

# Initiatives toward Achieving the Long-Term Vision

To establish a management platform that responds to changes in the business environment surrounding Pacific Metals in recent times, and to achieve continuous growth, we developed the long-term vision, "To become a ferronickel manufacturer of world-class comprehensive strength." In May 2016, PAMCO-30 was formulated as the first stage toward achieving the long-term vision, and we have worked hard

to sow the seeds for the second stage of building a strong business position in which we can generate profits no matter what business environment we are in.

The initiatives of PAMCO-30 for FY2018 have been mostly achieved. Pacific Metals will continue to work toward achieving its long-term vision, including initiatives that are yet to be completed.

## FY2018 activities performance for PAMCO-30

◎ : Achieved ○ : Mostly achieved △ : Not achieved

Priority policies of PAMCO-30	Specific policies	State of completion	Activities performance for FY2018
Strengthening of ferronickel production and sales policies	To have a basic policy of producing at maximum utilization at the Hachinohe Works, and promote a production strategy with view to expanding overseas smelters, taking into account ore procurement risks and expansion of production in the future	○	We built a flexible production and sales platform during sluggish market conditions, and continued high-efficiency operations. In addition, we started specific refinement of our overseas business.
	Differentiation that makes the most of the superiority of our products, and improvements in CS activities	◎	We were highly evaluated in customer satisfaction surveys as a result of providing high quality products and responding to customer needs.
	To pursue long-term agreements and ways of expanding sales for existing customers	◎	We improved both the sales volume and sales ratio for stable customers by putting our efforts into achieving the best contracts and sales through dialog with the customer based on market conditions.
Stabilization in the procurement of nickel resources	To pursue stable procurement and optimal procurement costs for nickel ore in the long term	○	We progressed with initiatives toward stabilization of resource procurement, through dialog with resource suppliers.
	To pursue the direction toward wet smelting business in the future	○	We established the future direction of wet smelting business, and enhanced our system for investigating wet smelting technologies.
Strengthening of profitability	To pursue a low-cost production system, including development of high-efficiency smelting technology	○	Improved profitability by pursuing rationalization from all angles.
	Creation of new businesses for strengthening the future revenue base	△	We progressed with the extraction of new business ideas and examination of business feasibility.
Strengthening of technological and site capabilities	To develop human resource policies and a training program by level for human resources	◎	We improved our technological capabilities such as for reducing coal used in dry smelting. In addition, we put efforts into operating our newly introduced human resources system.
Strengthening of environmental measures and occupational health and safety measures	Further strengthening of environmental protection measures such as helping to prevent air and water contamination through thorough in-house management, and helping to prevent global warming through promoting energy conservation	○	While we have worked hard to prevent air and water contamination through thorough in-house management, in regard to energy conservation, the challenge of removing CO <sub>2</sub> emissions remains.
	To enhance safety awareness by strengthening health management of both the mind and body and fostering a safety culture, and keep the workplace accident-free	△	We actively and independently strengthened safety activities on-site, but were unable to achieve an accident-free workplace.
Strengthening of compliance and the governance system	To enhance the internal control system, and strengthen compliance	○	In conjunction with amendments to laws and ordinances, we reviewed the in-house system, and shared the results of in-house training related to internal control, and internal audit.

## PAMCO-30 (FY2016 to 2018) summary

### (1) Production, sales, purchasing

- Through customer satisfaction (CS) activities and flexible response, built a stable production and sales platform in the midst of a rapidly changing business environment.
- Due to prioritizing our response to a rapidly changing business environment, the upgrade of some production platform facilities was postponed.
- Issues with responding to the lowering of grade/production volume of nickel ores, however, we progressed with initiatives toward stabilization of resource procurement, through dialog with resource suppliers.

### (2) Profitability

- Improved profitability by pursuing rationalization from all angles and ending the production and sale of some unprofitable products. (Improved by 2.6 billion yen in three years)
- Developed a system for examining overseas business and started a detailed examination.

### (3) Technological and site capabilities

- Improved technological capabilities, such as reducing the use of coal in dry smelting. In addition, strengthened the technological investigation system for wet smelting.
- Developed a platform for strengthening human resources, by introducing a new human resources system aimed at improving awareness of the employees.

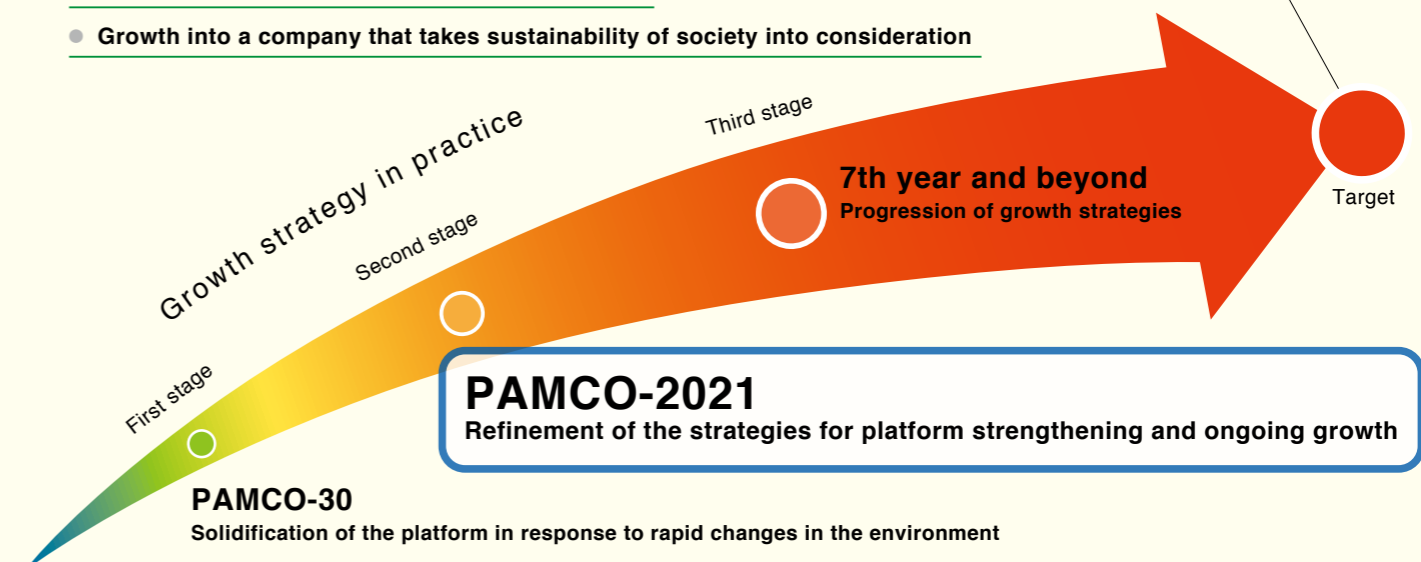
### (4) Compliance and governance

- We have worked on various measures for the environment and occupational health and safety, however, the challenges of reducing CO<sub>2</sub> emissions and achieving zero accidents remain.
- By reviewing our compliance and governance system, we were able to strengthen our platform, however, we will continue to work on further strengthening.

There remain some ongoing issues to address, however, we have been able to solidify the platform to an extent. We are progressing with our work toward achieving the long-term vision by reliably connecting to the next stage.

## Ferronickel manufacturer of world-class comprehensive strength

- Further strengthening of the platform developed in PAMCO-30
- Refinement of the strategies for ongoing growth
- Growth into a company that takes sustainability of society into consideration



Formulation of PAMCO-2021

As the second stage toward achieving the long-term vision, we formulated the new medium-term management plan PAMCO-2021, with the aim of further strengthening

the platform built in PAMCO-30, refinement of strategies for continuous growth, and furthermore, growing into a company that takes sustainability of society into consideration.

Environment surrounding the Company

When formulating PAMCO-2021, we identified the envisaged risks and opportunities for the business environment that

Pacific Metals is in for FY2019 to 2021, which is the target period of PAMCO-2021.

Envisaged risks	Envisaged opportunities
<ul style="list-style-type: none"> <li>- Expanded impact of global risks on the commodities market</li> <li>- Spread of resources nationalism</li> <li>- Changes to the power environment</li> </ul>	<ul style="list-style-type: none"> <li>- Stainless steel is expected to have bullish growth in demand</li> <li>- Increasing demand for nickel derived from batteries, in conjunction with expansion of the electric vehicle (EV) market</li> <li>- Drop in the current LME nickel inventory</li> <li>- Shortage in nickel supply is forecast to continue</li> </ul>

Basic policies and priority policies of PAMCO-2021

Basic policies	Priority policies
<p>◇ Refinement of the strategies toward strengthening and redeveloping the management platform, and toward growth</p>	
<p>(1) Strengthening of facilities and stable procurement of ore to develop the optimal production system</p> <p>(2) Initiatives with view to expanding overseas business</p>	<p>◇ Optimal production of ferronickel and development of sales system</p> <ul style="list-style-type: none"> <li>- Production system Development of an optimal production system for the Company as a whole, including expansion of international smelters, and further strengthening of the management platform</li> <li>- Sales system Strengthening of stable sales for existing customers, and in addition, acquisition of new customers</li> </ul> <p>◇ Long-term stabilization in the procurement of nickel resources</p> <ul style="list-style-type: none"> <li>- Long-term stable procurement, with view to expansion of the source based on renewal of existing agreements</li> <li>- Initiatives toward resource interest acquisition, overseas smelters, etc.</li> </ul>
<p>(3) Diversification of business in Japan</p>	<ul style="list-style-type: none"> <li>- Aim for diversification of businesses that contribute to reducing fluctuation in revenue and strengthening the future revenue base</li> </ul>
<p>(4) Strengthening profitability</p>	<ul style="list-style-type: none"> <li>- Press forward with cost reductions, and pursue an optimal production system with high profitability</li> </ul>
<p>(5) Strengthening of organization and human resources in anticipation of changes in the business environment</p>	<ul style="list-style-type: none"> <li>- Building a flexible and optimal organization toward achieving the objectives</li> <li>- Strengthening of human resources to raise the standard</li> </ul>
<p>(6) Management focused on cash flow</p>	<ul style="list-style-type: none"> <li>- Stability of management is improved by maintaining the appropriate asset status and ascertaining efficient cash flow</li> </ul>
<p>◇ Creation of social and economic value</p>	
<p>(7) Contribution toward achieving a sustainable society</p>	<ul style="list-style-type: none"> <li>- Pursue measures to help prevent global warming, and contribute to the development of regions and countries with resources</li> <li>- All employees working as one toward zero accidents</li> <li>- Strengthening of the compliance and governance systems</li> </ul>

Formulation of the new medium-term management plan “PAMCO-2021”

Pacific Metals formulated a new medium-term management plan “PAMCO-2021” as the objectives for the three-year period starting from FY2019. The previous medium-term management plan, PAMCO-30, had the long-term vision, “Solidification of the platform in response to rapid changes in the environment,” while PAMCO-2021 is positioned with the vision, “Refinement of the strategies for platform strengthening and ongoing growth.”



Director & Senior Managing Executive Officer  
**Tamaki Fujiyama**

In PAMCO-30, we experienced an extremely severe business environment from the first fiscal year of the plan, with all employees sharing the sense of crisis, and we drew on that know-how to extract ideas and were able to overcome the crisis as one. I feel that being able to establish that kind of culture/system is the biggest benefit.

For PAMCO-2021, we want to further strengthen and accelerate the platform that we developed in PAMCO-30. In addition to the stable procurement of nickel ore in particular, we consider it important to have a second business that is not dependent on nickel alone, in other words, it is important to examine business diversification. Also, as a measure to improve the skills of all employees, we are considering redeveloping our human resources system and rotating employees in order to strengthen our human resources.

Pacific Metals is making a company-wide effort to develop a solid management platform and boost the value of the Company, toward achieving our long-term vision.

Initiative toward environmental, social and governance (ESG)

In order to achieve “Contribution toward achieving a sustainable society,” one of the basic policies of PAMCO-2021, we will strengthen and promote the following initiatives relating to ESG.

Environment	<ul style="list-style-type: none"> <li>- Contribute to a recycling-oriented society by recycling all ferronickel slag</li> <li>- Contribute to the prevention of global warming by reducing greenhouse gas (CO<sub>2</sub>) emissions</li> <li>- Prevent air pollution and water contamination in our business activities</li> </ul>
Social	<ul style="list-style-type: none"> <li>- Promote symbiosis by contributing to the development of regions and countries with resources</li> <li>- Carry out cleaning activities around the plant or in the region</li> <li>- Strengthen health management for both the mind and body of employees, toward achieving zero accidents</li> </ul>
Governance	<ul style="list-style-type: none"> <li>- Strengthen compliance</li> <li>- Strengthen a system that conforms with the corporate governance code</li> </ul>

**Sustainable Development Goals (SDGs) are 17 goals adopted by the United Nations in 2015 to achieve a society where no one is left behind - sustainable, diverse and inclusive - by 2030.**

**The Company’s medium-term management plan itself is related to the concept of SDGs, which are the global standard, and through our day-to-day business activities we are actively promoting SDGs and contributing to the development of a sustainable society.**

