

Medium Term Management Plan 2026

May 22, 2024

**- A trading company that supports manufacturing for future,
and contributes to society -**



“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

Core Values

- 1. Contribution to tomorrow's manufacturing**
- 2. Corporate activities with compliance**
- 3. Activities in global environment**
- 4. Corporate culture respecting diversity**
- 5. Realization of personal growth**



The previous Medium Term Management Plan set an overall strategy consisting of enhancing profitability, strengthening trading company functions, promoting investments, and strengthening the management base as a cornerstone of the foregoing. As we promoted business in line with the Plan, profit hit a new record high, while investments fell below the target amount and left some issues. The “need for investments for the future,” however, has taken root internally, stimulating activities across the company.

The operating environment surrounding us now faces an age of great reform, including the trends of decarbonization, wider adoption of EVs, and resource recycling. We must also adapt flexibly and promptly to the ongoing geopolitical risks, the rise of India’s economy, supply chains that locate production closer to consumption, and the advent of an era with interest rates.

On the other hand, these changes open great opportunities for winning new businesses. We will step up activities for growth investments to change our revenue structure, which has been heavily reliant on trade businesses, and continue working to establish a business structure capable of securing a certain level of stable profit in any economic environment.

In the current Medium Term Management Plan, we will pursue at a time three pillars, namely, (1) further expansion and deepening of business as the core trading company of the Kobelco Group, (2) diversification of the business model by establishing our own supply chain, and (3) promotion of new businesses that contribute to solving social issues and strengthening profitability. At the same time, we will also strengthen the monitoring of business units and improve profitability by introducing an ROIC indicator.

The source of competitive power of our company lies in our human resources. Under the belief of “personal growth leading to corporate growth,” we will put more focus on human resource development. In terms of DX investment, which is one of our key measures, we will exert efforts from various aspects of strengthening an information platform, increasing operational efficiency and DX in sales, to improve our corporate value.

“Our second founding” laid out in the previous Medium Term Management Plan refers to the establishment of our own growth model through making maximum use of the assets that we accumulated in the Kobelco Group. This endeavor has only just begun. In the current Medium Term Management Plan, we will accelerate activities and make businesses take off, to take steps toward becoming “A trading company that supports manufacturing for tomorrow and contributes to society,” as committed in the Long-term vision.

Takafumi Morichi, President and CEO



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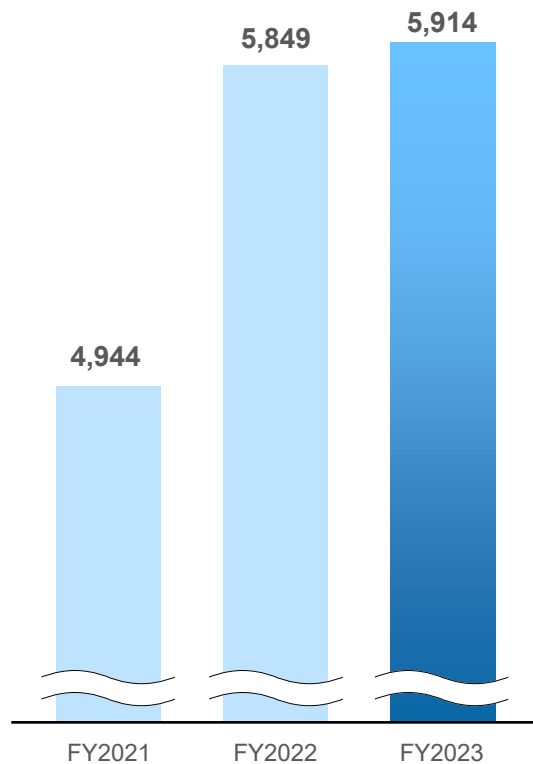
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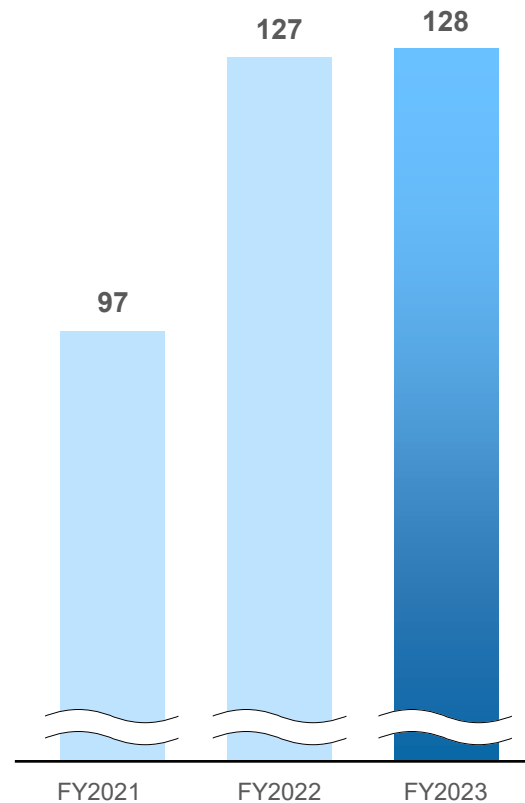
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- Taking advantage of the post-COVID economic recovery, our performance has been strong, and we achieved a record-high ordinary profit of 12.8 billion yen in FY2023.
- In keeping with the basic dividend policy (maintain stable dividends with a targeted payout ratio of 30%), we implemented active shareholder returns.

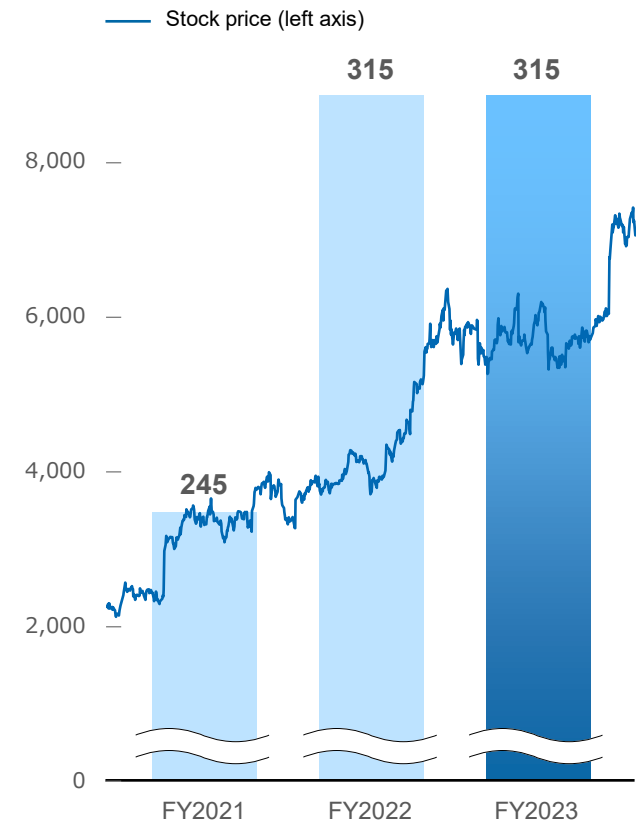
Net sales (x100 million yen)



Ordinary profit (x100 million yen)



Annual dividend and stock price (Yen)



Status of Achievement of Target Management Figures

- We achieved the target management figures.
- KPIs were largely achieved, but sales cash flow fell below the target as accounts receivable – trade and product inventory increased, following the surge in sales after the COVID-19 pandemic. Investments did not meet the target due to changes in the business environment.

Target management figures

| | FY2023 goals | FY2023 results | Status of achievement |
|-----------------|--------------------------------|-------------------------|-----------------------|
| Ordinary profit | 9.5 billion yen or more | 12.8 billion yen | Achieved |
| ROE | 9 % or higher | 11.5 % | Achieved |

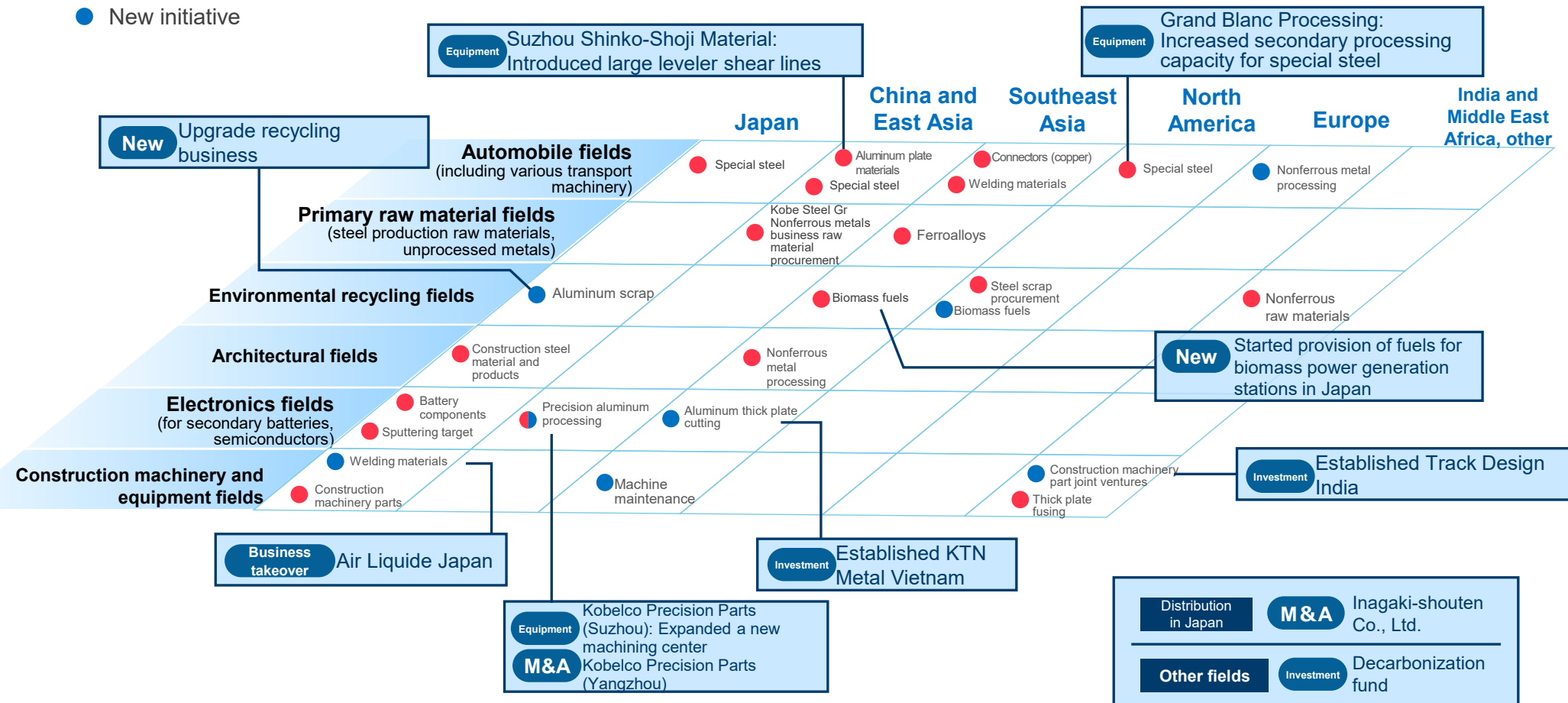
KPIs

| | FY2023 goals | FY2023 results | Status of achievement |
|-------------------------|--|--|-----------------------|
| Consolidated net profit | 3-year grand total 15.0 billion yen | 3-year grand total 25.4 billion yen | Achieved |
| Sales cash flow | 3-year grand total 11.0 billion yen | 3-year grand total 7.5 billion yen | Unachieved |
| Investments | 3-year grand total 20.0 billion yen | 3-year grand total 11.7 billion yen (including DX and IT investments of 1.7 billion yen) | Unachieved |
| ROA | 3 % or higher | 3.2 % | Achieved |
| Equity ratio | 20 % or higher | 21.7 % | Achieved |
| D/E ratio | Roughly 1.0 times | 0.7 times | Achieved |

Results of Key Measures (by Industrial Field and Sales Region) SHINSHO CORPORATION

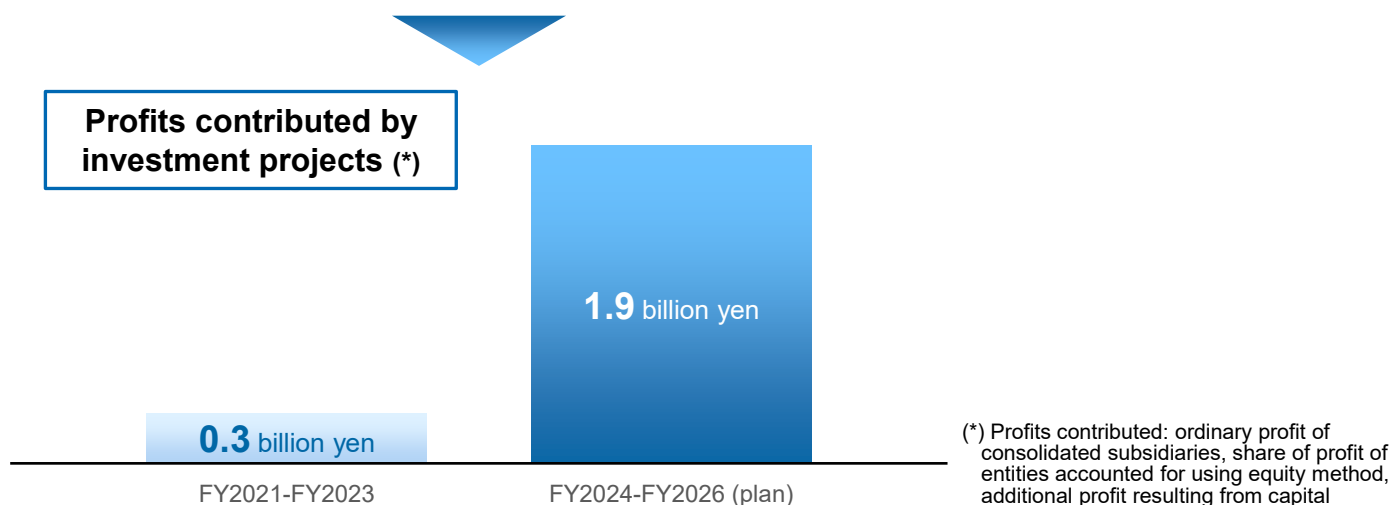
- In the automobile fields, we implemented equipment augmentation for manufacturing bases in the U.S. and China.
- In the environmental recycling fields, we started the provision of fuels for biomass power generation stations in Japan and the upgrade recycling business of aluminum.
- Established a construction machinery parts manufacturing company in India (Track Design India) as a joint venture with a Korean company.

- Existing initiative
- New initiative



- Against the target of 20.0 billion yen, we executed investments worth 11.7 billion yen (including DX & IT investments of 1.7 billion yen).
- Some investment projects were cancelled for Environmental recycling businesses and Aluminum processing businesses, due to changes in the anticipated business environment.

| Plans | | Results | | |
|---|-------------------|-----------------------|--|-------------------|
| Investment Project | Investment Amount | Category | Major Investment Project | Investment Amount |
| Steel material processing businesses for automobiles (China, North America) | 2.0 billion yen | Capital investments | Special steel secondary processing (North America) | 1.3 billion yen |
| Environmental recycling businesses (Japan, Southeast Asia) | 3.0 billion yen | New | Upgrade recycling business of aluminum scrap (Japan) | 0.2 billion yen |
| Aluminum processing businesses (North America, China, Southeast Asia) | 8.0 billion yen | Capital investments | Increase capacity of an aluminum coil center (China) | 1.7 billion yen |
| Distribution reorganization through M&As (Japan, Southeast Asia) | 2.0 billion yen | Investments and other | Distribution of metals, Distribution of welding materials and machines (Japan) | 2.6 billion yen |
| Other: expansion of overseas channels and enhancement of supply chains | 5.0 billion yen | Investments and other | Decarbonization fund, DX & IT investments (Japan) | 6.0 billion yen |
| Total | 20.0 billion yen | | Total | 11.7 billion yen |



(*) Profits contributed: ordinary profit of consolidated subsidiaries, share of profit of entities accounted for using equity method, additional profit resulting from capital investments, etc.

- Changes in the external environment (rises in prices of iron and steel materials and yen depreciation) greatly helped to push up profits and led to the recording of profit well over the plan.
- While advancing reorganization of business of Group companies in Japan and M&As, we strengthened non-trade businesses, such as overseas investments.

Post-COVID economic recovery



Rises in prices of iron and steel materials

Steel materials prices rose by 80 yen/kg during the period of the previous Medium Term Management Plan, causing profit to increase



Effects of exchange rates (yen depreciation)

Profits increased due to substantial yen depreciation
1 USD / 104 yen (initial budget)
→ 1 USD / 131 yen (average of FY2021-FY2023)



Effects of higher interest rates and inflation

Business profitability mainly in the U.S. deteriorated due to rising U.S. dollar interest rates, higher logistics costs and other factors



Delays in the launch of new investment projects overseas

Launch of new investment projects overseas delayed at Track Design India and KTN Metal Vietnam due to the COVID-19 pandemic, which deferred monetization

Business strategies



Reorganization of business of Group companies in Japan and M&As

- (Iron & steel) Trade rights transferred from Shinsho Construction Steel Department to Shinsho Steel Products Corporation (2021)
- (Welding) Acquired and transferred trade rights from Air Liquide Japan to SC Welding Corporation (2021)
- (Nonferrous metals) Acquired and merged Inagaki-shouten Co., Ltd. and made it into a consolidated subsidiary (2023)



Expansion in handling of biomass fuels

- Started provision of biomass fuels to biomass power generation stations in Japan based on long-term contracts
- Expanded handling of new biomass fuels, such as coconut shells and OPT pellets



Sluggish handling of cold iron materials (steel scrap)

- Handling of cold iron materials was sluggish, as affected heavily by worsening market conditions
- Another issue is capital inefficiency inherent to cold iron materials business



Slump in semiconductor field

The pace of recovery in semiconductor-related demand was slower than expected, resulting in sluggish semiconductor-related business of our company's Group and deteriorated profitability of Nonferrous Metals Division



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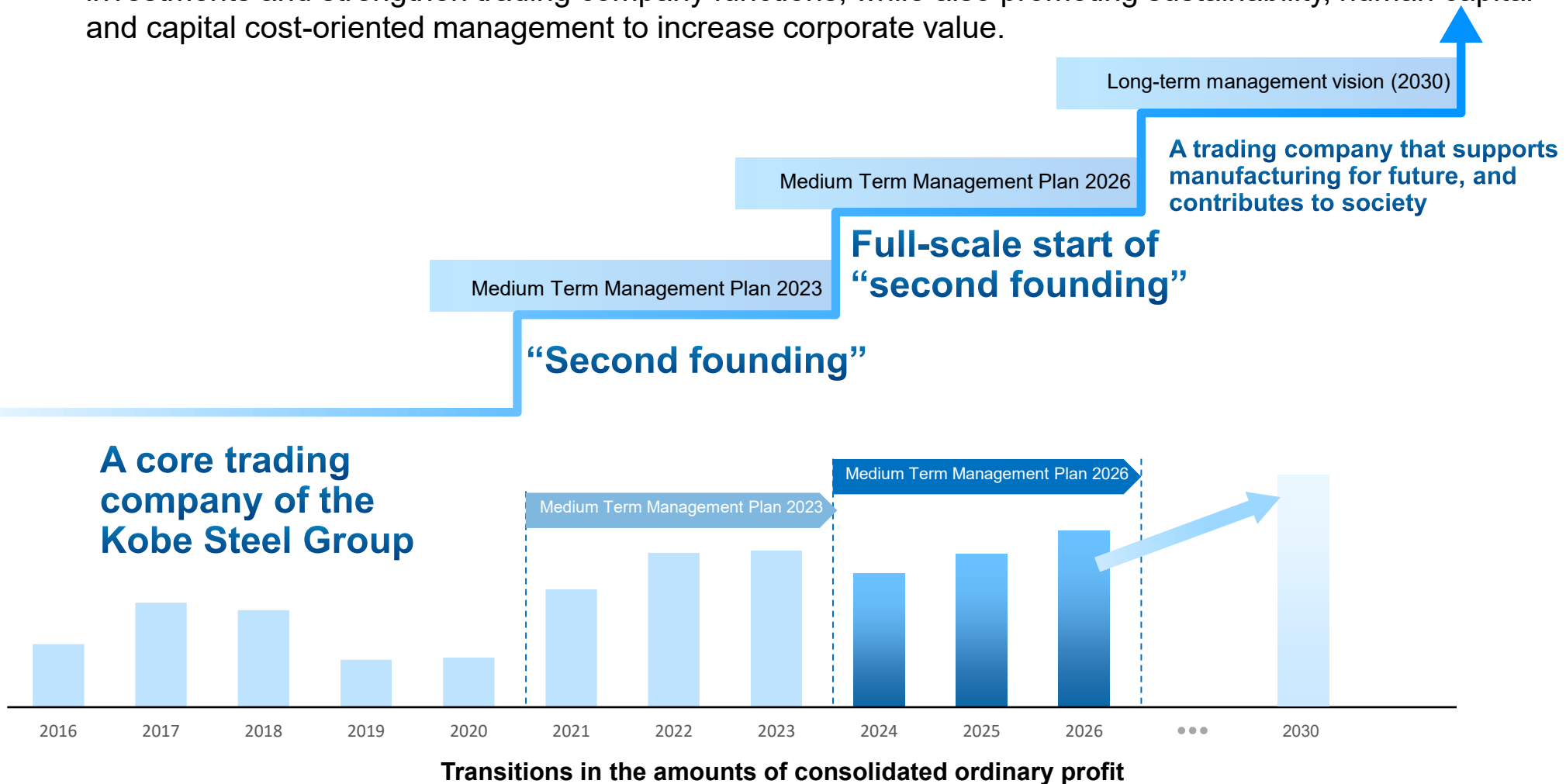
..... **Basic Policy and Targets of Medium Term Management Plan 2026**

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..... Strategies and Measures of Medium Term Management Plan 2026

Full-scale Start of “Second Founding”

- Full-scale start of “second founding” is a stage in which we embody high-quality management and a transition to a truly global company, as set out in the previous Medium Term Management Plan.
- As a core trading company leading the Kobe Steel Group, we will enhance profitability, promote investments and strengthen trading company functions, while also promoting sustainability, human capital and capital cost-oriented management to increase corporate value.



Changes in the Business Environment

- Due to higher interest rates and costs, some products are likely to shift to “local production for local consumption” from export-type business from Japan.
- Expansion of semiconductor manufacturing in Japan and capture a future demand for semiconductors.
- Profit-earning opportunities will expand, out of resource recycling and needs for power and labor saving at manufacturing sites, etc.

Effects from macroeconomic factors



Effects of higher interest rates and inflation



“Diversification” and “shift to local production for local consumption” of supply chains

Business opportunities for our company



Increase in demand for products and services in decarbonization area



Improvement in quality of resource recycling



Needs for power and labor saving at manufacturing sites



Recovery in the semiconductor field and expansion of manufacturing bases in Japan



Business successions (M&As), business reorganizations

Issues as an iron and steel trading company



Declining trend in the production volume of steel materials in Japan



Changes in automotive structures and components due to a shift to EVs

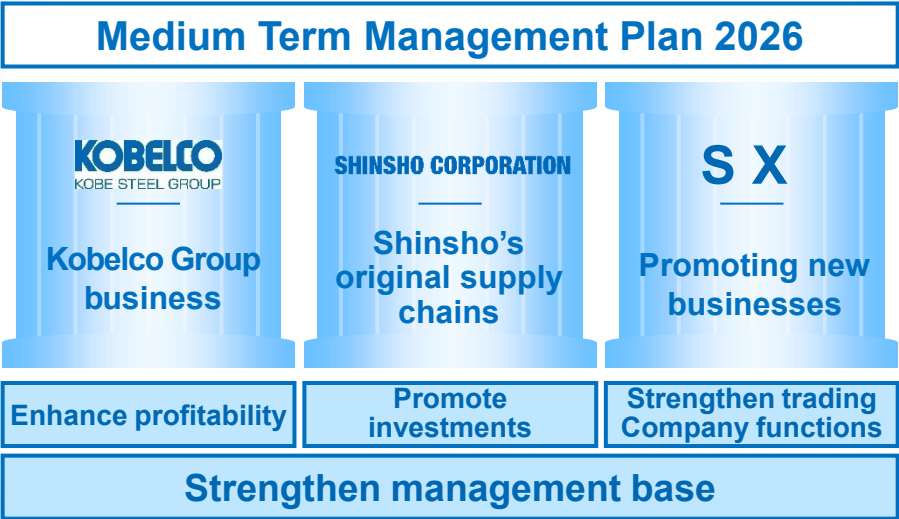
As a concrete image of the long-term management vision, we will focus on each of Kobelco Group business and original supply chains business, while also promoting new businesses.

Back-cast from long-term management vision

Long-term management vision
A trading company that supports manufacturing for tomorrow and contributes to society

Changes in business environment

Accurately perceive and address changes in the business environment surrounding our company, including decarbonization, resource recycling, and power and labor saving at manufacturing sites.



Decarbonization

Resource recycling

Power and labor saving

Continue Medium Term Management Plan 2023

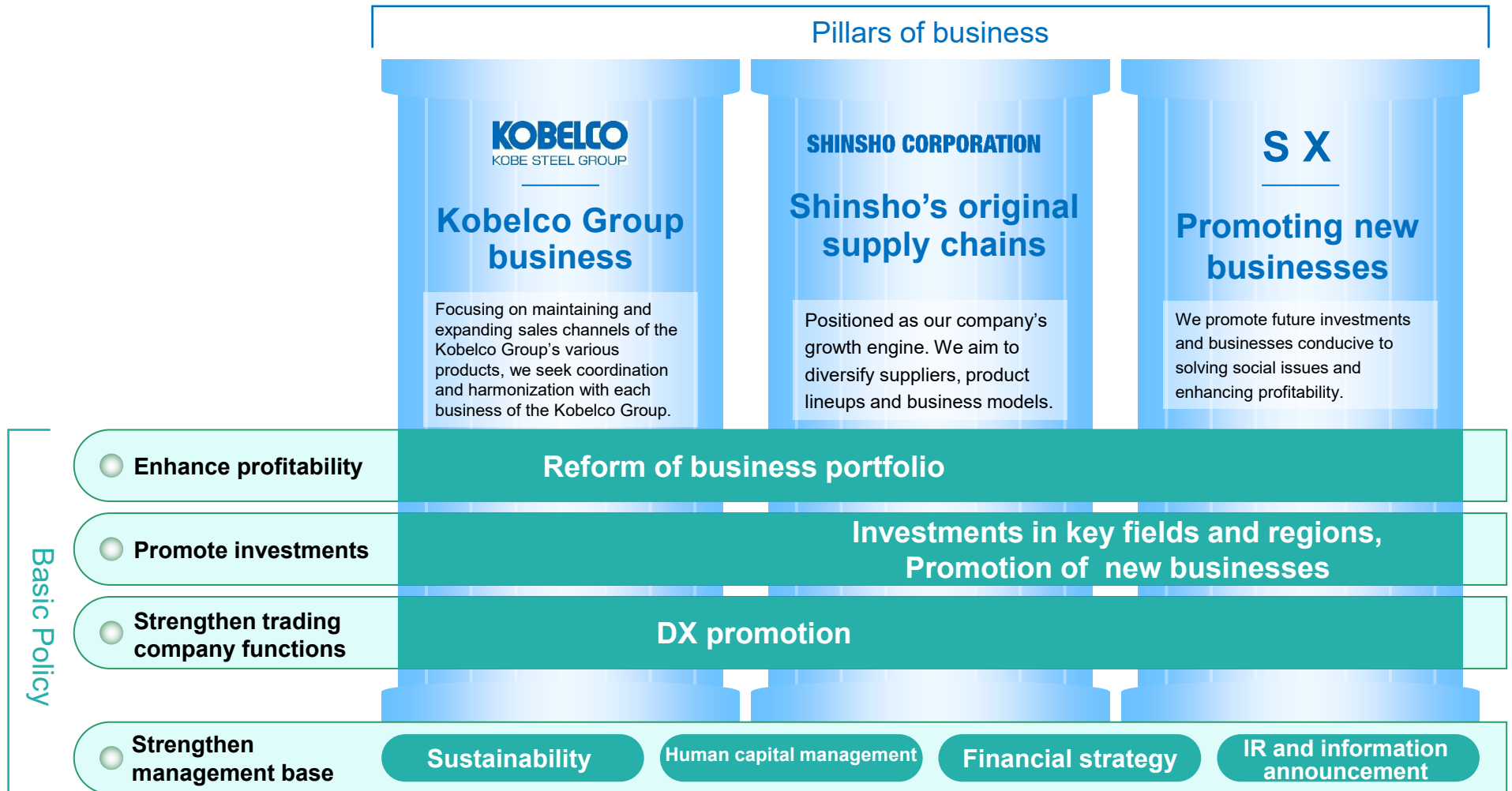
Medium Term Management Plan 2023

While retaining the basic policies of the Medium Term Management Plan 2023, namely, "Enhance profitability," "Promote investments," "Strengthen trading company functions" and "Strengthen management base," we will accumulate measures under the current plan and make selections.

Basic Policy and Three Pillars of Business

SHINSHO CORPORATION

- We will retain the basic policies of the previous Medium Term Management Plan (Enhance profitability, Promote investments, Strengthen trading company functions and Strengthen management base).
- Categorizing our company's businesses largely into three types: Kobelco Group business, original supply chains and promotion of SX new business, we will implement measures fit for respective directions.



Key Goal Indicators (KGIs)

- We position consolidated ordinary profit, ROE (return on equity), ROIC (return on invested capital) and equity ratio as key goal indicators (KGIs), for the purpose of enhancing profitability, strengthening trading company functions through improving capital efficiency, and strengthening management base through financial stabilization.
- ROIC was introduced as a management indicator from FY2024. We promote profitability expansion based on growth investments by setting company-wide criterion for businesses with high added value.

| | FY2023 results | Target figures for FY2026 |
|-----------------------------------|------------------|---------------------------|
| Consolidated ordinary profit | 12.8 billion yen | 14.5 billion yen |
| ROE (Return on equity) | 11.5% | 10.0% or more |
| ROIC (Return on invested capital) | 7.0% | 6.5% |
| Equity ratio | 21.7% | 21% or more |

* ROIC = (Ordinary profit + Interest expense - Income taxes) /
(External interest-bearing debt + Net assets)

Organizational Change

- We reorganize the sales promotion structure from the current five-division system to a two-division system comprising Metals Division and Machinery & Welding Division.
- Merging together divisions with proximate operating areas, we share business models and optimally place personnel to enhance profitability and trading company functions.
- Current divisions were reorganized into units to maintain finely-tuned trading company functions for meeting customer needs.
- To enhance profitability over a medium to long term, New Business Promotion Dept. was established as an organization independent from sales divisions.

● Iron & Steel Division

● Ferrous Raw Materials Division

● Nonferrous Metals Division

● Machinery & Electronics Division

● Welding Division

Metals Division

- Contribute to supply chains of iron & steel and nonferrous metals
- Enhance profitability through active business investments

● Iron & Steel Unit

● Non-Ferrous Unit

● Ferrous & Recycling Materials Unit

Machinery & Welding Division

- Provide machines, equipment and materials optimal for manufacturing sites
- Offer new added value, such as DX, IoT and engineering, to enhance profitability

● Machinery Unit

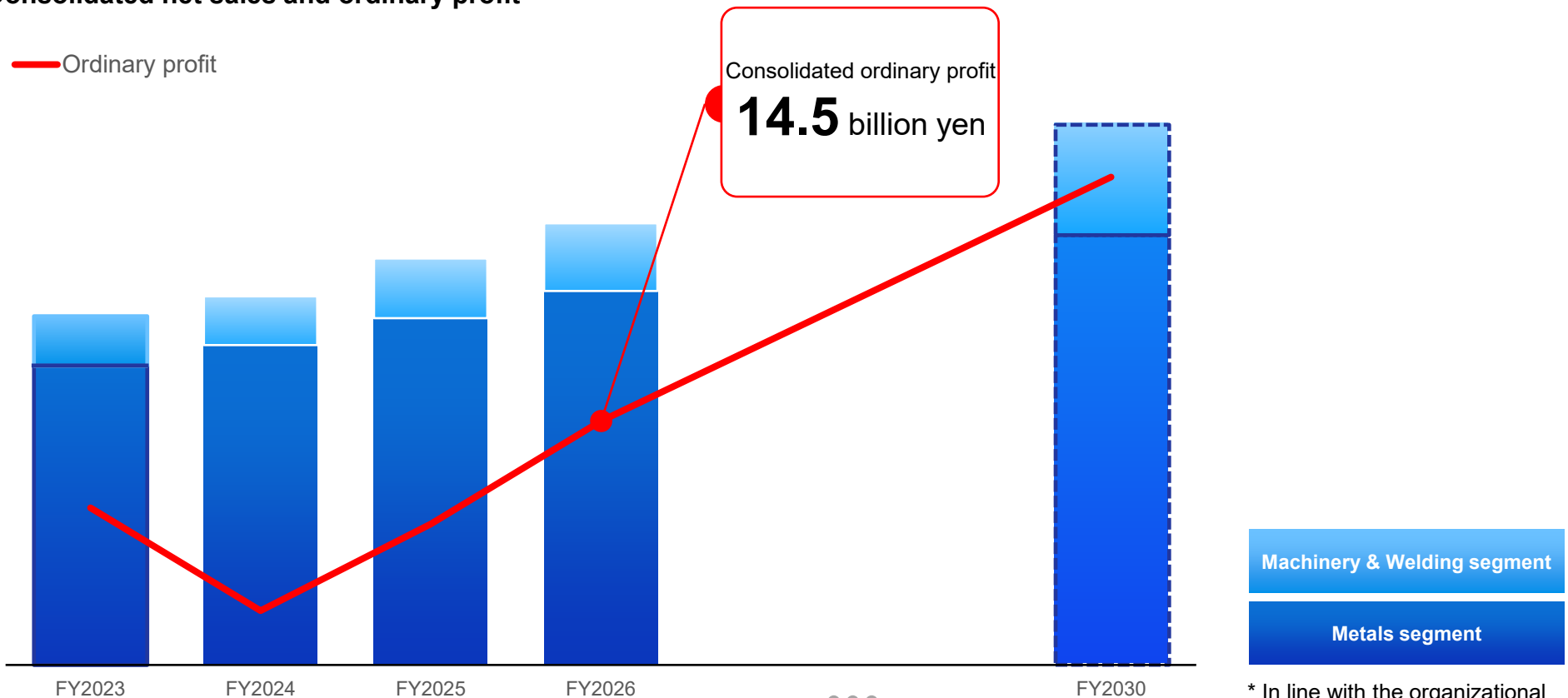
● Welding Unit

● New Business Promotion Dept.

Management Figures (1) Ordinary Profit and Net Sales

- Target of consolidated ordinary profit for FY2026 is 14.5 billion yen.
- Metals segment works to strengthen its trading company functions in trade businesses, while investing in businesses to change its revenue structure.
- Machinery & Welding segment adds sales of peripheral operations (maintenance services) and peripheral equipment to existing sales operation, aiming to increase sales and profit.

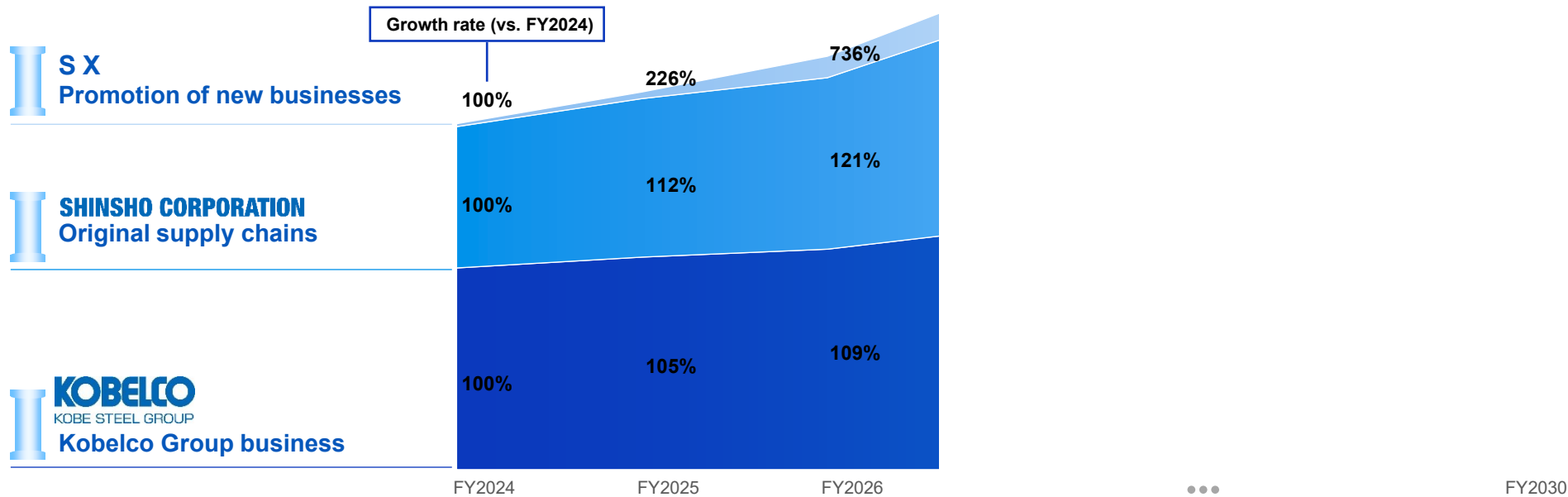
Consolidated net sales and ordinary profit



* In line with the organizational change, business segments were changed from five to two, starting from FY2024.

- In parallel with the expansion of profit from the current Kobelco Group business and Shinsho’s original supply chains, we advance investments in projects for promoting SX new businesses and develop it into one of the profit pillars in the future.

Gross profit of three business pillars (Kobelco Group business, Shinsho’s original supply chains and promotion of SX new businesses)





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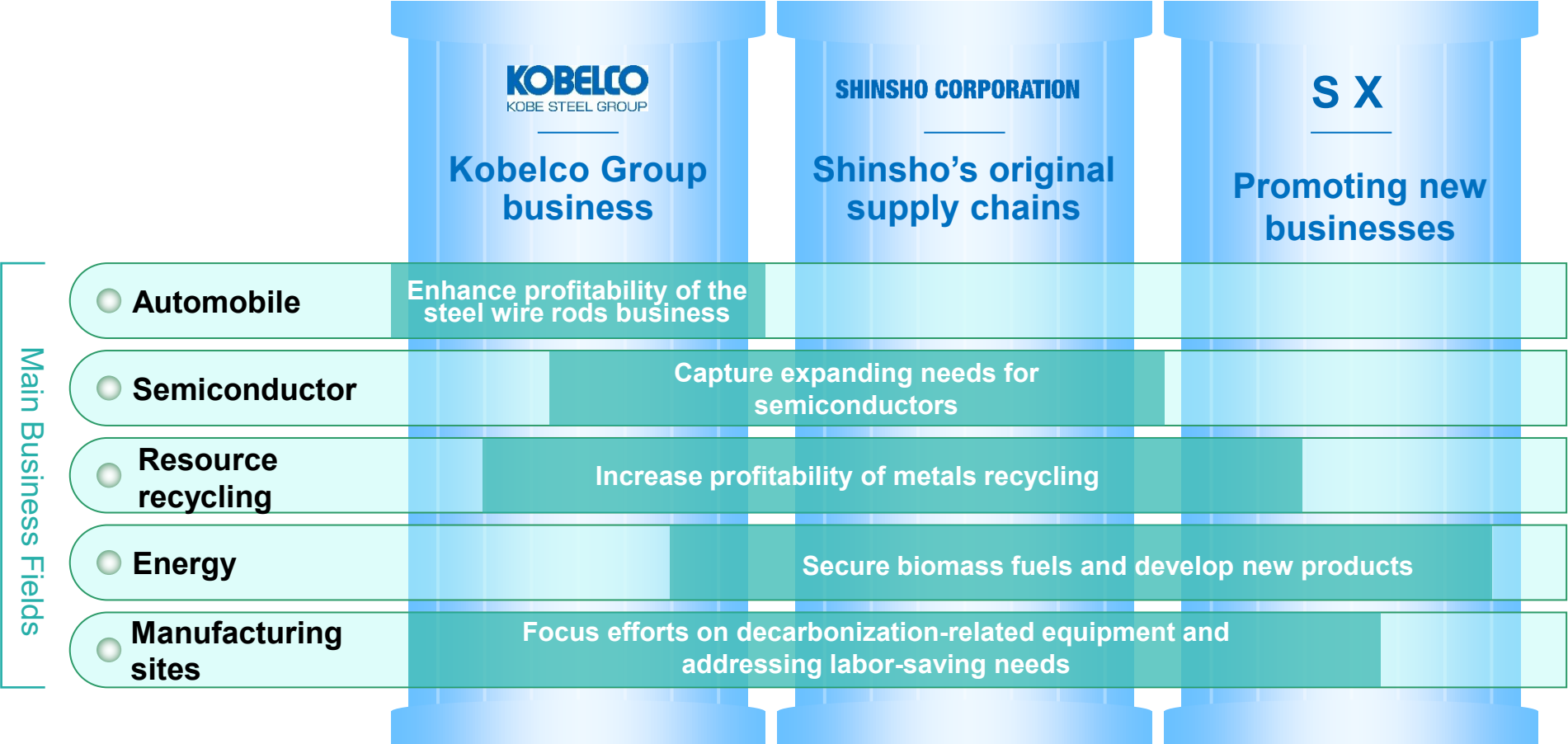
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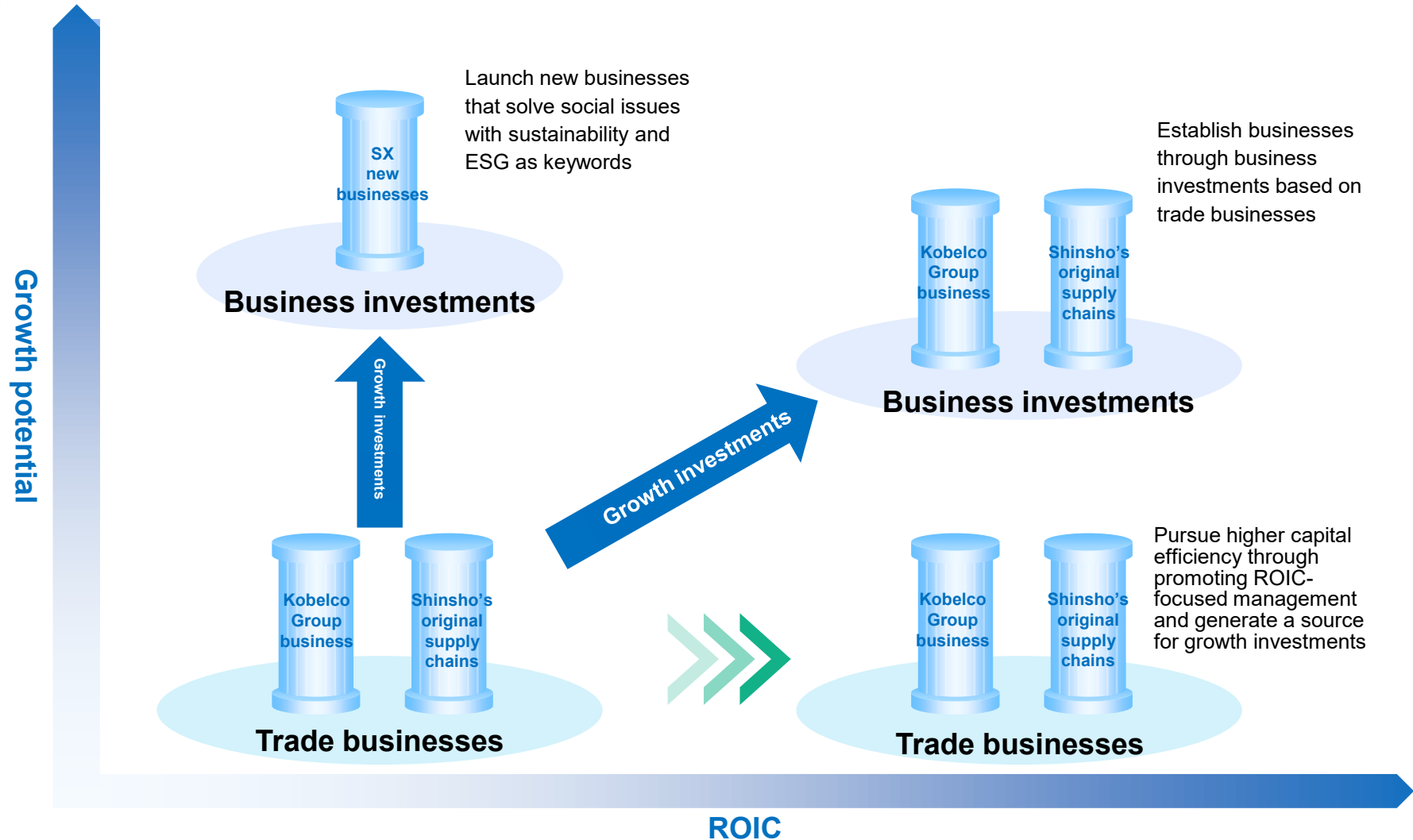
Enhance Profitability (1) Main Business Fields and Key Measures SHINSHO CORPORATION

- In the mainstay automobile fields, we continue implementing measures to enhance profitability of the steel wire rods business, which is our company's strength.
- We promote measures for building our original supply chains, such as domestic investments by capturing the production trends in the semiconductor fields and measures for increasing (upgrading) profitability of metals recycling.
- Machinery & Welding Division will focus its efforts on key themes of decarbonization-related equipment and addressing labor-saving needs.



Enhance Profitability (2) Directions of Changes in Business Structure

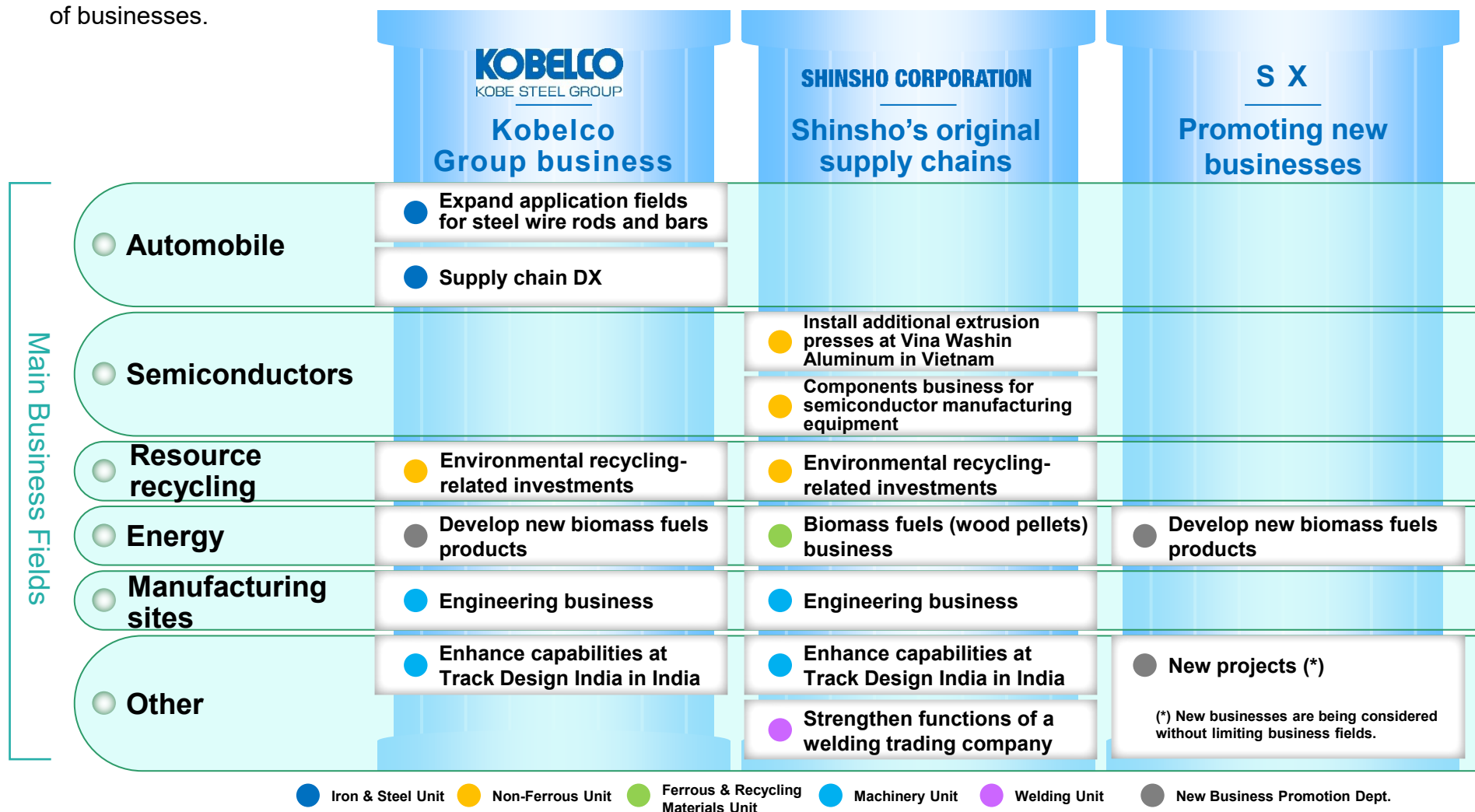
- We shift capital allocation to investments in businesses with growth potential and stability, away from trade businesses that are heavily impacted by external environments.
- We also actively invest in SX new businesses with high growth potential.
- In trade businesses, we work to increase capital efficiency through promoting ROIC-focused management and aim for a highly profitable structure.



Promote Investments (1) Investment Plans by Business Field

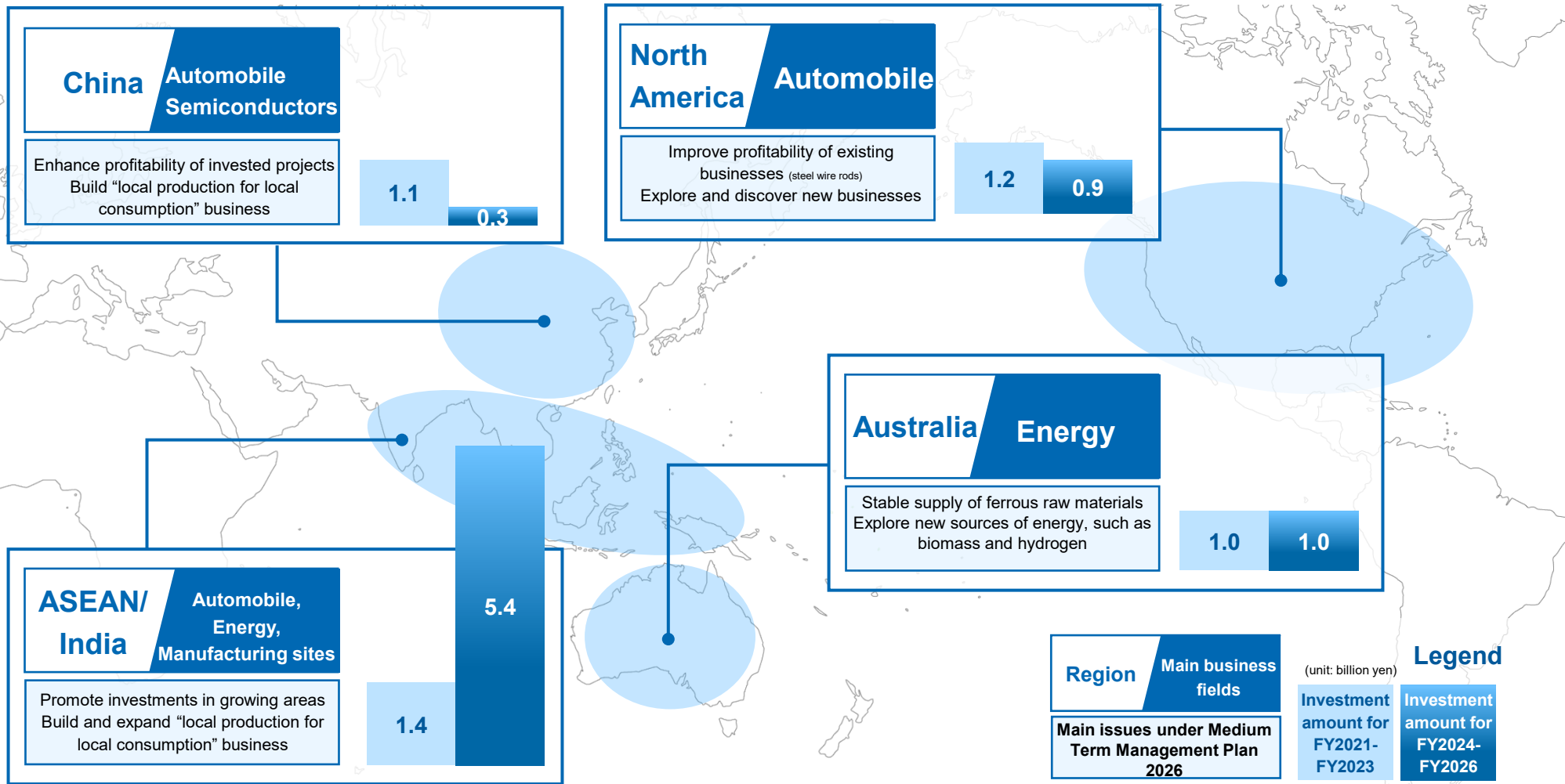
SHINSHO CORPORATION

- Medium Term Management Plan 2026 envisages investments of 23.0 billion yen as a 3-year grand total (including DX & IT-related investments of 3.0 billion yen).
- Main investment plans are shown below. We also expand investments in our original supply chains.
- In addition to the above, we consider initiatives based on our track records, such as M&As for business successions and carving out of businesses.



Promote Investments (2) Investment Plans by Region

- Seeing ASEAN countries and India as growing areas, we will focus efforts on investments and building of “local production for local consumption” business.
- In North America, upon devising measures against high interest rates and inflation, we work to improve profitability of existing businesses.
- In China, we will enhance profitability of business companies in operation, and build “local production for local consumption” business.



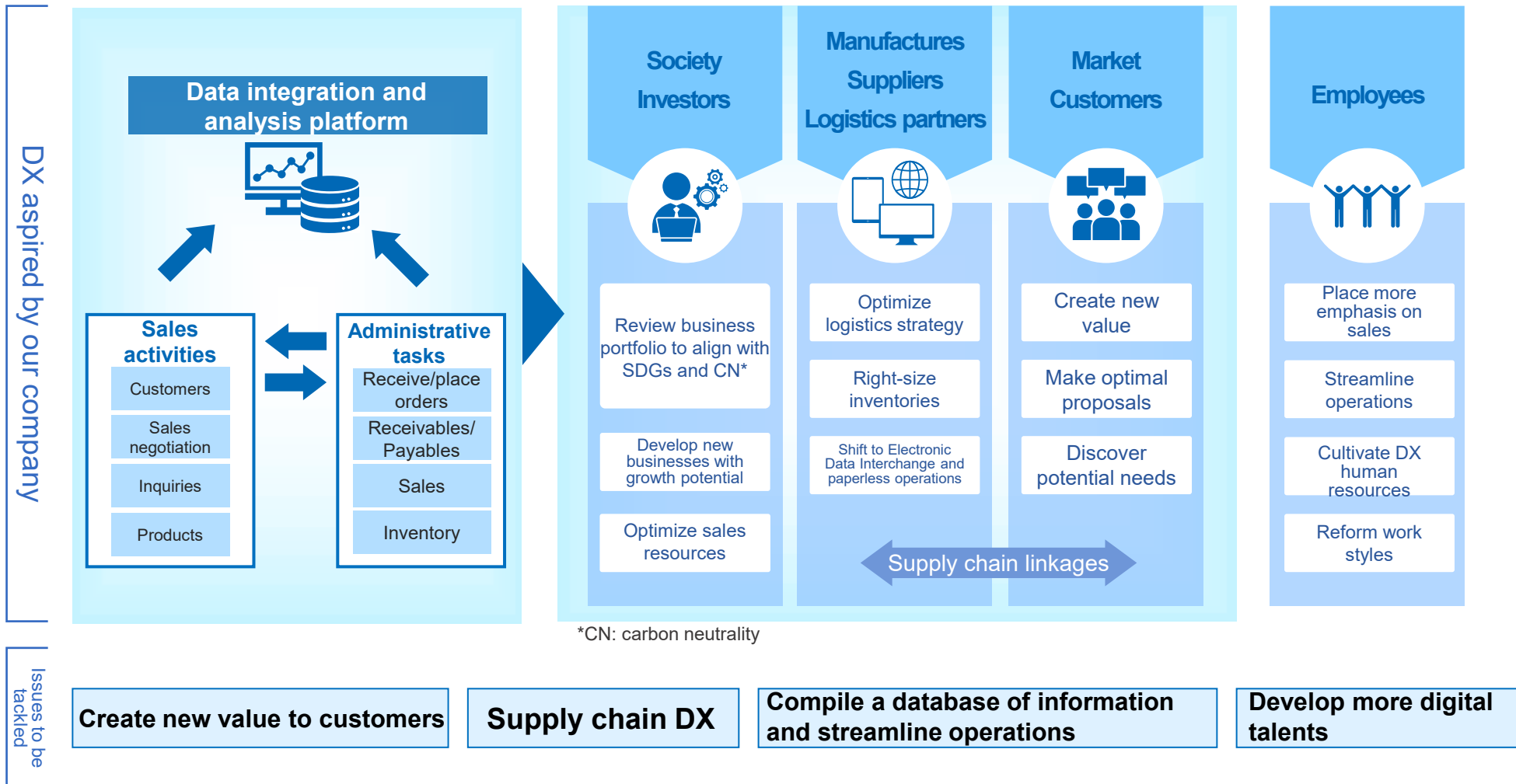
- We create new business values with sustainability as a keyword.
- New Business Promotion Dept. was established in April 2024. Through collaboration with Kobelco Group companies, external partners and start-ups, we will explore businesses with future potential and promote them from a medium- to long-term perspective.
- Each of our units will also promote new, characteristic SX businesses.



* Methanation: Technology to produce methane (main component of city gas) through the reaction of hydrogen and carbon dioxide.

Strengthen Trading Company Functions: Promoting DX

- Toward contributing to society and achieving sustainable growth, we aim to increase corporate value through comprehensively reviewing our business and organization.
- We strengthen trading company functions through value creation from the customer's perspective, productivity improvement/work style reforms and cultivation of DX human resources.



Strengthen Management Base (1) Sustainability

- We established a Basic Policy for Sustainability in 2022 and identified important issues (material issues).
- In Medium Term Management Plan 2026, we select sustainability issues in line with material issues to strengthen management base with greater sustainability.

| Material issues of Shinsho Corporation | Actions to be taken by our company's Group to achieve goals |
|---|--|
| ● Contribution to Tomorrow's Manufacturing | <ul style="list-style-type: none">▶ Cultivation of global human resources and DX human resources▶ Strengthen management base (streamline operations) with DX and IT<ul style="list-style-type: none">• Plan to renovate core systems |
| ● Corporate Activities with Compliance | <ul style="list-style-type: none">▶ Strengthen a corporate governance system<ul style="list-style-type: none">• Transition to a company with an audit and supervisory committee (subject to approval at a General Meeting of Shareholders in 2024)▶ Prevention of non-compliance |
| ● Activities in Global Environment | <ul style="list-style-type: none">▶ Support a transition to decarbonization▶ 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• Consider disclosure of supply chain emissions (Scope 3) during Medium Term Management Plan 2026 period |
| ● Corporate Culture Respecting Diversity | <ul style="list-style-type: none">▶ Advancement of women<ul style="list-style-type: none">• Desired percentage of women in managerial positions of at least 10% by 2030• Desired percentage of women in career-track positions of at least 20%▶ Cultivate locally-hired staff |
| ● Realization of Personal Growth | <ul style="list-style-type: none">▶ Enhance Well-Being▶ Increase DX literacy |

* CO₂ emissions are based on Scopes 1 and 2

Strengthen Management Base (2) Human Capital Management

SHINSHO CORPORATION

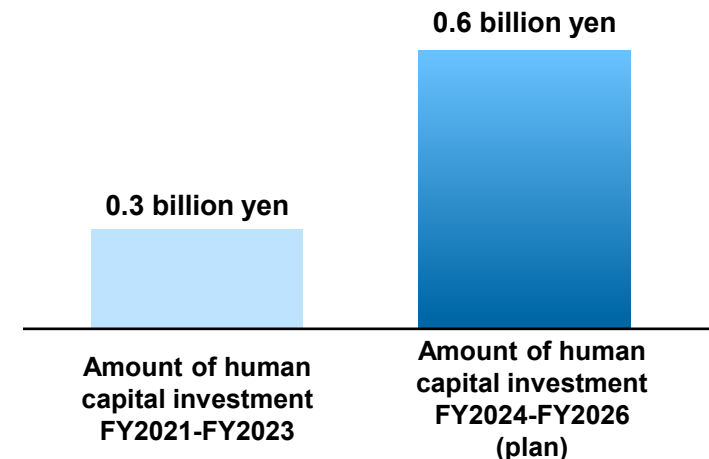
- Encouraging each and every employee to draw their own career paths, we will cultivate human resources who are proactively learn and act on their own purposefully.
- We create new value capitalizing on diversity. Empowering individuals and organizations, we will strengthen competitive power and promote innovations.
- By supporting and creating environments for career development conducive to personal growth and higher motivation for contribution, we aim to increase employee engagement.

Human Resources Strategy



Human Capital Investment (*)

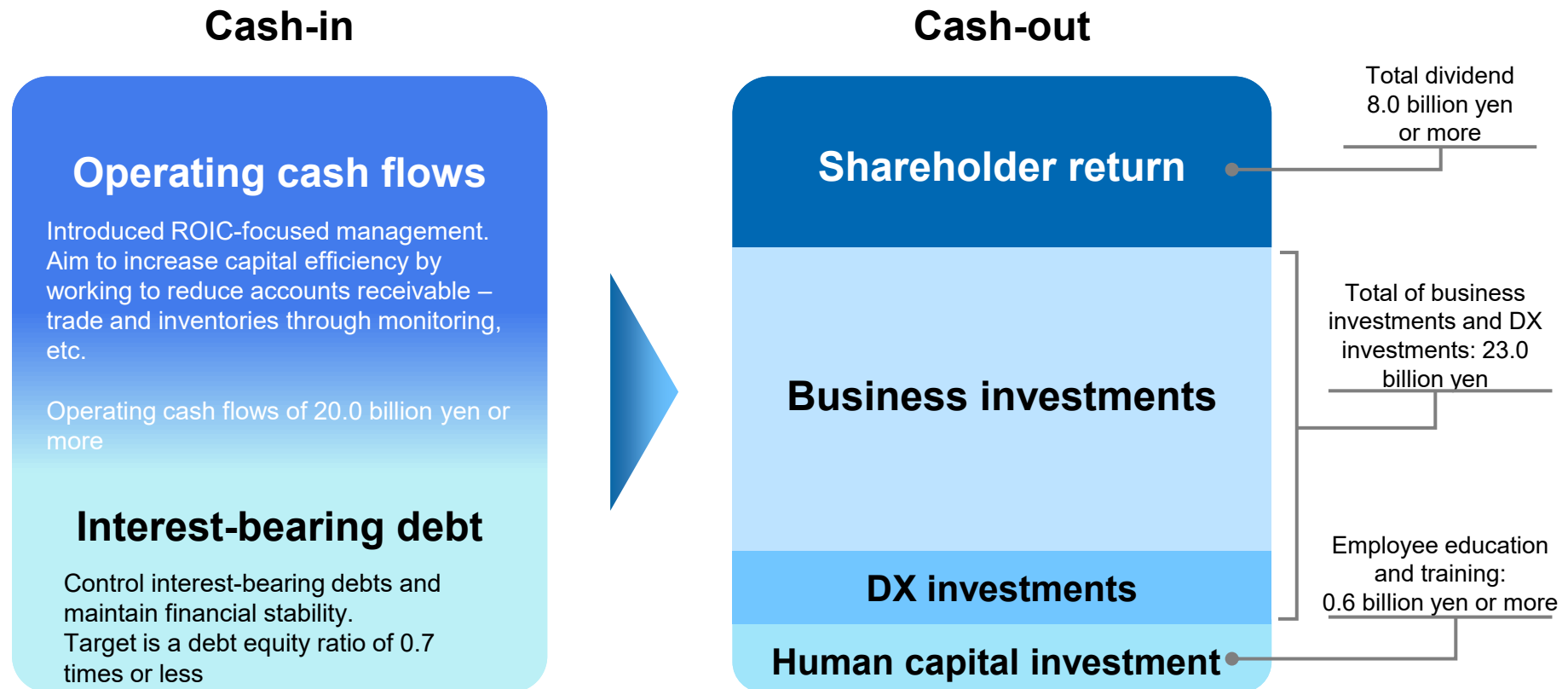
Implement training programs in line with human resources strategy, such as cultivation of global human resources and DX human resources



(*) Human capital investment: A sum of education and training expenses and systems expenses

- We introduced ROIC-focused management. Through expanding profit and increasing capital efficiency, we generate operating cash flows.
- The stabilization of operating cash flows allows us to continue with shareholder returns and secure funds for investments.

Cash allocation (Plan for FY2024-FY2026)



Shareholder Return Policy

Management Conscious of Capital Cost and Stock Prices

Shareholder Return Policy

Maintain a consolidated dividend payout ratio of 30% or more, or a dividend per share of common stock of 300 yen, whichever is higher.

Management conscious of capital cost and stock prices

- Our company's stock price during the period of the previous Medium Term Management Plan (First Section/Prime Market of Tokyo Stock Exchange) has been on an upward trend, indicating that the market appreciated our favorable operating performance, establishment of a governance structure, and active stance toward dialog with shareholders, among others.
- However, we have not achieved a price book-value ratio (PBR) of larger than 1 yet, which is demanded by capital market. We must continue efforts under the Medium Term Management Plan 2026.

Main initiatives under Medium Term Management Plan 2026

Introduce ROIC (return on invested capital) as a new key goal indicator (KGI). Promote ROIC-focused management across the company.

Steadily implement shareholder return measures

Streamline operations with the use of DX and IT, etc.

Control external interest-bearing debt through increasing capital efficiency

Enhance IR and SR activities

Execute Medium Term Management Plan through promoting growth investments and sustainability management

Through these initiatives, we aim to secure excess returns continuously, with capital cost in mind.

- We have built global supply chains in various business fields based on a wide variety of products for Kobelco Group.

| | | <div>KOBELCO KOBELCO STEEL GROUP</div> <div>Kobelco Group business</div> | <div>SHINSHO CORPORATION</div> <div>Shinsho's original supply chains</div> | <div>S X</div> <div>Promoting new businesses</div> |
|-------|---------------------------------|--|--|--|
| Units | ● Iron & Steel | Steel wire rods and bars | Stainless steel Fasteners (iron, resin) | Small EVs Automatic driving field |
| | ● Non-Ferrous | Aluminum thick plates Copper Strips Aluminum raw materials | Products for semiconductors, EVs, and air conditioners Nonferrous metals recycling | Nonferrous metals recycling |
| | ● Ferrous & Recycling Materials | Coal and iron ore Titanium raw materials | Cold iron materials (for electric furnaces and direct reduced iron) Biomass fuels | Biomass fuels |
| | ● Machinery | Compressors Construction machinery parts | Industrial machinery Construction machinery parts Engineering | Hydrogen and ammonia field |
| | ● Welding | Welding materials Welding robots | Industrial robots (hard and soft) Maintenance | Collaborative robots |



Designs for Business

These materials contain content related to future predictions for our company. These predictions are based on judgments and assumptions according to information which is available to our company at the current time. Due to various factors such as the inherent uncertainty of these judgments and assumptions, and the possibility for changes in future business management and internal and external conditions, actual results may differ substantially from the content of predictions. Our company will not bear any obligation to revise content related to future predictions.