2025 was 18.3%.

In addition, we have decided to aim to reduce our cross-shareholdings from the perspective of capital efficiency by continuing to verify the purpose and effectiveness of our holdings going forward, setting a target to reduce this ratio to 15% or less by March 31, 2027 during the current Medium Term Management Plan and a goal of 10% or less in the future. We will use the funds obtained from reducing our cross-shareholdings for growth investment and other purposes. Please also see the Notice Concerning Policy on Reduction of Cross-shareholdings published on May 23, 2025 for the policy on reduction of cross-shareholdings.

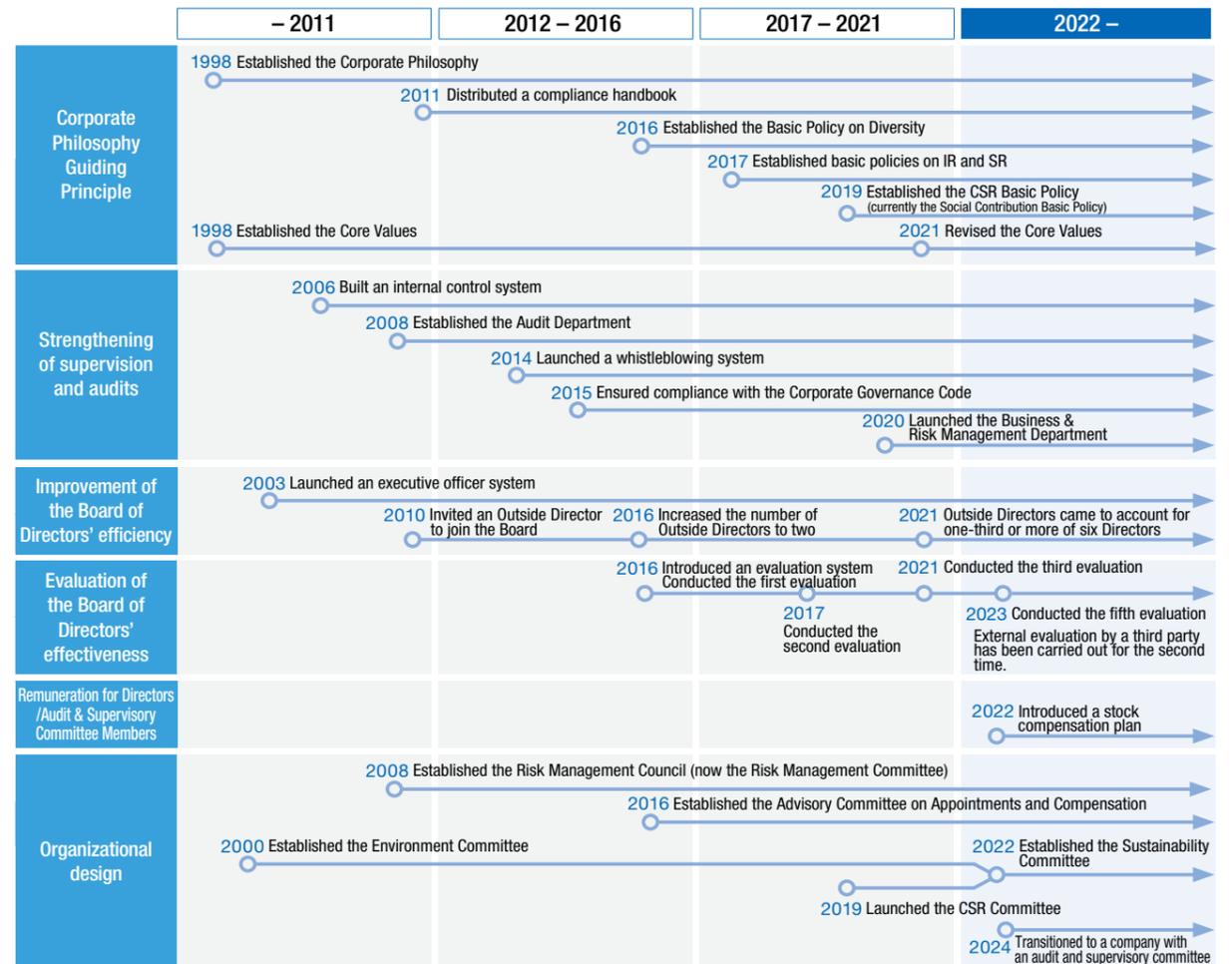


State of cross-shareholdings



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.



Communicating with our stakeholders

Stakeholders	Key engagement (FY2024)
Shareholders and investors	<ul style="list-style-type: none"> Timely information disclosure, such as new releases and advertisements Briefings on financial results IR meetings
Employees and their families	<ul style="list-style-type: none"> Purpose formulation initiative Small-group meetings with the President and CEO Information dissemination through company newsletters, intranet, etc. Family Days
Business partners	<ul style="list-style-type: none"> Building of close relationships through regular meetings and visits
Local communities	<p>Social contribution activities</p> <p>Based on the Shinsho Group's Social Contribution Basic Policy and Core Values, we advance social contribution activities that are unique to Shinsho Corporation.</p> <ul style="list-style-type: none"> Improvement of knowledge and attitude regarding life-saving and first aid As part of our activities contributing to local communities, we encouraged employees to take life-saving courses and held seminars at our offices in Tokyo and Osaka for learning cardiopulmonary resuscitation (CPR) and automated external defibrillator (AED) use. Support for independence of people with disabilities We support expanding the creativity of people with disabilities and opportunities for them to work through the following activities. <ul style="list-style-type: none"> Adoption of Paralymp Art® (works by artists with disabilities) for newsletter cover Outsourcing the production of novelty goods to facilities that support the employment of people with disabilities Participation in Kyobashi 1-chome Higashi Neighborhood Association events (neighborhood cleanup and Hakone Ekiden roadside security volunteer program) Donation of clothes and polio vaccines to developing countries (participation in the "Furugi de Vaccine" used clothes and vaccine program since 2021)



Corporate Governance

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. The Business & Risk Management Department centrally oversees company-wide risk management, and strengthens risk management at Group companies, including 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 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.

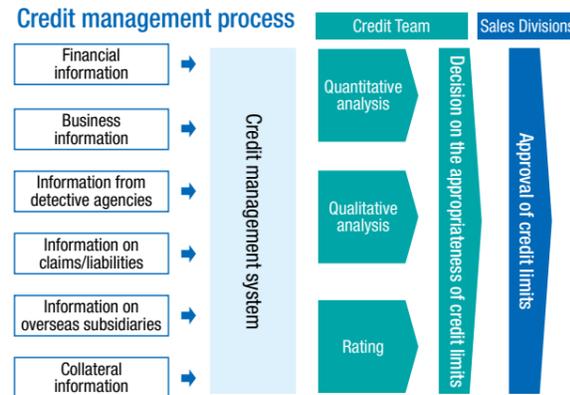
Risk Management Committee

The Risk Management Committee meets once in every six months, and is chaired by the Director who is in charge of head office departments and appointed by the President and CEO. It is composed of officers in charge of head office departments, Audit & Supervisory Committee Members, general managers of head office departments, and others. 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

Step 1	Step 2	Step 3	Step 4
Training on the use of the credit management system	Training on financial analysis	Training on credit protection	Training on overseas credit management
Learn the basic policy for credit management and how to use the system	Learn how to read financial statements and the basics of financial analysis	Learn measures and procedures of protection	Learn country-specific business practices, country risks, and credit management methods

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 any of the following criteria, the department that has applied for the project discusses at the Investment and Loan Committee whether to withdraw or continue before referring the matter to the Management Committee.

The Management Committee comprehensively evaluates the investment project in question from many perspectives—including significance, potential, and profitability—to determine whether to continue or withdraw from the investment, after considering business sustainability and strategic value in addition to quantitative indicators.

- 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.

Roundtable Discussion with Outside Directors



Yasuyuki Watanabe
Director and Audit and Supervisory Committee Member

Miyuki Nakagawa
Outside Director and Audit and Supervisory Committee Member

Hiroko Kaneko
Outside Director and Audit and Supervisory Committee Member

Yoshio Tano
Outside Director

Changes arising from transitioning to a company with an audit and supervisory committee and future issues and expectations

In this roundtable discussion, the three Outside Directors and internal Director, Yasuyuki Watanabe, exchanged opinions with a focus on initiatives that will lead to the enhancement of the company's corporate value, including the changes in the Board of Directors one year after the transition to being a company with an audit and supervisory committee.

Changes arising from transitioning to a company with an audit and supervisory committee

Tano: Due to progress in delegating authority to the executive side, we can now focus on important topics at the Board of Directors and allocate time to more fundamental discussions. In fact, I feel that one of the achievements is being able to secure time for free discussions. During the last free discussion, under the theme of how to rebuild our investment and growth engine, we exchanged vibrant opinions from the perspective of ways to increase corporate value. It was a very meaningful session.

Kaneko: In recent free discussions, I can see each Director's recognition of issues and their true thoughts. Discussions have also become deeper. Being able to cast a vote, I personally feel a much greater sense of tension compared to my time previously as an Audit & Supervisory Board member before the change in organizational design. As a result, I have a stronger awareness about digging deeper into a point and the need to properly question an issue. On the other hand, the progress in delegating

authority means there are business execution matters that no longer make it to the agenda. Therefore, organizational supervision, including over these areas, is necessary, and we are working on this with a sense of urgency. It is also a positive thing that business execution reports have been narrowed down to key points.

Nakagawa: I think it has been a major improvement that business reports are now organized by unit with key indicators and issues clearly structured, and are presented in a style that narrows the focus to the main points rather than going into excessive detail. The number of meetings I attend have also increased after becoming an Audit & Supervisory Committee Member, and I have come to focus more attention on internal control and risk management. The operation of the Audit & Supervisory Committee is led by Director Watanabe, and while we were still feeling our way around in FY2023, it is functioning smoothly now.

Watanabe: We advanced various initiatives during this one and a half years, but there were also many areas requiring reflection. Particularly for information sharing, there were times when we

Roundtable Discussion with Outside Directors

thought information was being shared. We are making improvements while listening to different opinions, and we recognize that we can be better. We hope to continue to work on improvements. We will also work hard on increasing the sophistication of risk management and strengthening monitoring by the Board of Directors.

Nakagawa: Regarding information sharing, I feel we are now receiving timely information at a deeper level than before. As a result, there is greater understanding about the Company in general, and it has become easier to see the focus of discussions. Another significant point was the opportunity to visit overseas subsidiaries and observe our sites. By listening to the real opinions of employees working at the sites while confirming the actual state of business, I was able to broaden my perspective and see matters from multiple angles.

Kaneko: I also visited a plant in China. Going on-site was extremely helpful in understanding our businesses and organizations. It provided a sense of reality that cannot be obtained by only reading briefing materials, allowing decisions to be made with a concrete image in mind.

Impression of the structure under new President and CEO Takashita

Kaneko: I feel his ability as top management from how he sees matters from a broad perspective and asks questions and gives opinions with a view of the entire Company. Changes could also be seen in the atmosphere of the Board of Directors, with internal Directors also actively stating opinions about themes outside their own specialties. I have the impression that the scope of discussions has widened. Such changes show a growing awareness where everyone tries to make the Company better.

Tano: I feel the same way. Amid the passing of the baton to a younger generation, there is the feeling that older Directors are also giving their support to the President and CEO as the leader. This is an extremely good thing. Furthermore, the President and CEO also has experience as an Officer in charge of the front lines. He has a deep understanding of our sites, and those perspectives are reflected in his questions and during discussions. As a result, we also have a deeper understanding about the actual situation on the ground, and overall, I feel we are moving in a good direction.

Nakagawa: There is peace of mind in knowing that matters are being handled with a feel of the ground. It has also become easier to express opinions freely. The right sense of tension is being properly maintained with an extremely good balance.

Watanabe: The Board of Directors is being operated as a place for exchanging opinions instead of just meeting for formality. This aspect has not changed even with the appointment of the new President and CEO, but if I were to state a change in the discussions and such, it would be the unique strengths of the



President and CEO who came from within the Company. With a career at the Company spanning more than 30 years, his viewpoints and decisions—support by a deep understanding obtained through interpersonal relationships within the Company and relationships with customers—feel convincing.

Evaluation of the first year of the Medium Term Management Plan 2026

Tano: In terms of evaluating performance, the results were good with achievements in the first year exceeding the plan. However, the Trump tariffs and other changes in the external environment significantly affected management, and we are currently facing a difficult situation. Amid rapid changes in the management environment, it is necessary to continue verifying if the targets of the Medium Term Management Plan are in line with reality, and at the same time, make the decision to revise them if so required.

Nakagawa: I have the same opinion as Outside Director Tano regarding our overall performance, but there are unachieved KPIs when you look at them by unit, which makes me feel that there are unresolved issues. Particularly for investments, the amount of investments in the first year—in regard to the three-year investment plan—was below initial expectations, and progress is slow. Investments are an essential element for developing an engine for future growth. Therefore, to enhance the feasibility of the plan, I think it is also necessary to refine our investment strategy and strengthen our ability to execute.

Kaneko: From the perspective of knowing the past, I feel that the recognition of “investments are essential for future growth” is properly shared across the Company and, in principle, every department is actively working on investments. Among them, there are also departments that are advancing pioneering initiatives. Overall, the growing ambition is a major step forward.

Tano: There is certainly a change in awareness, although the ability to execute investments has been seen as an issue since before. Furthermore, while we are a member of the Kobelco Group, we are also strongly required to achieve independent growth. In this sense, there is the need to further share the awareness that investments are essential for enhancing our corporate value.



Investment in human capital support growth strategy implementation

Tano: It is necessary to invest in human capital to implement our growth strategy. Personally, I think the strengthening of human capital will be the biggest driver of growth, and I hope to deepen discussions on this topic. There is a need to properly understand the extent of the gap with the skills and number of personnel required to implement the strategies stated in the Medium Term Management Plan.

Nakagawa: There is certainly room for further enhancing systematic discussions about human capital at the Board of Directors. The Advisory Committee on Appointments and Compensation repeatedly discussed about the development of future executive and officer candidates, but currently, the top level is biased toward certain areas in their careers, and there is disparity in experience overseas and at subsidiaries. Meanwhile, for the younger generation, I feel that there are mechanisms in place for transfers and development that allow them to gain experience in a wide range of positions and overseas. The percentage of women in managerial positions remain low, but there are many talented and energetic female employees who are playing active roles, such as in diversity promotion activities, and I hope that these human resources will be actively appointed.

Kaneko: In the first place, there is an open corporate culture with high employee engagement. Through repeated education and competency development-related updates to human resource systems, external evaluation in the aspect of recruitment is also improving. However, I do not feel that we have adequately discussed the details and effects of these measures at the Board of Directors. Going forward, together with sharing the results of past measures and areas for improvement, it is necessary to further implement mechanisms that increase diversity—such as gender, age, and career—to allow everyone to play active roles.

Tano: Furthermore, there is a sense of crisis that our on-site and sales capabilities may be declining compared to before. There was a time when people said that Shinsho Corporation's sales capabilities were on par with Kobe Steel. How can we regain that strength? To rebuild our sales capabilities, it is essential to go beyond just recruitment and education and carry out bold investments in people. I think we need to develop a base for enhancing corporate value by strategically recruiting human resources with expertise and strengthening the skills of existing employees.

Watanabe: As pointed out, the decline in sales capabilities and decrease in specialists are issues that cannot be ignored, and we need to respond urgently. In our future human resource strategy, it will be important to consider how to evaluate expertise and intangible contributions and enhance each person's specialty. However, while human resource development takes time, we are required to transform into a highly profitable structure with a sense of speed. Therefore, from the perspective of securing capabilities that can be immediately applied, there is also the option of using M&A to gain human resources with expertise. Furthermore, we have improved our education system and training programs as part of our investments in people, but this initiative has not been fully conveyed internally and externally, which is also an issue. We will need to improve our recruitment capabilities and employee motivation through more effective information dissemination.



Expectations of sustainability initiatives

Tano: We should actively respond to the requirements of society as such efforts also lead to new business opportunities. Sustainability transformation (SX) has also been stated as a pillar of new businesses in the Medium Term Management Plan. Specifically, we are steadily investing in SX-related areas such as recycling businesses and biofuels. I look forward to achieving both economic and social value and accelerating further growth in the future.

Nakagawa: I agree. Traditionally, it was thought that there is a trade-off relationship between sustainability and corporate profits. Now, with significant changes in the environment, sustainability-oriented products and investments are evaluated and also rising in demand. Even so, there is a trend that environmentally friendly products have high costs, and creating good products does not necessarily mean success in the market. Therefore, I hope the Company keenly discerns the market's interests and develops the appropriate products and services.

Kaneko: In the area of sustainability, for the aspect of the environment, environment-related businesses—including recycling—are expanding smoothly, and are expected to deliver results. Meanwhile, the strengthening of risk management is also essential for implementing sustainability management. We have organized risk management and relevant secretariats, centered around the Sustainability Management Promotion Office, and are working to raise company-wide awareness. In dialogues with the President and CEO, the directions for responding to risks and strengthening our audit system has been made clear, which is extremely useful for transforming toward high-quality management.

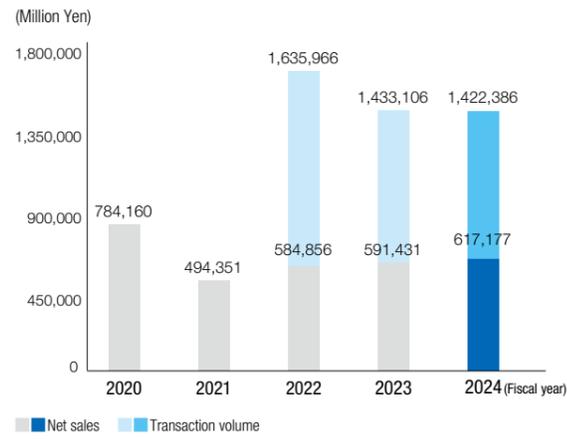
Watanabe: It is important to create social value. If we are too fixated on corporate profits, sustainable activities become difficult, and we cannot contribute to society as a result. Therefore, when considering a business, it is important to analyze all risks and formulate plans for each scenario. However, realistically, it is impossible to anticipate all risks beforehand. It is more important to have the system and capabilities to respond swiftly and appropriately when a risk manifests or when signs are detected. We have implemented a risk management system, but I feel there is still room for improving our capabilities to flexibly respond on a case-by-case basis. In the future, increasing such flexibility will be the key to enhancing the creation of social value and achieving sustainable growth in a rapidly changing society.



Financial and Non-Financial Highlights

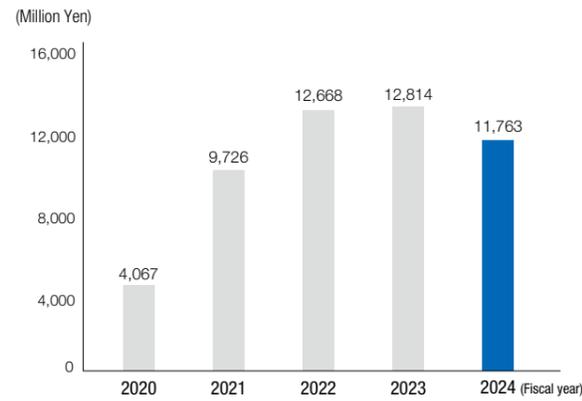
Financial Data

Net sales

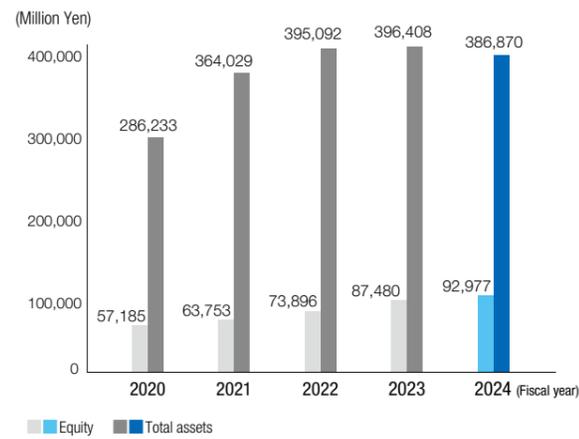


*Net sales if the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29), etc. had not been applied.

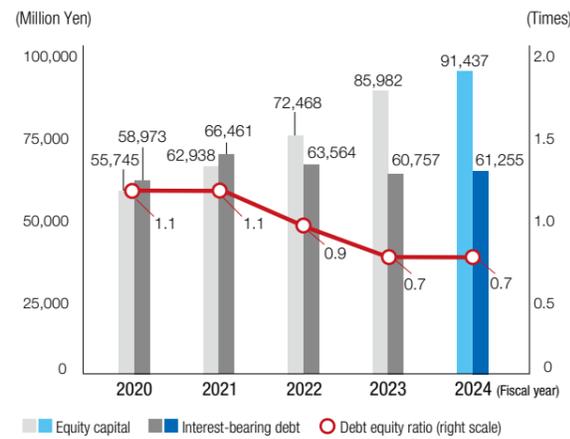
Ordinary profit



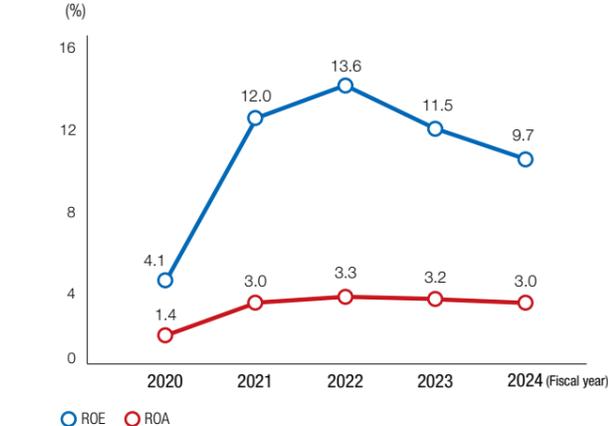
Equity/Total Assets



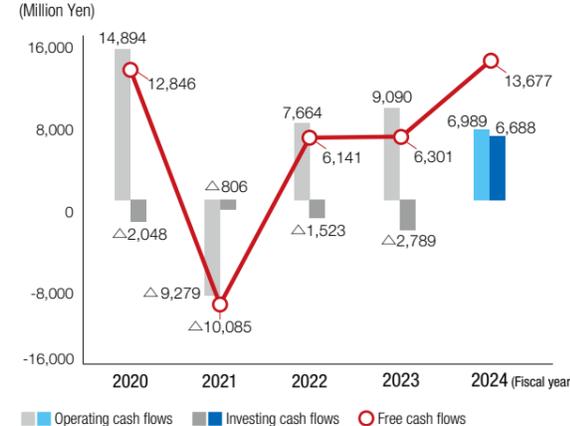
Equity Capital/Interest-Bearing Debt/Debt Equity Ratio



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



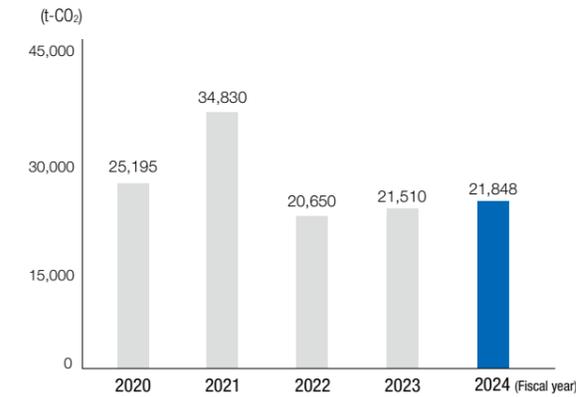
Operating Cash Flows/Investing Cash Flows/ Free Cash Flows



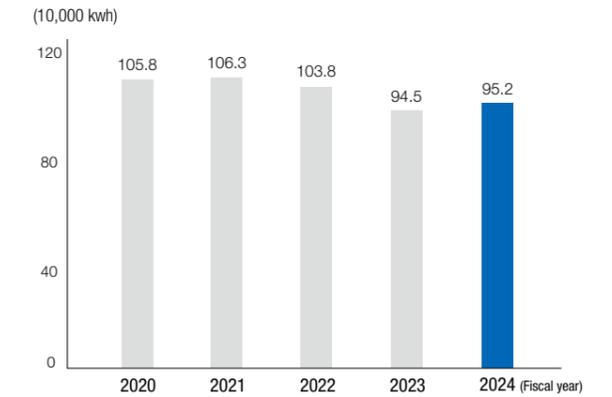
Sustainability Data

Scope of data: CO₂ emissions are for the consolidated; other figures are for Shinsho Corporation (non-consolidated).

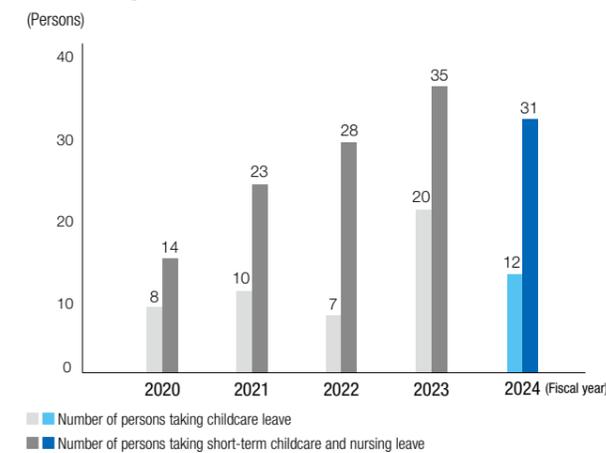
Volume of CO₂ emission



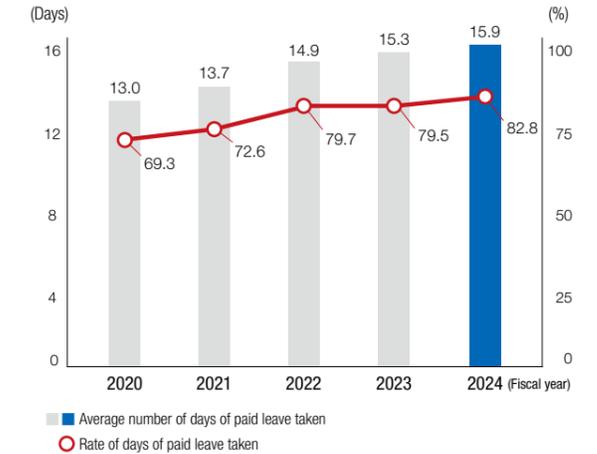
Electricity consumption



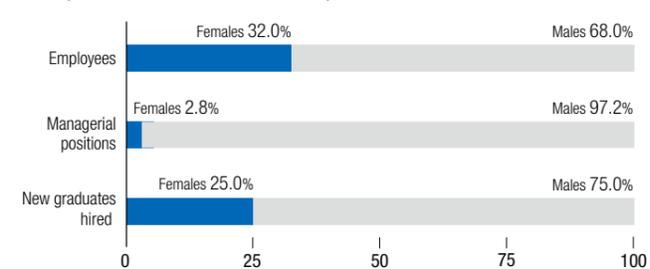
Number of persons taking childcare leave / Number of persons taking short-term childcare and nursing leave



Average number of days of paid leave taken/ Rate of days of paid leave taken



Ratio of female employees, female employees in managerial positions, and female new graduates hired (as of the end of March 31, 2025)



Financial wellness

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)



Steady progress in gaining female employees through enhancing recruitment activities

In order to hire more female employees, we are promoting our diversity and conducive working environments as a company by actively mobilizing female employees for recruitment activities—such as internships and briefings about the Company—that also includes an active approach of using external recruitment platforms. We saw results in the recruitment of women, in both new graduates and mid-career hires. Going forward, we will continue to seek further strengthening of our recruitment capabilities, and at the same time, promote the creation of workplaces where diverse human resources—including women—can play active roles.



Financial Data for Eleven Fiscal Years

		FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Fiscal Years												
Net sales	(Million Yen)	870,407	791,342	769,481	929,467	952,507	936,031	784,160	494,351	584,856	591,431	617,177
Operating income	(Million Yen)	6,788	5,831	4,819	8,119	7,922	4,829	4,454	10,054	13,459	13,296	13,223
Ordinary profit	(Million Yen)	6,575	5,908	5,248	8,624	8,016	3,943	4,067	9,726	12,668	12,814	11,763
Net income attributable to shareholders of the parent	(Million Yen)	3,974	3,480	2,970	5,449	5,019	1,629	2,198	7,136	9,196	9,111	8,563
Cash flows from operating activities	(Million Yen)	(1,701)	(2,337)	5,875	199	(13,268)	12,747	14,894	(9,279)	7,664	9,090	6,989
Cash flows from investing activities	(Million Yen)	(1,632)	(3,429)	(1,318)	(680)	(1,990)	(3,608)	(2,048)	(806)	(1,523)	(2,789)	6,688
Cash flows from financing activities	(Million Yen)	5,122	4,568	(4,575)	2,840	2,104	1,977	(6,825)	4,068	(9,188)	(7,240)	(5,013)
Fiscal Years Ended March 31												
Total assets	(Million Yen)	259,786	245,594	257,510	283,672	307,590	284,477	286,233	364,029	395,092	396,408	386,870
Equity	(Million Yen)	45,692	45,250	47,682	53,725	54,921	54,571	57,185	63,753	73,896	87,480	92,977
Equity capital	(Million Yen)	42,489	42,092	45,264	50,838	52,654	52,423	55,745	62,938	72,468	85,982	91,437
Interest-bearing debt	(Million Yen)	54,409	59,290	54,972	59,311	62,553	65,780	58,973	66,461	63,564	60,757	61,255
Information Per Share*												
Net income	(Yen)	448.84	393.04	335.43	615.47	566.81	184.03	248.24	805.91	1,042.65	1,035.38	324.24
Equity	(Yen)	4,798.41	4,753.62	5,112.18	5,741.27	5,946.33	5,920.30	6,295.46	7,107.83	8,235.14	9,770.13	3,461.36
Dividends	(Yen)	80.00	80.00	100.00	110	110	90	50	245	315	315	300
Financial Indicators												
Return on equity (ROE)	(%)	10.2	8.2	6.8	11.3	9.7	3.1	4.1	12.0	13.6	11.5	9.7
Return on total assets (ROA)	(%)	2.7	2.3	2.1	3.2	2.7	1.3	1.4	3.0	3.3	3.2	3.0
Operating income on net sales	(%)	0.8	0.7	0.6	0.9	0.8	0.5	0.6	2.0	2.3	2.2	2.1
Capital ratio	(%)	16.4	17.1	17.6	17.9	17.1	18.4	19.5	17.3	18.3	21.7	23.6
D/E ratio	(%)	1.3	1.4	1.2	1.2	1.2	1.3	1.1	1.1	0.9	0.7	0.7

* 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 FY2013.

* The Company implemented a stock split on April 1, 2025, splitting one share of common shares into three shares.

Network (as of September 30, 2025)

Europe, Middle East and India

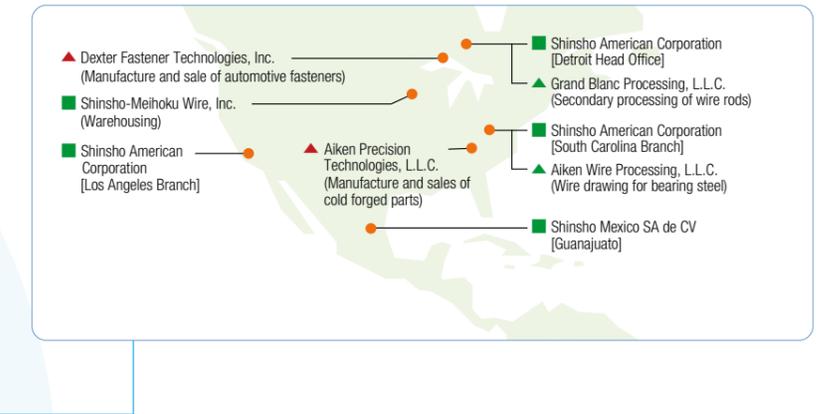


<Overseas Networks>

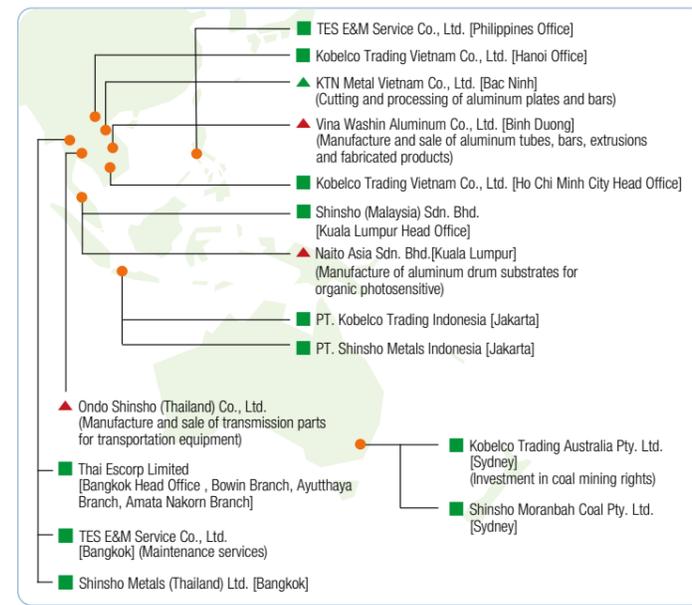
- Overseas representative offices
- Major subsidiaries (Sales bases)
- ▲ Major subsidiaries (Processing and manufacturing bases)
- ▲ Major affiliated companies (Processing and manufacturing bases)



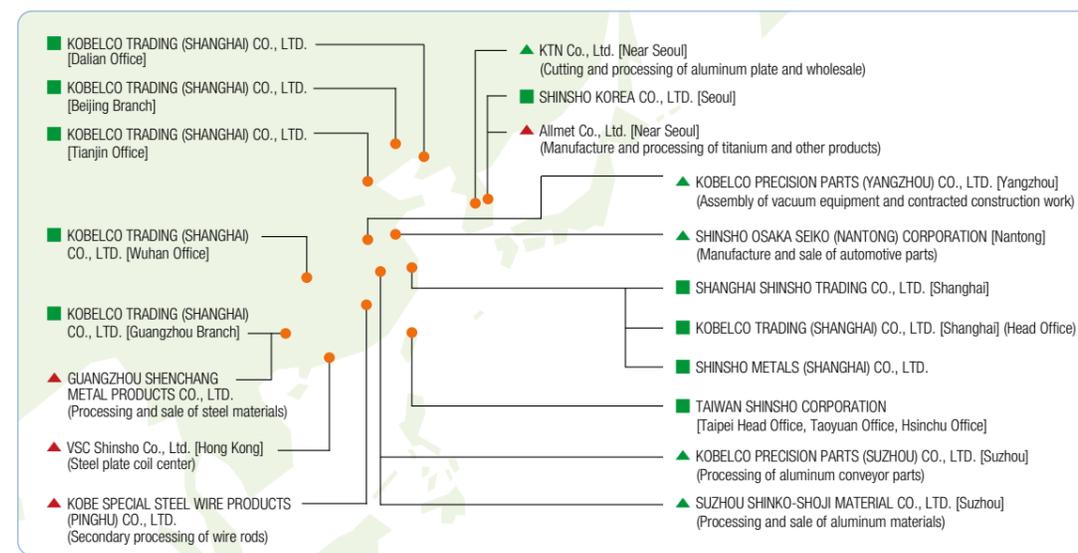
North and Central America



ASEAN and Australia

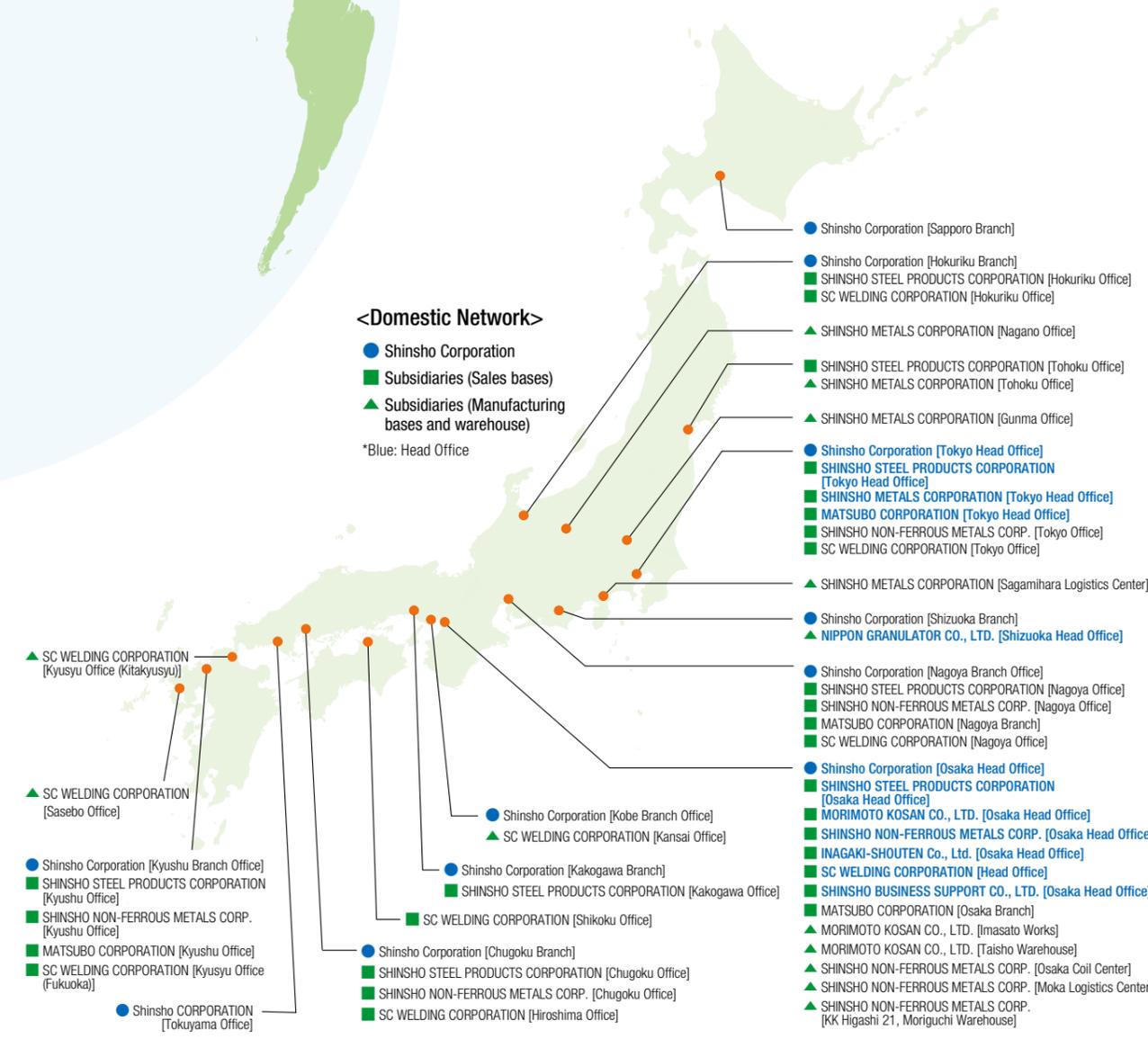


East Asia



<Domestic Network>

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



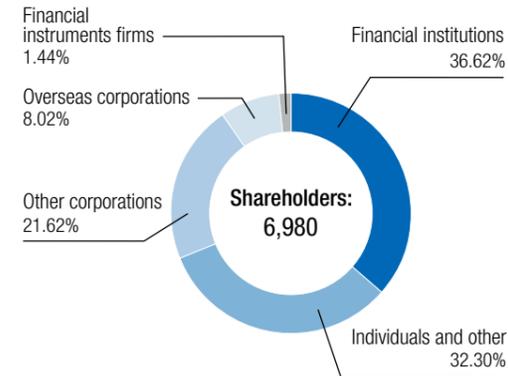
Company Information

Stock Information

(As of September 30, 2025)

Stock Code	8075
Listing	Tokyo Stock Exchange Prime Market
Total number of shares authorized	27,000,000 shares
Total number of shares outstanding	26,581,686 shares (including 15,490 shares of treasury stock)
Number of shares per trading unit	100
Total number of shareholders	6,980
Base Date	March 31
Shareholder Registry Administrator	Mitsubishi UFJ Trust and Banking Corporation

Composition of shareholders by type

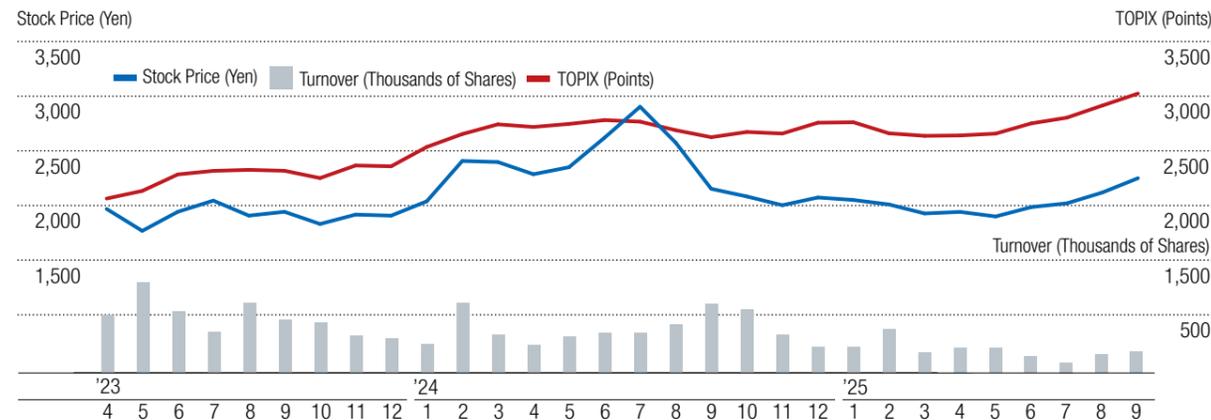


Major shareholders

Name	Number of shares held (thousand shares)	Ownership ratio (%)
Mizuho Trust & Banking Co., Ltd. (Kobe Steel, Ltd. Retirement Benefit Trust Account)	5,719	21.51
Kobe Steel, Ltd.	3,537	13.30
Shinsho Client Shareholding Association	2,504	9.41
The Master Trust Bank of Japan, Ltd. (Trust account)	1,874	7.04
Custody Bank of Japan, Ltd. (Trust account)	1,407	5.29
Shinsho Employees' Shareholding Association	640	2.40
SINFONIA TECHNOLOGY CO., LTD.	450	1.69
DFA INTL SMALL CAP VALUE PORTFOLIO	327	1.23
Tojiro Ashida	306	1.15
Mizuho Trust & Banking Co., Ltd. (KOBELCO WIRE COMPANY, LTD. Retirement Benefit Trust Account)	241	0.90

*The Company holds 15,490 shares of treasury stock but is excluded from the above major shareholders.

Stock prices and turnover



** The Company implemented a stock split on April 1, 2025, splitting one share of common shares into three shares, and the stock prices shown are based on after the split.

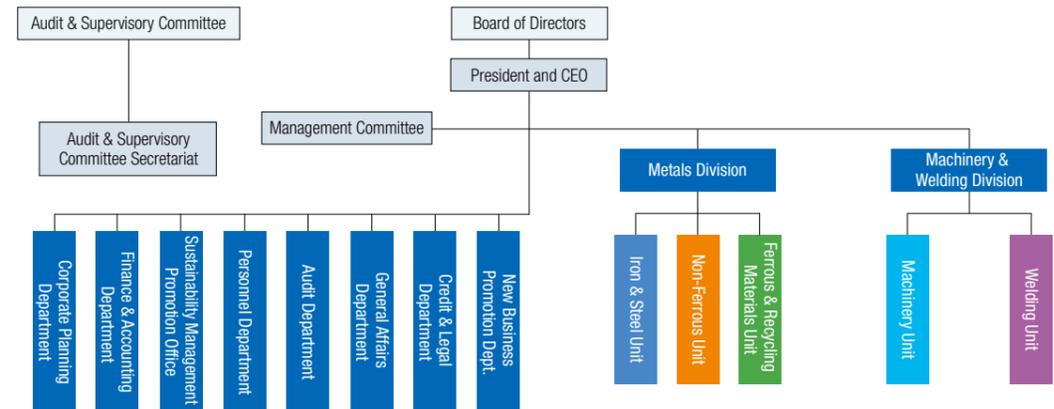
Company Profile

(As of March 31, 2025)

Name	Shinsho Corporation (SHINSHO CORPORATION)	Employees	[Consolidated] 1,437; [Non-Consolidated] 566
Established	November 12, 1946	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 https://www.shinsho.co.jp/english/
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		

Organization

(As of June 25, 2025)



Participation in initiatives, evaluation from society, etc.

Editorial Postscript

Thank you very much for reading the Shinsho Corporation Group's "Integrated Report 2025" to the end.

This is the fourth year that we have issued our Integrated Report, which we published for the first time in FY2022 to help stakeholders deepen their understanding of our company. In this Integrated Report, we clarified how we have revised our value creation process to simultaneously create social and economic value. We are also focusing on using stories to convey our initiatives for enhancing corporate value through contributions and such to carbon neutrality and resource recycling.

We sincerely hope that this report will give you a sense of our endeavors and aspirations. Going forward, we will continue to seriously take in your opinions and strive for better information dissemination and value cocreation.

SHINSHO CORPORATION



For more information, please contact

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