

Disclaimer: This document is an English translation of the original Japanese document and has been prepared for reference purposes only. In the event of any discrepancy between the English translation and the original Japanese document, the latter shall prevail.

## Consolidated Financial Results for the Three Months Ended June 30, 2021 [Japanese GAAP]



August 6, 2021

Company name: PACIFIC METALS CO., LTD.  
 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 5541  
 URL: <https://www.pacific-metals.co.jp/en/>  
 Representative: Aoyama Masayuki, President and Representative Director  
 Contact: Matsuyama Terunobu, Managing Executive Officer and Director  
 Phone: +81-3-3201-6681  
 Scheduled date of filing quarterly securities report: August 6, 2021  
 Scheduled date of commencing dividend payments: —  
 Availability of supplementary briefing materials on quarterly financial results: Not available  
 Schedule of quarterly financial results briefing session: Not scheduled

(Amounts of less than one million yen are rounded down.)

### 1. Consolidated Financial Results for the Three Months Ended June 30, 2021 (April 1, 2021–June 30, 2021)

#### (1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

|                                  | Net sales   |        | Operating profit |   | Ordinary profit |   | Profit attributable to owners of parent |   |
|----------------------------------|-------------|--------|------------------|---|-----------------|---|---|---|
|                                  | Million yen | %      | Million yen      | % | Million yen     | % | Million yen                             | % |
| Three months ended June 30, 2021 | 11,280      | 97.6   | 145              | — | 1,327           | — | 1,132                                   | — |
| June 30, 2020                    | 5,708       | (50.9) | (1,034)          | — | (437)           | — | (448)                                   | — |

(Note) Comprehensive income: Three months ended June 30, 2021: ¥1,870 million [–%]  
 Three months ended June 30, 2020: ¥(302) million [–%]

|                    | Basic earnings per share | Diluted earnings per share |
|--------------------|--------------------------|----------------------------|
| Three months ended | Yen                      | Yen                        |
| June 30, 2021      | 58.05                    | —                          |
| June 30, 2020      | (23.00)                  | —                          |

#### (2) Consolidated Financial Position

|                      | Total assets | Net assets  | Equity ratio |
|----------------------|--------------|-------------|--------------|
|                      | Million yen  | Million yen | %            |
| As of June 30, 2021  | 75,973       | 68,494      | 89.8         |
| As of March 31, 2021 | 75,484       | 67,014      | 88.4         |

(Reference) Equity: As of June 30, 2021: ¥68,204 million  
 As of March 31, 2021: ¥66,737 million

## 2. Dividends

|  | Annual dividends |                 |                 |          |       |
|--|------------------|-----------------|-----------------|----------|-------|
|  | 1st quarter-end  | 2nd quarter-end | 3rd quarter-end | Year-end | Total |
|  | Yen              | Yen             | Yen             | Yen      | Yen   |
| Fiscal year ended<br>March 31, 2021                | –                | 0.00            | –               | 20.00    | 20.00 |
| Fiscal year ending<br>March 31, 2022               | –                |                 |                 |          |       |
| Fiscal year ending<br>March 31, 2022<br>(Forecast) |                  | 0.00            | –               | 15.00    | 15.00 |

(Note) Revision to the forecast for dividends announced most recently: None

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2021 - March 31, 2022)

(% indicates changes from the previous corresponding period.)

|            | Net sales   |      | Operating profit |   | Ordinary profit |        | Profit attributable to owners of parent |       | Basic earnings per share |
|------------|-------------|------|------------------|---|-----------------|--------|---|-------|--------------------------|
|            | Million yen | %    | Million yen      | % | Million yen     | %      | Million yen                             | %     | Yen                      |
| First half | 23,599      | 77.9 | (265)            | – | 1,520           | 17.5   | 1,157                                   | (8.2) | 59.32                    |
| Full year  | 46,591      | 44.6 | (843)            | – | 2,106           | (37.0) | 1,685                                   | 44.9  | 86.40                    |

(Note) Revision to the financial results forecast announced most recently: None

**\* Notes:**

- (1) Changes in significant subsidiaries during the period under review: None  
(Changes in specified subsidiaries resulting in changes in scope of consolidation):  
Newly included: – ( ), Excluded: – ( )
- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
- 1) Changes in accounting policies due to the revision of accounting standards: Yes
  - 2) Changes in accounting policies other than 1) above: None
  - 3) Changes in accounting estimates: None
  - 4) Retrospective restatement: None

For more details, please see “Changes in accounting policies” in (3) Notes to Quarterly Consolidated Financial Statements” under “2. Quarterly Consolidated Financial Statements and Key Notes” on page 11.

- (4) Total number of shares issued and outstanding (common stock)
- 1) Total number of shares issued and outstanding at the end of the period (including treasury shares):

|                 |                   |
|-----------------|-------------------|
| June 30, 2021:  | 19,577,071 shares |
| March 31, 2021: | 19,577,071 shares |
  - 2) Total number of treasury shares at the end of the period:

|                 |               |
|-----------------|---------------|
| June 30, 2021:  | 73,859 shares |
| March 31, 2021: | 73,791 shares |
  - 3) Average number of shares during the period:

|                                   |                   |
|-----------------------------------|-------------------|
| Three months ended June 30, 2021: | 19,503,244 shares |
| Three months ended June 30, 2020: | 19,504,461 shares |

\* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

\* Explanation on the proper use of financial results forecast and other notes

(Notes on forward-looking statements)

The forward-looking statements including the financial results forecast contained herein are based on information currently available to the Company, as well as certain assumptions deemed reasonable by the Company. As such, the Company does not intend to guarantee the achievement of these forecasts. In addition, actual results may differ significantly from these forecasts due to various factors. For preconditions for the financial results forecast and precautions when using the financial results forecast, please see “(3) Forward-looking Statements Including Consolidated Financial Results Forecast” under “1. Qualitative Information on Quarterly Financial Results” on page 4.

## Table of Contents – Attachments

|   |    |
|---|----|
| 1. Qualitative Information on Quarterly Financial Results .....                       | 2  |
| (1) Explanation on Operating Results .....  | 2  |
| (2) Explanation on Financial Position.....  | 4  |
| (3) Forward-looking Statements Including Consolidated Financial Results Forecast..... | 4  |
| 2. Quarterly Consolidated Financial Statements and Key Notes.....                     | 7  |
| (1) Quarterly Consolidated Balance Sheets .....                                       | 7  |
| (2) Quarterly Consolidated Statements of Income and Comprehensive Income .....        | 9  |
| (3) Notes to Quarterly Consolidated Financial Statements.....                         | 11 |
| (Notes on going concern assumption) .....   | 11 |
| (Notes on significant changes in the amount of shareholders' equity).....             | 11 |
| (Changes in accounting policies).....   | 11 |

## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation on Operating Results

During the three months ended June 30, 2021 (the “period under review”), the Japanese economy remained in a difficult situation with a slow pace of economic recovery. Despite signs of recovery in economic activities as contrasted with a certain period in the past, the impact of COVID-19 continued, resulting in the third declaration of a state of emergency being issued in some areas, and personal consumption and employment environment remained weak due to various behavioral restrictions and other factors.

As for overseas economies, although there are signs of recovery in the employment and income environment in some countries partly due to stimulus measures aimed at economic normalization and the progress in vaccination, the economic recovery varies from country to country depending on the severity of the impact of the COVID-19 pandemic. Furthermore, amid the continuing sense of uncertainty associated with the economic policy management of the new U.S. administration, the development of trade policies between the U.S. and China, the impact of financial and capital market fluctuations, and geopolitical risks in the Middle East, the overall economic outlook remained highly uncertain.

Under these circumstances, the stainless steel industry, the primary source of demand for the nickel business that accounts for the majority of the Group’s sales and profit and loss, remained firm. This is because demand picked up in line with trends towards the normalization of economic activities and the capacity utilization of production facilities was on a recovery trend, although a sense of uncertainty remained over the impacts associated with the COVID-19 pandemic and production trends at major overseas producers.

As a result, the demand for ferronickel continued to recover to a certain extent.

As for the procurement of nickel ore, the primary raw material for ferronickel products, mining companies’ operations and shipments were generally stable, which allowed us to procure the volume sufficient to meet our production and sales. Nickel ore prices have remained high against the backdrop of the continuation of the Indonesia’s unprocessed ore export ban, causing higher production costs.

Nickel prices on the London Metal Exchange (LME) showed a temporary adjustment phase due to fluctuations in financial and capital markets, trends on economic indicators in various countries, and unstable prices of crude oil and other commodities. Nevertheless, they remained relatively high with an upward trend against the backdrop of a sense of expectation for recovery in production activities and accelerated vaccination efforts as the trend of resumption in economic activities restricted by the COVID-19 pandemic expanded in some areas.

Notably, the Company’s ferronickel sales volume increased by 41.4% year-on-year due to an increase in both domestic and overseas sales against the backdrop of the aforementioned environment in the stainless steel industry, despite a partial shift in raw material procurement by overseas stainless steel producers to nickel pig iron and other materials that are more price competitive.

In addition, the ferronickel production volume increased, generally following the same trend as the sales volume.

Amid continued responses to the increasingly uncertain business environment, the selling price of ferronickel products increased as the LME nickel price applicable to the Company increased by 44.1% year on year and the average exchange rate of Japanese yen applicable to the Company was 1.7% weaker year on year.

In this business environment characterized by continued uncertainty, the Group has strived to prevent infections by formulating the Behavioral Guidelines for Preventing the Spread of Infections, making efforts to reduce the COVID-19 impact on business activities while maintaining timely and appropriate communications with its customers and procurement partners across the world. Although the COVID-19 pandemic is expected to continue during the current fiscal year ending March 31, 2022, the Company continues to implement these measures in response to the business environment. To further strengthen its earnings base, the Company is striving to reduce total cost through energy conservation and low-cost production, strengthen facilities to build an optimal production system, work toward long-term and stable procurement of ore, and thoroughly focus on the profitability of orders, thereby building a flexible production and sales system. Furthermore, the Company continues its efforts to improve business performance and stabilize earnings through measures such as the early

realization of overseas business development and new mine development as well as reinforcement of operational efficiency improvement measures to pursue cost minimization.

As a result, consolidated net sales for the period under review increased by 97.6% year on year to ¥11,280 million. On the profit front, operating profit was ¥145 million (compared with operating loss of ¥1,034 million for the same period of the previous fiscal year), and ordinary profit reflecting the recording of ¥949 million in share of profit of entities accounted for using equity method under non-operating income was ¥1,327 million (compared with ordinary loss of ¥437 million for the same period of the previous fiscal year). Profit attributable to owners of parent was ¥1,132 million (compared with loss attributable to owners of parent of ¥448 million for the same period of the previous fiscal year).

Operating results by business segment are as follows.

The Company changed the reportable segment structure from the previous fiscal year. The comparison and analysis for the period under review are based on the classification after the change.

(i) Nickel business

The operating results of the nickel business are described in “(1) Explanation on Operating Results.”

As a result, net sales in this segment increased by 98.3% year on year to ¥11,071 million with operating profit of ¥142 million (compared with operating loss of ¥970 million for the same period of the previous fiscal year).

(ii) Gas business

In the gas business, the Company maintained a certain profit level through stable operations.

As a result, net sales in this segment increased by 18.9% year on year to ¥149 million with operating profit of ¥25 million (compared with operating loss of ¥31 million for the same period of the previous fiscal year).

(iii) Other

For the segment of other businesses, the real estate business recorded profit in the period under review from a transaction related to sale of land during the previous fiscal year. However, due partly to sluggish orders in the waste recycling business, this segment recorded loss for the period under review.

As a result, net sales in this segment increased by 214.6% year on year to ¥86 million with operating loss of ¥25 million (compared with operating loss of ¥35 million for the same period of the previous fiscal year).

## (2) Explanation on Financial Position

Assets, liabilities, and net assets of the Group as of June 30, 2021 are as follows.

Total assets increased by ¥488 million from the end of the previous fiscal year to ¥75,973 million.

Current assets decreased by ¥2,330 million from the end of the previous fiscal year mainly due to a decrease in merchandise and finished goods, a decrease in cash and deposits resulting from the purchase of investment securities, partially offset by an increase in notes and accounts receivable - trade.

Non-current assets increased by ¥2,818 million from the end of the previous fiscal year mainly due to an increase in investment securities resulting from a rise in the market price of some stocks held and purchase of stocks, partially offset by a decrease in property, plant and equipment resulting from the recording of impairment loss.

Total liabilities decreased by ¥991 million from the end of the previous fiscal year to ¥7,479 million.

Current liabilities decreased by ¥1,146 million from the end of the previous fiscal year mainly due to a decrease in notes and accounts payable - trade caused by the effect of the settlement timing.

Non-current liabilities increased by ¥155 million from the end of the previous fiscal year mainly due to an increase in deferred tax liabilities resulting from a rise in the market price of some stocks held.

Total net assets increased by ¥1,480 million from the end of the previous fiscal year to ¥68,494 million.

This increase was attributable to an increase in shareholders' equity by ¥741 million resulting from the recording of profit, partially offset by the payment of dividends; an increase in accumulated other comprehensive income by ¥726 million resulting from increases in valuation difference on available-for-sale securities and foreign currency translation adjustment; and an increase in non-controlling interests by ¥12 million.

## (3) Forward-looking Statements Including Consolidated Financial Results Forecast

With regard to the consolidated financial results forecast, the economic outlook remains highly uncertain as COVID-19 continues to affect the domestic and overseas economies.

On the sales volume front, the stainless steel industry, which is the primary source of demand for the nickel business, is expected to achieve more sales than those in the initial plan because operations in Japan and overseas are recovering as contrasted with a certain period in the past.

On the selling price front, the LME nickel price applicable to the Company, which is used as an indicator for determining the selling price of the Company's ferronickel products, is expected to remain firm reflecting expectations for economic measures aimed at economic recovery in each country.

On the procurement front, production costs are expected to be affected by higher level of raw material prices and others, while the volume of raw materials will be secured to meet production needs.

Although the COVID-19 impact is expected to continue during the current fiscal year, response measures to address such business environment are consistent with activities to be undertaken under the basic policies set forth in the Group's Medium-term Management Plan, and the Company will continue to strongly push forward with these measures.

Based on the above, the Company revised its consolidated financial results forecast as follows and also reviewed underlying assumptions, as announced in "Notice Concerning Recording of Non-operating Income (Share of Profit of Entities Accounted for Using Equity Method) and Revisions to Financial Results Forecast" dated July 30, 2021.

<Reference>

[Revisions to financial results forecast]

Revisions to consolidated financial results forecast for the six months ending September 30, 2021 (April 1, 2021 through September 30, 2021)

|  | Net sales             | Operating profit       | Ordinary profit   | Profit attributable to owners of parent | Basic earnings per share |
|--|-----------------------|------------------------|-------------------|---|--------------------------|
| Previously announced forecast (A)<br>(Announced on May 11, 2021)   | Million yen<br>19,778 | Million yen<br>(1,103) | Million yen<br>14 | Million yen<br>(170)                    | Yen<br>(8.72)            |
| Revised forecast (B)   | 23,599                | (265)                  | 1,520             | 1,157                                   | 59.32                    |
| Change (B-A)   | 3,821                 | 838                    | 1,506             | 1,327                                   |                          |
| Change (%)   | 19.3                  | —                      | —                 | —                                       |                          |
| (Reference) Results for the six months ended September 30, 2020<br>(Six months ended September 30, 2020) | 13,262                | (53)                   | 1,293             | 1,260                                   | 64.62                    |

Revisions to consolidated financial results forecast for the fiscal year ending March 31, 2022 (April 1, 2021 through March 31, 2022)

|  | Net sales             | Operating profit       | Ordinary profit      | Profit attributable to owners of parent | Basic earnings per share |
|--|-----------------------|------------------------|----------------------|---|--------------------------|
| Previously announced forecast (A)<br>(Announced on May 11, 2021)             | Million yen<br>42,988 | Million yen<br>(1,157) | Million yen<br>1,215 | Million yen<br>968                      | Yen<br>49.63             |
| Revised forecast (B)   | 46,591                | (843)                  | 2,106                | 1,685                                   | 86.40                    |
| Change (B-A)   | 3,603                 | 314                    | 891                  | 717                                     |                          |
| Change (%)   | 8.4                   | —                      | 73.3                 | 74.1                                    |                          |
| (Reference) Actual results for the previous fiscal year ended March 31, 2021 | 32,217                | (493)                  | 3,344                | 1,162                                   | 59.61                    |

[Revisions to underlying assumptions]

|  | Sales volume (t) |          |           | Production volume (t) |          |           |
|--|------------------|----------|-----------|-----------------------|----------|-----------|
|  | 1st half         | 2nd half | Full year | 1st half              | 2nd half | Full year |
| Previously announced forecast<br>(Announced on May 11, 2021)                 | 11,600           | 13,400   | 25,000    | 11,765                | 13,057   | 24,822    |
| Revised forecast   | 13,047           | 12,953   | 26,000    | 11,469                | 13,541   | 25,010    |
| (Reference) Actual results for the previous fiscal year ended March 31, 2021 | 9,674            | 11,119   | 20,793    | 9,374                 | 9,040    | 18,414    |



|  | Applicable LME nickel price (\$/lb) |          |           | Applicable exchange rate (¥/\$) |          |           |
|--|-------------------------------------|----------|-----------|---------------------------------|----------|-----------|
|  | 1st half                            | 2nd half | Full year | 1st half                        | 2nd half | Full year |
| Previously announced forecast<br>(Announced on May 11, 2021)                       | 7.63                                | 7.52     | 7.58      | 104.37                          | 104.32   | 104.34    |
| Revised forecast   | 7.94                                | 7.58     | 7.76      | 107.61                          | 106.40   | 107.01    |
| (Reference) Actual results for the<br>previous fiscal year ended March<br>31, 2021 | 5.94                                | 7.07     | 6.54      | 106.06                          | 104.47   | 105.21    |

## 2. Quarterly Consolidated Financial Statements and Key Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

|                                       | As of March 31, 2021 | As of June 30, 2021 |
|---------------------------------------|----------------------|---------------------|
| <b>Assets</b>                         |                      |                     |
| Current assets                        |                      |                     |
| Cash and deposits                     | 21,486               | 20,579              |
| Notes and accounts receivable - trade | 7,879                | 9,616               |
| Securities                            | 3,000                | 2,400               |
| Merchandise and finished goods        | 5,670                | 4,201               |
| Work in process                       | 333                  | 326                 |
| Raw materials and supplies            | 6,279                | 5,614               |
| Other                                 | 3,206                | 2,787               |
| Allowance for doubtful accounts       | (1)                  | (1)                 |
| Total current assets                  | 47,853               | 45,523              |
| Non-current assets                    |                      |                     |
| Property, plant and equipment         | 7,606                | 7,552               |
| Intangible assets                     | 1                    | 0                   |
| Investments and other assets          |                      |                     |
| Investment securities                 | 19,594               | 22,491              |
| Other                                 | 435                  | 410                 |
| Allowance for doubtful accounts       | (5)                  | (5)                 |
| Total investments and other assets    | 20,023               | 22,896              |
| Total non-current assets              | 27,631               | 30,449              |
| <b>Total assets</b>                   | <b>75,484</b>        | <b>75,973</b>       |

(Million yen)

|   | As of March 31, 2021 | As of June 30, 2021 |
|---|----------------------|---------------------|
| <b>Liabilities</b>                                    |                      |                     |
| Current liabilities                                   |                      |                     |
| Notes and accounts payable - trade                    | 1,575                | 624                 |
| Accrued expenses                                      | 1,127                | 1,229               |
| Income taxes payable                                  | 35                   | 42                  |
| Provision for bonuses                                 | 258                  | 99                  |
| Other   | 1,533                | 1,386               |
| Total current liabilities                             | 4,529                | 3,382               |
| Non-current liabilities                               |                      |                     |
| Retirement benefit liability                          | 571                  | 535                 |
| Deferred tax liabilities                              | 1,266                | 1,492               |
| Deferred tax liabilities for land revaluation         | 654                  | 654                 |
| Provision for environmental measures                  | 33                   | 33                  |
| Provision for loss on litigation                      | 28                   | 28                  |
| Provision for loss contract                           | 1,377                | 1,339               |
| Other   | 9                    | 11                  |
| Total non-current liabilities                         | 3,941                | 4,096               |
| Total liabilities                                     | 8,470                | 7,479               |
| <b>Net assets</b>                                     |                      |                     |
| Shareholders' equity                                  |                      |                     |
| Share capital   | 13,922               | 13,922              |
| Capital surplus                                       | 3,481                | 3,481               |
| Retained earnings                                     | 47,950               | 48,692              |
| Treasury shares                                       | (449)                | (449)               |
| Total shareholders' equity                            | 64,903               | 65,645              |
| Accumulated other comprehensive income                |                      |                     |
| Valuation difference on available-for-sale securities | 2,659                | 2,981               |
| Deferred gains or losses on hedges                    | (37)                 | (25)                |
| Revaluation reserve for land                          | 644                  | 645                 |
| Foreign currency translation adjustment               | (1,108)              | (727)               |
| Remeasurements of defined benefit plans               | (325)                | (314)               |
| Total accumulated other comprehensive income          | 1,833                | 2,559               |
| Non-controlling interests                             | 276                  | 289                 |
| Total net assets                                      | 67,014               | 68,494              |
| <b>Total liabilities and net assets</b>               | <b>75,484</b>        | <b>75,973</b>       |

## (2) Quarterly Consolidated Statements of Income and Comprehensive Income

## Quarterly Consolidated Statements of Income

Three Months Ended June 30

(Million yen)

|   | For the three months ended<br>June 30, 2020 | For the three months ended<br>June 30, 2021 |
|---|---|---|
| Net sales   | 5,708                                       | 11,280                                      |
| Cost of sales   | 6,128                                       | 10,451                                      |
| Gross profit (loss)   | (419)                                       | 828   |
| Selling, general and administrative expenses                  |   |   |
| Selling expenses  | 260   | 324   |
| General and administrative expenses                           | 354   | 358   |
| Total selling, general and administrative expenses            | 615   | 682   |
| Operating profit (loss)                                       | (1,034)                                     | 145   |
| Non-operating income  |   |   |
| Interest income   | 0   | 1   |
| Dividend income   | 78  | 215   |
| Rental income from real estate                                | 29  | 25  |
| Share of profit of entities accounted for using equity method | 549   | 949   |
| Other   | 77  | 71  |
| Total non-operating income                                    | 735   | 1,263                                       |
| Non-operating expenses  |   |   |
| Settlement on contract  | –   | 20  |
| Interest expenses   | 0   | 0   |
| Foreign exchange losses                                       | 101   | –   |
| Foreign withholding tax                                       | 9   | 30  |
| Other   | 26  | 30  |
| Total non-operating expenses                                  | 138   | 81  |
| Ordinary profit (loss)  | (437)                                       | 1,327                                       |
| Extraordinary losses  |   |   |
| Impairment losses   | –   | 61  |
| Loss on retirement of non-current assets                      | 1   | 6   |
| Total extraordinary losses                                    | 1   | 67  |
| Profit (loss) before income taxes                             | (439)                                       | 1,260                                       |
| Income taxes - current  | 4   | 16  |
| Income taxes - deferred                                       | 15  | 99  |
| Total income taxes  | 20  | 115   |
| Profit (loss)   | (460)                                       | 1,144                                       |
| Profit (loss) attributable to non-controlling interests       | (11)  | 12  |
| Profit (loss) attributable to owners of parent                | (448)                                       | 1,132                                       |

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Million yen)

|  | For the three months ended<br>June 30, 2020 | For the three months ended<br>June 30, 2021 |
|--|---|---|
| Profit   | (460)                                       | 1,144                                       |
| Other comprehensive income   |   |   |
| Valuation difference on available-for-sale securities                                | 189   | 311   |
| Deferred gains or losses on hedges   | –   | 11  |
| Remeasurements of defined benefit plans, net of tax                                  | 15  | 12  |
| Share of other comprehensive income of entities<br>accounted for using equity method | (47)  | 390   |
| Total other comprehensive income   | 158   | 726   |
| Comprehensive income   | (302)                                       | 1,870                                       |
| Comprehensive income attributable to:  |   |   |
| Owners of parent   | (290)                                       | 1,858                                       |
| Non-controlling interests  | (11)  | 12  |

### (3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

(Changes in accounting policies)

(Application of accounting standard for revenue recognition, etc.)

The Company has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "Revenue Recognition Accounting Standard"), etc. effective from the beginning of the period under review, and has decided to recognize the amount expected to be received in exchange for promised goods or services as revenue when the control of such goods or services has been transferred to the customer. In line with this change, regarding certain domestic sales of the nickel business, although revenue was previously recognized on a shipment basis, the Company has shifted to the method by which it recognizes revenue when products have been delivered to customers.

The Revenue Recognition Accounting Standard, etc. is applied in accordance with the transitional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effect of retrospectively applying the new accounting policy to the periods prior to the beginning of the period under review was added to or subtracted from the balance of retained earnings at the beginning of the period under review, and thus the new accounting policy was applied from the beginning balance. However, by applying the method stipulated in Paragraph 86 of the Revenue Recognition Accounting Standard, the new accounting policy has not been applied retrospectively to contracts for which almost all revenues had been recognized in accordance with the previous treatment before the beginning of the period under review. In addition, by adopting the method stipulated in Paragraph 86 (1) of the Revenue Recognition Accounting Standard, the Company has implemented the following procedures as listed in (i) through (iii) below for the contract modifications made prior to the beginning of the period under review based on the contract terms after reflecting all the contract modifications, and the cumulative effect of the procedures has been added to or subtracted from the beginning balance of retained earnings of the period under review.

(i) Classification of fulfilled and unfulfilled performance obligations

(ii) Determination of transaction price

(iii) Allocation of the transaction price to fulfilled and unfulfilled performance obligations

As a result, there is no impact on net sales; cost of sales; selling, general and administrative expenses; operating profit; ordinary profit; and profit before income taxes for the period under review. Also, there is no impact on the beginning balance of retained earnings.

Furthermore, in accordance with the transitional treatment stipulated in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue arising from contracts with customers for the three months ended June 30, 2020 is not presented.

(Application of accounting standard for fair value measurement, etc.)

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the "Fair Value Measurement Accounting Standard"), etc. from the beginning of the period under review, and has decided to prospectively apply the new accounting policies stipulated in the Fair Value Measurement Accounting Standard, etc. in accordance with the transitional treatment set forth in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). This will have no impact on quarterly consolidated financial statements.