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Business Report

April 1, 2024 to March 31, 2025

1. Matters concerning the State of the Corporate Group

(1) Progress and Outcomes of Business Operations

During the consolidated period under review, the global economy traced a moderate recovery path, but uncertainties increased amid an assortment of adversities. These included higher interest rates to curb inflation, tightening credit, mounting geopolitical risks, a rising tide of protectionism, and excess production. The Japanese economy picked up, but concerns remain about factors that could limit growth momentum. These factors include the impact on the construction market from labor shortages and high costs caused by the low yen. Other factors include a slowdown in auto production and a delayed recovery in the semiconductor market. The outlook is further mired by what is happening in the USA and China. In the USA, the tariff policy threatens to plunge the country into recession. In China, demand is sluggish and the real-estate market has slumped. These factors potentially have huge global economic ramifications.

Against that backdrop, we worked on our growth strategies set out in the medium-term plan (unveiled in May, 2024) covering the year ending March 2025 to year ending March 2027 (MTP). Our consolidated financial results were as follows: We recorded ¥617,177 million in net sales (up 4.4% from the previous year), ¥13,223 million in operating income (down 0.5%), ¥11,763 million in ordinary profit (down 8.2%), and ¥8,563 million in net income attributable to shareholders of parent (down 6.0%).

1. The performance of each business segment was as follows.

(1) Metals Segment

i) Iron & Steel Unit

Net sales was similar to last year. Among special steel and steel-plate/sheet products (the mainstay products), steel-plate/sheet products sold at a higher volume despite the number of autos being produced and a decline in demand among construction firms. Profit was down overall because of lower profits in overseas subsidiaries, partially offset by an increase in equity in earnings of affiliated companies. Consequently, the Iron & Steel Unit posted net sales of ¥257,791 million (no significant change from the previous year) and an income of ¥562 million (down 15.5%).

ii) Non-Ferrous Unit

Among copper products, we saw an increase in sales of copper pipes for air conditioners and terminal-connectors for automobiles. Among aluminum products, sales of automotive products decreased, but we increased sales to retailers. Among other non-ferrous materials, sales of ingots and copper scraps decreased amid high copper prices, but we saw an increase in sales of aluminum scraps traded directly with manufacturers. Consequently, the Non-Ferrous Unit posted net sales of ¥188,126 million (up 9.5% from the previous year) and an income of ¥3,094 million (up 89.2%).

iii) Ferrous & Recycling Materials Unit

We sold fewer main raw materials to Kobe Steel because Kobe Steel's crude steel production remained low, and we sold the raw materials at lower prices. In the unit's recycling business, strategically important area for our company, export sales increased on the back of brisk demand for iron scrap. Sales of biomass materials decreased, with clients' operations running at a low rate. The unit also recognized bad debt from an overseas client. Consequently, the Ferrous & Recycling Materials Unit posted net sales of ¥80,676 million (up 11.1% from the previous year) and an income of ¥173 million (down 88.5%).

(2) Machinery & Welding Segment

i) Machinery Unit

In Japan, sales of battery components decreased, but net sales on the whole increased, with the delivery of maintenance services for non-standard compressors, which the unit was aggressively pushing, and products to Kobe Steel's steelworks. As for overseas trade, we exported fewer construction parts to China and irregular orders to South Korean clients decreased. Consequently, the Machinery Unit posted net sales of ¥61,131 million (up 2.1% from the previous year) and an income of ¥2,285 million (down 1.2%).

ii) Welding Unit

For welding materials, sales prices increased in Japan and overseas, but sales volume decreased. Components for welding machinery sold well in Japan and Thailand. Among production materials, import sales of titanium material increased, but steel products used in wires decreased. Consequently, the Welding Unit posted net sales of ¥29,195 million (up 1.0% from the previous year) and an income of ¥703 million (down 5.5%).

2. Capital allocations (as approved by the necessary bodies)

One of the key policies in the MTP (unveiled on May 22, 2024) is to promote investments. As part of this, the following capital allocations have been approved.

- Stake in Local Energy System Co. Ltd.
We will invest in a torrefaction business that treats biomass material produced in Japan, delivering an alternative fuel to support the carbon transition.
- Launching company that machines aluminum chambers
We have established a joint venture for machining aluminum chambers used in semiconductor fabrication machinery, an area with bright growth prospects. With this step, we have prepared for production.
- Developing a business to upgrade selection of aluminum sash scraps
This investment will increase the percentage aluminum sashes that get horizontally recycled (sash-to-sash), thereby improving recycling performance in Japan.
- Bigger stake in Sanyo Seiki Co. Ltd.
A manufacturer of forming rolls with the largest share of the Japanese market, Sanyo Seiki is now our affiliate with this investment.

Sales and Income by Segment

Segment			106th term		107th term		Year-on-year change	
			Net sales	Segment income	Net sales	Segment income	Net sales	Segment income
			(millions of yen)	(millions of yen)	(millions of yen)	(millions of yen)	(%)	(%)
Segment	Metals	Iron & Steel	257,839	6,634	257,791	5,602	-0.0	-15.5
		Non-Ferrous (Nonferrous Metals)	171,847	1,635	188,126	3,094	9.5	89.2
		Ferrous & Recycling Materials (Iron & Steel)	72,626	1,514	80,676	173	11.1	-88.5
		Subtotal	502,314	9,784	526,594	8,871	4.8	-9.3
	Machinery & Welding	Machinery (Machinery & Electronics)	59,898	2,312	61,131	2,285	2.1	-1.2
		Welding (Welding)	28,918	744	29,195	703	1.0	-5.5
		Subtotal	88,817	3,057	90,326	2,989	1.7	-2.2
	Other		633	-27	607	-97	-4.2	-255.9
Adjustment		-334	—	-351	—	-5.3	—	
Total		591,431	12,814	617,177	11,763	4.4	-8.2	

Note: The segments have been reorganized. Previous segment titles are shown in parenthesis.

(2) Capital Investments

In the current fiscal year, capital investments (including in intangible fixed assets) totaled approximately ¥0.8 billion. A large share of the expenditure was allocated to fixing and enhancing core IT systems.

(3) Ongoing Challenges

It is hard to predict how the year ending March 2026 will develop amid the current uncertainties about the global economic impact of the US tariff policy. With that said, we have identified opportunities in the macro-economic landscape. These opportunities include growing engagement in initiatives for driving the transition to a carbon-neutral economy, demand for labor saving, supply-chain realignment and diversification, and localization of production and consumption. By being agile and swift in responding to this demand landscape among markets and consumers, we can expand our business portfolio.

The current MTP (launched in the year under review) sets out three core policies to be implemented simultaneously: 1) further expand and deepen our portfolio so that we excel as Kobelco Group's core trading company, 2) build our own supply chain to diversify our business model, and 3) develop new businesses that deliver positive socio-economic impacts and higher profit growth. These three actions will support long-term value creation.

Quantitative performance in the year under review versus quantitative targets
(as set out in the current MTP)

	Target (in MTP)	Result in year under review
Ordinary profit	¥14.5 billion	¥11.8 billion
ROE	≥10.0%	9.7%
ROIC	6.5%	6.1%
Equity ratio	≥21%	23.6%
D/E ratio	≤0.7	0.7
Cumulative investment	¥2.3 billion	c. ¥2.0 billion

Our key tasks are as follows:

(1) Enhancing profitability, promoting investments

We will transform our business portfolio to increase profitability. Part of this transformation will involve reinvesting the profits generated from our trade businesses into developing new trade businesses. Alongside these business investments, we will also invest aggressively to develop non-trade businesses that drive a sustainability transformation, which is a high-growth sector. In our financial strategy, we will focus on increasing the efficiency of our capital investments as measured by ROIC, a key goal indicator in the MTP. The goal is to establish high profitability.

Examples of business investments include investments for expanding in the market for special steel wire rods for automobiles, investments for capitalizing on the burgeoning demand in the semiconductor sector, investments for developing recycling businesses, and investments in other key sectors. Over the three years covered by the MTP, a total of ¥23 billion will be invested. Of this total, ¥3.0 billion will be allocated to driving a digital transformation.

(2) Strengthening our trading company functions (through a digital transformation)

We have committed to a digital transformation for the purpose of increasing value of our organization. In this digital transformation, we will radically reorganize our core businesses so that they offer greater value to our customers. We will also focus on increasing productivity, transforming working practices, and cultivating a digitally savvy workforce. These actions will enable us to function more effectively as a global trading company.

(3) Bolstering the management base

Integrating sustainability

To address socio-environmental challenges, create new value, and improve our organizational footing amid a volatile macro-economic environment, our Sustainability Committee, which designates the CEO as the chief sustainability officer, spearheads efforts on our material issues (issues that matter to our business and stakeholders). In April 2025, we established the Sustainability Management Department to lead strategic initiatives for supporting sustainable corporate development. In this and other ways, we are stepping up efforts to manage sustainability risks and opportunities.

Human capital management

Recognizing the need for aligning our talent strategy with our business strategies, we will cultivate a workforce of actively engaged employees who learn and act on their own initiative. To improve employee engagement, we will create a workplace culture that respects employee diversity and helps employees pursue the career they want, appraise employee performance fairly, and assign job roles appropriately. These actions will help make us more competitive and stimulate innovation.

Being mindful of capital costs and stock price

We have a longstanding commitment to keeping capital costs in check, with return on equity (ROE) as one of our key goal indicators. However, price-to-book (P/B) ratio remains below 1, which is below the level expected by capital markets. The current MTP commits us to taking actions that will ensure sustained excess returns.

(4) Assets and Income

(1) Assets and Income of the Corporate Group

Asset or income item	104th term FY2021	105th term FY2022	106th term FY2023	107th term FY2024 (period under review)
Net sales (millions of yen)	494,351	584,856	591,431	617,177
Ordinary profit (millions of yen)	9,726	12,668	12,814	11,763
Net income (millions of yen)	7,136	9,196	9,111	8,563
Earnings per share** (yen)	268.64	347.55	345.13	324.24
Total assets (millions of yen)	364,029	395,092	396,408	386,870
Total equity (millions of yen)	63,753	73,896	87,480	92,977

* For net sales, the new revenue recognition standard applies to all four terms in the table.

** On April 1, 2025, we conducted a 3-for-1 stock split. The data for earnings per share is calculated on the hypothetical basis that the stock split occurred at the start of FY2021 (the year ended March 2022).

(2) Assets and Income of Shinsho Corporation

Asset or income item	104th term FY2021	105th term FY2022	106th term FY2023	107th term FY2024 (period under review)
Net sales (millions of yen)	345,607	415,342	423,773	445,716
Ordinary profit (millions of yen)	6,382	8,634	10,624	7,985
Net income (millions of yen)	4,928	6,643	8,552	6,497
Earnings per share** (yen)	185.52	250.98	323.86	245.93
Total assets (millions of yen)	267,265	277,341	282,670	278,242
Total equity (millions of yen)	45,552	50,495	61,387	62,254

* For net sales, the new revenue recognition standard applies to all four terms in the table.

** On April 1, 2025, we conducted a 3-for-1 stock split. The data for earnings per share is calculated on the hypothetical basis that the stock split occurred at the start of FY2021 (the year ended March 2022).

(5) Parent Company and Significant Consolidated Subsidiaries

(1) Significant Consolidated Subsidiaries

Company name	Paid-in capital	Investment ratio %	Main Business Lines
SHINSHO STEEL PRODUCTS CORPORATION	million JPY 310	100	Trading of construction materials and special steel products
MORIMOTO KOSAN Co., Ltd.	million JPY 30	100	Trading of steel products; cutting, processing, and trading of steel-plate and sheet materials
SHINSHO NON-FERROUS METALS CORP.	million JPY 90	100	Cutting, processing, and trading of aluminum and copper products
SHINSHO METALS CORPORATION	million JPY 30	100	Trading of raw nonferrous metals and processed products
INAGAKI-SHOUTEN Co., Ltd.	million JPY 90	100	Wholesaling of non-ferrous metal products
Shinsho Seimitsu Co., Ltd.	million JPY 100	70	Processing and trading of aluminum plates
MATSUBO CORPORATION	million JPY 465	100	Import, export, and trading (in Japan) of industrial machinery and plants; contracted installation of machinery
NIPPON GRANULATOR CO., LTD.	million JPY 29	*100	Manufacture and maintenance of pulverizing and sizing machines and food packing machinery
SC WELDING CORPORATION	million JPY 44	100	Trading of welding materials, welding equipment, and welding robot systems
SHINSHO BUSINESS SUPPORT CO., LTD.	million JPY 10	100	Contracted personnel operations; temporary staffing
SHINSHO AMERICAN CORP.	thousand USD 19,000	100	Import, export, and trading of products related to iron & steel, ferrous raw materials, nonferrous metals, machinery, and information industry
Grand Blanc Processing, L.L.C.	thousand USD 16,677	*70	Secondary processing of special steel wire products
Aiken Wire Processing, L.L.C.	thousand USD 2,617	*100	Wire drawings for special steel wire rod
Shinsho Mexico S.A. de C.V.	thousand USD 1,500	*100	Import, export, and trading of iron & steel products
Shinsho Europe GmbH	thousand EUR 1,000	100	Import, export, and trading of products related to iron & steel, nonferrous metals, machinery, information industry, and welding

Company name	Paid-in capital	Investment ratio %	Main Business Lines
Kobelco Trading Australia Pty. Ltd.	thousand AUD 1,700	100	Investment in mineral rights
Kobelco Trading (Shanghai) Co., Ltd.	thousand USD 13,000	100	Import, export, and trading of products related to iron & steel, ferrous raw materials, nonferrous metals, machinery, information industry, and welding
Suzhou Shinko-Shoji Material Co., Ltd.	thousand USD 8,820	100	Slitting, shirring, processing, and trading of aluminum rolling materials
Kobelco Precision Parts (Suzhou) Co., Ltd.	million JPY 450	*100	Precision-processing of components for liquid crystal displays and semiconductor equipment; bonding-processing of target materials
Kobelco Precision Parts (Yangzhou) Co., Ltd.	million JPY 400	100	Processing and trading of semiconductor equipment, flat-panel display equipment, and components for such
Shinsho Osaka Seiko (Nantong) Corporation	thousand USD 5,000	55	Manufacture, processing, and trading of automotive parts
Shanghai Shinsho Trading Co., Ltd.	thousand USD 200	100	Import, export, and trading of products related to iron & steel, nonferrous metals, machinery, information industry, and welding
Thai Escorp Ltd.	thousand THB 300,000	100	Import, export, and trading of products related to iron & steel, ferrous raw materials, nonferrous metals, machinery, information industry, and welding
PT. Kobelco Trading Indonesia	thousand USD 1,750	*100	Import, export, and trading of products related to iron & steel, ferrous raw materials, nonferrous metals, machinery, information industry, and welding
Kobelco Trading Vietnam Co., Ltd.	thousand USD 1,500	100	Import, export, and trading of products related to iron & steel, ferrous raw materials, nonferrous metals, machinery, and information industry
KTN Metal Vietnam Co., Ltd.	thousand USD 1,000	*60	Cutting and processing of aluminum plates and round bars

Company name	Paid-in capital	Investment ratio %	Main Business Lines
Kobelco Trading India Private Limited	thousand INR 45,000	*100	Import, export, and trading of products related to iron & steel, ferrous raw materials, nonferrous metals, machinery, information industry, and welding
Shinsho Korea Co., Ltd.	thousand KRW 400,000	100	Import, export, and trading of products related to iron & steel, ferrous raw materials, nonferrous metals, machinery, information industry, and welding
KTN Co., Ltd.	thousand KRW 900,000	*100	Cutting and processing of aluminum plates, wholesaling of aluminum plates
Shinsho (Malaysia) Sdn. Bhd.	thousand MYR 1,000	100	Import, export, and trading of products related to nonferrous metals and welding
Taiwan Shinsho Corp. Taiwan Shinsho Corporation	thousand TWD 5,000	100	Import, export, and trading of products related to nonferrous metals, machinery, and information industry.

Notes: An asterisk (*) indicates that the shares include indirect investment.

1. On April 19, 2024, NIPPON GRANULATOR CO., LTD. became a consolidated subsidiary of the Company, with the Company acquiring 40% of its stock and MATSUBO CORPORATION acquiring the remaining 60%.
2. Shinsho Seimitsu Co. Ltd. was founded on June 19, 2024, as a joint venture between the Company and Shinwa Aluminum Co. Ltd.

(2) Other

Company name	Paid-in capital	Main Business Lines
Kobe Steel, Ltd.	million JPY 250,930	Manufacture and trading of steel & aluminum, advanced materials, and machinery, etc.

Kobe Steel, Ltd. is a major shareholder. The company holds 3,085,000 shares of our stock (an investment ratio of 34.85%), including contributions to the retirement benefit trust. Kobe Steel is also a major supplier and client.

(6) Main Business Lines

The main business lines include the import, export and trading of products related to iron and steel, nonferrous metals, ferrous and recycling materials, machinery and welding.

Segment	Main business lines
Iron & Steel	Pig iron, semi-worked iron & steel products, carbon steel products, special steel products, secondary and tertiary iron & steel products, construction materials and processed products, titanium products, stainless products, steel powders, steel castings, and forgings
Non-Ferrous	Copper products, aluminum products, nonferrous metal ingot and scrap, copper and aluminum processed products, and aluminum/magnesium castings and forgings
Ferrous & Recycling Materials	Iron ore, coal, coke, coke breeze, iron scrap, pig iron for steelmaking, hot briquetted iron (HBI), alloy steel, auxiliary materials for pig iron and steel production, titanium materials, petroleum products, slag products, chemical products, and renewable-energy materials (refused paper and plastic fuel [RPF], sawdust, palm kernel shells [PKS], woodchips)
Machinery	Tire and rubber machinery, manufacturing machinery for iron and nonferrous metals, chemical machinery, vacuum deposition apparatus, furnaces, compressors, freezers, heat pumps, hydrogen generators, environmental equipment, all other kinds of industrial machinery, metallic materials for panel wiring and electronic equipment and parts
Welding	Welding materials, welding equipment, welding robot systems, welding or welding-ancillary plant, property, and equipment, hoop materials, welding raw materials, auxiliary materials, raw materials for processing

(7) Main Business Offices and Worksites

(1) Shinsho Corporation

Name	Location	Name	Location
Osaka Head Office	Osaka, Japan	Kakogawa Branch	Hyogo, Japan
Tokyo Head Office	Tokyo, Japan	Shizuoka Branch	Shizuoka, Japan
Nagoya Branch Office	Aichi, Japan	Hokuriku Branch	Toyama, Japan
Kobe Branch Office	Hyogo, Japan	Sapporo Branch	Hokkaido, Japan
Kyushu Branch Office	Fukuoka, Japan	Tokuyama Office	Yamaguchi, Japan
Chugoku Branch	Hiroshima, Japan	Dubai Office	United Arab Emirates

(2) Consolidated Subsidiaries

Name	Location	Name	Location
SHINSHO STEEL PRODUCTS CORPORATION	Osaka and Tokyo, Japan	Kobelco Trading (Shanghai) Co., Ltd.	China
MORIMOTO KOSAN CO., LTD.	Osaka, Japan	Suzhou Shinko-Shoji Material Co., Ltd.	China
SHINSHO NON-FERROUS METALS CORP.	Osaka and Tokyo, Japan	Kobelco Precision Parts (Suzhou) Co., Ltd.	China
SHINSHO METALS CORPORATION	Tokyo, Japan	Kobelco Precision Parts (Yangzhou) Co., Ltd.	China
INAGAKI-SHOUTEN Co., Ltd.	Osaka, Japan	Shinsho Osaka Seiko (Nantong) Corporation	China
Shinsho Seimitsu Co., Ltd.	Tokyo, Japan	Shanghai Shinsho Trading Co., Ltd.	China
MATSUBO CORPORATION	Tokyo and Osaka, Japan	Thai Escorp Ltd.	Thailand
NIPPON GRANULATOR CO., LTD.	Shizuoka, Japan	PT. Kobelco Trading Indonesia	Indonesia
SC WELDING CORPORATION	Osaka, Japan	Kobelco Trading Vietnam Co., Ltd.	Vietnam
SHINSHO BUSINESS SUPPORT CO., LTD.	Osaka, Japan	KTN Metal Vietnam Co., Ltd.	Vietnam
SHINSHO AMERICAN CORP.	United States	Kobelco Trading India Private Limited	India
Grand Blanc Processing, L.L.C.	United States	Shinsho Korea Co., Ltd.	South Korea
Aiken Wire Processing, L.L.C.	United States	KTN Co., Ltd.	South Korea
Shinsho Mexico S.A. de C.V.	Mexico	Shinsho (Malaysia) Sdn. Bhd.	Malaysia
Shinsho Europe GmbH	Germany	Taiwan Shinsho Corporation	Taiwan
Kobelco Trading Australia Pty. Ltd.	Australia		

(8) Employees

(1) Employees of the Corporate Group

Employees	Change from previous fiscal year
1,437	-6

Note: The number of employees does not include the 82 temporary employees.

(2) Employees of Shinsho Corporation

Employees	Change from previous fiscal year	Average age	Average years of service
456	-1	39 years and 4 months	14 years and 4 months

Notes: 1. The number of employees excludes employees seconded to an employer outside the Group but includes the reverse case—employees seconded to the Group by an outside employer.
2. The number of employees does not include the 55 temporary employees.

(9) Major Lenders

Lender	Amount borrowed
Mizuho Bank, Ltd.	16,608 million JPY
Sumitomo Mitsui Banking Corporation	10,693
MUFG Bank, Ltd.	10,514

2. Notes on the Company's Shares

(1) Total number of authorized shares

27,000,000 shares

(2) Total number of outstanding shares

8,855,411 shares

(excludes the 5,151 shares of treasury stock)

(3) Number of shareholders

5,794

(increase of 584 from the previous fiscal year)

(4) Major shareholders (top 10)

Major shareholder	Number of shares held	Ownership ratio
Mizuho Trust & Banking Co., Ltd. (Kobe Steel, Ltd. Retirement Benefit Trust Account)	1,906 (1,000 shares)	21.53 %
Kobe Steel, Ltd.	1,179	13.32
Shinsho Client Shareholding Association	815	9.21
The Master Trust Bank of Japan, Ltd. (trust account)	623	7.04
Custody Bank of Japan, Ltd. (trust account)	483	5.46
Shinsho Employees' Shareholding Association	211	2.39
SINFONIA TECHNOLOGY CO., LTD.	150	1.69
DFA INTL SMALL CAP VALUE PORTFOLIO	115	1.30
Tojiro Ashida	102	1.15
Mizuho Trust & Banking Co., Ltd. (KOBELCO WIRE COMPANY, LTD. Retirement Benefit Trust Account)	80	0.91

Note: Ownership ratio describes the percentage of shares outstanding (= issued shares minus treasury shares) held.

(5) Shares Delivered During Period Under Review to Corporate Officers as Compensation for Executing the Company's Business

Type of corporate officer	Number of shares	Number of recipients
Inside non-supervisory director	2,708	1

Note: The 2,708 shares stated in the table includes 1,008 shares that were converted into a cash payment.

(6) Other Significant Share Matters

On April 1, 2025, we conducted a 3-for-1 stock split. This reverse stock split increased the total number of authorized shares from 27,000,000 (as stated above) to 81,000,000.

It therefore increased the total number of outstanding shares by 17,721,124, bringing the total to 26,581,686.

3. Notes on the Company's Corporate Officers

(1) Process for Appointing Directors

All candidates for the office of non-supervisory directors (inside or outside directors not serving on the Audit and Supervisory Committee) are nominated by resolution of the Board of Directors, and are then appointed by resolution of the Ordinary General Meeting of Shareholders. Non-supervisory directors serve one-year terms of office. Supervisory directors (inside or outside directors serving on the Audit and Supervisory Committee) serve two-year terms of office. Candidates for supervisory director or substitute supervisory director are nominated by resolution of the Board of Directors upon the approval of the Audit and Supervisory Committee, and are then appointed by resolution of the Ordinary General Meeting of Shareholders. To ensure that the Board of Directors' decision making process for nominations is transparent and fair, the Board of Directors first seeks the opinion of the Advisory Committee on Appointments, in which outside directors make up the majority.

(2) Directors

Corporate title	Name	Role(s), including any significant roles in other organizations
President and CEO	Hironobu Takashita	
Representative Director and Senior Executive Officer	Masahito Adachi	General Manager of the Metals Division and Head of the Non-Ferrous Unit; responsible for the Personnel Department
Representative Director and Senior Executive Officer	Satoshi Nishimura	Head of the Iron & Steel Unit of the Metals Division
Director	Shinji Urade	Head of the Machinery Unit of the Machinery & Welding Division
Director	Jun Takahashi	Responsible for the Corporate Planning Department and the New Business Promotion Department; Manager of the Corporate Planning Department; Manager of the New Business Promotion Department
Director (part-time)	Yoshio Tano	President of Assured Business Consulting; Director (part-time) of N&C IT Partners.
Director Audit and Supervisory Committee member (standing)	Yasuyuki Watanabe	
Director Audit and Supervisory Committee member (part-time)	Hiroko Kaneko	Lawyer of Matsuo & Kosugi (law firm); director (part-time) of Topy Industries, Ltd. (part-time); independent director of Kibun Foods Inc.
Director Audit and Supervisory Committee member (part-time)	Miyuki Nakagawa	President of Nakagawa Miyuki CPA Office; president of Mirai Kaikei Kenkyusho; outside director of Nankai Tatsumura Construction Co., Ltd. (part-time)

Notes:

1. The following personnel changes were implemented on June 26, 2024:
Appointments: Hironobu Takashita, Satoshi Nishimura, Shinji Urade, and Jun Takahashi became executive directors for the first time after their nominations were approved.
Yasuyuki Watanabe, Hiroko Kaneko, and Miyuki Nakagawa became supervisory directors after their nominations were approved.
Resignations Takafumi Morichi, Yasuyuki Watanabe, Shinya Yoshida, and Miyuki Nakagawa resigned as directors, their term of office having ended. Akira Ichikawa, Kanehisa Ueda, and Hiroko Kaneko resigned as directors in conjunction with the Company's transition in corporate structure to that of a Company with an Audit and Supervisory Committee.
2. Yoshio Tano, Miyuki Nakagawa, and Hiroko Kaneko are outside directors. We have designated them as independent officers as prescribed by the TSE Securities Listing Regulations and registered them with the TSE.
3. Yasuyuki Watanabe (a supervisory director) has extensive experience in finance and accounting, having engaged in the Company's accounting operations for many years. He also engaged closely in corporate strategy, having managed corporate-level affairs at our head office. He therefore has considerable insights into finance and accounting.
4. Miyuki Nagagawa (a non-executive director) has long years of experience at an accounting firm and is a certified public accountant. She therefore has considerable insights into finance and accounting.
5. A standing member of Audit and Supervisory Committee is elected by the members of the committee. The reason for electing a standing member is to expedite the business of the members. The standing member does this by creating conditions amenable to auditing and supervision, gathering information within the Company, and routinely auditing the system of internal controls.
6. We have entered into agreements with our outside directors and supervisory directors limiting their liability under Article 423, Paragraph 1, of the Companies Act. Based on these agreements, the amount of liability is limited to the extent stipulated in Article 425, Paragraph 1, of the said Act.
7. The Company has taken out insurance specified in Article 430-3, Paragraph 1, of the Companies Act with the insurance company. The insurance covers the costs (including the legal costs) of damages claims awarded, during the coverage period, against any director, Audit and Supervisory Committee member, or executive officer of the Company or of a subsidiary of the Company who is found liable for wrongful acts in the performance of his or her duties. The policy does not cover cases in which the insured party found liable had intentionally obtained unlawful gain or favor, or had intentionally engaged in illegal activity, malpractice, fraud, or any activity that violated a relevant law or regulation.
We pay the entirety of the premiums for each insured party.
8. We have entered into indemnity agreements with all directors in which we may indemnify defense costs (as defined in Item 1 of Article 430-2, Paragraph 1, of the Companies Act) and losses (as defined in Item 2 of said paragraph) to the extent permitted by law. However, to ensure that these agreements do not discourage the parties from acting in a professional, legal, and ethical manner, a compensation committee formed of non-executive directors and an external lawyer will determine the criteria for indemnification and extent to which we would cover the costs and losses. The indemnity agreements do not cover cases in which the corporate officer is revealed to have exploited his or her position for improper gains or to have deliberately executed business in a way that would cause harm to the Company, or cases in which the corporate officer faces a damages claim as a result of committing malice or gross negligence in his or her duties.

9. The names of the officers and their responsibilities as of March 31, 2025, are shown below.

Position	Name	Role(s)
President and CEO*	Hironobu Takashita	
Senior Executive Officer*	Masahito Adachi	General Manager of the Metals Division and Head of the Non-Ferrous Unit; responsible for the Personnel Department
Senior Executive Officer*	Satoshi Nishimura	Head of the Iron & Steel Unit of the Metals Division
Managing Executive Officer*	Shinji Urade	Head of the Machinery Unit of the Machinery & Welding Division
Officer*	Jun Takahashi	Responsible for the Corporate Planning Department and the New Business Promotion Department; Manager of the Corporate Planning Department; Manager of the New Business Promotion Department
Managing Executive Officer	Shinya Yoshida	General Manager of the Machinery & Welding Division
Managing Executive Officer	Masaaki Takada	Responsible for the Iron & Steel Unit of the Metals Division; Representative Director and President of SHINSHO STEEL PRODUCTS CORPORATION
Managing Executive Officer	Akira Ichikawa	Responsible for the Business & Risk Management Department, General Affairs Department, and the Credit & Legal Department
Managing Executive Officer	Kanehisa Ueda	Responsible for Finance & Accounting Department and Auditing Department; Manager of the Finance & Accounting Department
Officer	Yutaka Koba	Responsible for the Non-Ferrous Unit of the Metals Division; Representative Director and President of SHINSHO METALS CORPORATION
Officer	Toshinori Fujiwara	Responsible for the Iron & Steel Unit of the Metals Division and for the China region; Manager of the Steel-Plate and Sheet Department
Officer	Mitsuharu Karikomi	Head of the Ferrous & Recycling Materials Unit of the Metals Division
Officer	Ryosuke Misawa	Responsible for the Machinery Unit of the Machinery & Welding Division
Officer	Yoshiyuki Nakagawa	Responsible for the Iron & Steel Unit of the Metals Division
Officer	Tatsunori Takebayashi	Unit of the Welding Unit of the Machinery & Welding Division; Manager of the Machinery & Welding Division; President of SC WELDING CORPORATION
Officer	Shigeru Umemori	Responsible for the Non-Ferrous Unit of the Metals Division

Note: An asterisk (*) indicates that the officer is also a director.

(3) Remuneration of Directors

(1) Basic policy

Disclosed below is our basis for determining the remuneration for each director. This basis was established by resolution of the Board of Directors.

(i) Finalizing the Amounts and Categories of Remuneration for Non-Supervisory Directors

Total remuneration for non-supervisory directors includes an amount paid to executive officers. The total is set by the Board of Directors following a review by the Advisory Committee on Remuneration.

Director remuneration once consisted of two components: a base salary, which is tied to rank, and performance-linked pay. In FY2022 (ended March 2023), we introduced a third component, stock compensation, following shareholder approval at the 104th Ordinary General Meeting of Shareholders, held on June 24, 2022. Stock compensation is offered to inside non-supervisory directors residing in Japan and executive officers residing in Japan (collectively, “executives”), as opposed to outside or supervisory directors or anyone residing outside of Japan. The purpose of stock compensation is to motivate executives to contribute toward the organization’s performance and growth in value over the medium and long term. The system of stock compensation was revised as part of the process of transitioning to the governance structure of a Company with an Audit and Supervisory Committee. The revised system was approved by shareholders at the 106th Ordinary General Meeting of Shareholders, held on June 26, 2024.

Thus, remuneration for executives now consists of a base salary, performance-linked pay as a short-term incentive, and stock compensation as a long-term incentive.

Remuneration for outside directors (who are independent of the execution of business regardless of whether they are supervisory or non-supervisory directors) consists of a base salary only. This base salary encourages them to fulfill their expected oversight role (monitoring the management from an independent standpoint).

(ii) Finalizing the Amounts and Categories of Remuneration for Directors Serving on the Audit and Supervisory Committee

Remuneration for supervisory directors consists of a base salary only, in view of their roles and impartiality.

(2) Policy for determining remuneration for each director

(i) Categories of remuneration

a) Base salary

Base salary is tied to rank and assigned duties.

b) Performance-linked pay

Performance-linked pay serves as a short-term incentive. We have set 14 grades of performance-linked pay tied to consolidated ordinary profit, a quantitative measure of business management over the short term. The grade of pay executive directors earn depends on the operating income performance—attainment of target and change from the previous year—achieved by the Company and by the operations for which the executive director in question is responsible.

At the lowest grade, no performance-linked pay is paid. At the highest grade, executive directors receive an amount equivalent to 32% to 51% of the base salary, depending on their responsibility. Thus, for executive directors with heavier duties, performance-linked pay makes up a greater share of their remuneration.

c) Stock compensation

Stock compensation serves as a long-term incentive. The system is designed so that the stock compensation is worth around 10% of the total remuneration in accordance with the share delivery regulations. Each year, we assign a standardized amount of points to each executive director based on their rank. On June 1, we allocate shares based on the points.

When executives resign, they can redeem their accumulated points (the total points they have earned as of the time they resign) for the shares.

(*) About the stock compensation plan

Shares used in the stock compensation plan are held in a trust (formally known as the Board Incentive Plan for Executive Officers). From this trust, the executives receive their allotted shares, or a cash amount equivalent to conversion value of the allotted shares, in an amount that depends on their rank.

Stock compensation includes a malus clause; eligible officers who commit grave malpractice will forfeit their eligibility to receive stock compensation under the plan. The plan also includes a clawback clause; eligible executives who commit grave malpractice will be required to return, in the form of cash, the stock compensation delivered to them.

(ii) Remuneration level

The Advisory Committee on Remuneration regularly benchmarks our remuneration against that paid by other organizations, referring to objective, third-party data on companies with a similar business profile and market capitalization to us.

(3) Grounds on which the Board of Directors determined that the remuneration for each recipient in the relevant fiscal year was consistent with the above policy

To ensure transparency and fairness in the Board of Directors' decision-making process on remuneration, the Advisory Committee on Remuneration, in which company outsiders make up the majority the members, reviewed whether the remuneration paid to directors was appropriate in view of the basic policy on corporate governance stipulated in Japan's Corporate Governance Code. The board considered the committee's findings and resolved a level of remuneration within the range approved at the General Meeting of Shareholders.

Following the transition of our governance structure to that of a Company with an Audit and Supervisory Committee, the Audit and Supervisory Committee now works with the Advisory Committee on Remuneration in confirming whether the remuneration for each recipient is consistent with the above policy. For example, it reviews the decision process for remuneration in advance and decides whether to issue an opinion to the Board of Directors.

(4) Policy for determining remuneration for each supervisory director

Supervisory directors decide among themselves each member's share of the total remuneration for non-executive directors, taking into account each supervisory director's duties and responsibilities.

(5) Shareholder resolution concerning the remuneration of directors

At the 106th General Meeting of Shareholders, held on June 26, 2024, the shareholders resolved that remuneration for inside non-supervisory directors should be capped at 352 million yen a year and that remuneration for outside non-supervisory directors should be capped at 29 million yen a year.

This cap does not apply to stock compensation, which is a non-monetary form of remuneration for executives. The cap for stock compensation is set separately, in the interests of managing the compensation. During the business year under review, there were five non-supervisory directors.

At the 106th General Meeting of Shareholders, held on June 26, 2024, the shareholders resolved that remuneration for inside supervisory directors should be capped at 75 million yen a year and that remuneration for outside supervisory directors should be capped at 33 million yen a year. During the business year under review, there were three supervisory directors, two of whom were outside supervisory directors.

Amounts of Remuneration for Directors and Audit & Supervisory Board Members

Recipient status	Amount of remuneration	Remuneration component			Number of recipients
	(millions of yen)	Base salary (fixed compensation)	Performance-linked pay	Stock compensation	
Non-supervisory directors	211	150	44	16	10
(Outside non-supervisory directors)	(10)	(10)	(-)	(-)	(2)
Supervisory directors	38	38	-	-	3
(Outside supervisory directors)	(12)	(12)	(-)	(-)	(2)
Audit & Supervisory Board members	17	17			4
(Outside Audit & Supervisory Board member)	(4)	(4)			(2)

Notes:

1. Remuneration for executives is added to expenses for the business year in question. At the 106th Ordinary General Meeting of Shareholders, held on June 26, 2024, the shareholders resolved the following details concerning the remuneration for executive directors: For every five-year period, the Company can add to the trust fund a cash amount of up to 280 million yen to the trust fund, and for every business year, the trust can allot the directors up to 16,000 share points.
2. On June 26, 2024, we transitioned our governance structure to that of a Company with an Audit and Supervisory Committee.

(4) Notes on Outside Supervisory and Non-Supervisory Directors

- (1) Shinsho Corporation's relationship with organizations in which an outside directors (supervisory or non-supervisory) holds significant concurrent positions

Yoshio Tano (an outside non-supervisory director) holds concurrent positions in Assured Business Consulting and N&C IT Partners. We have no significant transactional or other relationships with these organizations.

Hiroko Kaneko (an outside supervisory director) holds concurrent positions in Matsuo & Kosugi, Topy Industries, and Kibun Foods Inc. We have no any significant transactional or other relationships with these organizations.

Miyuki Nakagawa (an outside supervisory director) holds concurrent positions in Nakagawa Miyuki CPA Office, Mirai Kaikei Kenkyusho, and Nankai Tatsumura Construction Co., Ltd. We have no significant transactional or other relationships with these organizations.

- (2) Major activities during the period under review

(i) Board Attendance

	Board of Directors	Audit and Supervisory Committee
	Attendance frequency	Attendance frequency
Yoshio Tano (director)	All 20 meetings	—
Hiroko Kaneko (director, Audit and Supervisory Committee member)	All 20 meetings	All 7 meetings
Miyuki Nakagawa (director, Audit and Supervisory Committee member)	All 20 meetings	All 7 meetings

Notes: We transitioned our governance structure to that of a Company with an Audit and Supervisory Committee upon the 106th Ordinary General Meeting of Shareholders.

Before the transition, Hiroko Kaneko was an Audit & Supervisory Board member. During her time in that office, Hiroko Kaneko attended all four meetings of the Audit & Supervisory Board and offered advice and suggestions on ensuring reasonable and appropriate decision-making, drawing primarily on her legal expertise.

- (ii) Engagement in the Board of Directors or Audit and Supervisory Committee, Services Rendered

During meetings of the Board of Directors, Yoshio Tano (director), from an independent standpoint, offered impartial advice and suggestions on ensuring reasonable and appropriate decision-making, drawing primarily on the formidable track record and expertise in business management that he has demonstrated as CEO of KOBELCO SYSTEMS CORPORATION. He has offered advice and suggestions drawn from his experience in using IT and delivering digital solutions across a broad spectrum of manufacturing operations. His advice and suggestions have contributed toward the management of the Company and have helped the Company implement a digital transformation, which in turn will help build its enterprise value. As a member of the Advisory Committee on Nominations, the Advisory Committee on Remuneration, and the Sustainability Committee, he oversaw the management from an independent perspective.

Hiroko Kaneko (Audit and Supervisory Committee member) offered advice and suggestions on ensuring reasonable and appropriate decision-making, drawing primarily on her legal expertise. She also attended regular opinion-exchange sessions with the top executives and assessed the execution of business operations. As a member of the Compliance Committee, she oversaw the management from an independent perspective.

Miyuki Nakagawa (Audit and Supervisory Committee member) offered impartial advice and suggestions on ensuring reasonable and appropriate decision-making, drawing primarily on her track record as a certified public accountant and on the wide-ranging insights she gained working in supervisory roles in public-sector organizations. As a member of the Advisory Committee on Nominations, the Advisory Committee on Remuneration, and the Sustainability Committee, she oversaw the management from an independent perspective.

As supervisory directors, Miyuki Nakagawa and Hiroko Kaneko exchanged opinions regarding audit results and discussed important audit-related matters at the Audit & Supervisory Board.

4. Accounting Auditor

(1) Name

KPMG Azsa LLC

(2) Remuneration

(1) Amount of remuneration for accounting auditor with respect to the current fiscal year

	Remuneration for attestation services	Remuneration for non- attestation services
Shinsho Corporation	¥81 million	-
Consolidated Subsidiaries	-	-
Total amount of cash and other economic benefits to be paid to the accounting auditor by the Company and subsidiaries	¥81 million	-

(2) Total amount of cash and other economic benefits to be paid to network organizations in the same network as the auditor by the Company and subsidiaries (excludes (1))

	Remuneration for attestation services	Remuneration for non- attestation services
Shinsho Corporation	-	¥2 million
Consolidated Subsidiaries	¥3 million	¥10 million
Total amount of cash and other economic benefits to be paid to the accounting auditor by the Company and subsidiaries	¥3 million	¥13 million

Notes:

1. In our audit contract with the accounting auditor, there is no distinction between the amount of remuneration paid for audits under the Companies Act and that paid for audits under the Financial Instruments and Exchange Act, and no such distinction can be made in actuality. Accordingly, the amount of remuneration with respect to the current fiscal year represents the total amount thereof.
2. Certain of our subsidiaries, including SHINSHO AMERICAN CORP., Thai Escorp Ltd., and Kobelco Trading (Shanghai) Co., Ltd., receive audits (meaning only audits that accord with the provisions of the Companies Act, the Financial Instruments and Exchange Act, or equivalent overseas laws) from a certified public accountant or incorporated auditing firm (including equivalent overseas qualifications or organizations to such) other than our accounting auditor.
3. Non-attestation services provided to the Company and subsidiaries include support in tax affairs.
4. In previous consolidated periods, we did not include the amounts that the Shinsho Corporation or its subsidiaries paid to organizations in KPMG (the network the accounting auditor belongs to) for auditing services. We now (starting in the consolidated period under review) do so, in line with ethical standards.

(3) Grounds on which the Audit and Supervisory Committee Members Consented to the Accounting Auditor's Remuneration

The Audit and Supervisory Committee reviewed the accounting auditor's audit plan (audit policy and audit processes) upon which the accounting auditor was to be audited and the evidential basis for the estimate. It also received reports as necessary from internal staff regarding the audit plan. The committee concluded that the remuneration was, in all respects, valid as remuneration to be paid for the accounting auditor auditing the Company. Accordingly, the committee consented to the amount of remuneration.

(4) Criteria for Determining the Accounting Auditor's Dismissal or Non-Reappointment

The Audit and Supervisory Committee will, by the unanimous consent of all members thereof, dismiss the accounting auditor if the accounting auditor falls under any of the items listed in Article 340, Paragraph 1, of the Companies Act, such that it can be reasonable assumed that the auditing of accounting documents will be severely impaired. The Audit and Supervisory Committee will propose to the General Meeting of Shareholders the non-reappointment of the accounting auditor if it determines that the accounting auditor lacks the level of competence the Company requires (for example, it has inadequate structures for executing its business, inadequate auditing competence, or inadequate expertise) or if it determines that switching to an alternative accounting auditor would provide an appropriate system of auditing for the Company.

5. Company's System and Policy

(1) Internal controls for ensuring that directors execute their duties in compliance with laws, regulations, and the Company's Articles of Incorporation; Other internal controls for ensuring that the Company executes business appropriately

We transitioned our governance structure to that of a Company with an Audit and Supervisory Committee upon the 106th Ordinary General Meeting of Shareholders, held on June 26, 2024. Following this transition, the Board of Directors resolved, at a board meeting held on the same day as the General Meeting of Shareholders, to revise the Basic Policy on Constructing an Internal Control System. The revised version, as disclosed below, is now in effect.

- (1) Ensuring that the directors and employees of Shinsho Corporation and its subsidiaries (collectively, the "Group") execute their duties in compliance with laws, regulations, and our Articles of Incorporation
 - (i) We maintain a high standard of corporate ethics. The Code of Corporate Ethics of Shinsho Group proclaims the importance of complying with laws, regulations, social norms, and company rules. The code also prescribes specific behavioral standards that all officers and employees are expected to uphold.
 - (ii) We cultivate compliance consciousness across the Group and establish measures to monitor and prevent compliance violations in the Group. Specifically, we prepare and distribute a compliance manual and train employees in how to use the manual. Compliance is further supported by the Compliance Committee and the Shinsho Group Internal Reporting Hotline.
 - (iii) The Code of Corporate Ethics of Shinsho Group conveys our unwavering stance against crime syndicates (meaning groups that threaten public order and safety, interfere unlawfully in civil disputes, or engage in racketeering or other organized criminal activity). We take steps to ensure that no member of the Group engages with crime syndicates in any way whatsoever.

(2) Internal controls for ensuring the integrity of the Group's financial reporting

To comply with the Financial Instruments and Exchange Act's requirements concerning internal control reporting, we take steps to ensure the reliability of financial reporting across the Group in accordance with the Basic Rules on Internal Controls Concerning Financial Reporting.

(3) Internal controls on the storage and management of information related to the execution of duties by Directors

We keep records to clearly document directors' decisions and actions, as well as the processes and the outcomes thereof. To ensure rigorous records management, we have established internal rules specifying the information that must be recorded (physically and digitally), the departments and officers responsible for managing this information, and how long the information must be kept. We periodically check that information is being duly stored to prevent loss or unauthorized disclosure.

- (4) Rules on managing risk of loss throughout the Group
- (i) We identify loss risks associated with our businesses and establish a set of risk management protocols for each risk category (investment and lending, credit, derivative transactions, security trade control, and other major areas of risk). These protocols specify who is responsible for managing these risks, who has authority to make decisions, how risks should be internally audited, and whether a risk should be reported to the Board of Directors.
 - (ii) Using action plans, the Risk Management Committee monitors internal controls, including how effectively they are operating. The committee also reviews measures and company policies from a risk-management perspective and reports its findings to the Management Committee. In this way, it helps strengthen the risk management infrastructure across the Group.
 - (iii) Rules are updated as necessary to reflect changes in the business environment and legislative changes. The protocols are integrated with our company-wide risk management rules, which in turn form part of a group-wide risk management infrastructure.
 - (iv) We take steps to minimize damage and ensure business continuity in an adverse event. Specifically, we identify the kinds of scenarios that could substantially harm the Group's businesses, including accidents, natural disasters, and system failure. We then specify emergency responses protocols for each event, including emergency communications.
- (5) Internal Controls to ensure that the directors of the Group perform effectively
- (i) To streamline the execution of business, we have adopted an officer system that demarcates roles concerning decision-making and business execution. Under this system, the Board of Directors appoints officers (including those who concurrently serve as a representative director or director) and delegates certain business matters to them. With the supervision of the Board of Directors, these officers make decisions on these matters pursuant to the Rules on the Delegation of Duties.
Additionally, officers issue quarterly reports to the Board of Directors concerning business they executed at the group company for which they are responsible.
 - (ii) We establish and track the progress of three-year business plans and annual budgets for the Group to clarify business strategies and challenges, streamline business processes, and ensure that our policies are in-keeping with circumstances.
- (6) Internal controls to ensure that business is executed appropriately throughout the Group;
Internal controls on reporting to the Company concerning execution of duties by subsidiary directors
- (i) To ensure that business is executed appropriately throughout the Group, we monitor legal compliance and risk management among our affiliates. We also support and guide each subsidiary in developing and implementing internal controls that both suit affiliate's circumstances and comport with group-wide policies.
 - (ii) We have established internal rules specifying the departments and officers responsible for overseeing affiliates, the business matters that we discuss with affiliates, the matters that affiliates must report in advance, and the protocols for intra-group transactions. This system helps us track the performance of each affiliate. If necessary, corporate-level personnel may audit or investigate the affiliate.
 - (iii) The internal reporting system is accessible to all officers and employees of the Group, and subsidiaries can report information through the system.

- (7) Stipulations providing that the Audit and Supervisory Committee may request an employee to assist its duties; stipulations designed to ensure that any such assistant assists free from the influence of non-supervisory directors and that the Audit and Supervisory Committee's instructions to such individuals carry force

If Audit and Supervisory Committee members so request, we may appoint an employee as a full-time assistant to the Audit and Supervisory Committee. In this role, the employee will handle the board's secretarial affairs. Decisions on appointments, dismissals, and performance evaluations of these assistants require the prior consent of the Audit and Supervisory Committee members. The assistant will report only to Audit & Supervisory Board members, and not to non-supervisory directors.

- (8) Internal controls to ensure that directors, employees, or other relevant parties of the Group can report concerns to Audit and Supervisory Committee members; other internal controls related to reporting to the Audit and Supervisory Committee

- (i) We have established measures whereby directors, employees, or other relevant parties of the Group can promptly notify an Audit and Supervisory Committee member if they discover any circumstances that could potentially cause substantial harm to the Company.

To ensure that they can monitor the decision-making processes and the execution of business, Audit and Supervisory Committee members may summon any director, employee, or other relevant party of the Group to a meeting of a major committee (such as a meeting of the Management Committee, the Sustainability Committee, the Compliance Committee, the export control officers' conference, the Risk Management Committee or the Investment and Loan Committee) to give an account about a major approval document or other documentation related to the execution of business.

- (ii) We have established measures to ensure that directors, employees, or other relevant parties of the Group who report concerns to Audit and Supervisory Committee members do not suffer maltreatment as a result of such reporting.

- (9) Other internal controls for ensuring that Audit and Supervisory Committee members audit and supervise effectively

- (i) Audit and Supervisory Committee members audit and supervise in accordance with the JASBA Code of Audit and Supervisory Committee Auditing and Supervising Standards. They regularly meet with the accounting auditor to exchange views about accounting audits and work with the Company's internal audit staff to coordinate audits of the Company's business operations. They also regularly meet with the representative director, other directors, and with their counterparts in subsidiaries to exchange information corporate level matters and collaborate in other ways.

- (ii) If Audit and Supervisory Committee members request advance payment for costs they incur in the performance of their duties, the relevant staff will review the matter. If the request is valid, we will promptly pay or indemnify the costs. However, we will not do so for costs that the member did not need to incur in the course of his or her duties.

(2) Actions taken to ensure effective execution of business

Compliance

To inculcate the Code of Corporate Ethics of Shinsho Group, we have distributed the Compliance Practice Manual to all our employees in our group companies. We have also provided compliance training tailored to each division or business unit and have organized training at group companies. We have a whistleblowing system. The system makes whistleblowing simple by allowing employees in our domestic Group companies to report concerns to an external agency. It also provides protections for whistleblowers.

Financial reporting

The Board of Directors has approved the System of Reporting on Internal Controls Concerning Financial Reporting. In accordance with this policy, we prepared audit plans and implemented internal audits throughout the year.

Systems concerning the management of documents

In accordance with the Rules concerning the Storage and Management of Information related to the Execution of Duties by Directors, we conducted an internal audit in February and March 2025, which confirmed that there are no problems related to the storage and management of such.

Risk management

We worked to manage risks effectively in line with the Risk Management Rules. At meetings convened in May and November, 2024, the Risk Management Committee monitored the implementation of the action plans and discussed priority actions. The outcomes of the meetings were reported to the Management Committee. The Management Committee's review of such were reported to the Board of Directors.

- **Actions taken to manage material risks**

- (1) **Investment risk:**

- The Investment and Loan Committee highlighted risks associated with prospective investments of the Group and advised on measures to minimize said risks. The committee also reviewed the performance of existing investments, devised countermeasures in cases where they identified concerns, and reported their findings as necessary to the meeting of the Board of Directors.

- (2) **Information leakage risk:**

- Each company of the Group took action to protect Group information (physical security, human security, and IT infrastructure security) in accordance with the Corporate Secrets Management Rules.

- (3) **Credit risk:**

- The Japan-based group companies thoroughly managed credit risks pursuant to the Credit Limit Control Rules and the equivalent rules of the affiliates concerned. The overseas affiliates managed these risks pursuant to the Credit Limit Control Rules for Overseas Affiliates.

- (4) **Insider trading risk:**

- In accordance with the Rules for Managing the Prevention of Insider Trading, we used e-learning to train our employees and those of our affiliates in avoiding insider trading. Our employee shareholding association supervised employee purchases of company stock. Corporate officers have attended training for preventing insider trading. The training was delivered in person by an expert. We managed corporate officers' shareholdings through the

directors' shareholding association. We also used the Japan-Insider Registration & Identification Support System to comply with the requirements of the Financial Services Agency and the Securities and Exchange Surveillance Commission.

(5) Major disaster risk:

In accordance with the Rules on Countermeasures against Large-scale Disasters, we prepared infrastructure for emergency communications, conducted emergency drills at head office and in other workplaces, and managed our emergency reserve stocks.

Workflow management

Directors and officers issued quarterly reports to the Board of Directors concerning the execution of business pursuant to the Rules of the Board of Directors. Specifically, the directors and officers audited corporate matters, such as the Group's scope, which divisions are responsible for which affiliated businesses, who are responsible for managing affiliates' operations, and which matters require prior discussion. The Board of Directors then resolved these matters and reported its resolutions in accordance with the Rules of the Board of Directors and the Rules on the Delegation of Duties. The board also discussed measures to address concerns related to these corporate matters. In September 2024, the Revised Budget Review Council reviewed the progress in the first half of FY2024 (year ended March 2025) and the outlook for the second half. In March 2025, the Budget Review Council reviewed the progress in the second half, the budget for the forthcoming period, and the three-year business plans. Both councils reported their findings to the meetings of the Board of Directors held in September 2024 and March 2025, respectively, and the Board of Directors approved the findings.

Audit and Supervisory Committee: System of reporting, board performance

System of reporting: The system of reporting to Audit and Supervisory Committee members is operating effectively. When someone in the Group identifies a significant cause of concern, the concern is immediately reported to the Audit and Supervisory Committee in accordance with the Basic Policy on Constructing an Internal Control System and with the Audit and Supervisory Committee Auditing and Supervising Standards.

Board performance: The Audit and Supervisory Committee members fulfilled their duty to audit and supervise business. To audit directors' performance, the members attended key corporate meetings at which they discussed concerns and scrutinized the directors. These meetings included those of the Board of Directors, Management Committee, Sustainability Committee, Compliance Committee, Risk Management Committee, Investment and Loan Committee, and Budget Review Committee. In some cases, all the members attended, while in other cases, certain members were selected to represent the board at the meeting. The members also held quarterly meetings to confer with the outside directors, the president, and the accounting auditor. They also regularly visited group companies to interview their counterparts and audit the workplace in order to check for any issues.

To inform directors about their operations and ensure the directors' cooperation, the members prepared an annual audit plan in July and reported it to the Board of Directors.

(3) Policy for determining distribution of surplus

In accordance with Article 34 of the Articles of Incorporation, the Board of Directors decides the matters related to the distribution of surplus as listed in Article 459, Paragraph 1, of the Companies Act of Japan without requiring approval of the General Meeting of Shareholders, unless otherwise provided in laws and regulations.

One of our corporate priorities is to return profits to shareholders in the form of dividends. Our basic policy is to continue paying dividends commensurate with business performance in the period concerned while ensuring that we have sufficient reserves to meet our business needs, including the need to ensure a strong business foundation and the need to have a solid financial footing for future development. Our benchmark for dividends is to pay dividends with a consolidated ratio of 30% or more or with a dividend per share of ¥300, whichever is greater.

Guided by this policy, we decided to pay a year-end dividend ¥150 per share for the current consolidated fiscal year.

Accordingly, the annual dividend, which includes an interim dividend amounts to ¥300 per share.

Additional notes:

Numerical data in this report have been formatted as follows:

- (1) Monetary data displayed in millions of yen have been rounded down to the nearest million yen.
- (2) Stock data displayed in thousands of shares have been rounded down to the nearest thousand shares.

Appendix to the Business Report

April 1, 2024, to March 31, 2025

Significant concurrent positions held in other organizations

See page 13 of the Business Report