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Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 [Japanese GAAP]



May 10, 2022

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 Stock exchange listing: Tokyo Stock Exchange
 Code number: 5541
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 Scheduled date of Annual General Shareholders Meeting: June 24, 2022
 Scheduled date of filing securities report: June 24, 2022
 Scheduled date of commencing dividend payments: June 6, 2022
 Availability of supplementary briefing materials on financial results: Not available
 Schedule of financial results briefing session: Scheduled (for analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 - March 31, 2022)

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

	Net sales		Operating profit (loss)		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2022	57,129	77.3	4,806	—	12,999	288.6	11,368	877.8
March 31, 2021	32,217	(27.0)	(493)	—	3,344	244.1	1,162	85.9

(Note) Comprehensive income: Fiscal year ended March 31, 2022: ¥13,921 million [285.9%]
 Fiscal year ended March 31, 2021: ¥3,607 million [-%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2022	582.93	—	15.5	15.7	8.4
March 31, 2021	59.61	—	1.8	4.6	(1.5)

(Reference) Share of profit of entities accounted for using equity method:

Fiscal year ended March 31, 2022: ¥6,483 million

Fiscal year ended March 31, 2021: ¥3,539 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2022	89,852	80,153	88.9	4,095.12
As of March 31, 2021	75,484	67,014	88.4	3,421.84

(Reference) Equity: As of March 31, 2022: ¥79,866 million

As of March 31, 2021: ¥66,737 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2022	7,857	(2,909)	(785)	26,631
March 31, 2021	5,829	(1,781)	(102)	22,286

2. Dividends

	Annual dividends					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended March 31, 2021	Yen –	Yen 0.00	Yen –	Yen 20.00	Yen 20.00	Million yen 390	% 33.6	% 0.6
Fiscal year ending March 31, 2022	–	20.00	–	155.00	175.00	3,412	30.0	4.7
Fiscal year ending March 31, 2023 (Forecast)	–	0.00	–	50.00	50.00		27.8	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 - March 31, 2023)

(% 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	25,164	4.4	735	(22.8)	2,101	(47.4)	1,856	(45.5)	95.17
Full year	50,210	(12.1)	925	(80.8)	3,844	(70.4)	3,513	(69.1)	180.13

*** Notes:**

- (1) Changes in significant subsidiaries during the period under review
(Changes in specified subsidiaries resulting in changes in scope of consolidation): None
Newly included: – (), Excluded: – ()
- (2) 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
- (3) 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):
March 31, 2022: 19,577,071 shares
March 31, 2021: 19,577,071 shares
2) Total number of treasury shares at the end of the period:
March 31, 2022: 74,341 shares
March 31, 2021: 73,791 shares
3) Average number of shares during the period:
Fiscal year ended March 31, 2022: 19,503,002 shares
Fiscal year ended March 31, 2021: 19,503,962 shares

(Reference) Outline of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit (loss)		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended								
March 31, 2022	56,527	78.9	4,776	–	12,783	290.6	11,159	948.7
March 31, 2021	31,601	(27.3)	(526)	–	3,272	456.6	1,064	37.2

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended		
March 31, 2022	572.17	–
March 31, 2021	54.56	–

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2022	75,797	66,325	87.5	3,400.85
As of March 31, 2021	61,930	53,978	87.2	2,767.66

(Reference) Equity: As of March 31, 2022: ¥66,325 million

As of March 31, 2021: ¥53,978 million

(Reasons for differences between non-consolidated business results and actual results for the previous fiscal year)

In the stainless steel industry, the primary source of demand for the nickel business, capacity utilization of production facilities remained firm in general. This is because demand picked up in line with trends towards the normalization of economic activities. The LME nickel price applicable to the Company remained high, and as a result, net sales and operating profit both increased. Ordinary profit increased due mainly to dividend income from equity-method affiliates and foreign exchange gains resulting from the depreciation of the yen, in addition to the

increases in net sales and operating profit. Despite recording of an impairment loss as an extraordinary loss, profit increased, too.

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

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

(Cautionary statement regarding 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 “(4) Future Outlook” under “1. Overview of Operating Results, etc.” on page 5.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

During the fiscal year ended March 31, 2022, the Japanese economy was somewhat lackluster. The gradual easing of restrictions and other measures imposed to mitigate the impact of COVID-19 led to a pickup in corporate earnings and other factors, but some weakness remained due to the impact of COVID-19, and uncertainty increased as the situation in Ukraine became more tense.

As for overseas economies, while there were signs of recovery in the employment and income environment, partly due to economic stimulus measures aimed at economic normalization and the progress in vaccinations, the outlook remained uncertain due to concerns about the resurgence of COVID-19, the development of trade policies between the U.S. and China, financial and capital market fluctuations, and the impact of the tense situation in Ukraine.

Under these circumstances, in 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, capacity utilization of production facilities remained firm in general. This is because demand picked up in line with trends towards the normalization of economic activities, although a sense of uncertainty remained over the impacts of COVID-19 trend, the electric power regulation issue in China, and other factors.

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. In addition, nickel ore prices have remained high against the backdrop of the impact of the Indonesia's unprocessed ore export ban and a robust demand for stainless steel, which resulted in higher production costs.

Nickel prices on the London Metal Exchange (LME) showed a temporary adjustment phase due to the continuation of the impact of financial and capital market fluctuations and unstable prices of crude oil and other commodities, as well as the major debt problem of the real estate conglomerate and the electric power regulation issues in China. Then, the prices trended upward due to the growing resumption of economic activities that had been restricted by the COVID-19 pandemic and against the backdrop of a sense of expectation for accelerated vaccination efforts. However, nickel prices spiked in the fourth quarter due to concerns over nickel supply triggered by the tense situation in Ukraine and other factors, and trading was temporarily suspended because of the market turmoil, and although trading resumed toward the end of the year, uncertainty remained.

In this situation, the Company's ferronickel sales volume increased by 30.1% 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.

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 33.8% year on year and the average exchange rate of Japanese yen applicable to the Company was 6.1% 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, 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.

The ferronickel manufacturing facility's electric furnace molten material leakage incident that occurred just before the end of the fiscal year did not have an impact on the sales volume in the fiscal year under review and had only a minor impact on the production volume and business performance. On the other hand, the restoration of the one affected unit of the production facilities is scheduled for the third quarter of the next fiscal year in view of the lengthy delivery period for parts and materials due to recent supply chain disruptions and other factors.

As a result, consolidated net sales for the fiscal year under review increased by 77.3% year on year to ¥57,129 million. On the profit front, operating profit was ¥4,806 million (compared with operating loss of ¥493 million for the previous fiscal year), ordinary profit, reflecting the recording of ¥6,483 million in share of profit of entities accounted for using equity method under non-operating income increased by 288.6% year on year to ¥12,999 million. Profit attributable to owners of the parent increased by 877.8% year on year to ¥11,368 million.

Operating results by business segment are as follows.

(i) Nickel business

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

As a result, net sales in this segment increased 85.2% year on year to ¥56,338 million, and operating profit was ¥4,950 million (compared with operating loss of ¥567 million for the previous fiscal year).

(ii) Gas business

In the gas business, the Company maintained a stable operation, but this segment recorded a loss due partly to increased costs associated with facility repair.

As a result, net sales in this segment decreased by 6.6% year on year to ¥576 million with operating loss of ¥10 million (compared with operating profit of ¥21 million for the previous fiscal year).

(iii) Other

The segment of other businesses recorded a loss. The real estate business recorded sales of land but the positive impact was limited, and the waste recycling business's order-taking was sluggish.

As a result, net sales in this segment decreased by 74.7% year on year to ¥324 million with operating loss of ¥142 million (compared with operating profit of ¥43 million for the previous fiscal year).

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Fiscal year ended March 31, 2021 (Million yen)	32,217	(493)	3,344	1,162
Fiscal year ended March 31, 2022 (Million yen)	57,129	4,806	12,999	11,368
Change (%)	77.3	–	286.6	877.8

	Sales volume (t)			Production volume (t)		
	1st half	2nd half	Full year	1st half	2nd half	Full year
Fiscal year ended March 31, 2021	9,674	11,119	20,793	9,374	9,040	18,414
Fiscal year ended March 31, 2022	12,957	14,103	27,060	11,874	14,375	26,249

	Applicable LME nickel price (\$/lb)			Applicable exchange rate (¥/\$)		
	1st half	2nd half	Full year	1st half	2nd half	Full year
Fiscal year ended March 31, 2021	5.94	7.07	6.54	106.06	104.47	105.21
Fiscal year ended March 31, 2022	8.12	9.33	8.75	109.16	113.97	111.67

(2) Overview of Financial Position for the Fiscal Year under Review

Assets, liabilities, and net assets of the Group as of March 31, 2022 are as follows.

Total assets increased by ¥14,368 million from the end of the previous fiscal year to ¥89,852 million.

Current assets increased by ¥10,028 million from the end of the previous fiscal year mainly due to increases associated with a rise in selling price and the effect of the settlement timing in accounts receivable – trade and other factors, partially offset by a decrease in raw materials and supplies, in addition to a decrease in advance payments to suppliers included in “Other.”

Non-current assets increased by ¥4,339 million from the end of the previous fiscal year mainly due to an increase in property, plant and equipment because of capital expenditure, an increase in investment securities associated with an increase in share of profit of entities accounted for using equity method, and other factors. Investment securities held by the Company amounting to ¥23,903 million consisted mainly of ¥13,390 million in the amount reflected in the consolidated balance sheet of shares of entities accounted for using equity method, ¥2,378 million in shares of subsidiaries and associates, and ¥7,047 million in shares of Nickel Asia Corporation, a holding company of the Company’s equity-method affiliates listed on the Philippine Stock Exchange.

Total liabilities increased by ¥1,228 million from the end of the previous fiscal year to ¥9,699 million.

Current liabilities increased by ¥979 million from the end of the previous fiscal year due to an increase in income taxes payable in line with an increase in profit and other factors, despite a decrease in accounts payable - other included in “Other” in addition to a decrease in notes and accounts payable - trade caused by the effect of the settlement timing.

Non-current liabilities increased by ¥248 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, partially offset by a decrease in retirement benefit liability.

Total net assets increased by ¥13,139 million from the end of the previous fiscal year to ¥80,153 million.

Shareholders’ equity increased by ¥10,638 million resulting from the recording of profit, partially offset by the payment of dividends. Accumulated other comprehensive income increased by ¥2,490 million resulting from increases in valuation difference on available-for-sale securities and foreign currency translation adjustment. Non-controlling interests increased by ¥10 million.

(3) Overview of Cash Flows for the Fiscal Year under Review

Net cash provided by operating activities amounted to ¥7,857 million, an increase of ¥2,027 million from the figure for the previous fiscal year. Main items for cash inflow were profit before income taxes amounting to ¥12,795 million and interest and dividends received amounting to ¥6,744 million. Main items for cash outflow were share of profit of entities accounted for using equity method amounting to ¥6,483 million and an increase in trade receivables amounting to ¥6,114 million.

Net cash used in investing activities amounted to ¥2,909 million, a ¥1,128 million increase in cash outflow compared with the previous fiscal year. The main item for cash inflow was proceeds from sale of investment securities amounting to ¥225 million and main items for cash outflow were purchase of investment securities amounting to ¥1,126 million and purchase of property, plant and equipment amounting to ¥1,427 million.

Net cash used in financing activities amounted to ¥785 million, mainly due to dividends paid, a ¥682 million increase in cash outflow compared with the previous fiscal year.

Net increase in cash and cash equivalents increased by ¥373 million compared with the figure for the previous fiscal year.

As a result, cash and cash equivalents at end of period amounted to ¥26,631 million, an increase of ¥4,345 million compared with the previous fiscal year.

The table below shows trends in cash flow indicators on a consolidated basis.

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Equity ratio (%)	88.7	89.3	90.4	88.4	88.9
Equity ratio at market value (%)	88.7	73.0	43.8	55.4	89.6
Ratio of interest-bearing debt to cash flows (year)	–	0.0	–	0.0	0.0
Interest coverage ratio (times)	–	571.9	–	13,702.1	33,918.9

Equity ratio: Shareholders' equity / Total assets

Equity ratio at market value: Market capitalization / Total assets

Ratio of interest-bearing debt to cash flows: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows / Interest expenses

- (Notes)
1. The consolidated financial figures constitute the basis for calculating these indicators.
 2. Market capitalization is calculated based on the number of shares issued and outstanding excluding treasury shares.
 3. The cash flows used for calculation are operating cash flows.
 4. Interest-bearing debt includes all debts recorded on the consolidated balance sheets on which interest is paid.
 5. Figures of the ratio of interest-bearing debt to cash flows and the interest coverage ratio for the fiscal year ended March 31, 2018 and for the fiscal year ended March 31, 2020 are not indicated because operating cash flows were negative.

(4) Future Outlook

With regard to the consolidated financial forecast, the economic outlook remains highly uncertain as COVID-19 and the situation in Ukraine continue to affect the domestic and overseas economies.

On the volume front, the sales environment is firm. However, near the end of the fiscal year under review, during repair of one of the three electric furnaces, which are part of the ferronickel manufacturing facilities, molten materials remaining in the furnace leaked out of the furnace. Operation of this electric furnace has been suspended and the restoration of the furnace is scheduled for the third quarter of the next fiscal year. Therefore, the production and sales volumes are expected to decrease.

On the selling price front, demand for nickel is expected to remain robust in view of the recovery trend of the economies of various countries. The market is attracting a great deal of attention owing to complex factors associated with the tension in Ukraine. 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 unstable.

On the procurement front, production costs are expected to be affected by higher prices of nickel ore, fuels, and other raw materials, but the volume of nickel ore sufficient to meet production needs will be secured.

Although the impacts of COVID-19 and the situation in Ukraine are expected to continue in the next 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.

The Group's financial results forecast is follows.

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Forecast for the fiscal year ending March 31, 2023 (Million yen)	50,210	925	3,844	3,513
Results for the fiscal year ended March 31, 2022 (Million yen)	57,129	4,806	12,999	11,368
Change (%)	(12.1)	(80.8)	(70.4)	(69.1)

[Reference] Results for the fiscal year ended March 31, 2022 and underlying assumptions for the forecast for the fiscal year ending March 31, 2023 are as follows.

	Sales volume (T/Y)			Production volume (T/Y)		
	1st half	2nd half	Full year	1st half	2nd half	Full year
Forecast for the fiscal year ending March 31, 2023	9,850	10,650	20,500	9,237	11,573	20,810
Results for the fiscal year ended March 31, 2022	12,957	14,103	27,060	11,874	14,375	26,249

	Applicable LME nickel price (\$/lb)			Applicable exchange rate (¥/\$)		
	1st half	2nd half	Full year	1st half	2nd half	Full year
Forecast for the fiscal year ending March 31, 2023	10.27	9.23	9.73	111.06	111.04	111.05
Results for the fiscal year ended March 31, 2022	8.12	9.33	8.75	109.16	113.97	111.67

2. Management Policy

(1) Medium- to Long-term Management Strategy of the Company

In order to establish a management platform capable of responding to changes in the business environment and to achieve continuous growth, we established the long-term vision, “Become a world-class ferronickel manufacturer with comprehensive power,” and endeavored to achieve this long-term vision. However, the business environment surrounding the Company has become increasingly severe due to the materialization of resource nationalism in the nickel ore-producing countries, changes in the market structure of mainstay products, and other factors. The situation is unpredictable due to soaring resource and energy prices, etc., caused by the tense situation in Ukraine.

In this business environment, having positioned further strengthening of the platform, contributing to the SDGs, and becoming carbon neutral as important issues for the Company, we aim to evolve as a sustainable company by building and developing a business structure based on problem-solving.

Based on the above, we have set forth a new long-term vision, “A comprehensive materials company that co-creates a sustainable, recycling-oriented society,” and have formulated a new medium-term business plan covering the period from FY2022 to FY2024 (hereinafter, PAMCO-2024) to realize this vision.

(1) Long-term vision: **“A comprehensive materials company that co-creates a sustainable, recycling-oriented society”**

(2) Theme of PAMCO-2024: **“Further strengthen the platform and promote the sustainability strategy”**

(3) Materiality and Priority Measures (1 to 9))

—**Contribute to the achievement of the SDGs through the resolution of material issues—**

Restructuring of ferronickel production and sales systems with emphasis on profitability

1) Establishment of optimal production system by reviewing production strategy

2) Strengthening of cost competitiveness by reviewing procurement strategy

Acceleration of consideration of expansion into overseas smelting business

3) Promotion of overseas smelting projects and start-up of production

Creation of new businesses that contribute to society

4) Promotion of production and sales of raw materials for LIB materials

Diversification of business in Japan to contribute to a recycling-oriented society

5) Restructuring of recycling business

Enhancement of corporate value by addressing sustainability issues

6) Sustainability Promotion Council

—Promotion of medium- and long-term initiatives related to material sustainability issues—

7) Reduction of GHG emissions

8) Promotion of symbiosis by contributing to the development of regions and resource-rich countries

9) Promotion of constructive dialogue with stakeholders

3. Basic Policy on Selection of Accounting Standards

The Group intends to prepare consolidated financial statements in conformity with the generally accepted accounting principles in Japan (Japanese GAAP) for the time being, taking into consideration comparability of consolidated financial statements over time and comparability among companies.

With regard to adoption of the International Financial Reporting Standards (IFRS), the Group intends to make an appropriate response, taking into consideration situations in Japan and abroad.

4. Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	21,486	26,332
Notes and accounts receivable - trade	7,879	–
Accounts receivable - trade	–	13,994
Securities	3,000	2,999
Merchandise and finished goods	5,670	5,649
Work in process	333	453
Raw materials and supplies	6,279	5,587
Other	3,206	2,867
Allowance for doubtful accounts	(1)	(2)
Total current assets	47,853	57,882
Non-current assets		
Property, plant and equipment		
Buildings and structures	16,369	16,420
Accumulated depreciation	(13,610)	(13,827)
Buildings and structures, net	2,758	2,592
Machinery, equipment and vehicles	55,979	55,930
Accumulated depreciation	(55,910)	(55,814)
Machinery, equipment and vehicles, net	69	115
Land	4,777	4,777
Other	503	723
Accumulated depreciation	(501)	(474)
Other, net	1	248
Total property, plant and equipment	7,606	7,734
Intangible assets	1	1
Investments and other assets		
Investment securities	19,594	23,903
Other	435	336
Allowance for doubtful accounts	(5)	(5)
Total investments and other assets	20,023	24,234
Total non-current assets	27,631	31,970
Total assets	75,484	89,852

(Million yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,575	1,341
Accrued expenses	1,127	1,761
Income taxes payable	35	1,026
Provision for bonuses	258	444
Other	1,533	935
Total current liabilities	4,529	5,508
Non-current liabilities		
Retirement benefit liability	571	122
Deferred tax liabilities	1,266	2,077
Deferred tax liabilities for land revaluation	654	631
Provision for environmental measures	33	5
Provision for loss on litigation	28	34
Provision for loss contract	1,377	1,306
Other	9	11
Total non-current liabilities	3,941	4,190
Total liabilities	8,470	9,699
Net assets		
Shareholders' equity		
Share capital	13,922	13,922
Capital surplus	3,481	3,481
Retained earnings	47,950	58,590
Treasury shares	(449)	(450)
Total shareholders' equity	64,903	75,542
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,659	4,603
Deferred gains or losses on hedges	(37)	–
Revaluation reserve for land	644	593
Foreign currency translation adjustment	(1,108)	(969)
Remeasurements of defined benefit plans	(325)	95
Total accumulated other comprehensive income	1,833	4,323
Non-controlling interests	276	287
Total net assets	67,014	80,153
Total liabilities and net assets	75,484	89,852

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Net sales	32,217	57,129
Cost of sales	30,056	48,962
Gross profit	2,160	8,167
Selling, general and administrative expenses		
Selling expenses	1,143	1,665
General and administrative expenses	1,510	1,694
Total selling, general and administrative expenses	2,654	3,360
Operating profit (loss)	(493)	4,806
Non-operating income		
Interest income	5	8
Dividend income	274	418
Rental income from real estate	109	103
Share of profit of entities accounted for using equity method	3,539	6,483
Foreign exchange gains	113	1,311
Other	181	135
Total non-operating income	4,224	8,461
Non-operating expenses		
Interest expenses	0	0
Rental expenses on facilities	26	20
Commitment fees	27	27
Commission for syndicated loans	11	90
Foreign withholding tax	37	58
Settlement on contract	215	20
Other	66	50
Total non-operating expenses	385	268
Ordinary profit	3,344	12,999
Extraordinary income		
Gain on sale of non-current assets	1	0
Gain on sale of investment securities	–	192
Total extraordinary income	1	192
Extraordinary losses		
Impairment losses	1,896	317
Loss on retirement of non-current assets	47	78
Loss on sale of investment securities	1	–
Total extraordinary losses	1,946	396
Profit before income taxes	1,399	12,795
Income taxes - current	370	1,462
Income taxes - deferred	(151)	(46)
Total income taxes	219	1,415
Profit	1,180	11,379
Profit (loss) attributable to non-controlling interests	17	10
Profit attributable to owners of parent	1,162	11,368

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Profit	1,180	11,379
Other comprehensive income		
Valuation difference on available-for-sale securities	2,379	1,932
Deferred gains or losses on hedges	(37)	37
Remeasurements of defined benefit plans, net of tax	154	349
Share of other comprehensive income of entities accounted for using equity method	(69)	222
Total other comprehensive income	2,426	2,541
Comprehensive income	3,607	13,921
Comprehensive income attributable to:		
Owners of parent	3,589	13,910
Non-controlling interests	17	10

(3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	13,922	3,481	46,677	(447)	63,633
Changes during period					
Dividends of surplus			(97)		(97)
Profit attributable to owners of parent			1,162		1,162
Purchase of treasury shares				(2)	(2)
Reversal of revaluation reserve for land			207		207
Net changes of items other than shareholders' equity					
Total changes during period	–	–	1,272	(2)	1,270
Balance at end of period	13,922	3,481	47,950	(449)	64,903

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	283	–	852	(1,138)	(383)	(386)	259	63,506
Changes during period								
Dividends of surplus								(97)
Profit attributable to owners of parent								1,162
Purchase of treasury shares								(2)
Reversal of revaluation reserve for land								207
Net changes of items other than shareholders' equity	2,375	(37)	(207)	30	58	2,219	17	2,237
Total changes during period	2,375	(37)	(207)	30	58	2,219	17	3,507
Balance at end of period	2,659	(37)	644	(1,108)	(325)	1,833	276	67,014

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	13,922	3,481	47,950	(449)	64,903
Changes during period					
Dividends of surplus			(780)		(780)
Profit attributable to owners of parent			11,368		11,368
Purchase of treasury shares				(1)	(1)
Reversal of revaluation reserve for land			51		51
Net changes of items other than shareholders' equity					
Total changes during period	-	-	1,0640	(1)	10,638
Balance at end of period	13,922	3,481	58,590	(450)	75,542

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	2,659	(37)	644	(1,108)	(325)	1,833	276	67,014
Changes during period								
Dividends of surplus								(780)
Profit attributable to owners of parent								11,368
Purchase of treasury shares								(1)
Reversal of revaluation reserve for land								51
Net changes of items other than shareholders' equity	1,944	37	(51)	139	420	2,490	10	2,500
Total changes during period	1,944	37	(51)	139	420	2,490	10	13,139
Balance at end of period	4,603	-	593	(969)	95	4,323	287	80,153

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	1,399	12,795
Depreciation	378	256
Impairment losses	1,896	317
Interest and dividend income	(279)	(427)
Share of loss (profit) of entities accounted for using equity method	(3,539)	(6,483)
Loss on retirement of property, plant and equipment	47	78
Loss (gain) on sale of investment securities	1	(192)
Decrease (increase) in trade receivables	1,001	(6,114)
Decrease (increase) in inventories	1,702	592
Decrease (increase) in advance payments to suppliers	364	319
Decrease (increase) in consumption taxes refund receivable	(329)	79
Increase (decrease) in trade payables	560	(233)
Increase (decrease) in accrued consumption taxes	78	156
Increase (decrease) in provision for bonuses	20	186
Increase (decrease) in accrued expenses	(51)	634
Increase (decrease) in retirement benefit liability	(79)	(100)
Increase (decrease) in provision for loss contract	(129)	(70)
Decrease (increase) in long-term prepaid expenses	(422)	(0)
Other, net	(386)	(4)
Subtotal	2,235	1,788
Interest and dividends received	3,800	6,744
Interest paid	(0)	(0)
Income taxes refund (paid)	(205)	(674)
Net cash provided by (used in) operating activities	5,829	7,857
Cash flows from investing activities		
Purchase of securities	(2,200)	(500)
Purchase of investment securities	–	(1,126)
Proceeds from sale of investment securities	–	225
Purchase of property, plant and equipment	(319)	(1,427)
Proceeds from redemption of securities	800	–
Purchase of intangible assets	(15)	(6)
Other, net	(46)	(73)
Net cash provided by (used in) investing activities	(1,781)	(2,909)
Cash flows from financing activities		
Dividends paid	(98)	(781)
Other, net	(4)	(3)
Net cash provided by (used in) financing activities	(102)	(785)
Effect of exchange rate change on cash and cash equivalents	25	182
Net increase (decrease) in cash and cash equivalents	3,971	4,345
Cash and cash equivalents at beginning of period	18,314	22,286
Cash and cash equivalents at end of period	22,286	26,631

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

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 fiscal year ended March 31, 2022, 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 fiscal year ended March 31, 2022 was added to or subtracted from the balance of retained earnings at the beginning of the fiscal year ended March 31, 2022, 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 fiscal year ended March 31, 2022. 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 fiscal year ended March 31, 2022 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 fiscal year ended March 31, 2022.

As a result, compared with the figures prior to the application of the Revenue Recognition Accounting Standard, etc., 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 fiscal year ended March 31, 2022. Also, there is no impact on the beginning balance of retained earnings.

There is no impact on the consolidated statement of changes in equity for the fiscal year ended March 31, 2022.

There is no impact on the per share information for the fiscal year ended March 31, 2022.

Furthermore, in accordance with the transitional treatment stipulated in Paragraph 89-3 of the Revenue Recognition Accounting Standard, notes on “Revenue recognition” for the fiscal year ended March 31, 2021 are 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 fiscal year ended March 31, 2022, 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 consolidated financial statements.

(Segment information, etc.)

[Segment information]

1. Overview of reportable segments

The Company's reportable segments are components of the Company for which separate financial information is available and which are subject to periodic review by the Board of Directors in order to determine the allocation of management resources and evaluate their performance.

The Company mainly produces and sells ferronickel products. For product production, a manufacturing division, which forms the basis of the product production system, is located at the Hachinohe Head Office, and for product sales, a sales division spanning the Hachinohe Head Office and the Tokyo Head Office is responsible for formulating comprehensive sales strategies and conducting business development in Japan and abroad.

In addition, gases used in the product manufacturing process at the Hachinohe Head Office are purchased from Pacific Gas Center Co., Ltd., which operates the gas business.

Therefore, the Company is composed of segments by product based on production and sales systems, with "nickel business" and "gas business" as reportable segments.

2. The method of calculating net sales, profit or loss, assets, liabilities, and other items by reportable segment

As mentioned in "Changes in accounting policies," the Company has applied the Revenue Recognition Accounting Standard, etc. effective from the consolidated financial statements for the fiscal year ended March 31, 2022 and changed accounting treatment for revenue recognition. Accordingly, the Company also changed the method of calculating profit or loss of reportable segments.

There is no impact of this change on segment profit or loss.

For the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Million yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Consolidated Statements of Income (Note 3)
	Nickel business	Gas business	Total				
Net sales							
Net sales to outside customers	30,419	513	30,933	1,283	32,217	—	32,217
Intersegment sales or transfer	0	103	103	—	103	(103)	—
Total	30,419	617	31,036	1,283	32,320	(103)	32,217
Segment profit (loss)	(567)	21	(546)	43	(502)	9	(493)
Segment assets	71,765	497	72,263	3,270	75,533	(48)	75,484
Other items							
Depreciation and amortization	337	23	360	18	378	—	378
Impairment loss	1,896	—	1,896	—	1,896	—	1,896
Investment in entities accounted for using equity method	13,818	—	13,818	378	14,196	—	14,196
Increase in property, plant and equipment and intangible assets	1,237	7	1,244	4	1,249	—	1,249

- Notes:
1. “Other” corresponds to business segments, etc. that are not included in the reportable segments and comprises the real estate business and the waste recycling business.
 2. Adjustments are as follows.
 - (1) Adjustment to segment profit (loss) of ¥9 million includes intersegment elimination of ¥9 million and other adjustments of ¥0 million.
 - (2) Adjustment of segment assets of ¥ (48) million is intersegment elimination.
 3. Segment profit (loss) is adjusted with operating loss in the consolidated statements of income.

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Consolidated Statements of Income (Note 3)
	Nickel business	Gas business	Total				
Net sales							
Net sales to outside customers	56,338	466	56,805	324	57,129		57,129
Intersegment sales or transfer	0	109	109	—	109	(109)	—
Total	56,338	576	56,915	324	57,239	(109)	57,129
Segment profit (loss)	4,950	(10)	4,940	(142)	4,797	9	4,806
Segment assets	86,237	568	86,806	3,106	89,913	(60)	89,852
Other items							
Depreciation and amortization	222	24	247	9	256	—	256
Impairment loss	317	—	317	—	317	—	317
Investment in entities accounted for using equity method	15,430	—	15,430	339	15,770	—	15,770
Increase in property, plant and equipment and intangible assets	649	35	685	1	686	—	686

- Notes:
1. “Other” corresponds to business segments, etc. that are not included in the reportable segments and comprises the real estate business and the waste recycling business.
 2. Adjustments are as follows.
 - (1) Adjustment to segment profit (loss) of ¥9 million includes intersegment elimination of ¥9 million and other adjustments of ¥0 million.
 - (2) Adjustment of segment assets of ¥ (60) million is intersegment elimination.
 3. Segment profit (loss) is adjusted with operating loss in the consolidated statements of income.

3. Information on the amounts of net sales, profit or loss, assets, liabilities, and other items by reportable segment and information on breakdown of revenue

(Million yen)

	Reportable segment			Other (Note 1)	Total
	Nickel business	Gas business	Total		
Japan	21,256	466	21,722	324	22,047
South Korea	3,429	—	3,429	—	3,429
Taiwan	12,830	—	12,830	—	12,830
China	15,025	—	15,025	—	15,025
India	3,797	—	3,797	—	3,797
Revenue from contracts with customers	56,338	466	56,805	324	57,129
Revenue from other sources	—	—	—	—	—
Net sales to outside customers	56,338	466	56,805	324	57,129

[Related information]

For the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

1. Information by product/service

This information is omitted because the amount of net sales to outside customers in a single product/service category exceeds 90% of the amount of net sales in the consolidated statement of income.

2. Information by geographical area

(1) Net sales

(Million yen)

Japan	South Korea	Taiwan	China	India	Total
11,496	2,799	7,870	8,829	1,221	32,217

Note: Net sales are based on the location of customers and are classified by country or region.

(2) Property, plant and equipment

This information is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment in the consolidated balance sheet.

3. Information by major customer

(Million yen)

Customer name	Net sales	Related segment name
NIPPON STEEL Stainless Steel Corporation	9,006	Nickel business
TISCO TRADING (H.K.) LTD	5,214	Nickel business
TANG ENG IRON WORKS CO., LTD.	5,159	Nickel business

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

1. Information by product/service

This information is omitted because the amount of net sales to outside customers in a single product/service category exceeds 90% of the amount of net sales in the consolidated statement of income.

2. Information by geographical area

(1) Net sales

(Million yen)

Japan	South Korea	Taiwan	China	India	Total
22,047	3,429	12,830	15,025	3,797	57,129

Note: Net sales are based on the location of customers and are classified by country or region.

(2) Property, plant and equipment

This information is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment in the consolidated balance sheet.

3. Information by major customer

(Million yen)

Customer name	Net sales	Related segment name
NIPPON STEEL Stainless Steel Corporation	19,902	Nickel business
TISCO TRADING (H.K.) LTD	14,231	Nickel business
TANG ENG IRON WORKS CO., LTD.	7,053	Nickel business
WALSIN LIHWA CORPORATION	5,777	Nickel business

[Information on loss on impairment of non-current assets]

For the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Million yen)

	Reportable segment			Other	Corporate/ elimination	Total
	Nickel business	Gas business	Total			
Impairment loss	1,896	—	1,896	—	—	1,896

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Reportable segment			Other	Corporate/ elimination	Total
	Nickel business	Gas business	Total			
Impairment loss	317	—	317	—	—	317

[Information on amortization of goodwill and unamortized balance by reportable segment]

For the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

Not applicable.

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Not applicable.

[Information on gain on bargain purchase by reportable segment]

For the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

Not applicable.

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Not applicable.

(Per share information)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Net assets per share	¥3,421.84	¥4,095.12
Basic earnings per share	¥59.61	¥582.93

- Notes: 1. Diluted earnings per share is not presented because there are no dilutive shares.
2. The basis for calculation of net assets per share and the basis for calculation of basic earnings per share are as follows.

Basis for calculation of net assets per share

	As of March 31, 2021	As of March 31, 2022
Total net assets in consolidated balance sheets (million yen)	67,014	80,153
Amount deducted from total net assets (Million yen)	276	287
(of which non-controlling interests (Million yen))	(276)	(287)
Net assets at end of period attributable to shares of common stock (Million yen)	66,737	79,866
Number of shares of common stock at end of period used for calculation of net assets per share (Thousand shares)	19,503	19,502

Basis for calculation of basic earnings per share

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Profit attributable to owners of parent (Million yen)	1,162	11,368
Amount not attributable to common shareholders (Million yen)	—	—
Profit attributable to owners of parent relating to shares of common stock (Million yen)	1,162	11,368
Average number of shares of common stock during period (Thousand shares)	19,503	19,503

(Significant subsequent events)

Not applicable.