
PACIFIC METALS CO., LTD

Financial Results Briefing Session for Fiscal Year Ended March 31, 2022

May 17, 2022

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1. Financial Results for Fiscal Year Ended March 31, 2022

1. Financial Results for Fiscal Year Ended March 31, 2022

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(1) Financial results

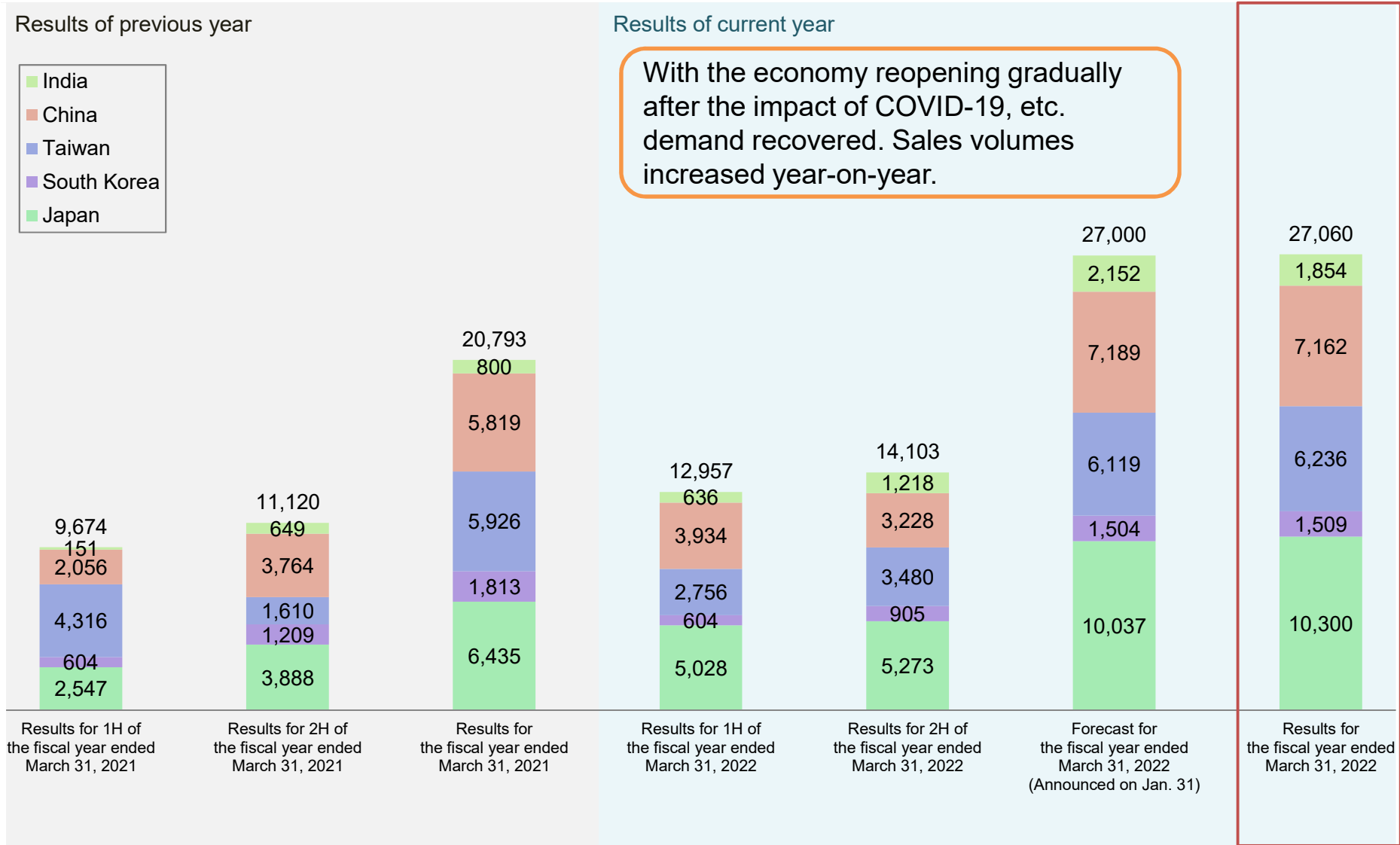
	Results for the fiscal year ended March 31, 2021		Forecast for the fiscal year ended March 31, 2022 (Announced on Jan. 31)		Results for the fiscal year ended March 31, 2022		Year-on-year (%)	Vs Forecast Announced on Jan. 31 (%)	Topics
	Amount (million yen)	Profit rate (%)	Amount (million yen)	Profit rate (%)	Amount (million yen)	Profit rate (%)			
Net sales	32,217	—	54,713	—	57,129	—	77.3	4.4	<p>■ Net sales and earnings The LME nickel price rose year-on-year. The yen become weaker year-on-year in the FX market. Net sales increased partly due to higher sales volumes. Affiliated companies accounted for by the equity method too performed firmly, and profit increased.</p>
Operating profit	-493	-1.5	2,722	5.0	4,806	8.4	—	76.6	
Ordinary profit	3,344	10.4	9,913	18.1	12,999	22.8	288.6	31.1	
Profit attributable to owner of parent	1,162	3.6	8,455	15.5	11,368	19.9	877.8	34.5	
(Investment)	1,249	—	—	—	686	—	-45.1	—	
(Depreciation)	378	—	—	—	256	—	-32.3	—	

	Results for the fiscal year ended March 31, 2021	Forecast for the fiscal year ended March 31, 2022 (Announced on Jan. 31)	Results for the fiscal year ended March 31, 2022	Year-on-year (%)	Vs Forecast announced on Jan. 31 (%)	Topics
Production volume (Ni t)	18,414	26,526	26,249	42.6	-1.0	<p>■ Production volume and sales volume Production and sales remained firm as demand recovered.</p>
Sales volume (Ni t)	20,793	27,000	27,060	30.1	0.2	
Applicable LME nickel price (US\$/t)	14,418	18,717	19,290	33.8	3.1	<p>■ LME nickel price Demand picked up, and prices were on an upward trend due to the reopening of economic activities.</p>
[Applicable LME nickel price (US\$/lb.)]	[6.54]	[8.49]	[8.75]			
Applicable exchange rate (¥/US\$)	105.21	110.43	111.67	6.1	1.1	

1. Financial Results for Fiscal Year Ended March 31, 2022

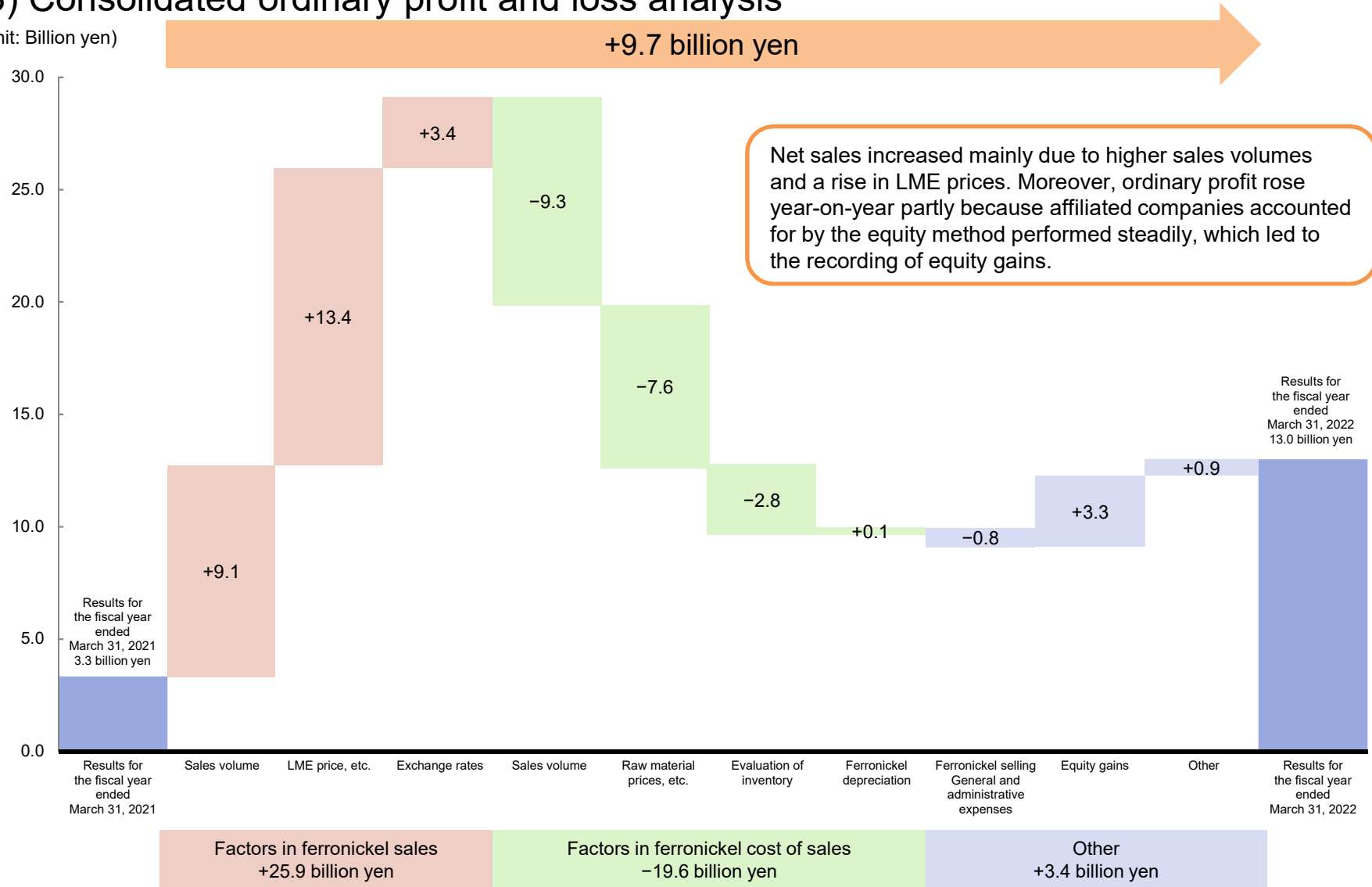
(2) Sales results by country

(Unit: Ni tons)



(3) Consolidated ordinary profit and loss analysis

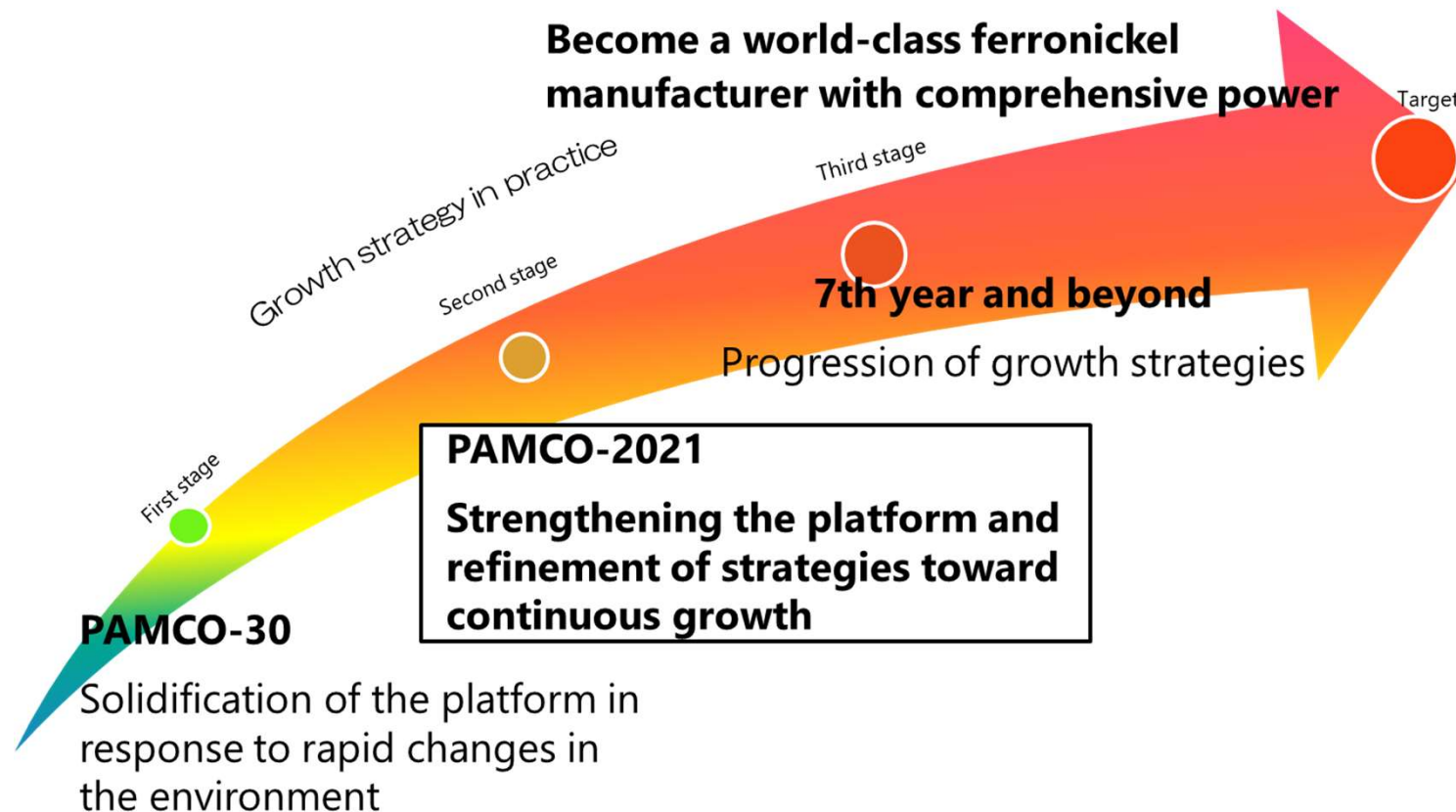
(Unit: Billion yen)



2. Review of Previous Medium-term Business Plan PAMCO-2021

(1) Achievement of basic policies

- PAMCO-2021 was the second stage for achievement of the long-term vision and focused on “Strengthening the platform and refinement of strategies toward continuous growth”



(1) Achievement of basic policies

Basic policies	Achievement status (○: Achievement made △: Issues remain)
1) Strengthening of facilities and stable procurement of ore to develop the optimal production system	<ul style="list-style-type: none"> ○ Systematic investment in facilities that contribute to an optimal production system ○ Stable procurement of ore necessary for production during the period △ No new ore procurement from third countries other than the Philippines and New Caledonia
2) Initiatives with view to expanding overseas business	<ul style="list-style-type: none"> △ Shortlisting overseas smelting projects in cooperation with resource-rich countries
3) Diversification of business in Japan	<ul style="list-style-type: none"> △ Sowing seeds for domestic business candidates and shortlisting with a view to rebuilding the recycling business
4) Strengthen profitability	<ul style="list-style-type: none"> ○ Cost reduction through various rationalization measures (total of 2.2 billion yen improvement over 3 years) △ Cost competitiveness was not achieved due to soaring prices of raw materials and fuels, etc. ○ Minimized the impact of market fluctuations by utilizing hedging to secure stable income
5) Strengthening of organization and human resources in anticipation of changes in the business environment	<ul style="list-style-type: none"> ○ New organizational structure strengthened the responsiveness of the organization ○ Secured necessary personnel based on future-oriented human resource development and recruitment plans
6) Management focused on cash flow	<ul style="list-style-type: none"> ○ Reduce the risk of shortfall of funds through appropriate cash flow management
7) Contribution toward achieving a sustainable society	<ul style="list-style-type: none"> ○ Reduced CO₂ emissions by promoting energy-saving activities △ No major occupational accidents, although we did not achieve zero accidents ○ Strengthened compliance and responded to the principles of the Corporate Governance Code

Although certain results were achieved in accordance with the basic policies, it is necessary to "further strengthen the platform and promote the sustainability strategy" in light of the business environment surrounding the Company and social needs.

(2) ESG initiatives

1) Environment

- **Eco-friendly production process**

- The Company conducted efficient production with some of the world's largest electric furnaces by deploying the Company's world top-level smelting technology.
- The Company reduced energy consumption by applying high-temperature exhaust gas, emitted from electric furnaces, to the ore drying process.
- The Company contrived to reduce environment footprint through measures, such as the recycling of smelting nickel-contained recycled raw materials together with nickel ore.

- **Effective utilization of byproducts and zero emissions from waste**

- The Company turns all ferronickel slag obtained as a byproduct from the ferronickel production process into usable resources and sells them as attractive products that can be employed for a wide range of applications.
- Of waste generated from the ferronickel production process, etc., oil waste is recycled internally, and all waste that cannot be dealt with internally is recycled by outside waste disposal companies, and in this way the Company has achieved zero emission from waste.

- **Issue of Environmental and Social Report (FY2021 version)**

- For details, please refer to the URL below.
- <https://www.pacific-metals.co.jp/environment/report.php>

2) Social

- **Together with local communities**

- The Company donated alcohol sanitizer to Hachinohe City.
- The Company cosponsors local football club Vanraure Hachinohe.

- **Together with ore-sourcing regions**

- The Company made donations to the Philippines, which had been damaged by Typhoon Rai (Odette) in 2021.

(2) ESG initiatives

3) Governance

• **Cross-shareholdings**

- 7,939 million yen as of the end of March 2022
 - *Of which, 7,047 million yen (88.8%) is a stake in Nickel Asia Corporation of the Philippines.
- Net assets: 80,153 million yen
- Ratio of cross-shareholdings to net assets: 9.9%
- The amount of one cross-shareholding was reduced in amount during the fiscal year ended March 2022.
- The Company will consider reducing the remaining cross-shareholdings in due course.

• **Evaluation of the effectiveness of the Board of Directors**

- A questionnaire survey was conducted by a third-party agency in March 2022.
- The Company will continue deepening the efforts to further improve the quality of discussions at Board of Directors meetings (including ESG and SDGs issues) and ensure the transparency of the director compensation system and others.

• **Composition of the Board of Directors**

- Independent Outside Directors: 3 people
(Out of 9 Directors. Ratio of Independent Outside Directors: 33.3%)
(Female Directors: 1 person)

• **Nomination and Compensation Committee (Voluntary)**

- Established in May 2021. The meeting was held five times by the end of March 2022.
- The Committee, under the chairperson who was an Independent Outside Director, discussed nomination policy and the ideal state of future director compensation.

• **Upcoming initiatives**

- Consideration of disclosure in line with TCFD
- Initiative concerning ensuring diversity

The Company continues pushing forward with ESG initiative as one of priority management issues.

(3) 3-year plan vs. results (consolidated)

	FY2019–FY2021 (3-year total)			Reason for increases/decreases
	Plan	Results	Comparison	
Production volume (Ni t)	94,500	75,548	-18,952	Volume adjustment due to changes in stainless steel market conditions and demand due to COVID-19, etc.
Sales volume (Ni t)	95,500	76,386	-19,114	
Applicable LME nickel price (US\$/lb.)	6.48	7.23	0.75	Temporary slump due to COVID-19, etc., but steady growth due to resumption of economic activities in various countries, etc.
Applicable exchange rate (¥/US\$)	109.72	108.72	-1.00	Resumption of economic activities amid the pandemic and the impact of financial and capital markets, etc., caused the yen to appreciate against the U.S. dollar.
Net sales (million yen)	157,785	133,480	-24,305	Affected by a decrease in sales volume
Operating profit (million yen)	2,770	2,434	-336	Ditto
Ordinary profit (million yen)	10,853	17,316	6,463	Increase in share of profit of entities accounted for using equity method
Profit attributable to owners of parent (million yen)	9,768	13,156	3,388	Ditto
Investment (million yen)	10,707	2,466	-8,241	Postponement of overseas investment, etc. due to the impact of COVID-19, etc.
Depreciation (million yen)	1,253	965	-288	Postponement of capital investment and impairment loss

3. Overview of New Medium-term Business Plan PAMCO-2024

(1) Positioning of the medium-term business plan

- Revision of the long-term vision

A comprehensive materials company that co-creates a sustainable, recycling-oriented society

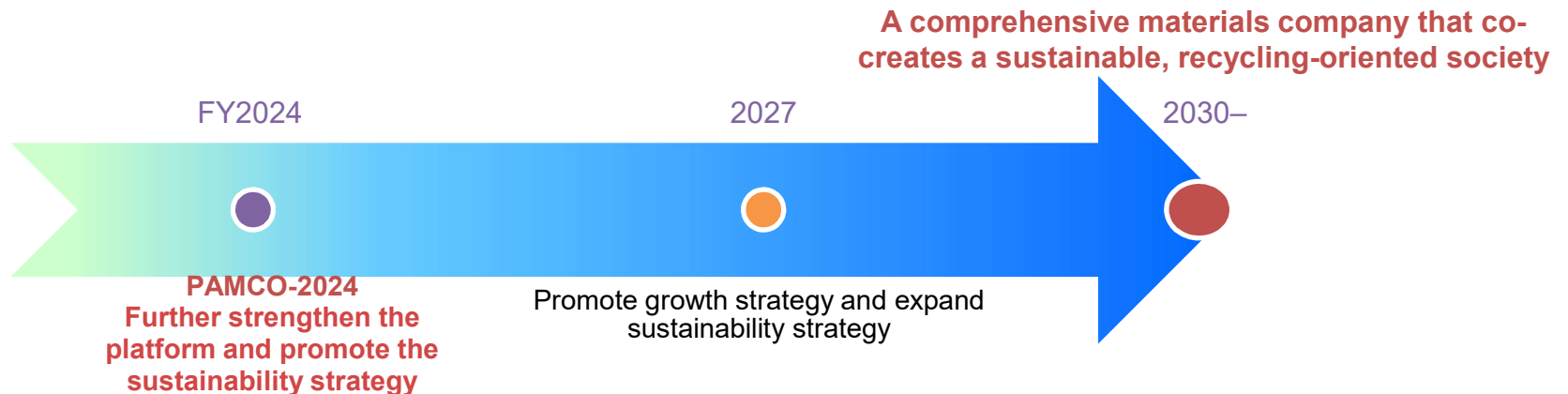
* We aim to be a comprehensive materials company (nickel, other metals, recycled materials, etc.) that promotes the efficient use and recycling of finite resources and continues to work with stakeholders to create a sustainable, recycling-oriented society.

- Theme of New Medium-term Business Plan PAMCO-2024

Further strengthen the platform and promote the sustainability strategy

* Further strengthen the foundation established under PAMCO-2021 to enable flexible and rapid response to changes in the business environment.

* Promoting a sustainable strategy to solve society's issues and PAMCO's material issues.



(2) Business environment surrounding PAMCO: Emerging risks and opportunities

Segment	Risks expected in the period covered by PAMCO-2024	Segment	Opportunities expected in the period covered by PAMCO-2024
LME Ni price	<ul style="list-style-type: none"> The growing impact of factors represented by VUCA, such as the future of U.S.-China confrontation, the invasion of Ukraine, and changes in the social and economic structure due to COVID-19 	Ferronickel business	<ul style="list-style-type: none"> Global demand for stainless steel is expected to continue to grow steadily Expanding commercial opportunities for low-carbon products against the backdrop of the global trend toward a low-carbon society
Resources	<ul style="list-style-type: none"> Export ban of Indonesia, a major resource-rich country, is firmly in place. The decline in ore grades in the Philippines and the shift in resource policy Gradual increase in demand for non-FeNi and NPI due to expanding demand for EVs 	Growth and expansion of new product markets (EV)	<ul style="list-style-type: none"> As the automotive industry shifts to EVs, demand for nickel for battery applications is expected to grow Expanding opportunities to address rising demand for nickel sulfate and cobalt sulfate in the growing market for LIBs
Market	<ul style="list-style-type: none"> Intensifying market competition due to continuous expansion of NPI production capacity in Indonesia Increasing expectations for low-carbon products 	Recycling business	<ul style="list-style-type: none"> Expectations for a recycling-oriented society and economy are growing Greater opportunities to launch new businesses through collaboration with other companies Greater demand for special construction materials due to the acceleration of various measures for disaster prevention/mitigation and national land resilience
Energy environment	<ul style="list-style-type: none"> Trend toward a low-carbon society Impact of the invasion of Ukraine on electricity prices, etc. 		
Labor	<ul style="list-style-type: none"> Changes in the labor market against a backdrop of workstyle reform, diversity, etc. triggered by COVID-19 		

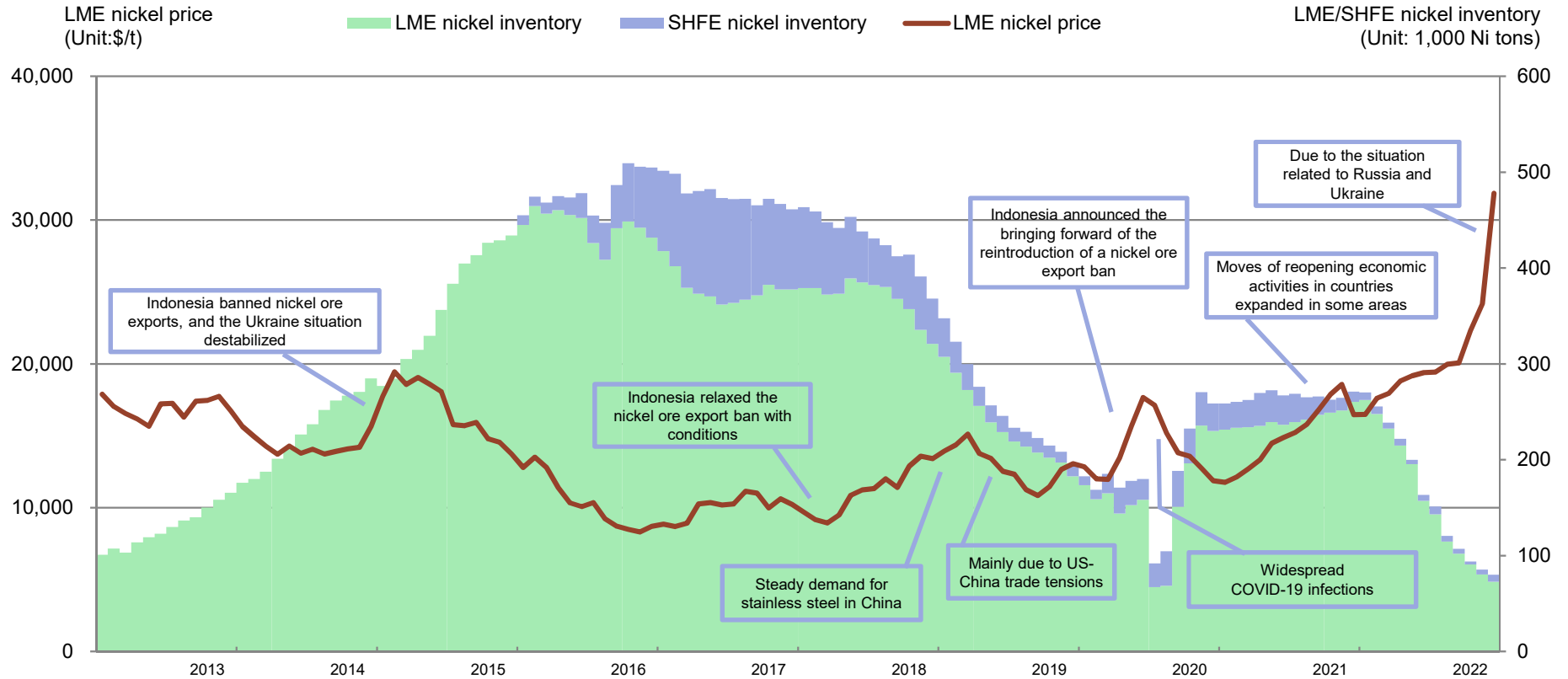
Increased momentum of initiatives to minimize “risks” and exploit “opportunities”

(3) Material issues (materiality)

- Restructuring of ferronickel production and sales systems with emphasis on profitability
- Acceleration of consideration of expansion into overseas smelting business
- Creation of new businesses that contribute to society
- Diversification of business in Japan to contribute to a recycling-oriented society
- Enhancement of corporate value by addressing sustainability issues

(4) Trends in LME nickel prices and nickel inventory volumes

* Surveyed by Pacific Metals

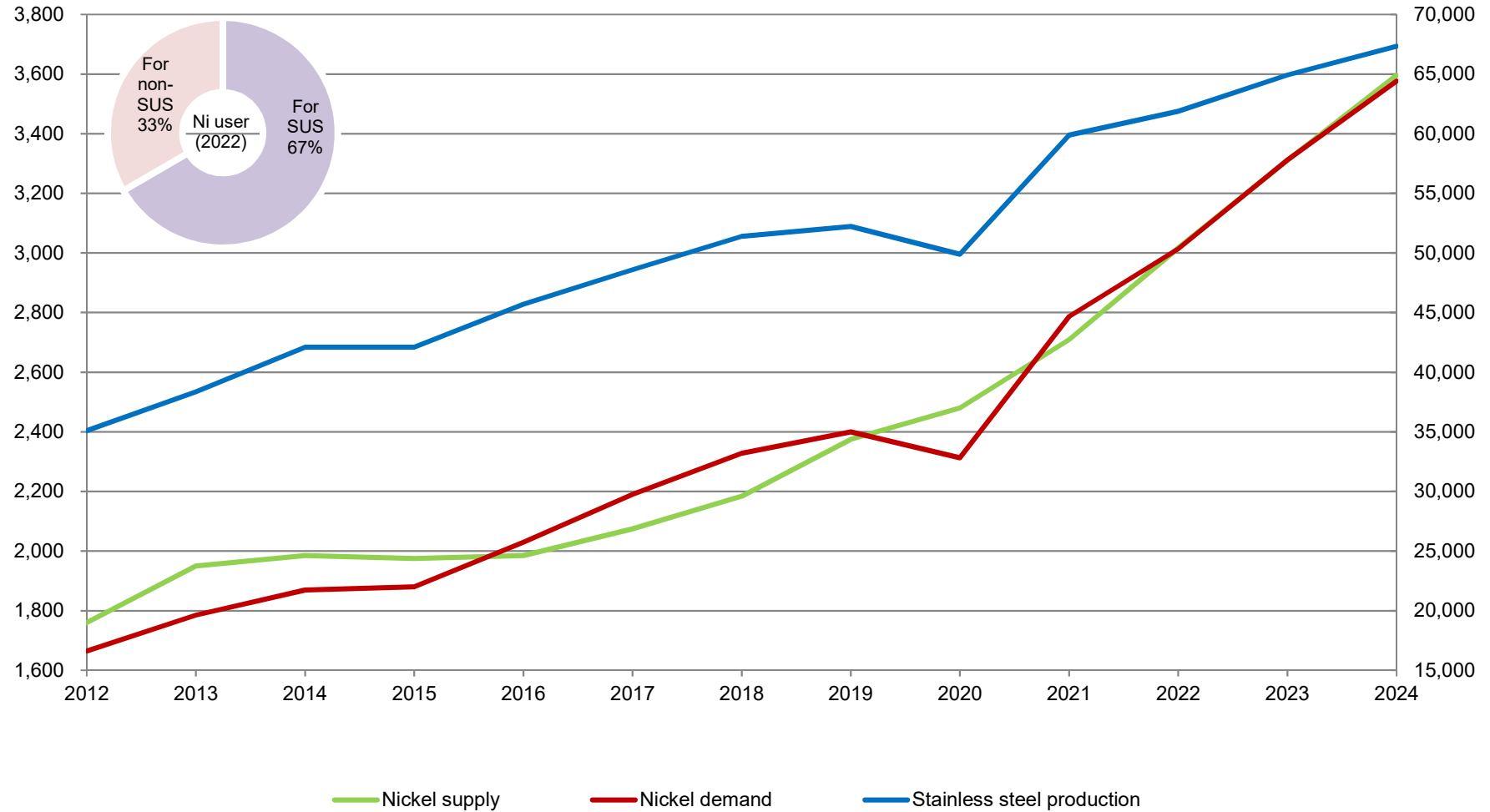


Trend in operating results	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales (million yen)	58,488	56,408	61,225	47,649	38,697	41,210	49,062	44,133	32,217	57,129
Operating profit (million yen)	2,168	-4,079	-7,787	-15,357	-3,070	-3,239	176	-1,879	-493	4,806
Ordinary profit (million yen)	4,920	-1,838	-91	-12,283	-515	-203	3,451	972	3,344	12,999

(5) Outlook for stainless steel production and nickel supply and demand

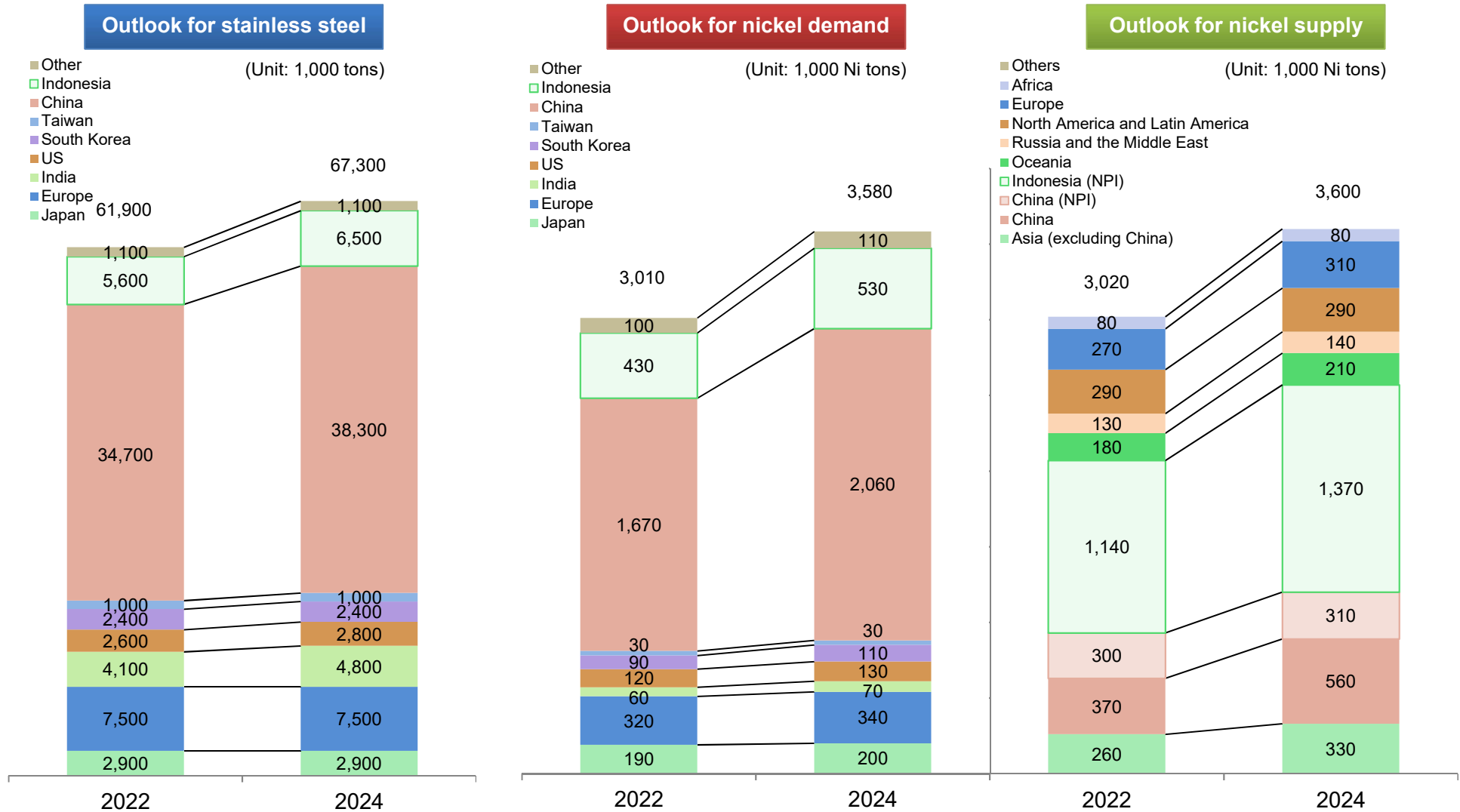
Nickel supply and demand
(Unit: 1,000 Ni tons)

* Surveyed by Pacific Metals
Stainless steel production
(Unit: 1,000 tons)







(6) Outlook for stainless steel production and nickel supply and demand by region

* Survey by Pacific Metals



(7) Priority measures

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

<p>Restructuring of ferronickel production and sales systems with emphasis on profitability</p> 	<p>1) Establishment of optimal production system by reviewing production strategy</p> <ul style="list-style-type: none"> • Establish optimal production system to further strengthen the platform. <p>2) Strengthening of cost competitiveness by reviewing procurement strategy</p> <ul style="list-style-type: none"> • Review and strengthen procurement strategies for fuels and other raw materials, according the highest priority to cost competitiveness.
<p>Acceleration of consideration of expansion into overseas smelting business</p> 	<p>3) Promotion of overseas smelting projects and start-up of production</p> <ul style="list-style-type: none"> • Establish optimal ferronickel production and sales system by combining domestic and overseas smelting operations.
<p>Creation of new businesses that contribute to society</p> 	<p>4) Promotion of production and sales of raw materials for LIB materials</p> <ul style="list-style-type: none"> • Create a business to manufacture and sell raw materials for LIB materials by utilizing hydrometallurgical technologies.
<p>Diversification of business in Japan to contribute to a recycling-oriented society</p> 	<p>5) Restructuring of recycling business</p> <ul style="list-style-type: none"> • Promote restructuring of our recycling business through collaboration with other companies, etc.

(7) Priority measures

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

Enhancement of corporate value by addressing sustainability issues



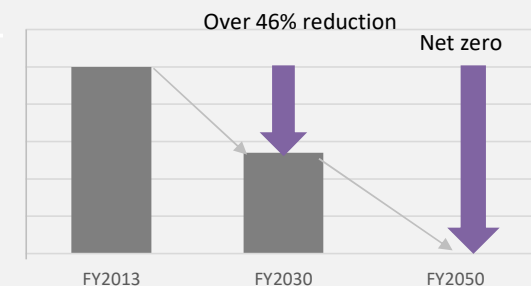
6) Sustainability Promotion Council

- Positioning the response to climate change and the realization of a sustainable society as the most important management issue, promote specific measures across PAMCO, including discussions on medium- to long-term initiatives and directions concerning material sustainability issues.

7) Reduction of GHG emissions

- To achieve carbon neutrality by FY2050, implement measures with clear targets, including use of carbon-free energy and introduction of new technologies.

CO2 emissions



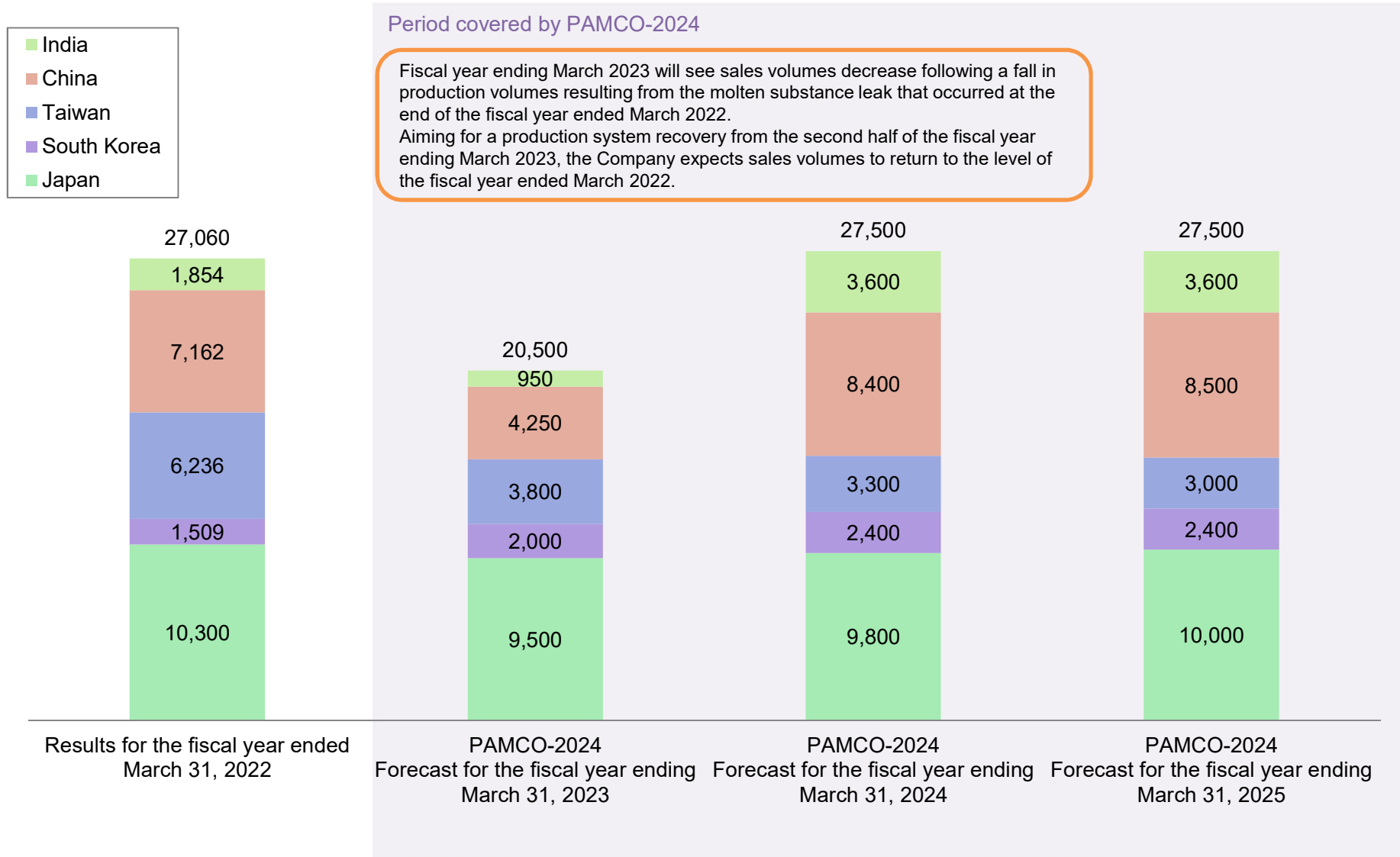
8) Promotion of symbiosis by contributing to the development of regions and resource-rich countries

- Promote symbiosis through activities that contribute to the development of the region and resource-rich countries.

9) Promotion of constructive dialogue with stakeholders

- Disclose operating and financial conditions in a timely, appropriate, and fair manner, and actively communicate and promote constructive dialogue on the market environment and our unique strengths.

(8) Outlook for sales by country



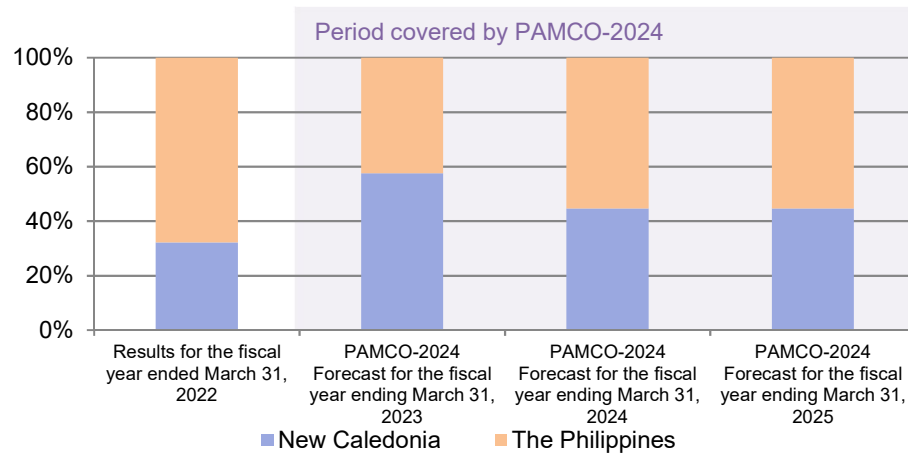
(9) Ore procurement plan

1) Status of conclusion of long-term contracts

Other party in long-term contracts	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ending March 31, 2023	Fiscal year ending March 31, 2024	Fiscal year ending March 31, 2025
■ Rio Tuba Nickel Mining Corporation (36% stake held by Pacific Metals)	Prior contract period		Renewed	Contract period: Jan. 2022 to Dec. 2026 (5 years)	
■ Taganito Mining Corporation (33.5% stake held by Pacific Metals)	Prior contract period			Contract period: Jan. 2022 to Dec. 2026 (5 years)	
■ Cagdianao Mining Corporation	Prior contract period			Contract period: Jan. 2022 to Dec. 2026 (5 years)	
■ MKM (1)	Contract period: Jan. 2014 to Dec. 2023 (10 years)				
■ MKM (2)	Contract period: Jan. 2016 to Dec. 2025 (10 years)				
■ Montagna SARL	Contract period: Apr. 2016 to Mar. 2026 (10 years)				

■ The Philippines
 ■ New Caledonia

2) Procurement ratio



3) Status of procurement

- Environment surrounding nickel ore procurement**
 - Export ban of Indonesian ore came in effect in January 2014.
 - The export ban was relaxed temporarily between January 2017 and December 2019.
 - Afterwards, the export ban was reintroduced in January 2020.
 - Since then, ore supply and demand has remained tight.
- The Company's ore procurement policy**
 - As an ongoing ore procurement policy, the Company is pushing forward with the expansion of ores procurement from New Caledonia.

(10) Investment plan

1) Capital investment	<ul style="list-style-type: none"> • Capital investment that contributes to the maintenance, efficiency, and longevity of facilities
2) Strategic investment	<ul style="list-style-type: none"> • i) Domestic business <ul style="list-style-type: none"> ➢ Business investment based on business profitability evaluation of domestic business candidates considered in PAMCO-2021 • ii) Overseas business, resources <ul style="list-style-type: none"> ➢ Business investment based on decision to participate in overseas smelting projects ➢ New mining area development surveys, etc., to secure resources • iii) R&D investment <ul style="list-style-type: none"> ➢ R&D investment for sustainable nickel business

(Million yen)	Period covered by PAMCO-2021	Period covered by PAMCO-2024			
		FY2022	FY2023	FY2024	Total
1) Capital investment	2,466	1,495	1,351	1,004	3,850
2) i) Domestic business	—	53	500	7,472	8,025
2) ii) Overseas business, resources	—	5,506	18	8	5,532
2) iii) R&D investment	—	35	0	1,000	1,035
Total	2,466	7,089	1,869	9,484	18,442

Promoting investment to achieve the priority measures of new medium-term business plan PAMCO-2024

(11) Capital policy

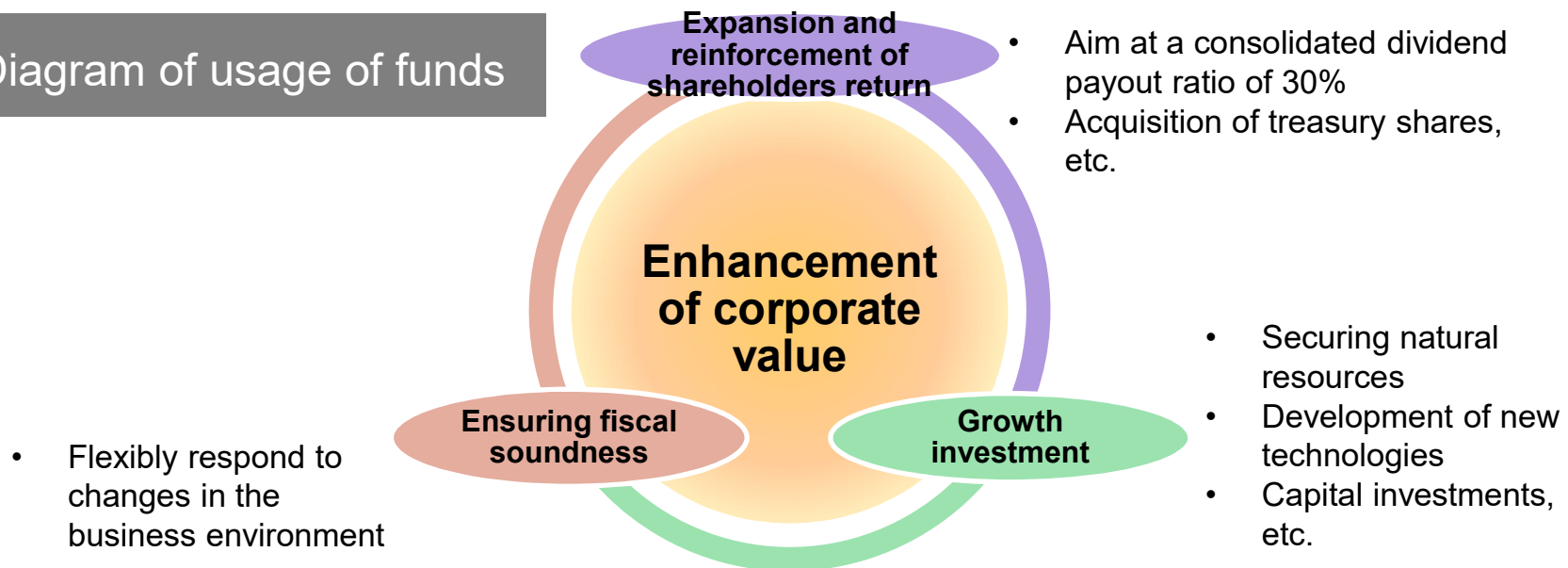
1) Dividends of surplus

- Positioning the return of profits to shareholders as one of the important management issues, the Company will aim to achieve a consolidated dividend payout ratio of 30% while enhancing and strengthening its corporate structure.

2) Internal reserve

- Use internal reserve as a fund to respond functionally to changes in the business environment and utilize the fund to secure resources, develop new technologies, make capital investments, and acquire treasury shares as part of its capital policies.

Diagram of usage of funds

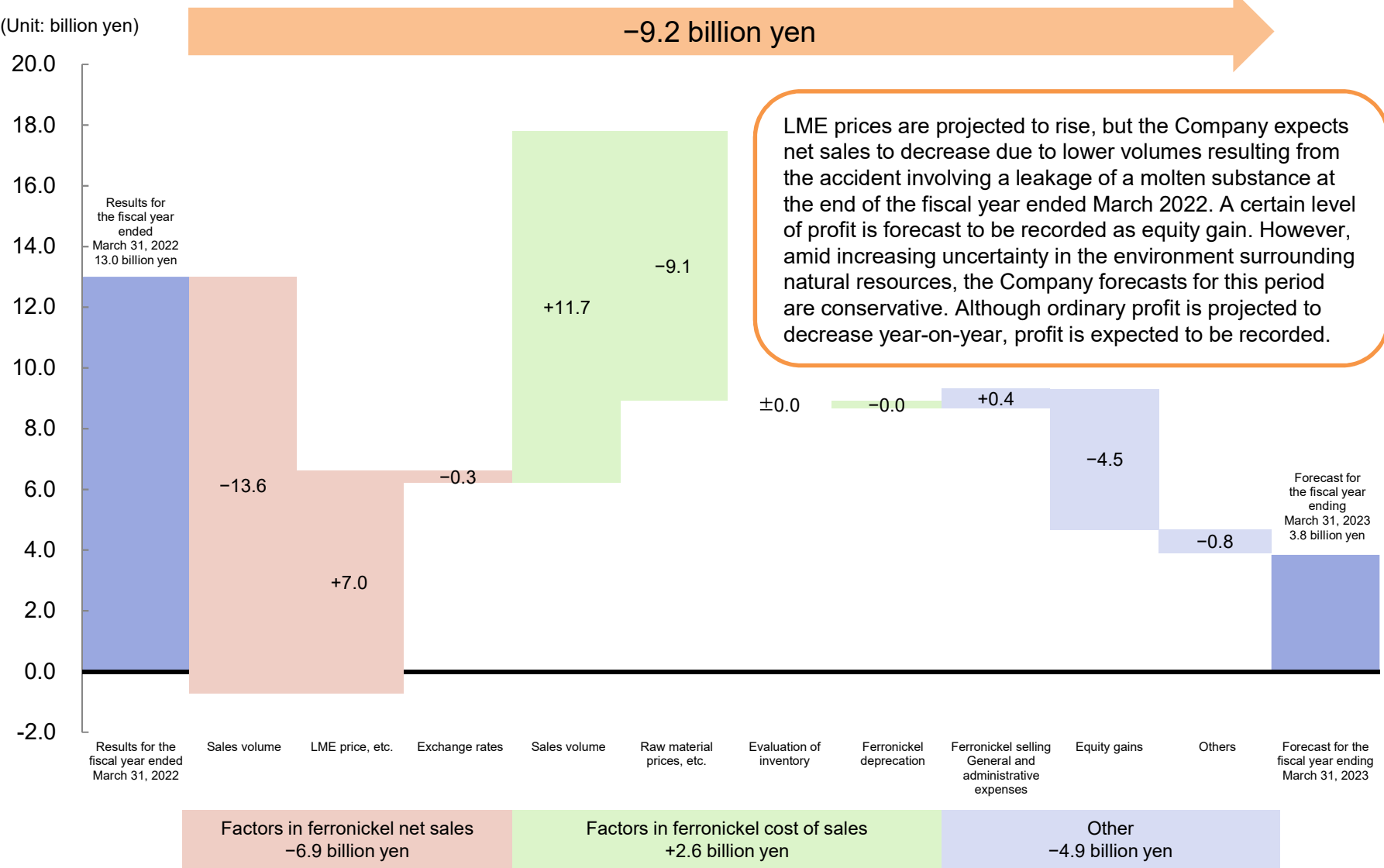


(12) Indicators for each fiscal year (earnings plan)

		Period covered by PAMCO-2024			
		FY2022	FY2023	FY2024	Total
Production volume	Ni t	20,810	29,037	28,454	78,301
Sales volume	Ni t	20,500	27,500	27,500	75,500
Applicable LME nickel price	(US\$/lb.)	9.73	8.79	8.75	9.03
Applicable exchange rate	(¥/US\$)	111.05	111.06	111.07	111.06
Consolidated (Million yen)	Net sales	50,210	60,958	60,801	171,969
	Operating profit	925	225	1,809	2,959
	Ordinary profit	3,844	2,822	4,549	11,215
	Profit attributable to owner of parent	3,513	2,415	4,058	9,986
	Total assets	89,594	91,934	97,914	—
	Net assets	81,026	82,416	85,797	—
	Investment	7,089	1,869	9,484	18,442
	Depreciation	314	402	536	1,252

(13) Consolidated ordinary profit and loss analysis (First year of PAMCO-2024 period)

(Unit: billion yen)



(Reference) Medium-term Business Plan Numerical Data

28

Results for the PAMCO-2021 period		Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Production volume (Ni t)	30,885	18,414	26,249
	Sales volume (Ni t)	28,533	20,793	27,060
	Applicable LME nickel price (US\$/t)[US\$/lb.]	13,867 [6.29]	14,418 [6.54]	19,290 [8.75]
	Applicable exchange rate (¥/US\$)	108.49	105.21	111.67
	Net sales (million yen)	44,133	32,217	57,129
	Operating profit (million yen)	-1,879	-493	4,806
	Ordinary profit (million yen)	972	3,344	12,999
	Profit attributable to owners of parent (million yen)	625	1,162	11,368
	Total assets (million yen)	69,960	75,484	89,852
	Net assets (million yen)	63,506	67,014	80,153
	Investment (million yen)	530	1,249	686
Depreciation (million yen)	330	378	256	

Planned figures for the PAMCO-2024 period		Fiscal year ending March 31, 2023	Fiscal year ending March 31, 2024	Fiscal year ending March 31, 2025
	Production volume (Ni t)	20,810	29,037	28,454
	Sales volume (Ni t)	20,500	27,500	27,500
	Applicable LME nickel price (US\$/t)[US\$/lb.]	21,451 [9.73]	19,379 [8.79]	19,290 [8.75]
	Applicable exchange rate (¥/US\$)	111.05	111.06	111.07
	Net sales (million yen)	50,210	60,958	60,801
	Operating profit (million yen)	925	225	1,809
	Ordinary profit (million yen)	3,844	2,822	4,549
	Profit attributable to owners of parent (million yen)	3,513	2,415	4,058
	Total assets (million yen)	89,594	91,934	97,914
	Net assets (million yen)	81,026	82,416	85,797
	Investment (million yen)	7,089	1,869	9,484
Depreciation (million yen)	314	402	536	



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