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**PACIFIC METALS CO., LTD.**  
**Financial Results Briefing Session for the Six Months**  
**Ended September 30, 2022**

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November 17, 2022

PACIFIC METALS Website:

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

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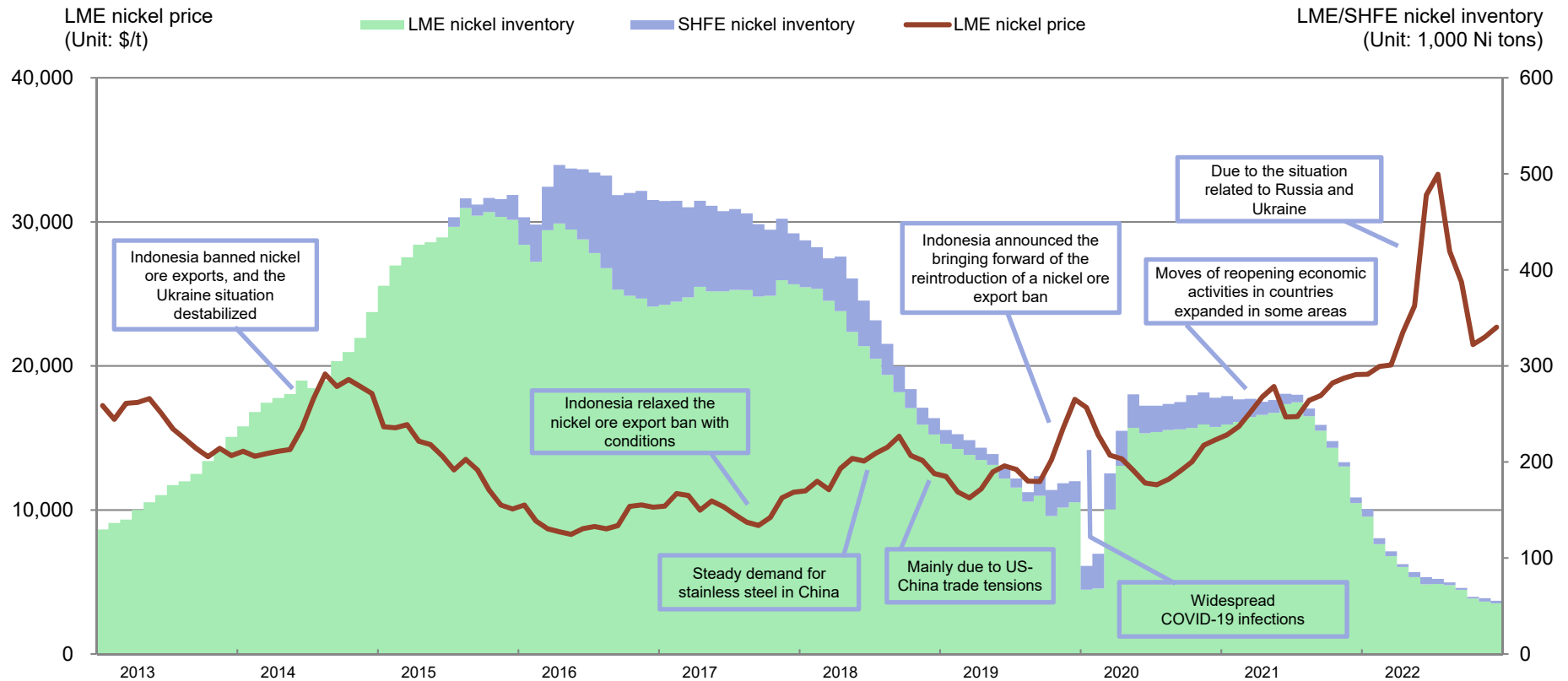
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# 1. Business Environment

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## (1) Trends in LME nickel prices and nickel inventory volumes

\* Surveyed by Pacific Metals

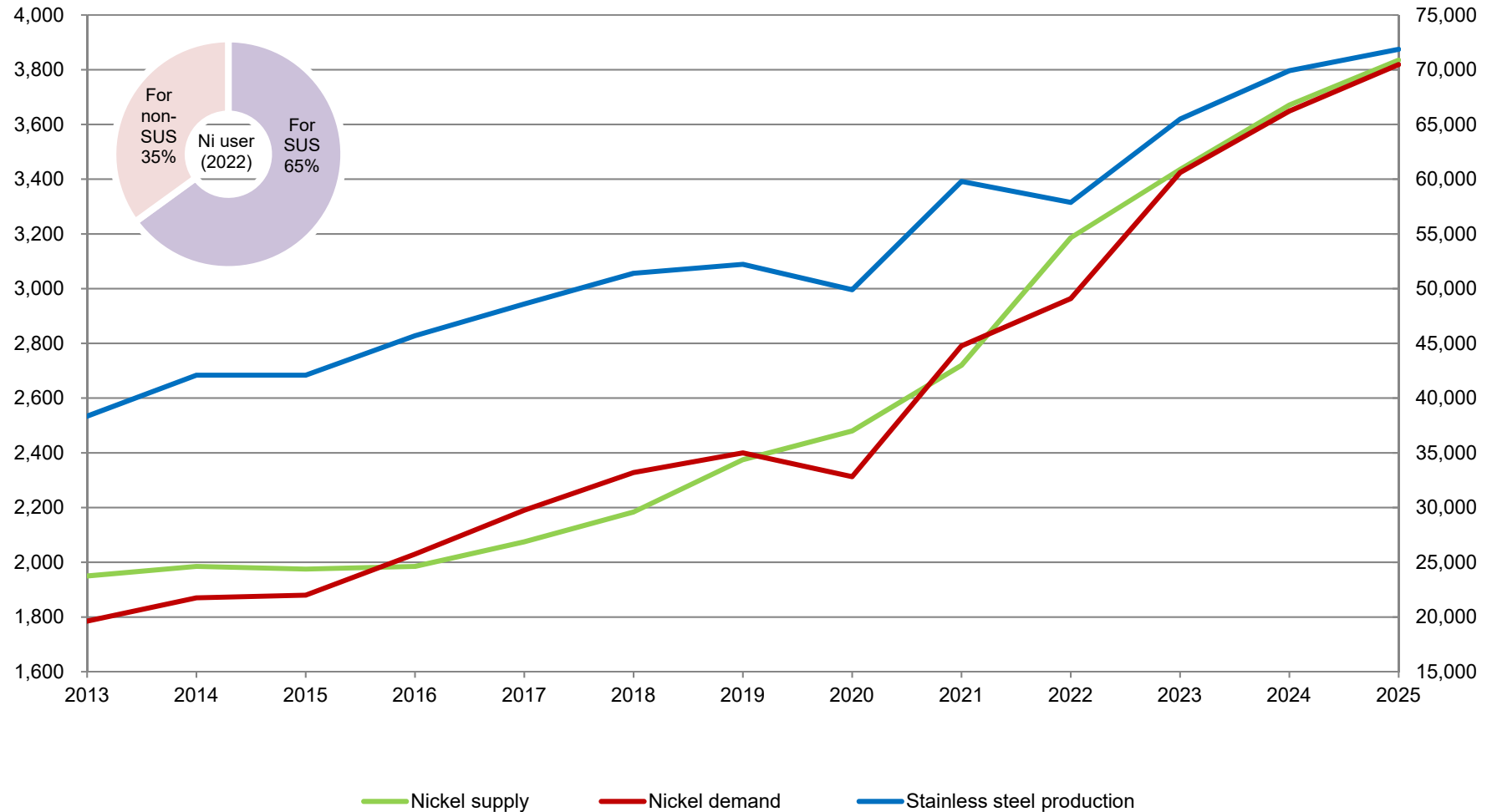


Trend in operating results	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year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

## (2) Outlook for global stainless steel production and nickel supply and demand

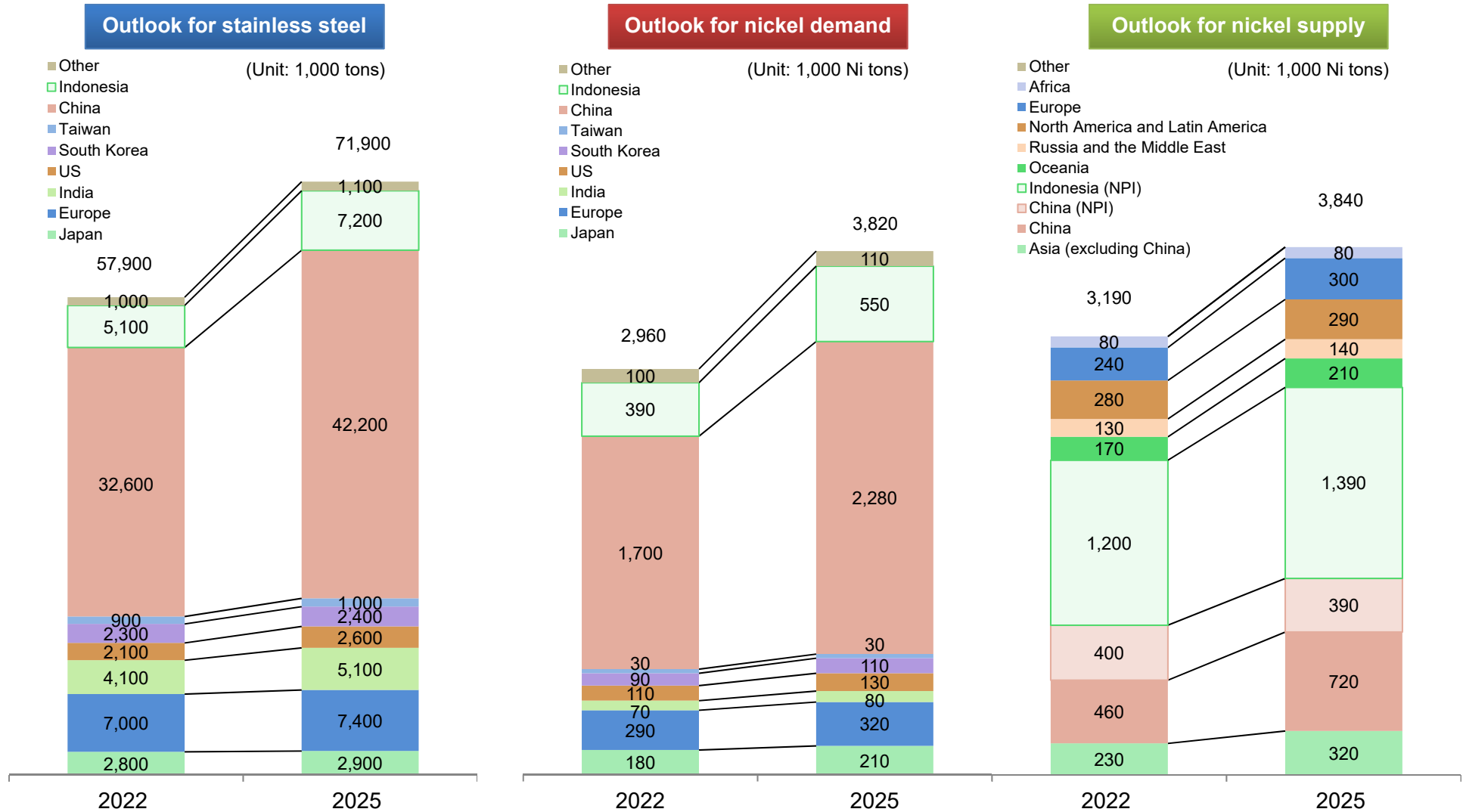
Nickel supply and demand  
(Unit: 1,000 Ni tons)

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



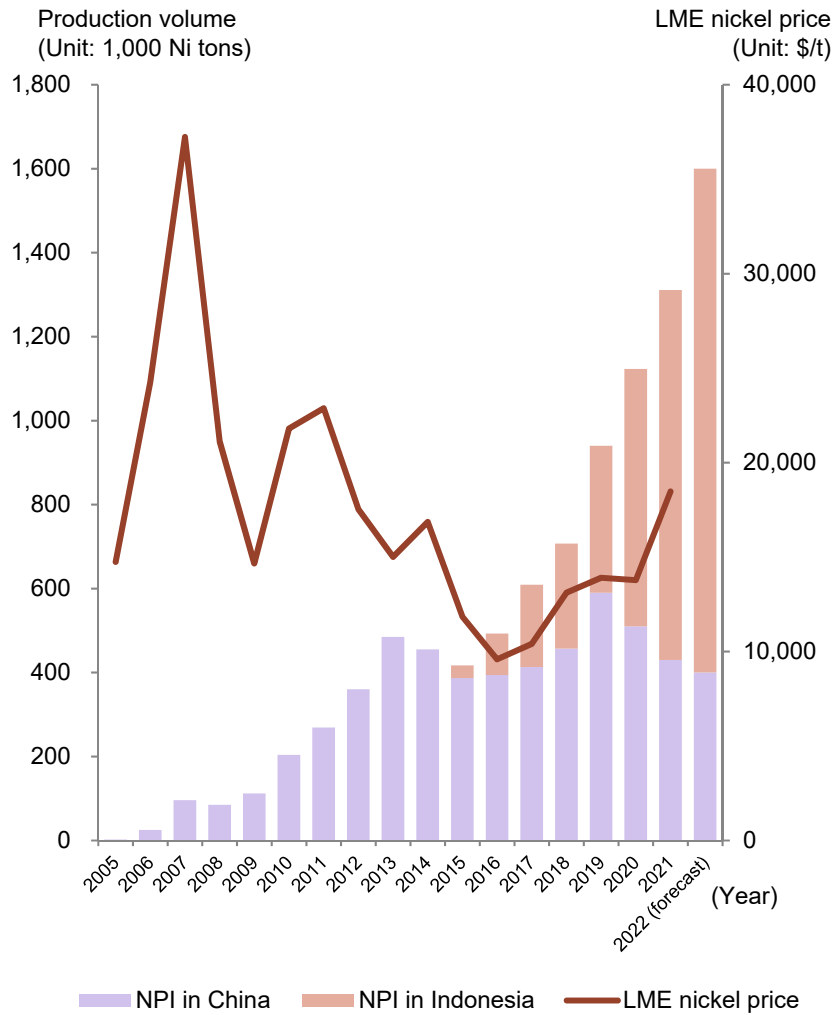
## (3) Outlook for stainless steel production and nickel supply and demand by region

\* Survey by Pacific Metals



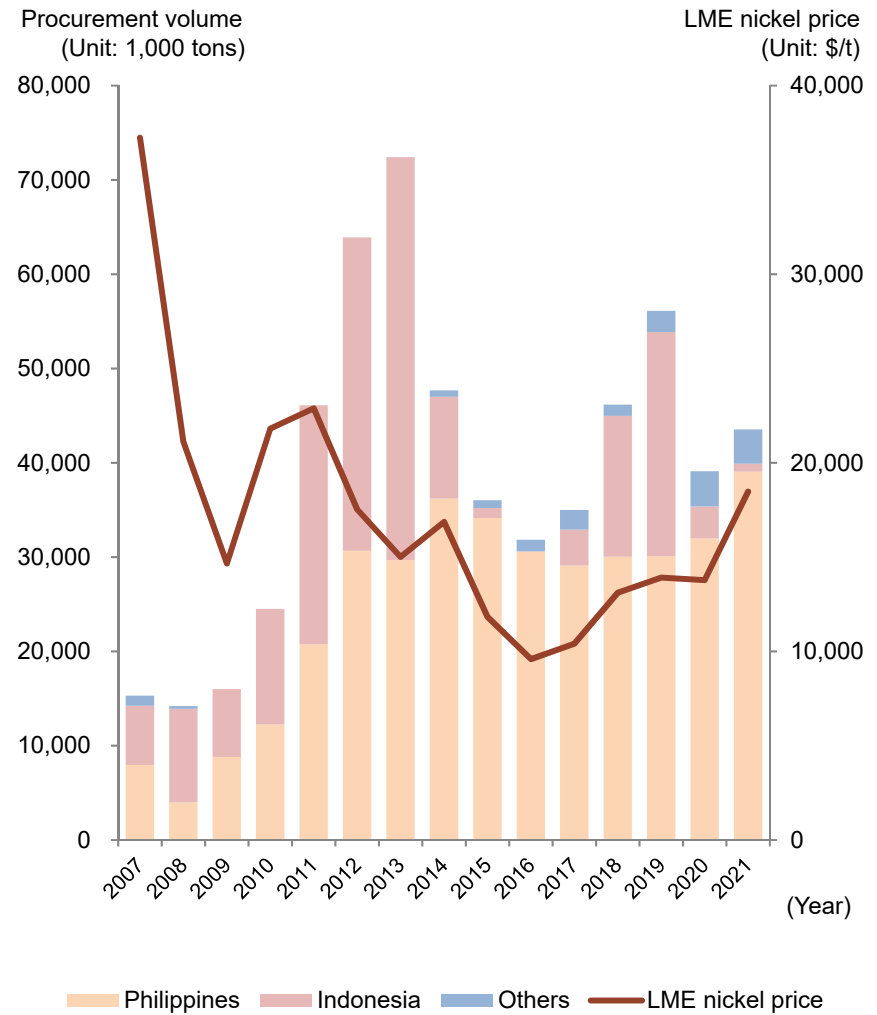
## (4) Trend in nickel pig iron (NPI) production

Nickel pig iron (NPI) production



\* Survey by Pacific Metals

Nickel ore procurement by China



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## 2. Financial Results for the Six Months Ended September 30, 2022

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## 2. Financial Results for the Six Months Ended September 30, 2022

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### (1) Financial results for the six months (Summary)

	Results for the fiscal period ended September 30, 2021		Forecast for the fiscal period ended September 30, 2022 (Announced on Jul. 29)		Results for the fiscal period ended September 30, 2022		Year-on-year (%)	Vs Forecast announced on Jul. 29 (%)
	Amount (million yen)	Profit rate (%)	Amount (million yen)	Profit rate (%)	Amount (million yen)	Profit rate (%)		
Net sales	24,098	—	25,068	—	17,642	—	-26.8	-29.6
Operating profit	952	4.0	-78	-0.3	-4,464(*)	-25.3	—	—
Ordinary profit	3,995	16.6	2,705	10.8	605(*)	3.4	-84.8	-77.6
Profit attributable to owner of parent	3,405	14.1	2,294	9.2	229(*)	1.3	-93.3	-90.0
(Investment)	230	—	—	—	497	—	116.1	—
(Depreciation)	131	—	—	—	135	—	3.1	—

(\*) Profit excluding inventory write-down of 5.9 billion yen (results for the fiscal period ended September 30, 2022): operating profit: 1.5 billion yen, ordinary profit: 6.5 billion yen, profit: 6.1 billion yen

	Results for the fiscal period ended September 30, 2021	Forecast for the fiscal period ended September 30, 2022 (Announced on Jul. 29)	Results for the fiscal period ended September 30, 2022	Year-on-year (%)	Vs Forecast announced on Jul. 29 (%)
Production volume (Ni t)	11,874	9,008	8,079	-32.0	-10.3
Sales volume (Ni t)	12,957	8,516	5,668	-56.3	-33.4
Applicable LME nickel price (US\$/t)	17,902	26,279	26,720	49.3	1.7
[Applicable LME nickel price (US\$/lb.)]	[ 8.12 ]	[ 11.92 ]	[ 12.12 ]		
Applicable exchange rate (¥/US\$)	109.16	122.46	131.49	20.5	7.4

### (2) Financial results for the six months (Topics)

#### (1) On the procurement front

- **Nickel ore price**
  - Procurement prices remained high
- **Energy costs**
  - Soaring raw material, fuel prices and electricity costs led to a higher increase in production costs

#### (2) On the sales volume front

- Impact from the molten material leakage accident at an electric furnace
- A partial shift in raw material procurement by overseas stainless steel producers to nickel pig iron (NPI) and other materials that are more price competitive
- Variation in capacity utilization rates of production facilities in the stainless steel industry

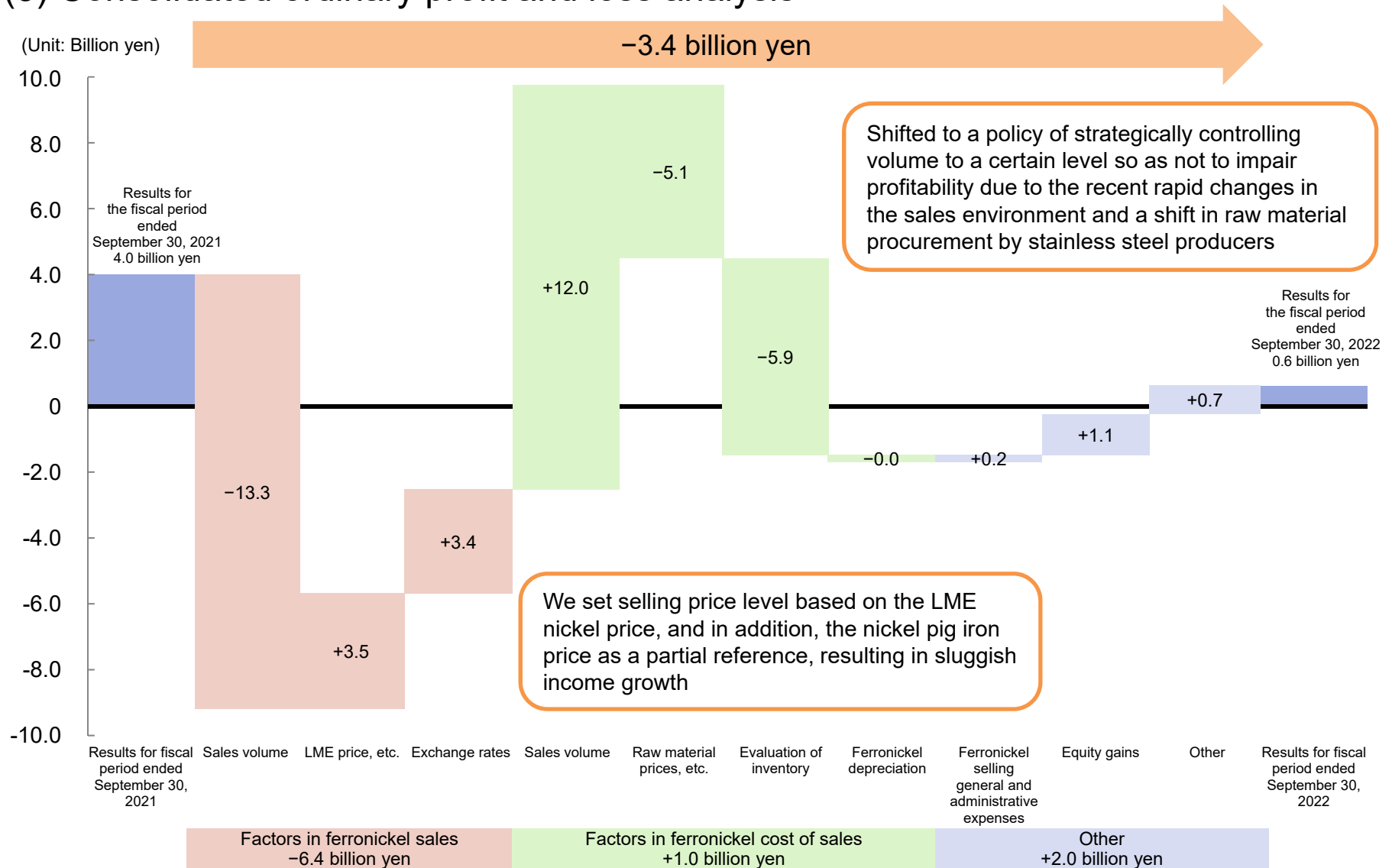
#### (3) On the production front (concerning the molten material leakage accident at an electric furnace)

- **Resumption of operation of the affected production facility (1 unit)**
  - Shifted to a policy of strategically controlling volume to a certain level so as not to impair profitability
  - Schedule change for resumption of operation from the third quarter of the fiscal year ending March 31, 2023 to the fiscal year ending March 31, 2024

#### (4) On the selling price front

- **Impact from nickel pig iron (NPI) price**
  - We set selling price level based on the LME nickel price applicable to the Company, the exchange rate applicable to the Company, and in addition, the nickel pig iron price as a partial reference, resulting in sluggish income growth

### (3) Consolidated ordinary profit and loss analysis



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## 3. Full-Year Financial Results Forecast for the Fiscal Year Ending March 31, 2023

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#### (1) Full-year financial results forecast (Summary)

	Results for the fiscal year ended March 31, 2022		Forecast for the fiscal year ending March 31, 2023 (Announced on Jul. 29)		Forecast for the fiscal year ending March 31, 2023 (Announced on Oct. 28)		Year-on-year (%)	Vs Forecast announced on Jul. 29 (%)
	Amount (million yen)	Profit rate (%)	Amount (million yen)	Profit rate (%)	Amount (million yen)	Profit rate (%)		
Net sales	57,129	—	60,744	—	35,548	—	-37.8	-41.5
Operating profit	4,806	8.4	-1,516	-2.5	-9,997(*)	-28.1	—	—
Ordinary profit	12,999	22.8	2,508	4.1	-3,493(*)	-9.8	—	—
Profit attributable to owner of parent	11,368	19.9	2,167	3.6	-3,711(*)	-10.4	—	—
(Investment)	686	—	—	—	1,316	—	91.8	—
(Depreciation)	256	—	—	—	291	—	13.7	—

(\*) Profit (loss) excluding inventory write-down of 3.2 billion yen (forecast for the fiscal year ending March 31, 2023): operating profit (loss): -6.7 billion yen, ordinary profit (loss): -0.2 billion yen, profit (loss): -0.5 billion yen

	Results for the fiscal year ended March 31, 2022			Forecast for the fiscal year ending March 31, 2023 (Announced on Jul. 29)	Forecast for the fiscal year ending March 31, 2023 (Announced on Oct. 28)			Year-on-year (%)	Vs Forecast announced on Jul. 29 (%)
	1st half	2nd half	Full year		Results for the 1st half	Forecast for the 2nd half	Forecast for the full year		
Production volume (Ni t)	11,874	14,375	26,249	20,581	8,079	5,857	13,936	-46.9	-32.3
Sales volume (Ni t)	12,957	14,103	27,060	20,500	5,668	7,332	13,000	-52.0	-36.6
Applicable LME nickel price (US\$/t)	17,902	20,569	19,290	25,089	26,720	22,112	24,119	25.0	-3.9
[Applicable LME nickel price (US\$/lb.)]	[ 8.12 ]	[ 9.33 ]	[ 8.75 ]	[ 11.38 ]	[ 12.12 ]	[ 10.03 ]	[ 10.94 ]		
Applicable exchange rate (¥/US\$)	109.16	113.97	111.67	120.46	131.49	134.12	132.98	19.1	10.4

## (2) Full-year financial results forecast (Topics)

### (1) On the production and sales volume front

- **Shifted to a policy of strategically controlling volume**
  - Impact from the molten material leakage accident at an electric furnace
  - Impact of nickel pig iron (NPI)
  - Expect a challenging environment with results expected to fall short of the previous forecast announced in July 2022

### (2) On the production front (concerning the molten material leakage accident at an electric furnace)

- **Closely monitor the business environment**
  - Schedule to resume operation of the facility once the volume control policy is lifted
  - Expect to have the production facility itself restored to a state such that resumption of operation will be possible during the third quarter of the fiscal year ending March 31, 2023

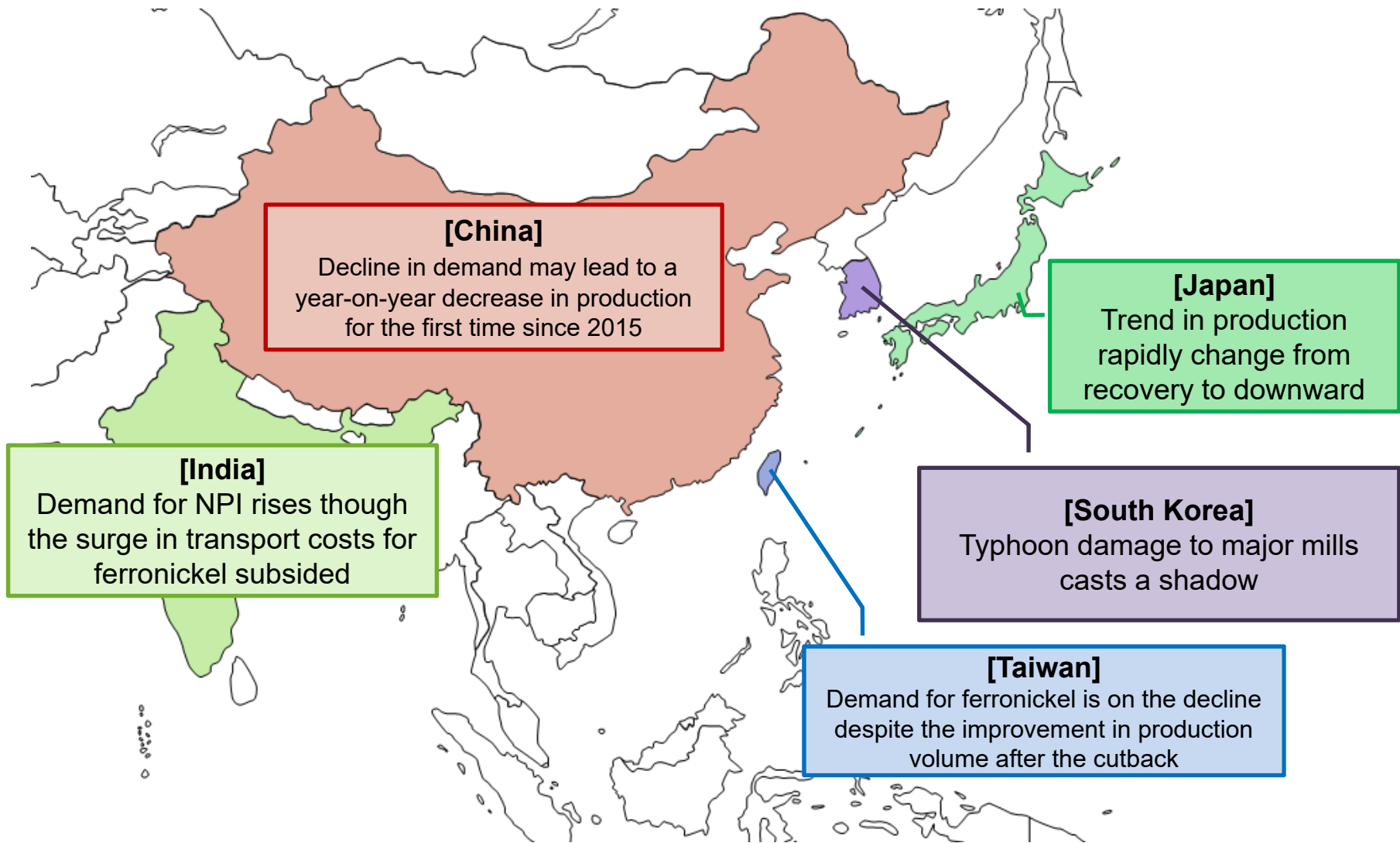
### (3) On the selling price front

- **Impact from nickel pig iron (NPI) price**
  - We set selling price level based on the LME nickel price applicable to the Company, the exchange rate applicable to the Company, and in addition, the nickel pig iron price as a partial reference, which may affect the net sales

### (4) On the procurement front

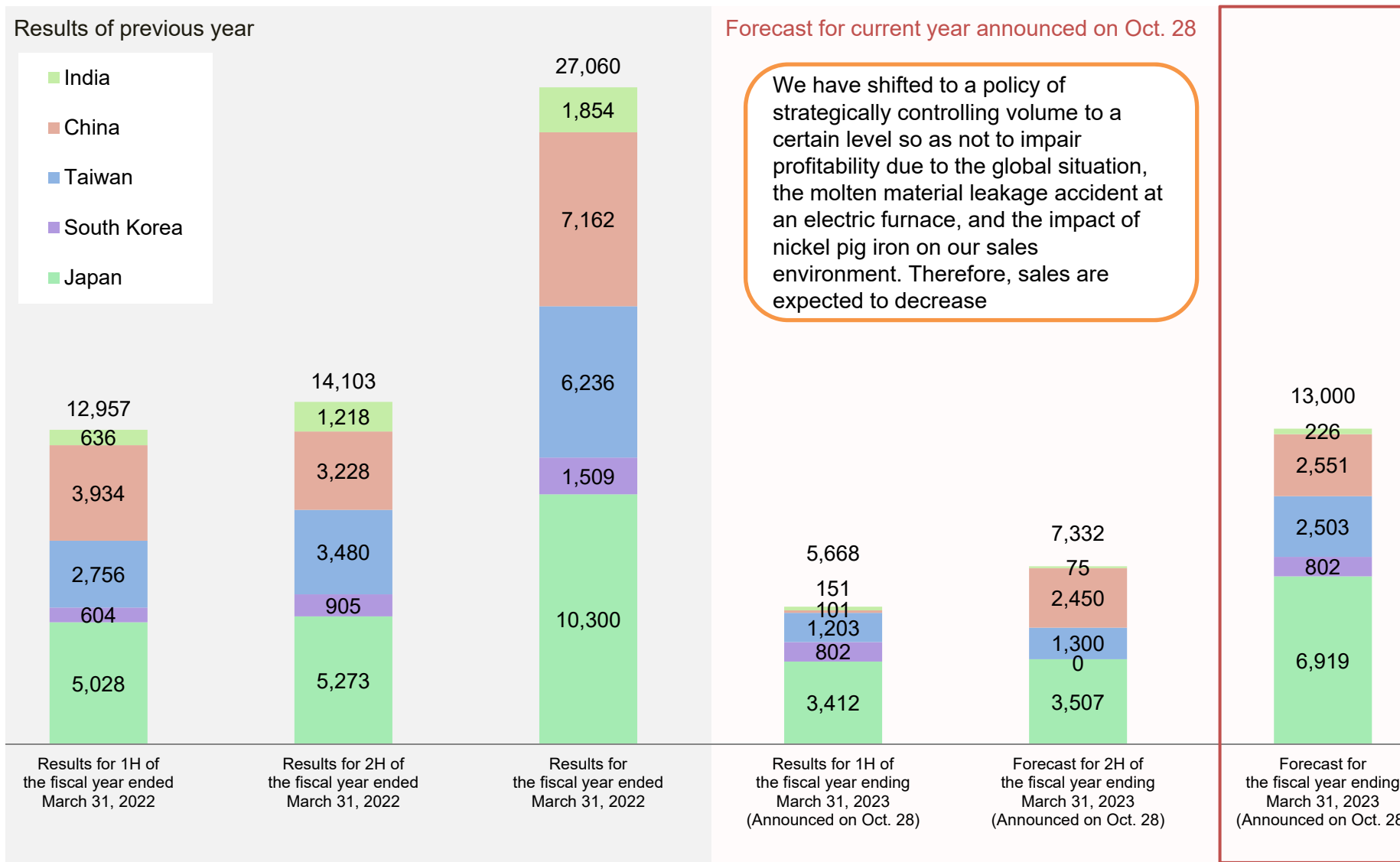
- **Increase in production costs**
  - Nickel ore prices remain high
  - The rate of the increase in production costs is accelerating because of soaring energy costs, etc.
  - A significant impact on profit expected

(3) Trend in sales destination by country



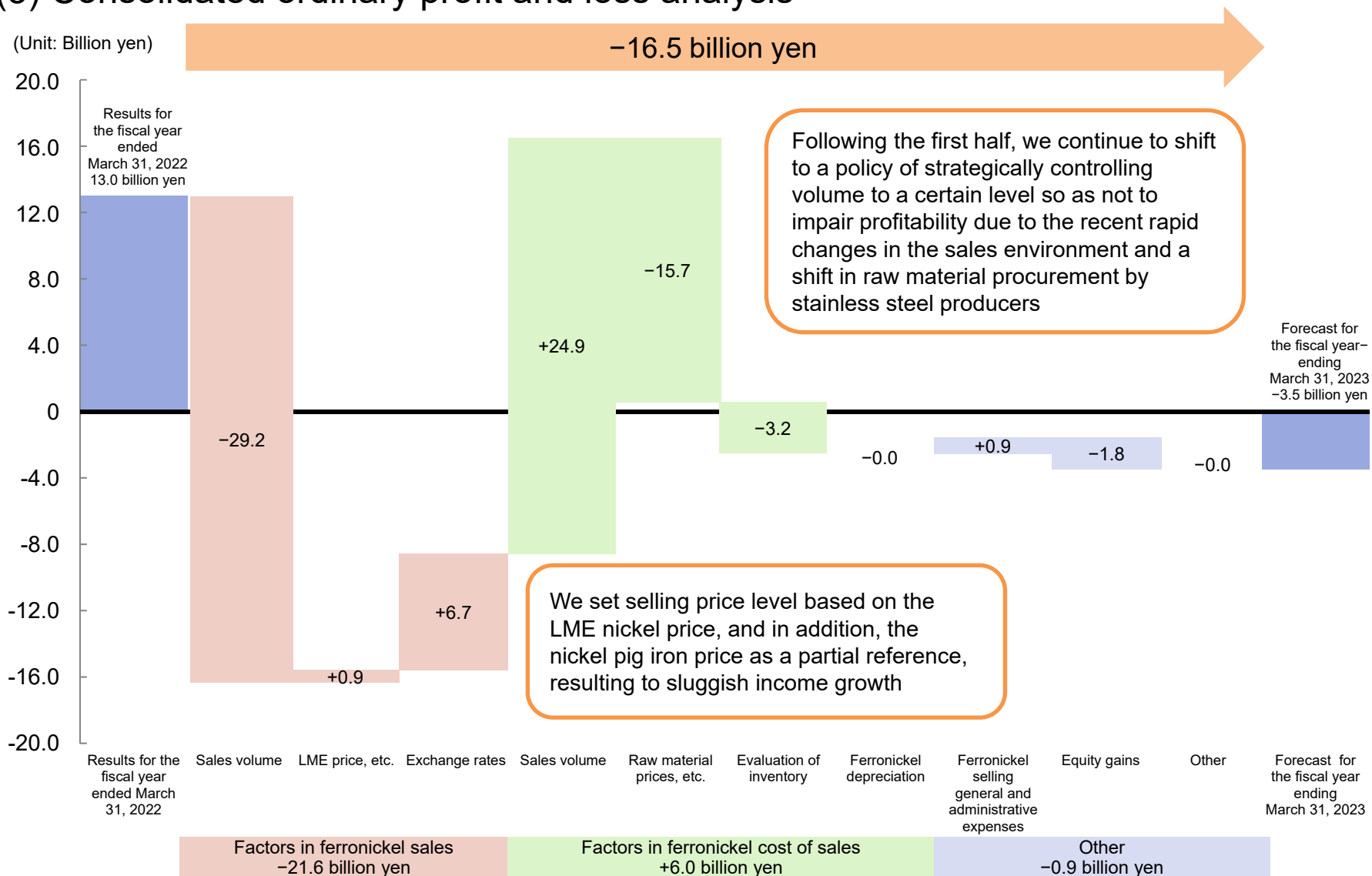
#### (4) Outlook for sales by country

(Unit: Ni tons)





#### (5) Consolidated ordinary profit and loss analysis



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## 4. Progress of Medium-term Business Plan PAMCO-2024

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## (1) Summary of progress on major priority measures

### Acceleration of consideration of expansion into overseas smelting business



- Promotion of overseas smelting projects and start-up of production
  - Continuous promotion of projects with local partners in Indonesia to participate in overseas smelting business
  - Building of stronger relationships with resource-rich countries by applying our technological capabilities to overseas smelting business



\* Image of a mine

### Creation of new businesses that contribute to society



- Promotion of production and sales of raw materials for LIB materials
  - Establishment of production process for raw materials for LIB materials utilizing emulsion flow

**What is "Emulsion Flow"?**

*Emulsion Flow is a solvent extraction method developed by the Japan Atomic Energy Agency. It is an innovative method enabling the separation of impurities, which is essential to ensure product quality, in a single process of solution pumping.*

- Promotion of new metal smelting projects
  - Start of consideration of new metal smelting business that utilize existing smelting facilities to contribute to addressing the future shortage of underground resources

**What is the new metal smelting business?**

*We aim to utilize rare metal resources including nickel in the business.*

### (1) Summary of progress on major priority measures

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



- Restructuring of recycling business

- Considering a recycling business that leverages our strengths through collaboration with other companies, including AMITA HOLDINGS CO., LTD.
- Conducting demonstration tests to manufacture and sell raw materials for steelmaking and battery materials by utilizing by-products generated by other companies
- Working on recycling by extracting precious metals from urban mine resources using our melting processing technology while considering its future commercialization



## (1) Summary of progress on major priority measures

### Enhancement of corporate value by addressing sustainability issues



- **Sustainability Promotion Council**
  - Promoting the resolution of important issues, including the response to climate change, through a system with executive officers of management as council members
- ✓ **Climate change initiatives**
  - May: Endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
  - June: Disclosed climate change initiatives and response to the TCFD (in the areas of governance, strategy, risk management, and metrics and targets)
- \* For more information, please visit our website (sustainability section).
- ✓ **Upcoming initiatives**
  - Start **calculating Scope 3 emissions**
  - Continuing to conduct **scenario analysis covering the 1.5°C and 4°C scenarios** to assess the resilience to risks and opportunities



- **Reduction of GHG emissions**
  - Began studying **electrification process using microwaves** to move away from fossil energy
  - ✓ **Decomposition and removal of crystallized water contained in raw ores**
  - ✓ **Removal of unwanted components from recycled nickel resources**
  - ✓ Pursuit of reductions in CO<sub>2</sub> emissions (46% reduction in GHG emissions in FY2030 compared to FY2013) and manufacturing costs
- 💡 **What is the electrification process using microwaves?**  
*Fossil fuels have been used as a heat source, but this process will expand the possibilities for utilizing renewable energy. Also, the use of this process may lead to energy conservation given its thermal efficiency.*



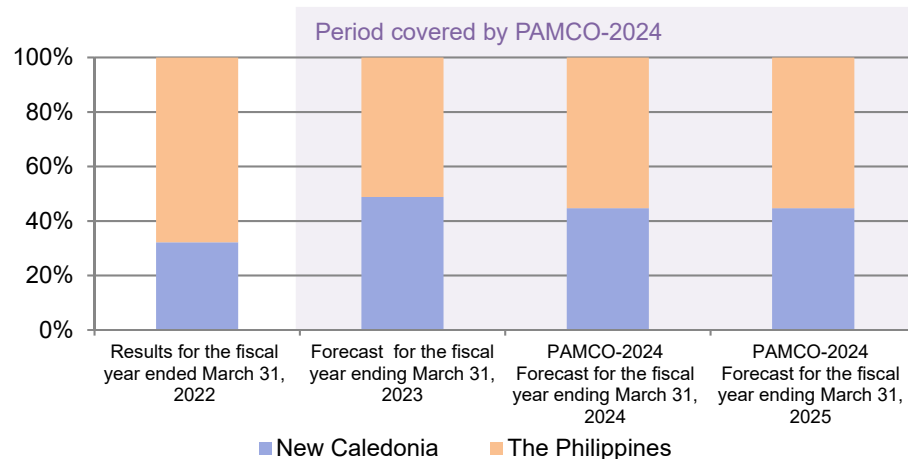
## (2) Ore procurement

### 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
<span style="color: orange;">■</span> Rio Tuba Nickel Mining Corporation (36% stake held by Pacific Metals)	Prior contract period		Renewed	Contract period: Jan. 2022 to Dec. 2026 (5 years)	
<span style="color: orange;">■</span> Taganito Mining Corporation (33.5% stake held by Pacific Metals)	Prior contract period			Contract period: Jan. 2022 to Dec. 2026 (5 years)	
<span style="color: orange;">■</span> Cagdianao Mining Corporation	Prior contract period			Contract period: Jan. 2022 to Dec. 2026 (5 years)	
<span style="color: blue;">■</span> MKM (1)	Contract period: Jan. 2014 to Dec. 2023 (10 years)				
<span style="color: blue;">■</span> MKM (2)	Contract period: Jan. 2016 to Dec. 2025 (10 years)				
<span style="color: blue;">■</span> 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**
  - The export ban on 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 the procurement of ores from New Caledonia.

## (3) ESG initiatives

<p><b>Environment</b></p>	<ul style="list-style-type: none"> <li>• <b><u>Initiatives to reduce GHG emissions</u></b> <ul style="list-style-type: none"> <li>➤ Pursuit of reductions in CO<sub>2</sub> emissions (46% reduction in GHG emissions in FY2030 compared to FY2013) and manufacturing costs</li> <li>➤ Please refer to page 21 of this material for details</li> </ul> </li> </ul>	<p><b>Upcoming initiatives</b></p> <ul style="list-style-type: none"> <li>➤ Currently working to shift from Environmental and Social Report to Integrated Report, with an aim to issue the report within this fiscal year</li> <li>➤ Promote initiatives to ensure diversity</li> <li>➤ Further enhance disclosure quality in line with the TCFD</li> <li>➤ Deepen discussions on the ideal state of director compensation through the Nomination and Compensation Committee (voluntary)</li> </ul>
<p><b>Social</b></p>	<ul style="list-style-type: none"> <li>• <b><u>Together with local communities</u></b> <ul style="list-style-type: none"> <li>➤ Cosponsoring local football club Vanraure Hachinohe</li> <li>➤ Donation of a year's supply of newspapers and a newspaper rack to a local high school (photo at right) ("Red Cross Activities" in Asahi Photo News)</li> </ul> </li> </ul> 	
<p><b>Governance</b></p>	<ul style="list-style-type: none"> <li>• <b><u>Reduction of cross-shareholdings</u></b> <ul style="list-style-type: none"> <li>➤ The amount of five cross-shareholdings was reduced during the fiscal year ending March 2023.</li> <li>➤ The Company will consider reducing the remaining cross-shareholdings in due course.</li> </ul> </li> </ul>	



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