
PACIFIC METALS CO., LTD

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

May 17, 2022

PACIFIC METALS Website:

<https://www.pacific-metals.co.jp/en/>

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1. Profile

(1) Company overview	3
(2) Trends in operating results and financial condition	4
(3) Trend in operating results of segments	5

2. Business Details

(1) Nickel business	
1) Ferronickel business	
From raw-material procurement to sales	6
Raw-material procurement	7
Production	8
Sales	9
2) Slag business	10
(2) Other businesses	11

3. Q&A List about Pacific Metals	12
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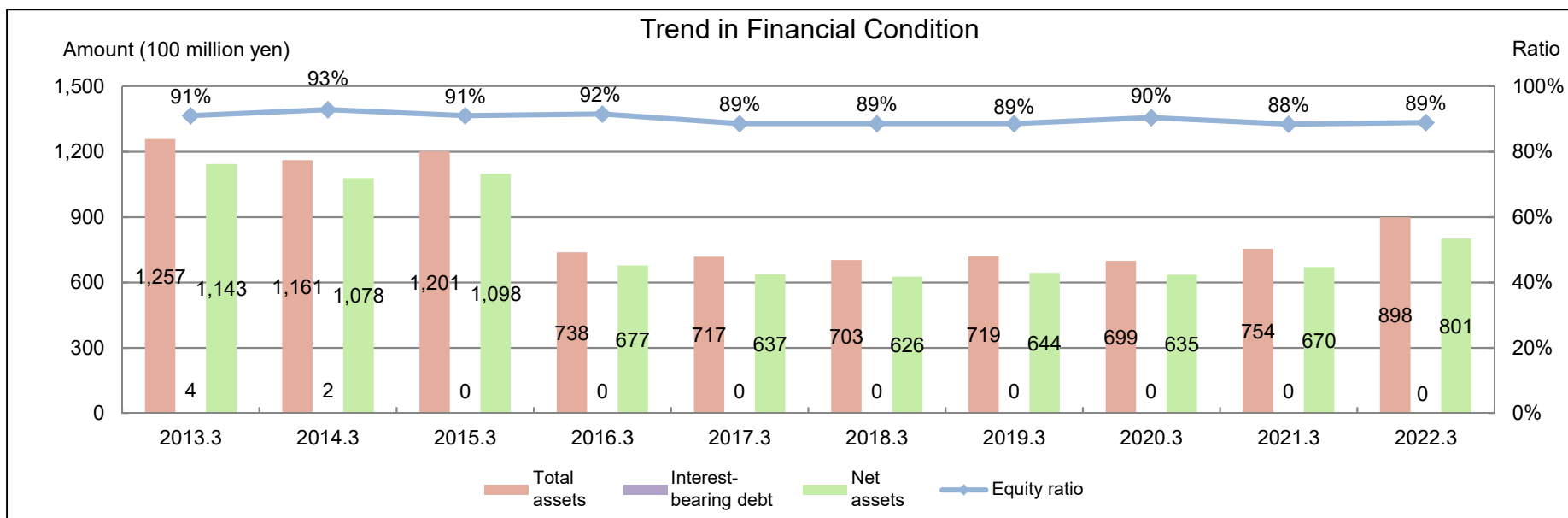
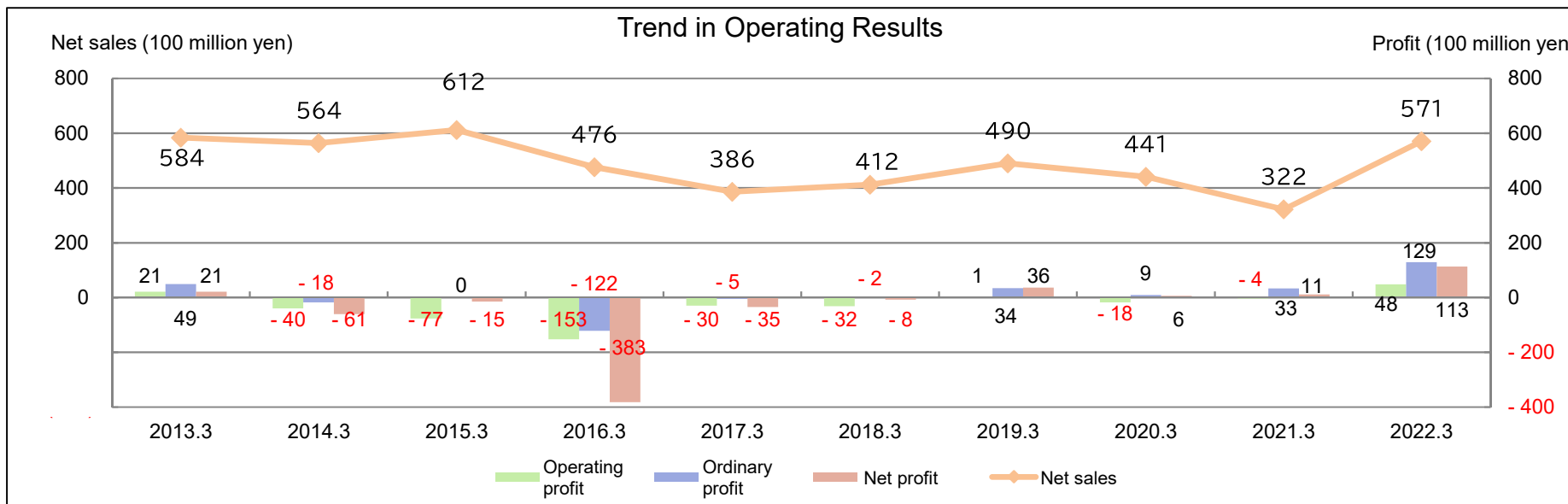
1. Profile ◇ (1) Company overview

Company Overview (As of March 31, 2022)			
Line of Business	Production and sales of ferronickel and slag products Waste recycling business		
Established	December 1949		
Tokyo Head Office Location	1-6-1 Otemachi, Chiyoda-ku, Tokyo 100-0004		
Hachinohe Head Office Location	5-2, Toyama Shinden, Kawaragi, Hachinohe City, Aomori 031-8617 (Hachinohe Works)		
Number of Employees	460 people (consolidated), 416 people (non-consolidated)		
Number of Issued Shares	19,577,071 shares		
Securities Code	5541 Tokyo Stock Exchange (Prime Section)		
Major Shareholders <small>* Ownership ratios are calculated excluding 74,341 shares of treasury stock</small>	Name	Number of Shares Held (1,000 shares)	Ownership Ratio (%)
	The Master Trust Bank of Japan, Ltd.	4,773	24.47
	NIPPON STEEL Stainless Steel Corporation	2,049	10.51
	Custody Bank of Japan, Ltd.	1,586	8.14
Business Size (Consolidated) (Million yen)	Net Sales	57,129	
	Operating Profit	4,806	
	Ordinary Profit	12,999	
	Profit Attributable to Owners of Parent	11,368	
	Total Assets	89,852	
	Net Assets	80,153	
	Share Capital	13,922	
	Interest-Bearing Debt	-	

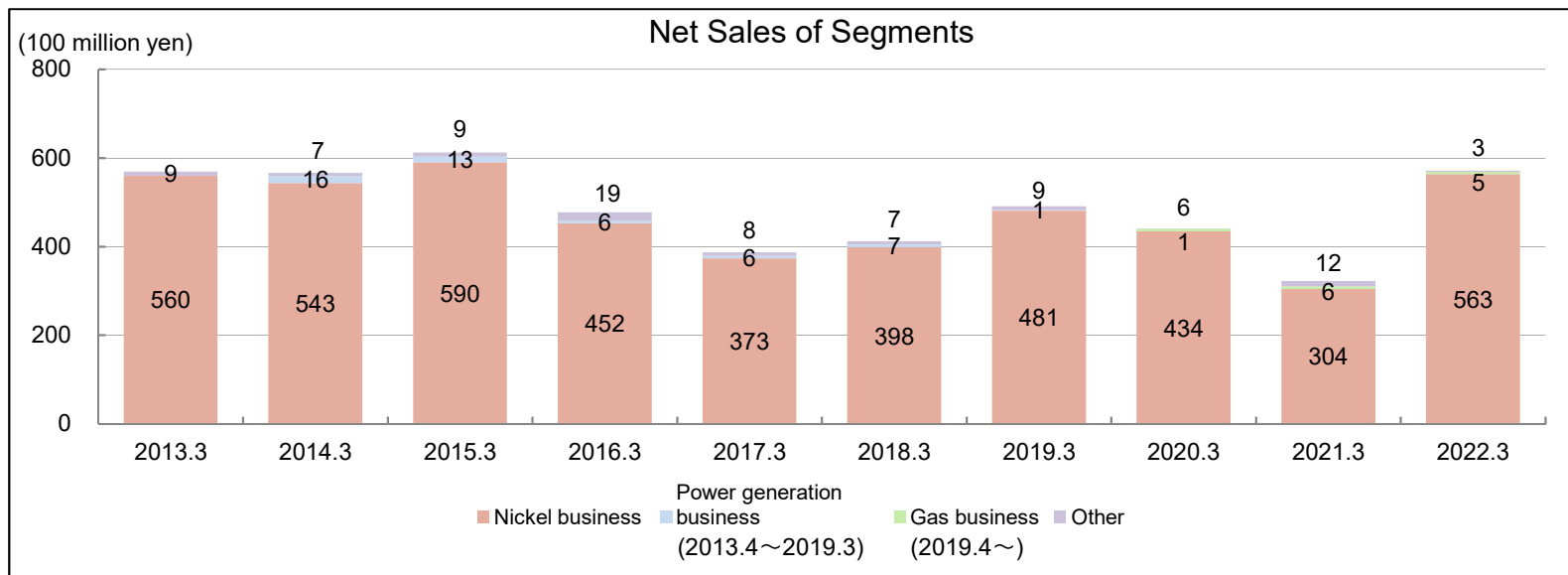
Brief History	
1949	Became Nisso Steel Co., Ltd. after being spun off from the steel division of Nippon Soda Co., Ltd.
1952	Listed on both the Tokyo and Osaka Stock Exchanges
1954	Started production of ferronickel
1968	Started production of stainless steel
1970	Absorbed Pacific Nickel Co., Ltd. through merger and changed its name to Pacific Metals Co., Ltd.
1973	Acquired an equity stake in Rio Tuba Nickel Mining Corporation (the Philippines) and got involved in development of nickel mines
1987	Acquired an equity stake in Taganito Mining Corporation (the Philippines) and got involved in development of nickel mines
1995	Installed a 60,000-kVA electric furnace for ferronickel smelting. Three electric furnace systems established at the Hachinohe Works
1998	Acquired ISO 9002, then transitioned to ISO 9001: 2000 in 2003
1999	Withdrew from the stainless-steel business. Transferred headquarters function to Hachinohe to become a specialized manufacturer of ferronickel
2003	Started a waste recycling business
2009	Acquired ISO 14001 (environmental management)
2012	Acquired OHSAS 18001: 2007
2013	Started operation of a waste-water back-end treatment system
2014	Started operation of an Integrated Management System



1. Profile ◇ (2) Trends in operating results and financial condition



1. Profile ◇ (3) Trend in operating results of segments



Segment Name	Company Name	Ownership Ratio	Business Details
Nickel Business (Note)	Pacific Metals Co., Ltd.		Production and sales of ferronickel products, slag products, and incinerated ash recycling
	◎ Taiheiyo Kosan Co., Ltd.	74.0%	Transport, contracting, real estate, etc.
	* Taganito Mining Corporation	33.5%	Mining and sales of ore (in the Philippines)
	* Rio Tuba Nickel Mining Corporation	36.0%	Same as above
	* Pacific Sowa Corporation	33.7%	Sales of cast and forged steel products, industrial machinery, etc.
Gas Business (Note)	◎ Pacific Gas Center Co., Ltd.	50.0%	Production and sales of gasses

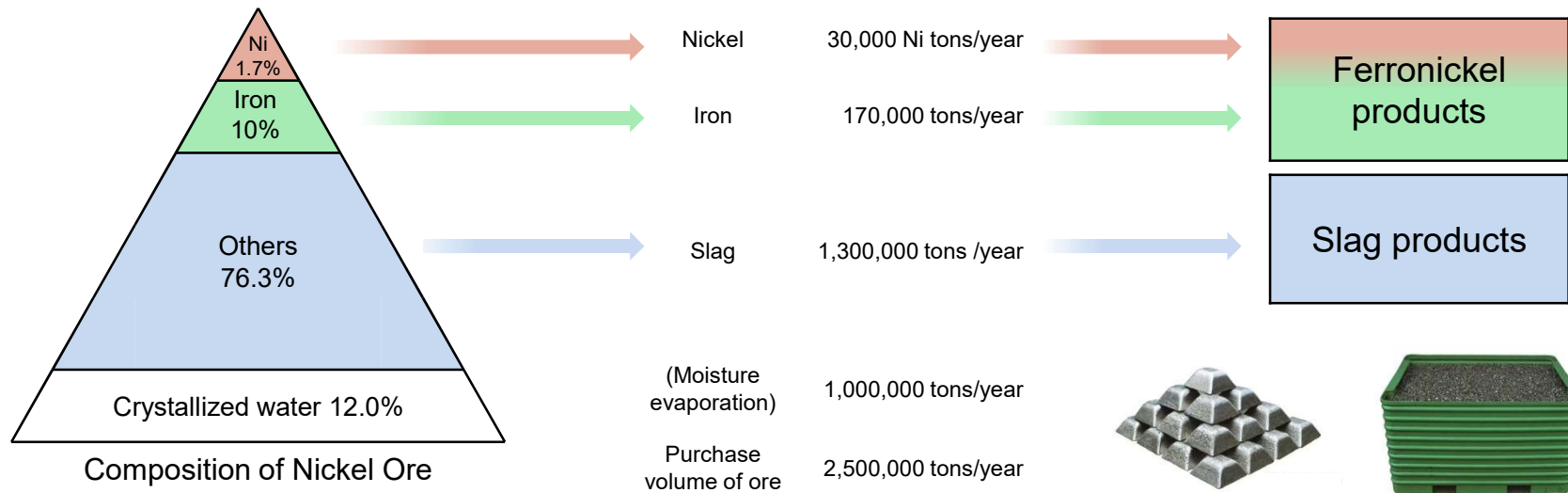
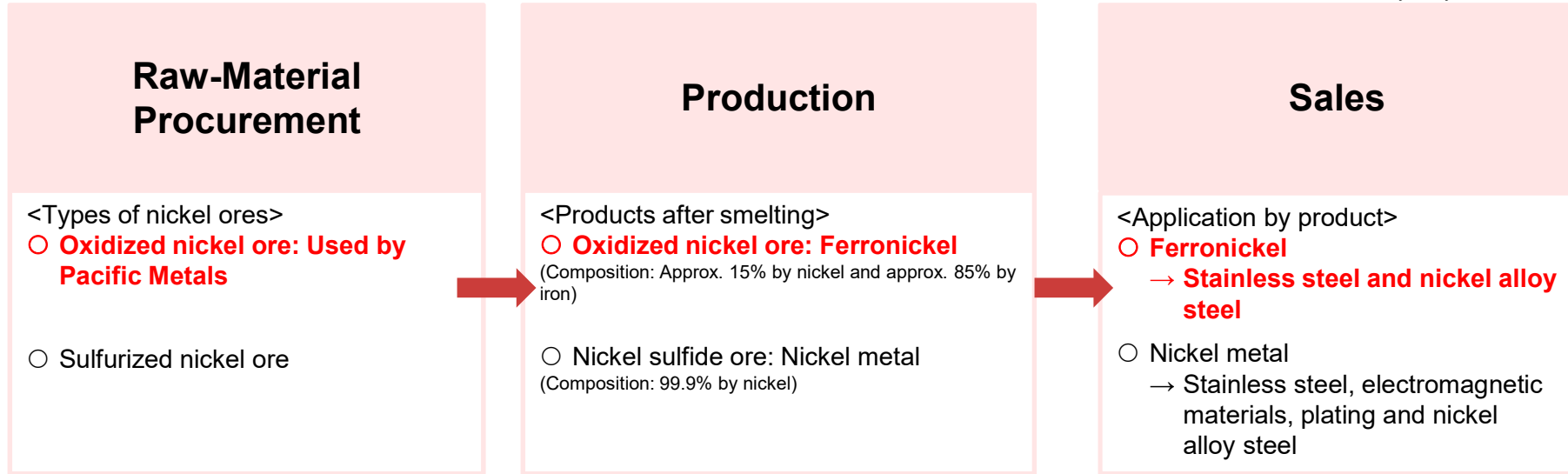
◎: Consolidated subsidiary * : Affiliated company accounted for by the equity method

(Note) Pacific Metals changed its business segments to be described as reportable segments of the Group from the second quarter of the fiscal year ended March 2021, and has set "nickel business" and "gas business" as the reportable segments.

2. Business Details ◇ (1) Nickel business

1) Ferronickel business—from raw-material procurement to sales—

* Source: Surveyed by Pacific Metals

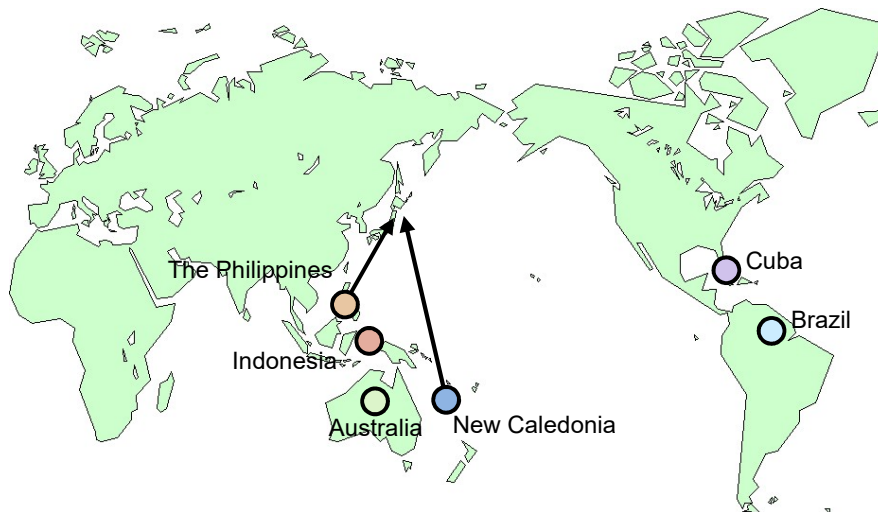
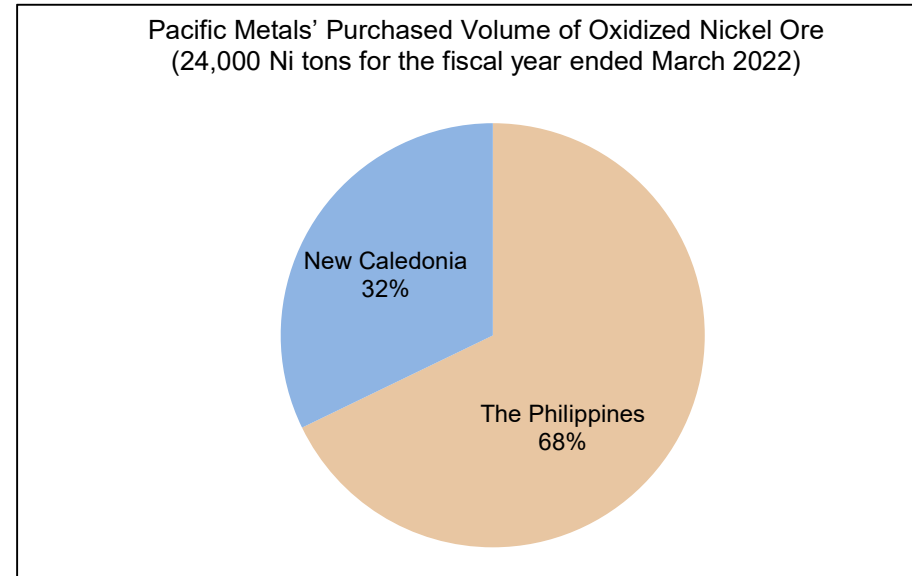
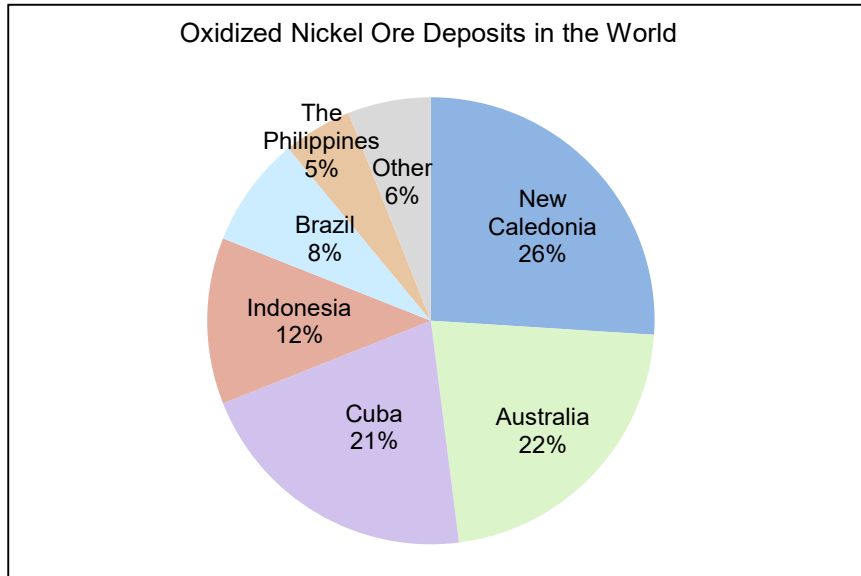


* Reference figures on the assumption that nickel ore grade is 1.7% (on a dry-basis) and annual nickel production is 30,000 tons.

2. Business Details ◇ (1) Nickel business

1) Ferronickel business—raw-material procurement—

* Source: Surveyed by Pacific Metals



○ The Philippines

Rio Tuba Nickel Mining and Taganito Mining are joint ventures in which Pacific Metals holds a 36% stake and a 33.5% stake, respectively. Pacific Metals has provided full-scale technical and personnel assistance and kept mutual exchange since the initial stage of mine development.

○ New Caledonia

Pacific Metals has had transactional relations with Montagna for more than 20 years, and has offered various forms of assistance including financing to MKM. We have provided both companies with technical cooperation concerning the operation of mines to procure ore stably based on 10-year long contracts.

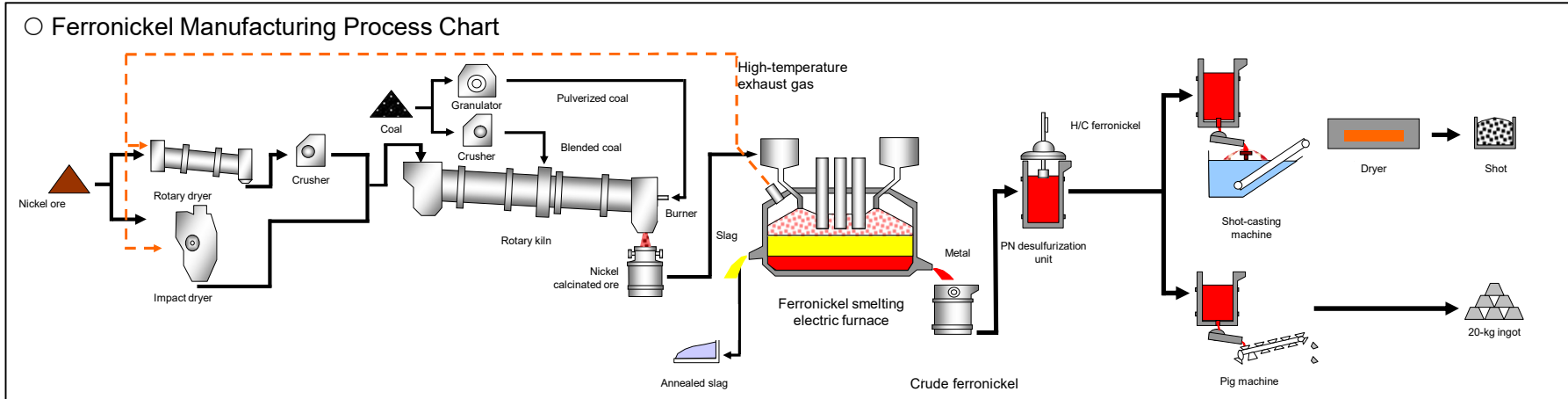
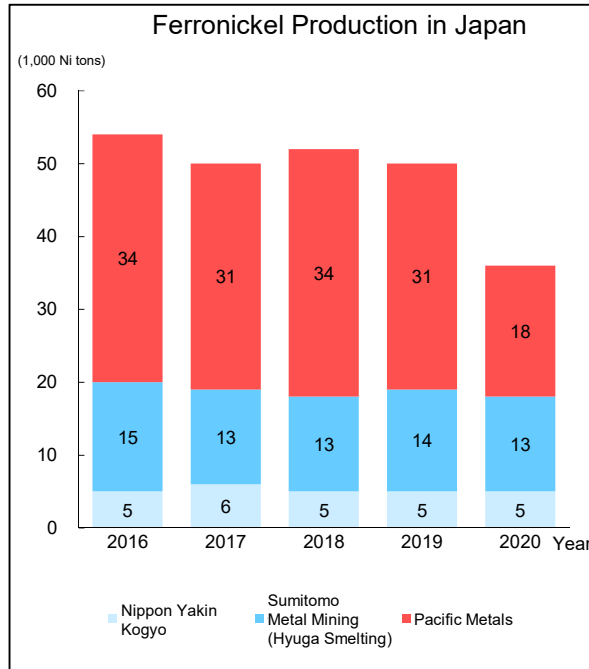
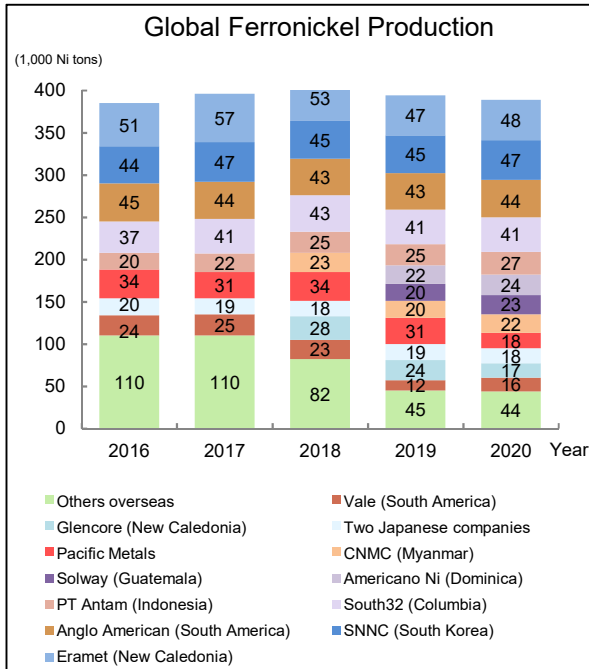
○ Indonesia

Pacific Metals provided PT Antam with technical assistance as the general supervisor related to the construction of Indonesia's first ferronickel smelting plant as of 1975, and operational guidance. Our advice on mine development and technical assistance such as furnace repair remains ongoing.

* In January 2014, a policy to ban exportation of unprocessed ore came into effect. From January 2017 to December 2019, that policy was partially eased.

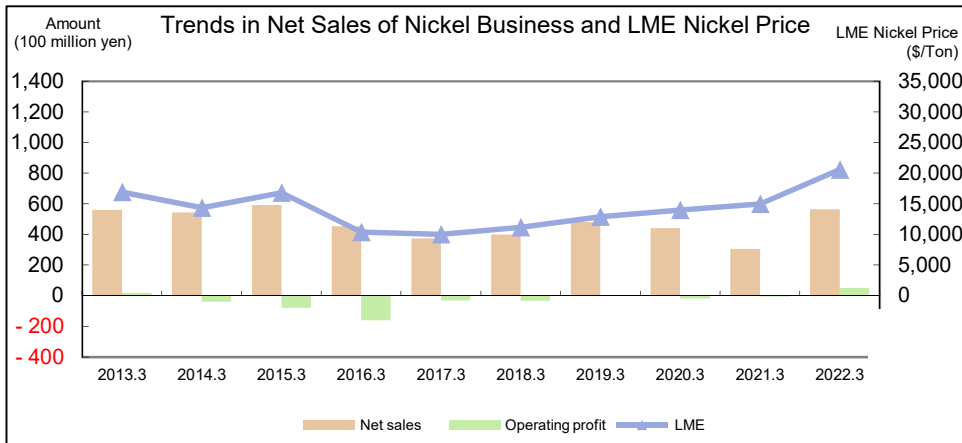
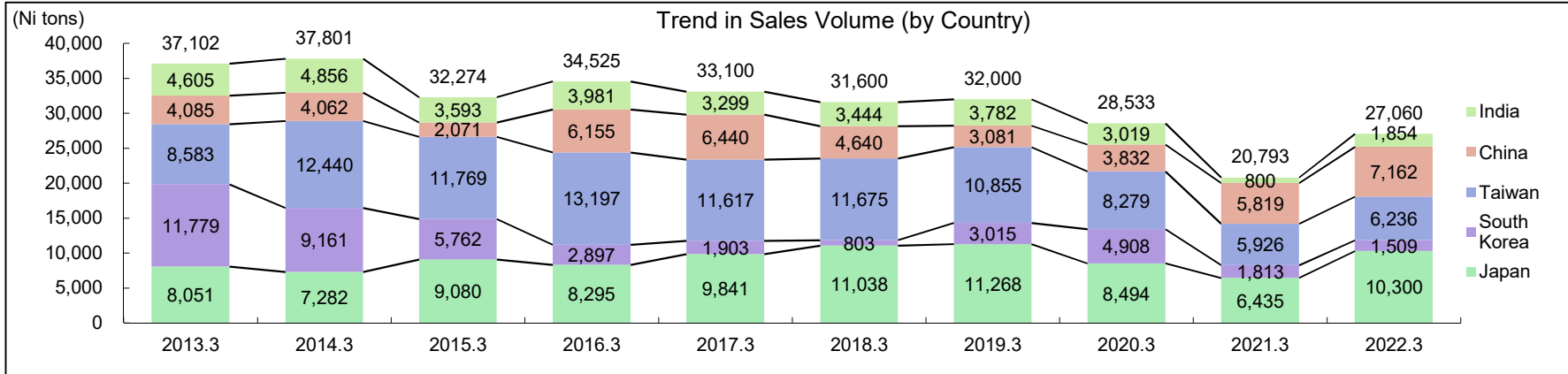
2. Business Details ◇ (1) Nickel business

1) Ferronickel business—production—



2. Business Details ◇ (1) Nickel business

1) Ferronickel business—sales—



Standards for the Ferronickel Sales Price

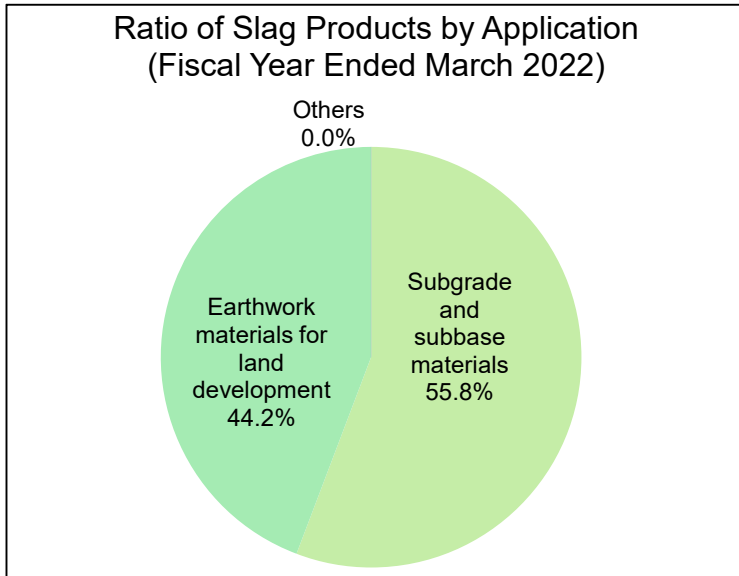
- For Japan
 $[The\ LME\ nickel\ price\ (Average\ of\ the\ previous\ 3\ months)] \times [Foreign\ exchange\ rates\ (Average\ of\ the\ previous\ 3\ months)]$
- For export
 $[The\ LME\ nickel\ price\ (Average\ of\ the\ previous\ month)] \times [Foreign\ exchange\ rates\ (spot)]$

→ Pacific Metals' revenue is linked with the LME nickel price

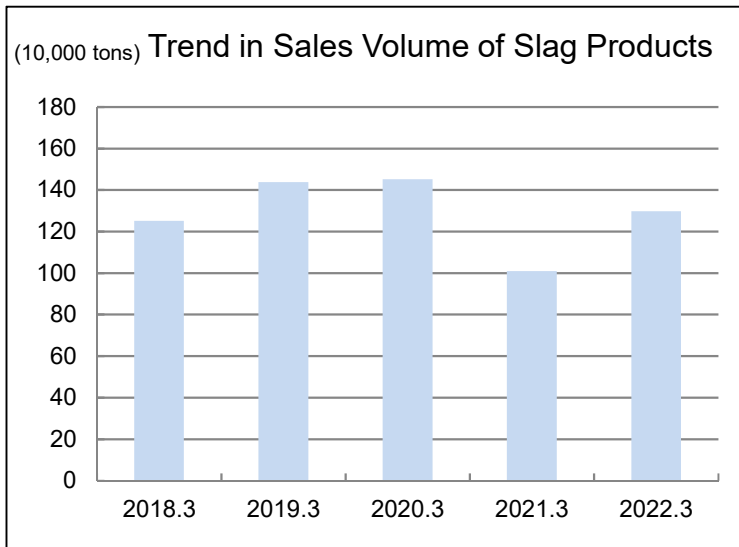
(Nickel Business)	2013.3	2014.3	2015.3	2016.3	2017.3	2018.3	2019.3	2020.3	2021.3	2022.3
Net Sales (Million yen)	56,026	54,302	59,065	45,239	37,357	39,855	48,142	44,133	30,419	56,338
Operating Profit (Million yen)	1,780	-3,978	-7,987	-16,208	-3,129	-3,412	382	-1,879	-567	4,950
LME (\$/Ton)	16,947	14,356	16,825	10,387	10,042	11,159	12,893	13,991	14,999	20,602
FX TTS (¥/\$)	84.10	101.24	110.93	121.14	109.38	111.85	111.91	109.74	107.06	113.38

* The LME nickel price and FX TTS are the averages during each fiscal year.

2) Slag business—overview—



Application	Main Features and Benefits
(1) Subgrade and subbase materials	Suitable for soil covering to improve soft ground
(2) Earthwork materials for land development	Sufficient strength as subbase material and high freeze-thaw resistance
(3) Smelting materials	Used as auxiliary raw materials to adjust the composition of blast-furnace slag



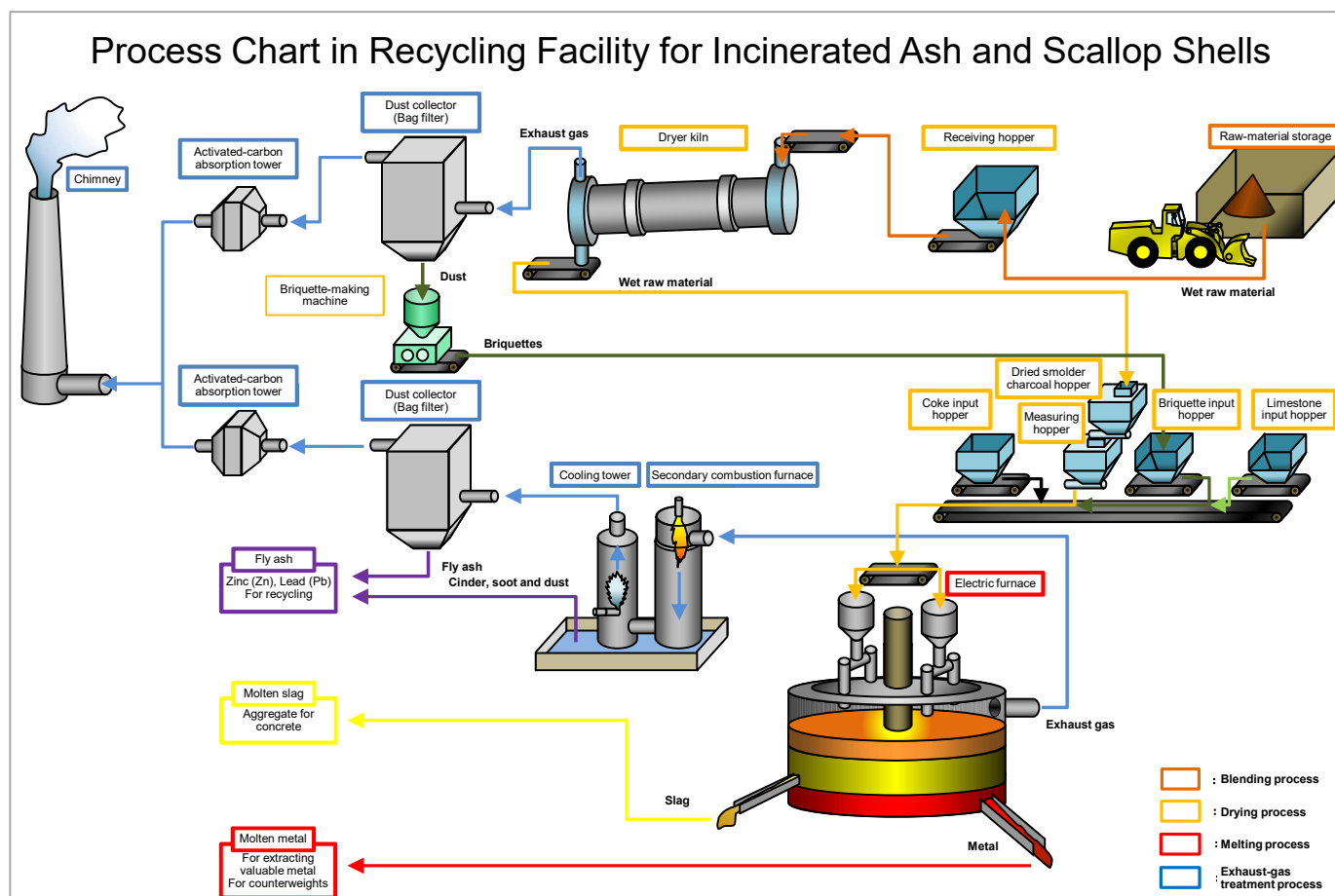
Scene of Pacific Metals' slag products in use

2. Business Details ◇ (2) Other businesses

1) Other businesses—overview—

○ Waste recycling business

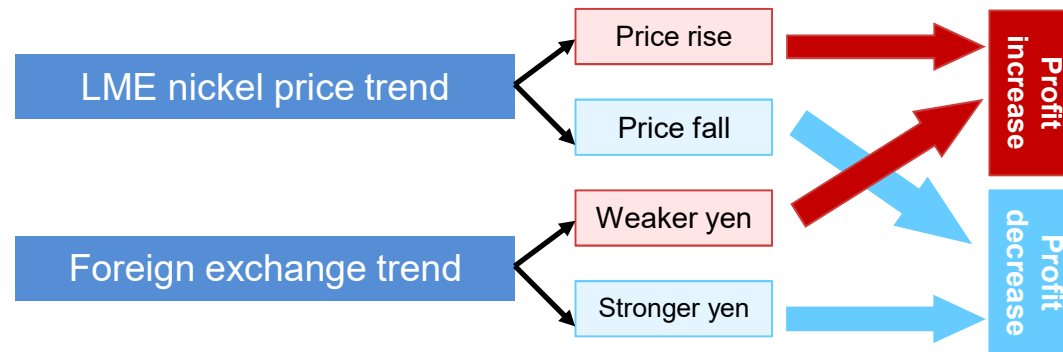
Production and sales of molten metal and molten slag by recycling incinerated ash and scallop shells
(Applications: Aggregate for concrete and asphalt, river wall materials, artificial marine rocks, etc.)



3. Q&A List about Pacific Metals

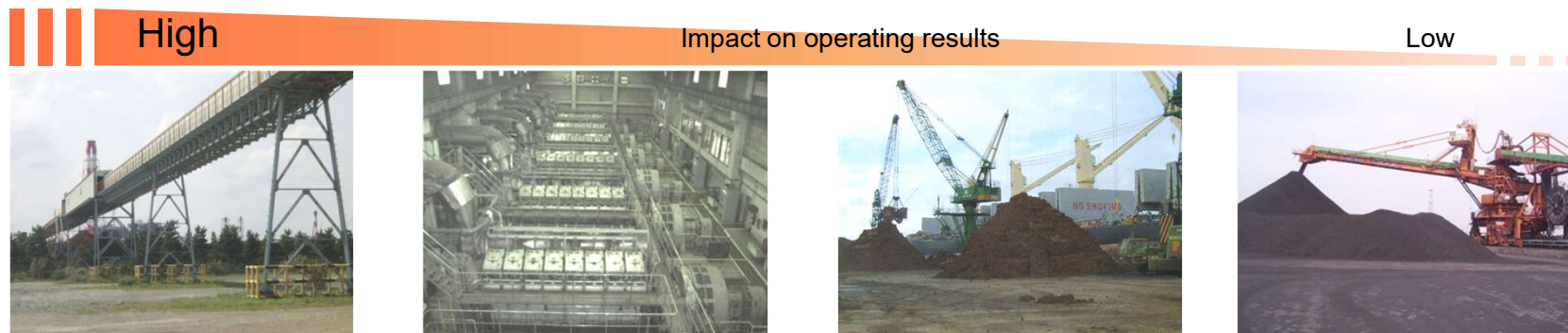
(1) How do the LME nickel price and foreign exchange rates affect operating results?

- Premise: The selling price of ferronickel products is based on the standard which is [LME nickel price] × [Exchange rates] (See page 9)
- Therefore, **a rise in the LME nickel price** and **a weak yen in the FX market** work to Pacific Metals' **advantage**.
(On the other hand, a weak yen in the FX market becomes a factor that increases purchasing costs of raw materials.)



(2) Which cost factors have a stronger effect on operating results?

- To cite factors impacting operating results in descending order.
(1) Nickel ore, (2) Energy (electricity and heavy oil), (3) Freight (transport of nickel ore and coal) and (4) Coal





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