

# Integrated Report 2022



## Company Philosophy

Leverage the power of people to deliver the earth's resources in more useful forms and contribute to the happiness of humankind

## Company Policy

1

Integrate the management strategies of the entire Group to maximize the synergy effects of each Group company.

2

Focus on the development and quality improvement of world-class smelting technology, and establish the world-leading platform for management efficiency and competitiveness.

3

Promote compliance.

4

Secure appropriate profits through fair, transparent and free competition.

5

Actively tackle all environmental problems to protect the irreplaceable earth.

6

To develop the individuality of employees and fully demonstrate their creativity, pursue a sense of comfort and affluence both physically and mentally, and realize a rewarding workplace.

7

Promote wide-ranging exchanges with society and actively disclose fair corporate information.

### Editing policy

This report covers our performance during the target period and our initiatives for the medium-term business plan, and explains our approach to sustainability linking financial and non-financial information. By doing so, we aim to make this report a tool for our shareholders, investors, and all other stakeholders to better understand the Company and deepen dialogue with us.

### Scope of report

PACIFIC METALS CO., LTD. (Domestic Offices)  
\*The activities of some affiliate companies are included.

### Reporting period

FY2021 (April 1, 2021 to March 31, 2022)  
\*Some activities outside the reporting period included.

### Month of issue

January 2023

### Reference guidelines

"Guidance for Collaborative Value Creation" by Ministry of Economy, Trade and Industry  
"Environmental Reporting Guidelines (Fiscal Year 2018 Version)" by Ministry of the Environment  
"Sustainability Reporting Guidelines Version 4" by the Global Reporting Initiative (GRI)

### Disclaimer

The contents of this report refer not only to past events, but also cover future plans and forecasts at the time of publication. Please note that actual future activities and results may differ from those described herein.



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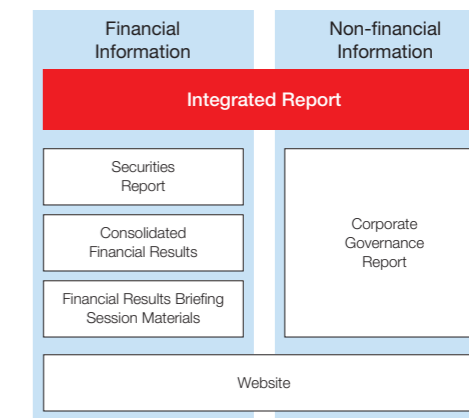
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### Tool Map



# The material that realizes a wide range of possibilities by making the most of its excellent properties

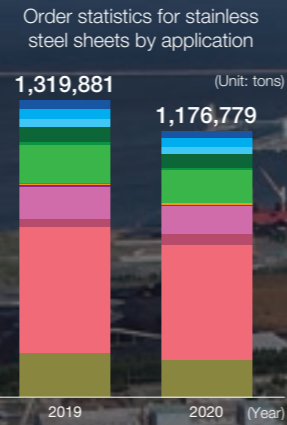
## Features of ferronickel

### Excellent material properties

Made of stainless steel and alloy steel, it can realize high heat resistance and high corrosion resistance. It is used as an alloy material that requires resistance to high temperatures, fresh water, sea water, and alkaline aqueous solutions.

### Wide range of uses

Stainless steel has excellent corrosion resistance and heat resistance, and has a beautiful luster, so it is used in large quantities in household goods such as spoons and forks, automobiles, building materials such as buildings and housing, and various industrial fields such as chemicals, foods, and brewing.



\* Referred to application examples and order statistics by application from Japan Stainless Steel Association (JSSA)

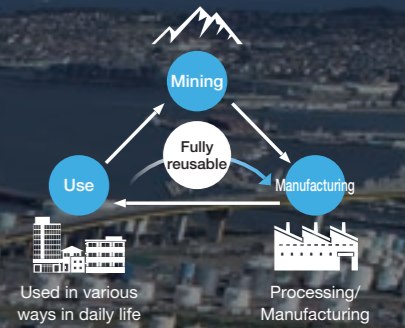
Nickel ore is smelted in one of the world's largest electric furnaces using the ELKEM method and is transformed into ferronickel, an alloy of iron and nickel that is the main raw material of stainless steel. PACIFIC METALS' ferronickel is put to use in lifestyle equipment and helps to enrich people's lives in invisible ways.

### High recyclability

Nickel is one of the most recycled materials in the world. It is often recovered and recycled as an alloy. Today, about half of the nickel content in stainless steel products comes from recycling.

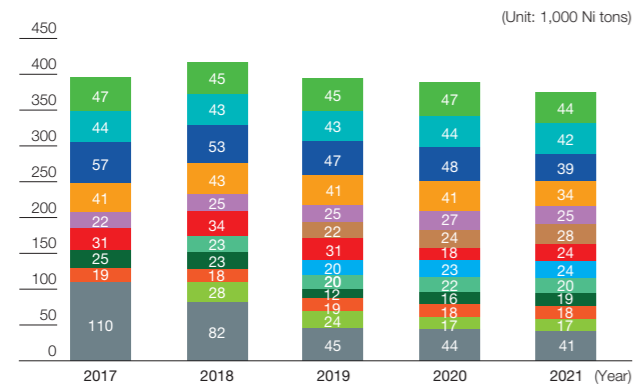
### Growth potential

Due to its diverse performance, ferronickel is widely used from the dining table to the industry. It can be considered a useful material as the need for sustainable materials is expected to increase around the world.

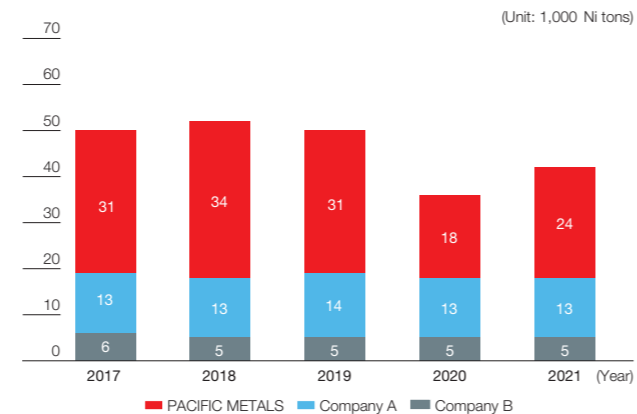


## Information Relating to Production

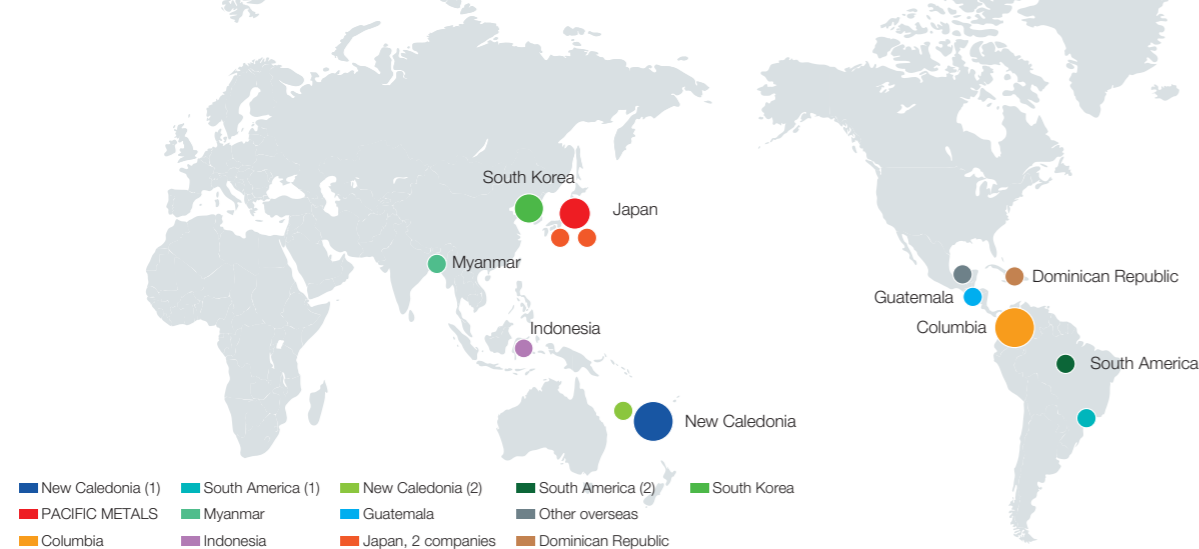
### Global ferronickel production



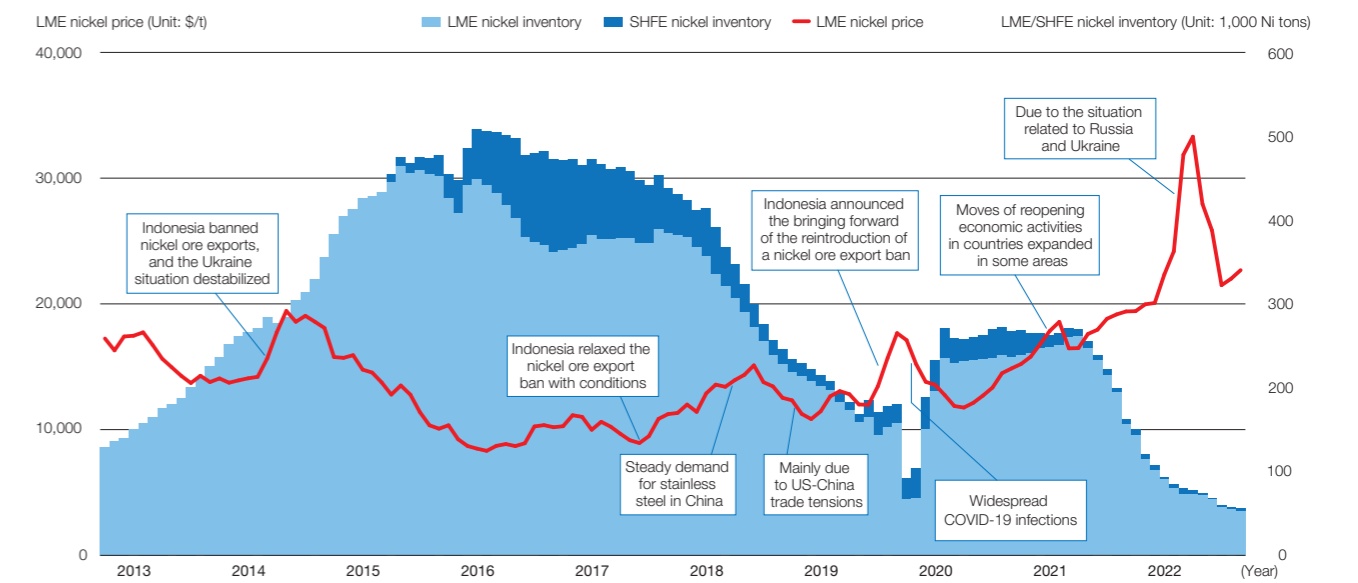
### Japan's ferronickel production



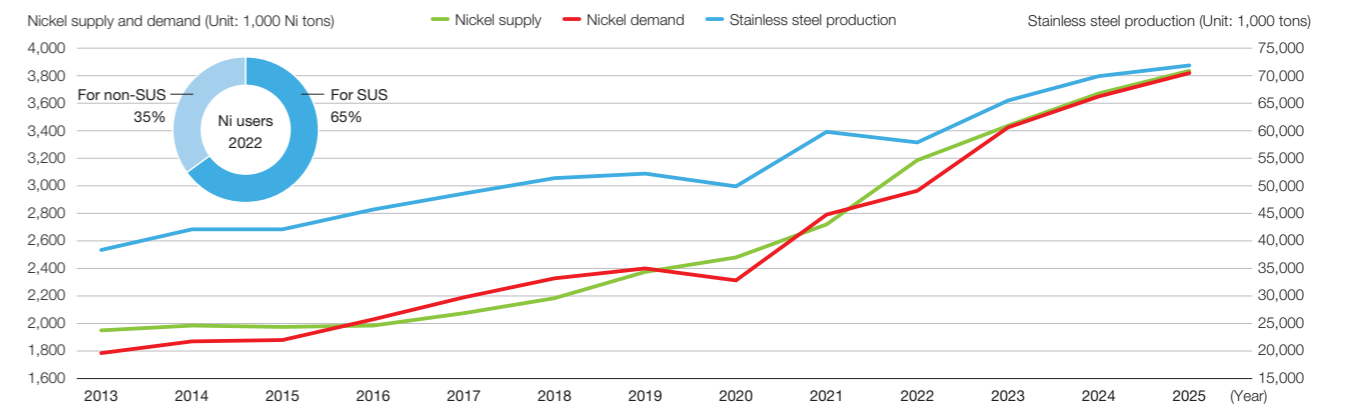
### Global ferronickel production bases



### Trends in LME nickel prices and nickel inventory volumes



### Outlook for stainless steel production and nickel supply and demand



# Growth as a Top Ferronickel Manufacturer

Since our founding, we have devoted all our efforts to meet the diverse needs of our customers. By developing new technologies and new products and working on quality control, we have overcome numerous economic crises and expanded our business. Today, we have established ourselves as one of the world's top manufacturers of ferronickel.

1949-

**1949**  
The steel division of Nippon Soda Co., Ltd., spun off under the Corporate Reconstruction and Reorganization Act, and became Nisso Steel Co., Ltd. To utilize domestic resources, the Company started production of pig iron from iron sand through the electric furnace process.



**1952**  
Listed on both the Tokyo and Osaka Stock Exchanges.

**1954**  
Set sights on the future potential of ferroalloys, particularly ferronickel, the Company converted pig iron smelting facilities at the Shibata Plant into facilities for ferronickel production.

**1957**  
Completed construction of the Hachinohe Plant, production of pig iron from iron sand started.



**1959**  
Pacific Nickel Co., Ltd. was established to specialize in ferronickel smelting and Shibata Plant was separated to become part of Pacific Nickel.

 Indicates environmental initiatives

1960-

**1965**  
Some of Hachinohe Plant's pig iron production facilities converted for the smelting of ferroalloys and ferronickel. Ferromanganese and ferronickel production launched in 1965 and 1966 respectively, followed by the commencement in 1968 of integrated production of stainless steel starting with nickel ore. Ferronickel production capacity increased with two large electric furnaces (a 25,000 kVA unit installed in 1969 and a 40,000 kVA unit in 1970).



**1970**  
The Company absorbed Pacific Nickel Co., Ltd. through merger and changed its name to PACIFIC METALS CO., LTD. and established a foundation as the top manufacturer of ferronickel.




40,000 KVA closed nickel furnace (Hachinohe 45.9)

**1970**  
Opened Philippines Office.

**1972**  
Concluded a technological support agreement with Indonesian company PT Aneka Tambang for construction of a ferronickel smelting plant (Antam Plan).

**1973**  
Acquired an equity stake in Rio Tuba Nickel Mining Corporation of the Philippines and started to involve development of nickel mines.

 **1975**  
Telemeter system  
Installed SOx monitoring equipment (compliance with agreement)

**1979**  
Completed construction of Niigata Plant and departments of electromagnetic materials and activated carbon of Shibata Plant moved to Niigata Plant.

1980-

**1983**  
Separated and transferred Iwase Plant to Pacific Rundum Co., Ltd., along with its abrasives business operation.



No.2 Mannesmann curved continuous casting machine (Hachinohe 56.10)

**1984**  
Separated and transferred Naoetsu, Toyama and Narashino Plants to Pacific Special Alloy Castings Co., Ltd., Pacific Steel Mfg. Co., Ltd. and Pacific Machinery & Engineering Co., Ltd., respectively, along with its casting, forging and machinery business operations.

**1985**  
The name Hachinohe Plant was renamed to Hachinohe Works.

**1988**  
Developed a nickel mine by taking an equity stake in Taganito Mining Corporation in the Philippines.

**1995**  
Installed a 60,000 kVA electric furnace. Three electric furnaces system established at Hachinohe Works.

**1996**  
Completion of Kawaragi Wharf No.2 at Hachinohe Harbor (public).


**1997**  
Completed installation of raw material transport conveyor line (Kawaragi).




**1998**  
Acquired ISO9002.

**1999**  
Transferred headquarter functions to Hachinohe to become a specialized manufacturer for ferronickel.

2000-

 **2000**  
Registered as environmental measurement certification business.

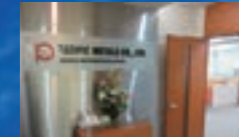
 **2003**  
Construction completed "Incinerated ash and scallop shell recycling facility" for recycling business.


**2003**  
Transitioned to ISO9001:2000.


**2005**  
Achieved 1 million tons of ferronickel production.

 **2007**  
Installed drainage monitors (compliance with agreement).


**2008**  
Opened Jakarta Office.



 **2009**  
Acquired ISO 14001:2004.

 **2011**  
Installed monitoring cameras for drainage and chimneys (drainage and dust control).

**2012**  
Acquired OHSAS 18001:2007. Transitioned to ISO 45001:2018.

 **2013**  
Installed wastewater treatment system (compliance with agreement).

**2014**  
Started operation of Integrated Management System.

**2016**  
Formulated a new "company philosophy" and "long-term vision."

1949-

## Started production of pig iron from iron sand before the period of rapid economic growth

Japan's industrial production recovered to pre-war levels, and Japan entered a period of rapid economic growth. Demand for steel products grew, especially in the manufacturing and construction industries, but air pollution also grew due to the strong industrial recovery, and became a major social problem.

In these circumstances, the Company started operations as Nisso Steel Co., Ltd. We focused on the refining of iron sand as a way to make use of Japan's domestic resources and started producing pig iron from iron sand with an electric furnace using iron sand as a raw material.

1960-

## Started production of ferronickel

The first Tokyo Olympics were held in 1964, contributing greatly to the modernization of Japan. Due to continued rapid economic growth, demand for energy steadily increased, air pollution and natural destruction progressed, and pollution-related diseases became commonplace due to these factors.

Around that time, the Company focused on the future potential of ferronickel and installed an electric furnace. We started production of ferronickel. We have adopted more environmentally friendly production methods, adopting electric furnaces, which are more energy efficient than blast furnaces, and using the high-temperature exhaust gas emitted from electric furnaces in the ore drying process.

1970-

## Established a foundation as a top ferronickel manufacturer

In 1970, the Company absorbed Pacific Nickel and changed its name to PACIFIC METALS CO., LTD. In 1973, we started developing nickel mines. We have established a stable supply of raw materials and a high-quality production system.

Pollution countermeasures and regulations have been strengthened due to factors such as the spread of pollution-related diseases, so we have also accelerated the promotion of environmentally friendly business activities, such as concluding pollution prevention agreements.

2000-

## Aiming to realize a sustainable society

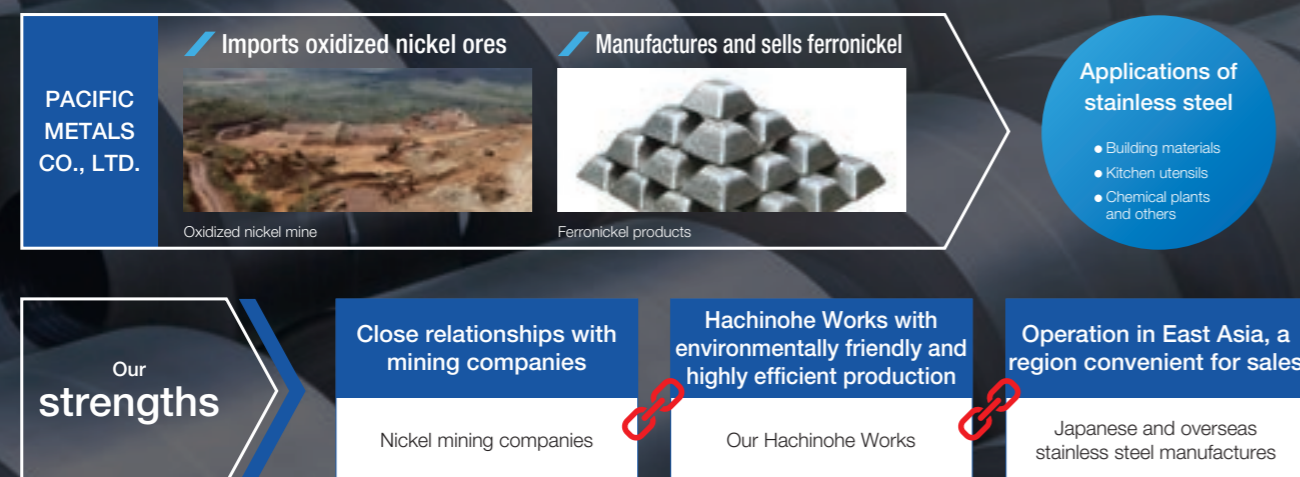
In 1999, we moved our head office organization to Aomori and became a specialized manufacturer for ferronickel. In 2005, our production reached 1 million tons. We have also worked to solve social issues through our business, such as by starting a recycling business.

Now, when the whole world is working on climate change countermeasures, we are also promoting the use of carbon-free energy and other environmentally friendly manufacturing technologies and methods, as well as expanding sales of eco products.

We will continue to contribute to the realization of a sustainable society by responding to all environmental risks and promoting initiatives to achieve carbon neutrality by FY2050.

# As One of the World's Top Ferronickel Manufacturers

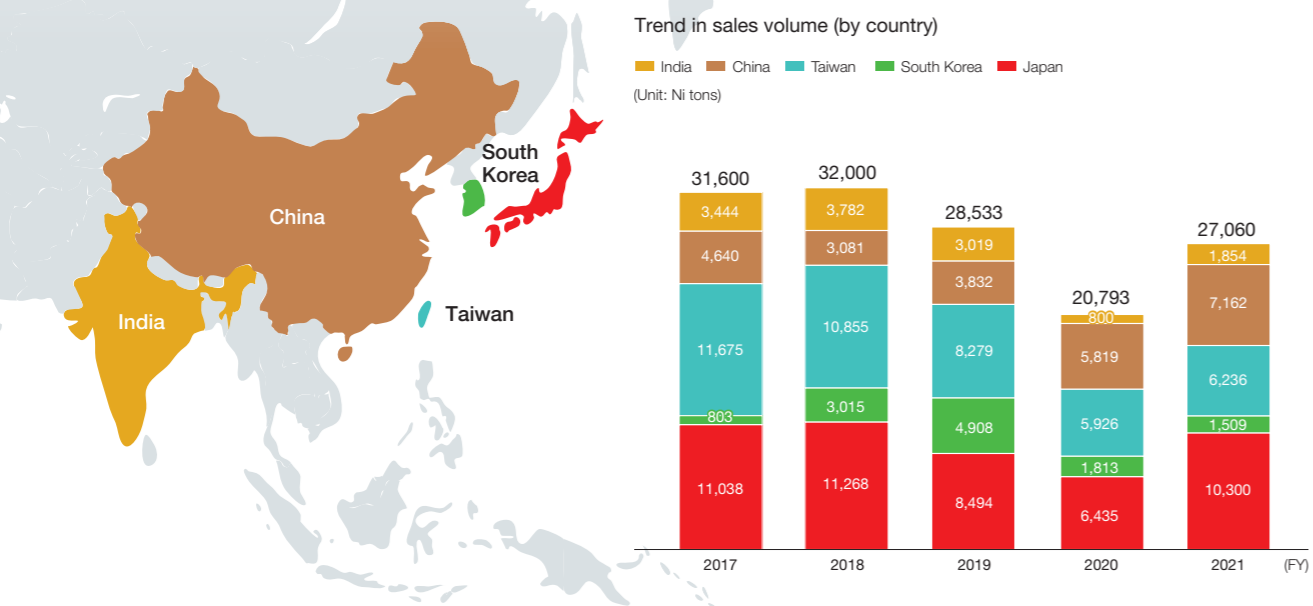
From procurement of ferronickel raw materials to product sales



## Strength 1 Operation in East Asia, a Region Convenient for Sales

Currently, about 60% of our sales are made overseas, supported by our network centered on East Asia. Through our carefully cultivated information network, we collect information on the market and technology, and use it effectively for future business development.

As one of the world's top manufacturers of ferronickel, the Company has also actively ventured into overseas businesses, working with local companies in the Philippines, Indonesia, and other countries to develop resources. In order to comply with international rules and local laws and regulations and conduct corporate activities that contribute to the development of each country, we give due consideration to local traditions, culture, business practices, and labor-management practices, based on international goals related to human rights such as the SDGs.



We sell ferronickel not only to Japan but the rest of the world as well. Our strengths are in our production capacity made possible with some of the world's largest electric furnaces, our connections with mining companies supporting that production, and our sales network that supports overseas expansion. By combining these strengths, we have realized the production and supply of high-quality, stable products that are valued around the world.

## Strength 2 Hachinohe Works with Environmentally Friendly and Highly Efficient Production

We own three of the world's largest electric furnaces, and we use world-class smelting technology to carry out efficient manufacturing.

### Achieving highly efficient production

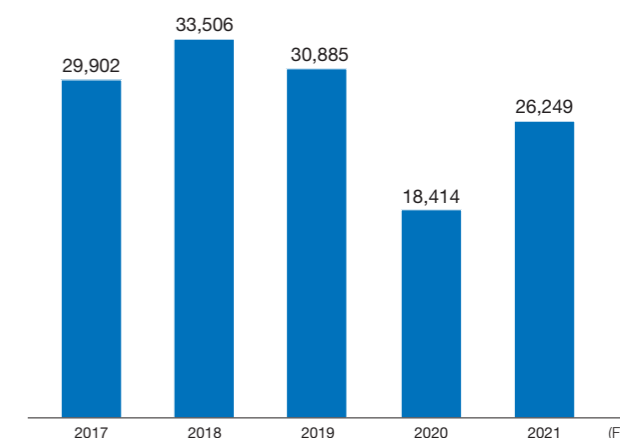
Our Hachinohe Head Office (Manufacturing Works) is located in Hachinohe Port, which is a cornerstone of the coastal industrial zone facing the Pacific Ocean, making it easy to import nickel ore from overseas. In terms of product sales, this also enables us to expand into the Asian region, starting with major domestic stainless steel manufacturers. Our raw materials are transported efficiently from Hachinohe Port on a large conveyor with a belt width of 3.2m and a total length of 2.4km, saving energy and costs compared to truck transportation. We extract nickel efficiently from the transported nickel ore using our proprietary smelting technology and some of the world's largest electric furnaces.



### Environmentally friendly technology

We are making innovations to reduce our environmental impact, such as reducing our energy consumption by using the high-temperature exhaust gas emitted from electric furnaces in the ore drying process, and partially replacing nickel ore with recycled raw materials that contain nickel.

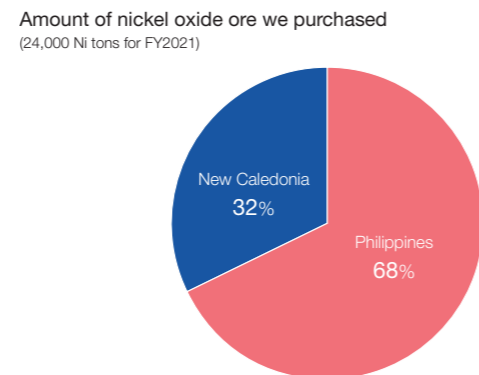
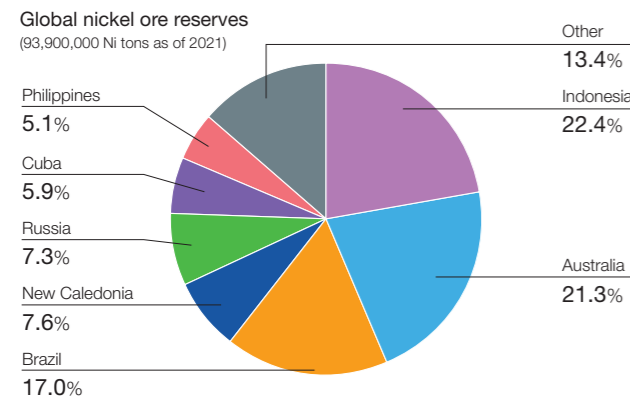
Production volume  
(Unit: Ni tons)



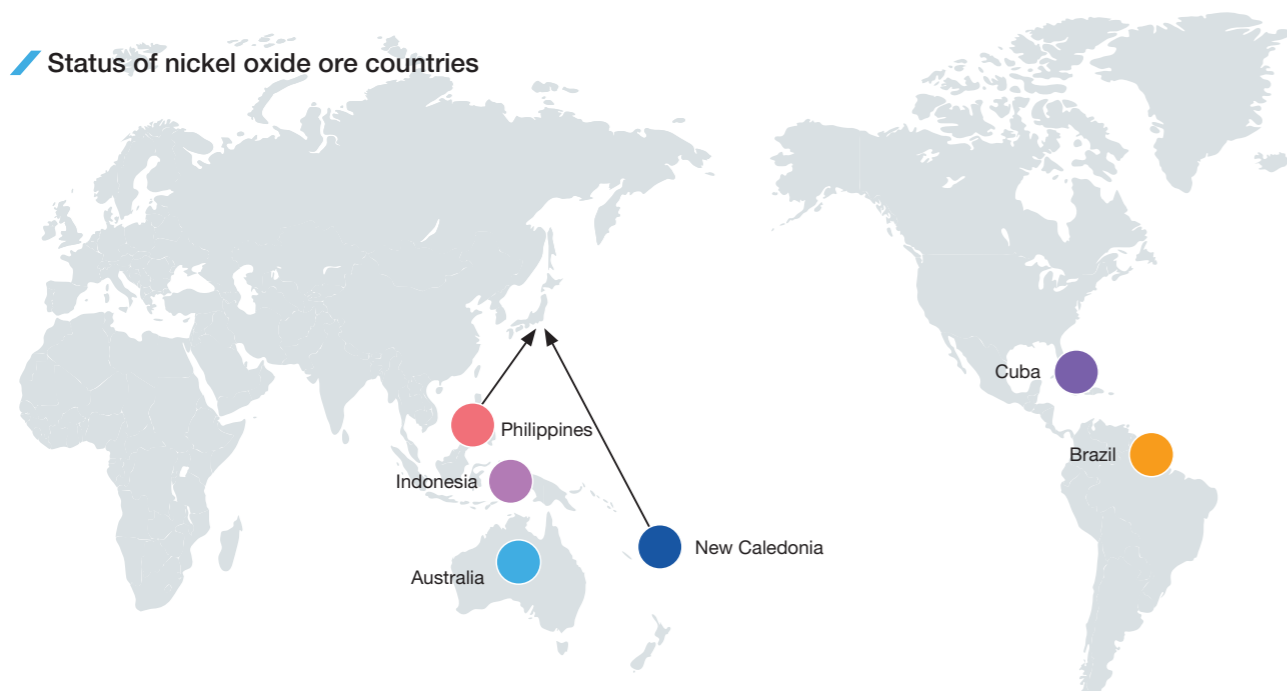
**Strength 3 Close Relationships with Mining Companies**

As one of the world's top manufacturers of ferronickel, the Company has also actively ventured into overseas businesses, working with local companies in the Philippines, Indonesia, and other countries to develop resources. The nickel mine development businesses of Philippines-based Rio Tuba Nickel Mining Corporation and Taganito Mining Corporation, which were formed through joint ventures with local capital, support our production of high-quality products through the stable supply of raw materials. We have built up a network of trust that transcends the oceans in addition to technological assistance and resources development.

**Information relating to purchasing**



**Status of nickel oxide ore countries**



**Philippines** Both the Rio Tuba Nickel Mining Corporation and the Taganito Mining Corporation are joint ventures in which we have contributed 36% and 33.5% of the capital, respectively. We have continuously provided the mutual exchange of technical and human support since the mines first opened.

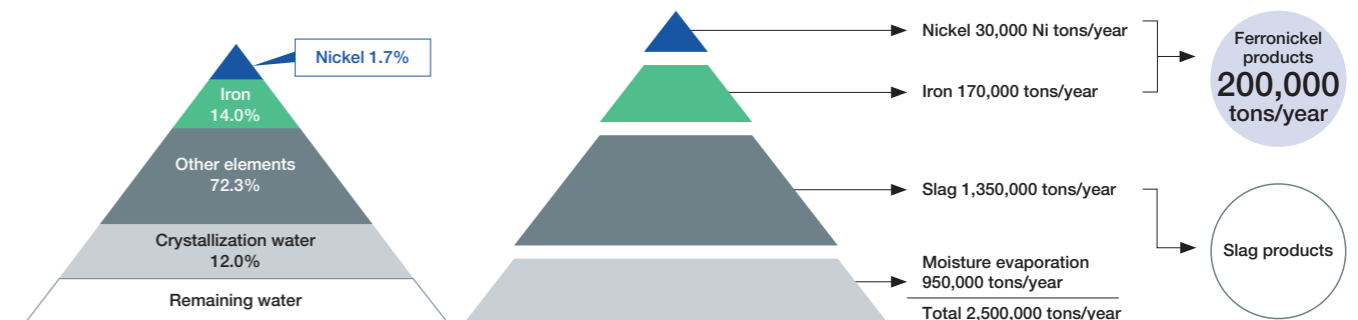
**New Caledonia** We procure ore from Société Minière Georges Montagnat SARL and Mai Kouaoua Mines on a stable basis under 10-year long-term contracts.

**Indonesia** In 1975, we provided technical assistance to PT Antam Tbk as a general supervisor involved in the construction of Indonesia's first ferronickel smelting plant and operational guidance, and we still provide advice on exploration and mine development and technical assistance, such as furnace repairs.

\*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. \*A policy to ban exportation is being implemented again since January 2020

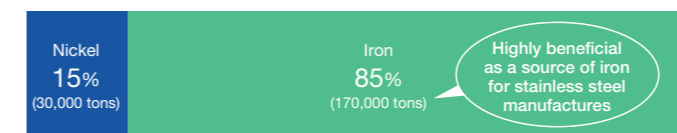
**Raw Material Information of Ferronickel**

**Composition of nickel ore**



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

**Composition of ferronickel** (on the assumption of nickel sales volume of 30,000 Ni tons/year)



Highly beneficial as a source of iron for stainless steel manufactures

**What is the Ni ton (net nickel weight)?**

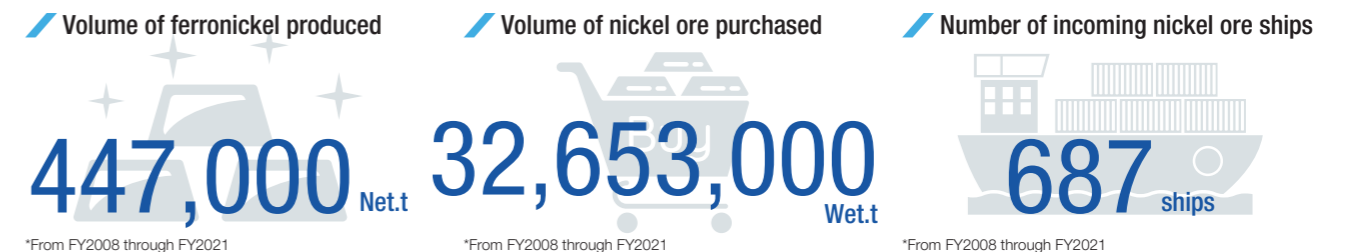
- 1 Ferronickel is an alloy of 15% nickel and 85% iron.
  - 2 In the nickel industry, the production and sales quantity is expressed in net nickel weight.
- Sales quantity of 30,000 Ni tons in the form of ferronickel means:  
 Net nickel sales quantity of **30,000 Ni tons**  
 Gross sales quantity (as ferronickel) is **200,000 tons**

**All Slag Generated in the Ferronickel Manufacturing Process Is Recycled**

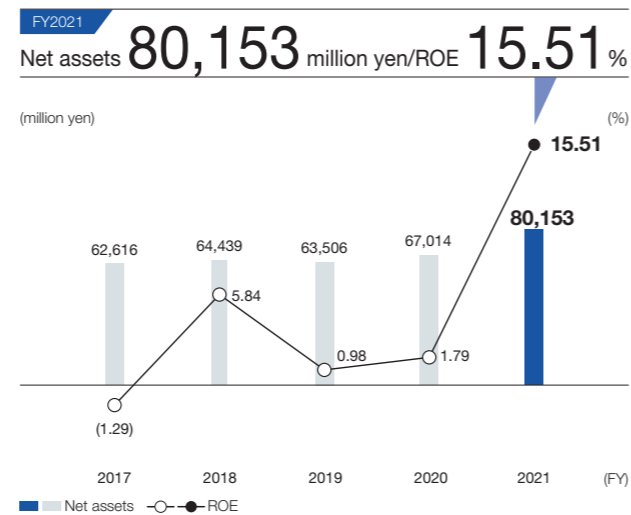
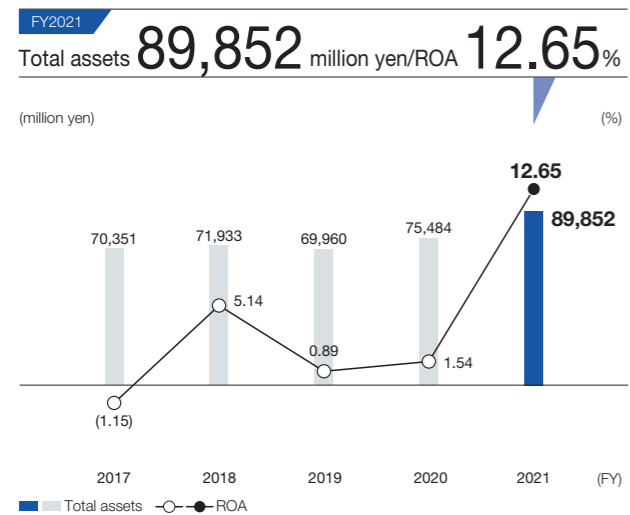
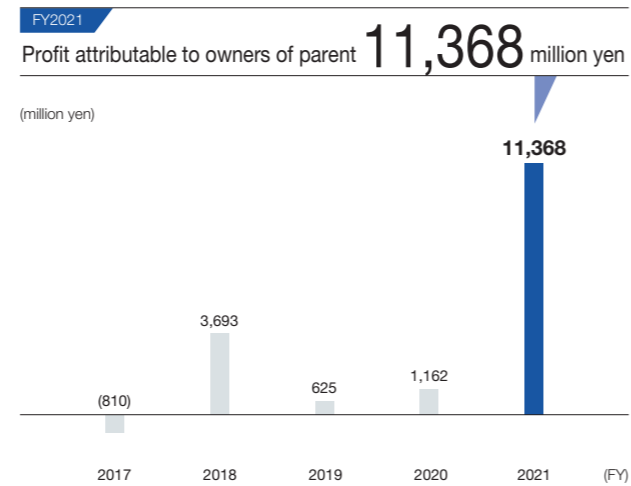
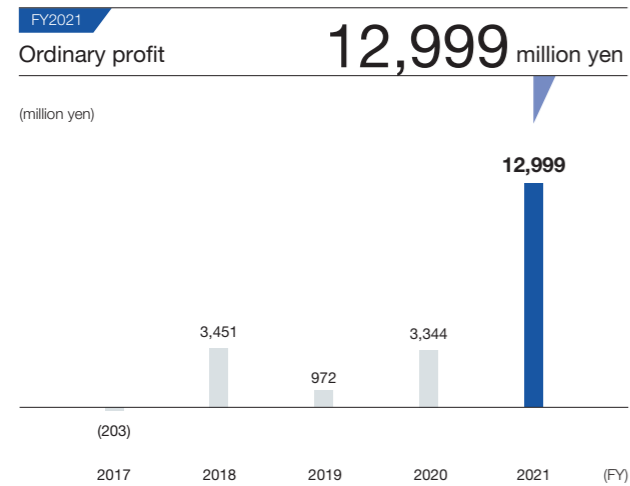
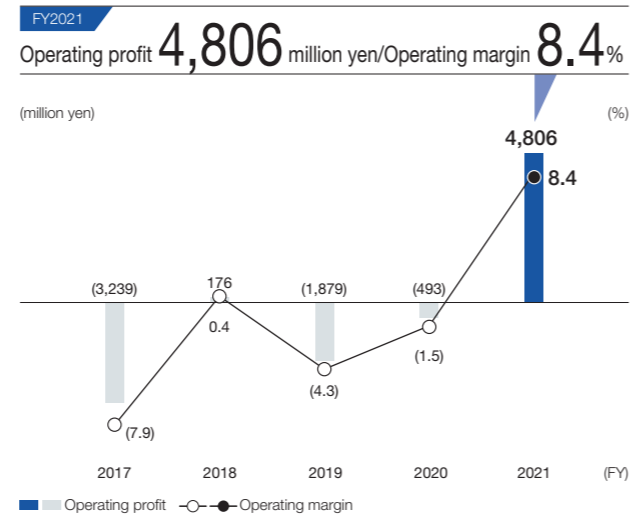
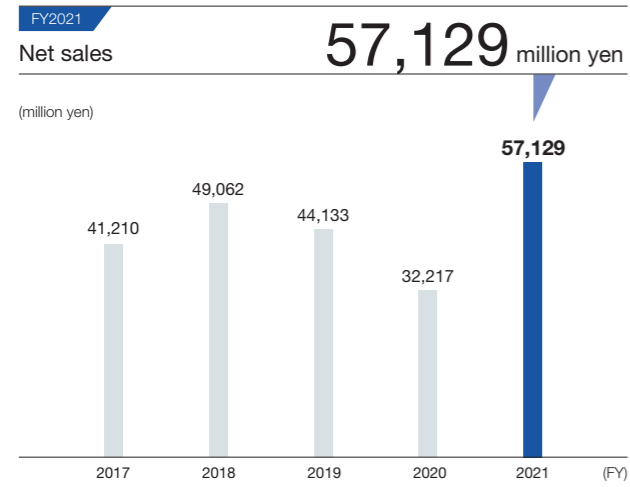
Ferronickel slag is a by-product of the ferronickel smelting process. Molten slag is poured into cooling pits, where it is cooled by atmospheric cooling and moderate sprinkling with water, to turn it into a solid, rock-like state. This rock-like slag is crushed and mechanically stabilized before being recycled. This resource is attracting attention as an environmentally friendly recycled material.



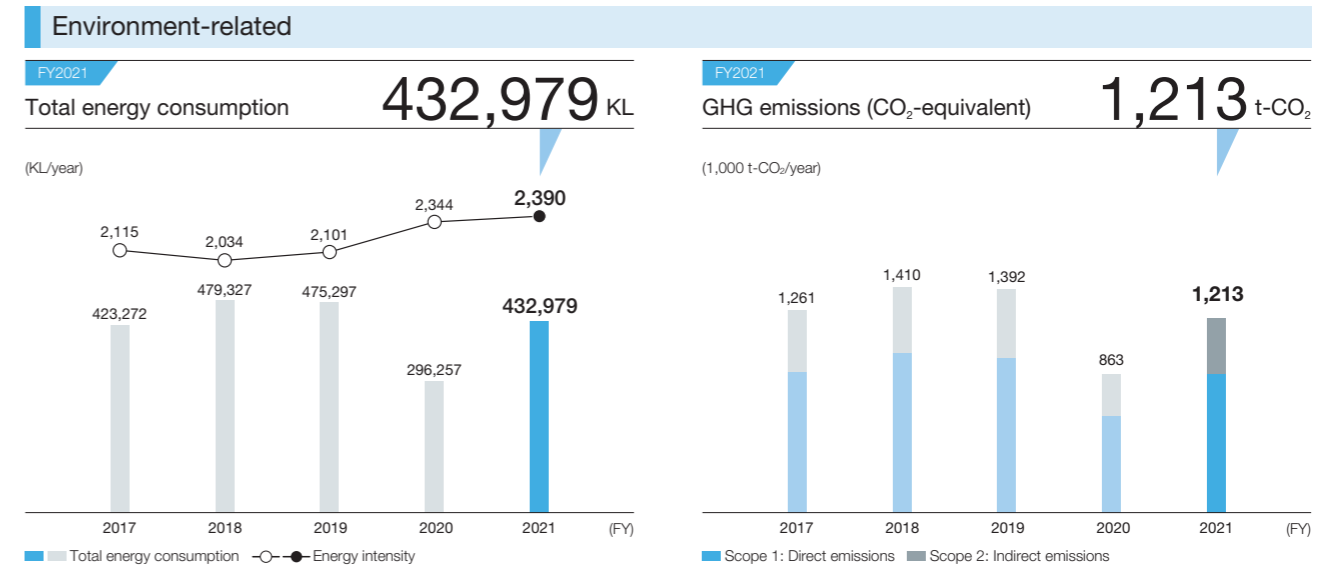
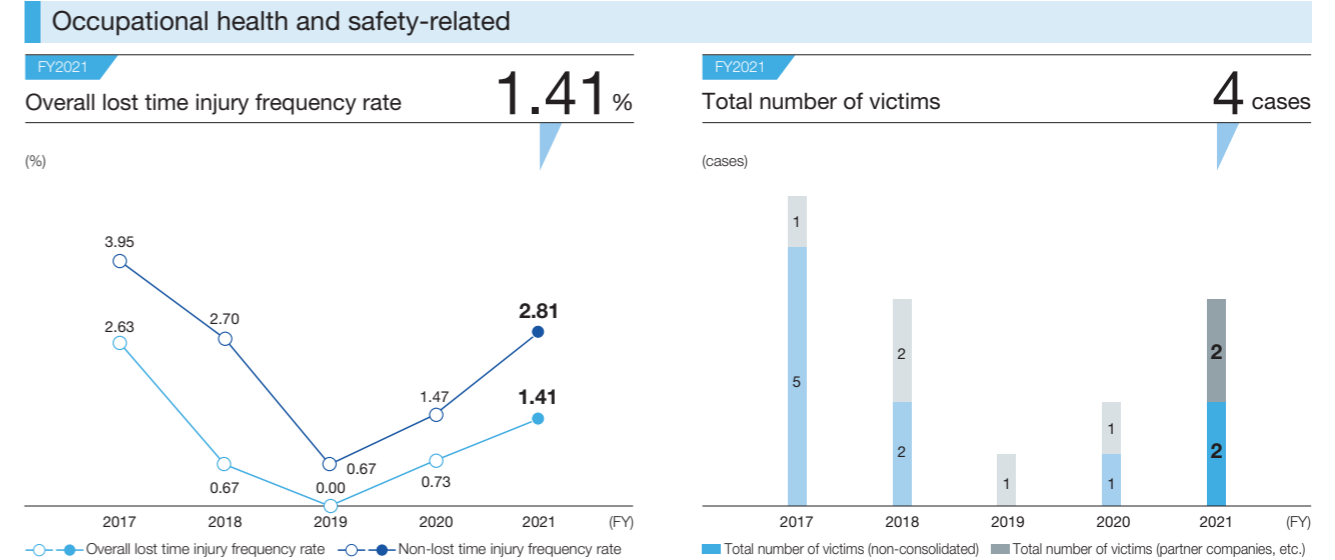
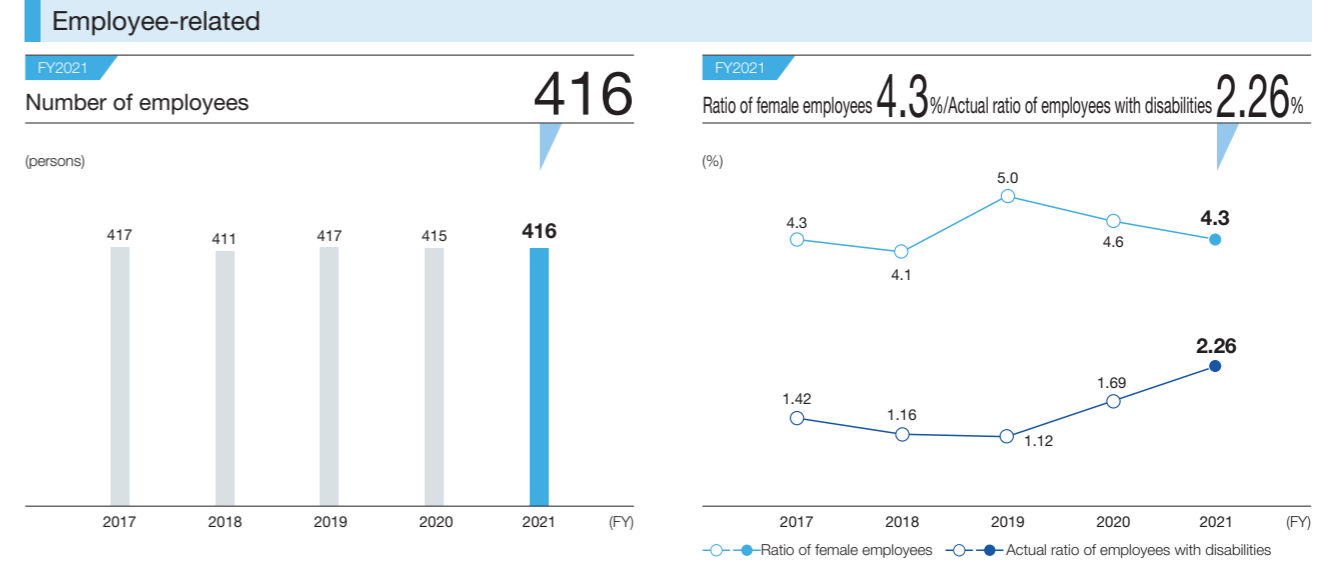
**PACIFIC METALS by the Numbers**



Financial Data (Consolidated)



Non-financial Data (Non-consolidated)



## Message from the President

# We will evolve into a comprehensive materials company

that co-creates a sustainable, recycling-oriented society.

## History of Providing Value and the Thoughts behind Our Company Philosophy

The history of the Company began with Nippon Soda Co., Ltd., which diversified its business after the war, when its steel division became independent in 1949 and was established as Nisso Steel Co., Ltd. Focusing on iron sand mined from the northern coast of Hachinohe City, Aomori Prefecture, we started production of pig iron from iron sand through the electric furnace process, making use of domestic resources.

With the recovery of the domestic industry and the expansion of demand for steel, in 1954, we converted pig iron smelting facilities in Shibata City, Niigata Prefecture into facilities for production of ferronickel, a raw material for stainless steel. In 1965, we converted some of the pig iron production facilities at the Hachinohe Works to facilities for smelting ferroalloys such as ferromanganese and ferronickel. In 1966, we also started in-house production of stainless steel using an integrated production method starting with nickel ore.

In 1970, the Company absorbed Pacific Nickel Co., Ltd. through merger and changed its name to the current PACIFIC METALS CO., LTD., becoming the top domestic manufacturer of ferronickel in terms of production volume and market share. In 1973, we invested in the development of a nickel mine in the Philippines in order to secure raw material ore, as part of our work laying the foundation for business expansion. From the 1980s to the mid-1990s, most of our demand was from domestic stainless steel manufacturers. From the 1990s, demand for stainless steel increased in Taiwan and South Korea, and in the 2000s, demand in China surged, leading to an increase in exports.

By 1999, we had withdrawn from in-house production of stainless steel and the non-nickel sector, such as ferroalloys, through selection and concentration in response to changes in the economic climate, and we became a specialized manufacturer for ferronickel. Currently, our Hachinohe Works operates some of the world's largest electric

furnaces, and continues to maintain the top domestic ferronickel production volume. Our overseas sales are mainly exported to South Korea, Taiwan, China, and India, and overseas sales account for about 60% of our total net sales.

Our business strengths include a large production system that enables the global supply of ferronickel, as well as our proprietary developed smelting technology. Another advantage of our business model is that we use by-products from the smelting process to produce ferronickel slag.

One more major advantage is the stable procurement of nickel ore, which we use as a raw material. As mentioned above, we have been participating in the development of nickel mines in the Philippines from an early stage, and have purchased nickel ore equivalent to 30% of total purchases from two local companies in which we have invested. We procure another 40% from two New Caledonian nickel mining companies based on long-term contracts (the remaining 30% we procure from Philippine mining companies). A unique feature of the Company is the way of blending nickel ore from these multiple procurement routes, striving for stable quality.

Another strength is our ability to collect information, which we have built up over many years of business. We have established an information network between our business partners and companies in related industries, and exchange a vast amount of information on the market and technology, giving us an advantage in business development.

Our company philosophy "Leverage the power of people to deliver the earth's resources in more useful forms and contribute to the happiness of humankind" shows our desire to create social value, which originated from the smelting of iron sand mined on the coast of Hachinohe. To realize a prosperous future, we will continue to manufacture products that coexist with the global environment and solve social issues.



**Masayuki Aoyama**

President and Representative Director



## Recognizing Management Issues in Light of Changes in the Business Environment

Since the 2000s, the environment our business operates in has changed significantly. In recent years, social turmoil caused by COVID-19 and the emergence of geopolitical risks have affected resource prices. As changes become more and more intense, the future is becoming more uncertain and difficult to predict.

Looking back to the recent past, demand in the stainless steel industry, which is the main market for ferronickel products, rapidly increased as China's urban development accelerated following the 2008 Beijing Olympics, and nickel prices fluctuated significantly as a result of this. Before long, China began to produce its own stainless steel, and the raw material shifted to cheaper NPI (nickel-containing pig iron produced from low-grade nickel ore). Furthermore, NPI has expanded into the market by taking in existing nickel demand, leading to intensifying price competition.

In terms of raw material procurement, resource nationalism has emerged in the countries that supply nickel ore, leading to embargoes and other moves. As the government of Indonesia, from which we used to procure nickel ore, introduced an export ban policy in 2014, securing new suppliers has become a management issue for us.

Following these changes in the environment, from 2020 onwards, COVID-19 covered the entire world and made a

significant impact on the market. Currently, our business is in an unpredictable situation, with resource and energy prices continuing to rise due to the Ukraine crisis that broke out in February 2022.

The selling price of our ferronickel products is linked to the nickel market price on the London Metal Exchange (LME). Amid concerns about fluctuations in the financial and capital markets, complex factors related to the situation in Ukraine, and the effects of accelerating inflation, LME nickel prices are expected to remain unstable for the time being, albeit at relatively high levels, so it is necessary to assume the formation of selling prices based on this premise.

It is expected that we will be able to procure a quantity of nickel ore that meets our immediate production plan from our mining companies in the Philippines and our long-term contracted companies in New Caledonia. However, not only nickel ore prices but also energy prices remain high, so production costs have risen drastically, which is expected to have a significant impact on our future earning level.

In the new three-year medium-term business plan PAMCO-2024, which is explained below, we will restructure our production and sales systems to overcome environmental changes and improve profitability.

## Revising Our Long-Term Vision and Launching a New Medium-term Business Plan

Until now, our long-term vision for 2030 has been to "Become a world-class ferronickel manufacturer with comprehensive power." To achieve this, we have been promoting the three-year medium-term business plan PAMCO-2021 since FY2019. We have revised this long-term vision and set out to a new vision, "A comprehensive materials company that co-creates a sustainable, recycling-oriented society." At the same time, we formulated a new three-year medium-term business plan PAMCO-2024 and started it from FY2022.

Looking back on the three years of PAMCO-2021, which ended in FY2021, in addition to changes in the stainless steel market, our production volume and sales volume fell

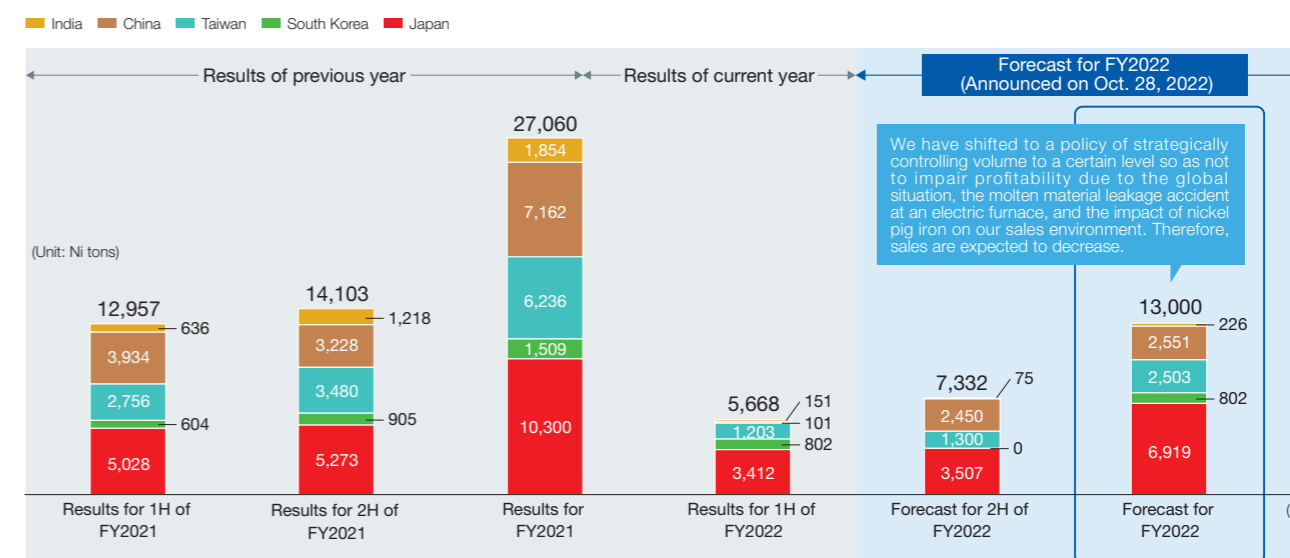
far short of the three-year total target figures due to a decrease in demand caused by the impact of COVID-19, which was not anticipated when the plan was formulated. As a result, net sales and operating profit fell short of the plan, but ordinary profit and profit attributable to owners of parent exceeded the plan due to an increase in share of profit of entities accounted for using equity method.

From a qualitative perspective, we made steady capital investments and maintained a stable procurement of nickel ore for the establishment of an optimal production system, which was listed at the top of our basic policy. However, we were unable to develop new procurement sources other than the Philippines and New Caledonia. Although our

### Full-year forecast for FY2022

<b>On the production and sales volume front</b> <b>Shifted to a policy of strategically controlling volume</b> <ul style="list-style-type: none"> <li>Impact from the molten material leakage accident at an electric furnace</li> <li>Impact of nickel pig iron (NPI)</li> <li>Expect a challenging environment with results expected to fall short of the previous forecast announced in July 2022</li> </ul>	<b>On the production front (concerning the molten material leakage accident at an electric furnace)</b> <b>Closely monitor the business environment</b> <ul style="list-style-type: none"> <li>Schedule to resume operation of the facility once the volume control policy is lifted</li> <li>Expect to have the production facility itself restored to a state such that resumption of operation will be possible during the fiscal year ending March 31, 2024</li> </ul>
<b>On the selling price front</b> <b>Impact from nickel pig iron (NPI) price</b> <ul style="list-style-type: none"> <li>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 net sales</li> </ul>	<b>On the procurement front</b> <b>Increase in production costs</b> <ul style="list-style-type: none"> <li>Nickel ore prices remain high</li> <li>The rate of the increase in production costs is accelerating because of soaring energy costs, etc.</li> <li>A significant impact on profit expected</li> </ul>

### Outlook for sales by country



efforts to develop overseas business and diversification of business in Japan did not lead to concrete results, through streamlining measures, we reduced costs by 2.2 billion yen over three years, and secured stable earnings by using hedging to reduce the impact of market fluctuations. In addition, the implementation of cash flow-oriented management and the strengthening of the organization and human resources have generally shown favorable results. As part of our efforts to realize a sustainable society, we have reduced CO<sub>2</sub> emissions by 8,116 tons by promoting energy-saving activities.

In summary, we achieved certain results based on the basic policy as mentioned above, but we believe that there are still issues to be addressed in terms of strengthening the platform and refinement of strategies toward continuous growth, which are the cornerstones of PAMCO-2021.

Regarding the concept underlying our long-term vision, we have revised our aim to be a company that enhances the sustainability of society and the environment and shares the richness with our stakeholders, by shifting from a future image that is an extension of the social structure favoring mass production and mass consumption, and using limited resources efficiently. Our new long-term vision, "A

comprehensive materials company that co-creates a sustainable, recycling-oriented society,” reflects this ambition. The term “comprehensive materials company” expresses our intention to expand our business domain to include not only nickel but also other metals and recycled materials.

The new three-year medium-term business plan PAMCO-2024 will carry on the achievements and issues of PAMCO-2021 and will further strengthen the platform and promote the sustainability strategy to overcome changes in the business environment, laying the foundation for realizing the long-term vision. We have identified the following five material issues: (1) restructuring of production and sales systems with emphasis on profitability, (2) acceleration of consideration of expansion into overseas smelting business, (3) creation of new businesses that contribute to society, (4) diversification of business in Japan to contribute to a recycling-oriented society, and (5) enhancement of corporate value by addressing sustainability issues.

As a specific initiative, with regard to the restructuring of production and sales systems with emphasis on profitability, we will focus on establishing an optimal production system that includes streamlining the operation of electric furnaces and strengthening cost competitiveness by reviewing the procurement of fuels and raw materials.

Regarding the expansion into overseas smelting business, we would like to re-accelerate our overseas smelting projects that have been delayed due to the COVID-19 pandemic.

As for the creation of new businesses that contribute to society, we plan to utilize our hydrometallurgical technology to commercialize the production and sales of nickel sulfate and cobalt sulfate, which are raw materials for lithium-ion battery materials.

Regarding diversification of business in Japan to contribute to a recycling-oriented society, we will work to revitalize our efforts, such as by exchanging information on carbon neutrality, in collaboration with other companies and in cooperation with local companies and local governments in the vicinity of the Hachinohe Works.

The goal of our plan is to continue to increase production and sales volumes over the three-year period, aiming to secure net sales and profits that surpass those of PAMCO-2021. Of the above-mentioned material issues, overseas smelting projects, new lithium-ion battery-related business, and recycling business are, of course, at the advance investment stage. Therefore, we will steadily restructure our production and sales systems, which will lead to an increase in business performance.

We also position human capital initiatives as an important sustainability issue, and we are focusing on themes such as safe operations, human resource development, harassment prevention, respect for human rights, and diversity. Through

these initiatives, we aim to make workplace environments in which each and every employee can work comfortably and play an active role, thereby increasing employee engagement and improving our corporate value.

## Message to Stakeholders

Our business environment has changed drastically and rapidly, and is now completely different from the past. From now on, consideration for environmental and social sustainability will become a condition for the survival of companies, and we also believe that it will be the key to overcoming changes in the business environment.

We would like to ask all of our stakeholders to pay attention to our efforts to become a comprehensive materials company that co-creates a sustainable, recycling-oriented society and appreciate your continued long-term support for our efforts to create greater social value while opening up new growth opportunities.

## Sustainability Measures Promoted by PACIFIC METALS

As stated in the material issues of PAMCO-2024, we will strengthen our response to sustainability issues in the future. In June 2021, we established the Sustainability Management Section within the Corporate Planning & Coordination Department, and in November of the same year, we established the Sustainability Promotion Council with the President serving as chairman and full-time Directors serving as council members. With these organizations in place, we have a system for conducting sustainability measures company-wide, including medium- to long-term initiatives and discussion of direction, and are taking concrete action.

In our response to climate change, we aim to achieve carbon neutrality by FY2050. As an interim goal, we have a policy of reducing GHG (greenhouse gas) emissions by 46% or more compared to FY2013 levels by FY2030. In May 2022, we endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). In

November 2022, we identified and assessed climate-related risks and proceeded with scenario analysis, publishing the findings on our website.

In terms of efforts to contribute to the development of regions of Japan and resource-rich countries and promote symbiosis, as I mentioned earlier regarding the restructuring of the recycling business, we are working with local companies and local governments in the vicinity of the Hachinohe Works. In resource-rich countries such as the Philippines and New Caledonia, we are carrying out activities to support tree planting on vacant mine development sites, and we will actively expand upon these activities.

In the future, in order to promote constructive dialogue with stakeholders, we will disclose our management and financial conditions in a timely, appropriate, and fair manner, and will more actively communicate the market environment and our unique strengths than we ever have before.



▲Hachinohe Head Office (Manufacturing Works)

We will strengthen the platform and implement sustainable corporate strategies based on our business environment and the needs of society.

**Yoshiharu Inomata**

Officer in charge of Corporate Planning



**Implementation of a medium-term business plan with careful consideration of fluctuation factors**

In May 2022, we formulated a medium-term business plan (hereinafter, PAMCO-2024). From a financial perspective, our business performance is characterized by the fact that it is greatly affected by the nickel market price, and how we grasp, judge, and deal with these fluctuations is important when considering growth potential and profitability.

In the nickel business, our ferronickel sales structure is linked to the LME nickel price to some extent. Referencing the current LME nickel price and future price forecasts by economists, we have regularly reviewed our production and sales plans for the implementation year, including medium- and long-term plans. Our implementation plan also takes growth and profitability into consideration, and includes strategies such as equipment renewal timing and stable procurement of resources. However, the recent LME nickel price has fluctuated wildly, and the ferronickel sales structure linked to the LME nickel price is starting to collapse. Furthermore, electricity rates have been hiked, and coal and petroleum prices are soaring. Business performance is greatly affected not only by LME nickel

prices, but also by these prices, so price forecasts are also an important decision factor. Another business-specific factor is the use of electric furnaces, which consume large amounts of electricity. Therefore, electricity purchase charges and the price of petroleum used for in-house power generation have a great impact on our finances. We also use a large amount of coal, so the price of coal has a major impact on our finances as well.

Uncertain factors have complicated decision-making, so we will implement PAMCO-2024 for the ferronickel business while assessing trends such as the impact on business performance, risk hedging, maintenance of appropriate inventory levels, and certainty of procurement.

We have set four indicators for a priority measure of PAMCO-2024, "Restructuring of ferronickel production and sales systems with emphasis on profitability," and we are promoting them to pursue and solve problems. The indicators are (1) reconstruction of an optimal production system by reviewing production system, (2) continuous pursuit of an optimal sales system, (3) strengthening of cost competitiveness by reviewing procurement strategy, (4) strengthening of cost competitiveness by introducing new technology.

**Review of the previous medium-term business plan**

Looking back on the previous medium-term business plan (hereinafter, PAMCO-2021), the increase in LME nickel prices and the depreciation of the yen are factors that exceeded the plan. Share of profit of entities accounted for using equity method increased significantly due to the strong performance of the two Philippine mining companies brought on by the rise in LME prices. Both are strongly affected by the external environment, but we succeeded in securing stable income through measures such as hedging to minimize the impact of market fluctuations. While we achieved the monetary goals to some extent for cost reductions in the medium-term rationalization plan, we were not able to build a competitive low-cost production system. For the remainder, we will continue to work on the priority measures of PAMCO-2024, "Restructuring of ferronickel production and sales systems with emphasis on profitability."

**Strategic points of emphasis**

Regarding financial strategy in PAMCO-2024, the points to be emphasized include customer demand, LME nickel price, foreign exchange rate, electricity price, coal price, and oil price. At present, with the exception of Indonesia, countries are reducing stainless steel production, and demand for nickel is declining. The ferronickel price is not linked to the LME price, and the decrease in sales volume and sales price has a large impact on our profit and loss. Furthermore, the level of profit and loss is declining due to soaring prices of electricity, coal and petroleum, and it is unclear what will happen after FY2023. In this regard, we will continue to consider the optimal system for production and sales volume plans and performance indicators from FY2023 onwards.

In our production strategy, we will monitor trends in ferronickel demand, LME nickel prices, electricity prices, and raw material prices, and review the optimal production system (profitable production and sales volumes) in an effort to improve profitability. In our procurement strategy, we will formulate short- and medium-term procurement plans for nickel ore and coal so that we can secure the necessary procurement volumes at lower prices, and we will revise these plans as necessary in response to changes in the market environment. In addition, we will strive to improve profitability by taking measures to reduce transportation costs.

**Creation of a material product business that contributes to society**

In the three-year initiative of PAMCO-2024, our portfolio centered on the ferronickel business will not change. However, we aim to create a material product business using recycled resources by revising the recycling business and create a material product business that makes use of the results of research and development to date.

In our investment plan, we will prioritize capital investment for maintenance and renewal of production equipment, investment related to domestic new businesses, investment in overseas business development, and investment in R&D to promote sustainability, including carbon neutrality. We will allocate funds based on internal reserves and operating cash flow that is continuously generated, taking appropriate financing methods as necessary.

**Long-term capital policy**

In our capital policy, since our company is in the equipment industry and requires a huge amount of capital investment to periodically renew equipment, we must retain a certain amount of funds for this work internally. Regarding shareholder returns, we will accelerate the investment budgeted for PAMCO-2024 and link it to commercialization, giving priority to necessary investments from a medium- to long-term perspective that will contribute to improving corporate value, and strive to provide stable and continuous shareholder returns based on a dividend payout ratio of approximately 30%.

**Pushing forward towards a new vision**

In order to realize the new vision set out in PAMCO-2024, "A comprehensive materials company that co-creates a sustainable, recycling-oriented society," we utilize recycled resources for ferronickel products and improve the manufacturing process for carbon neutrality. We aim to increase business value and produce new material products other than ferronickel from nickel ore, other mineral resources, and recycled resources. As such, we will promote use of existing pyrometallurgical and hydrometallurgical technologies and development of new smelting technologies.

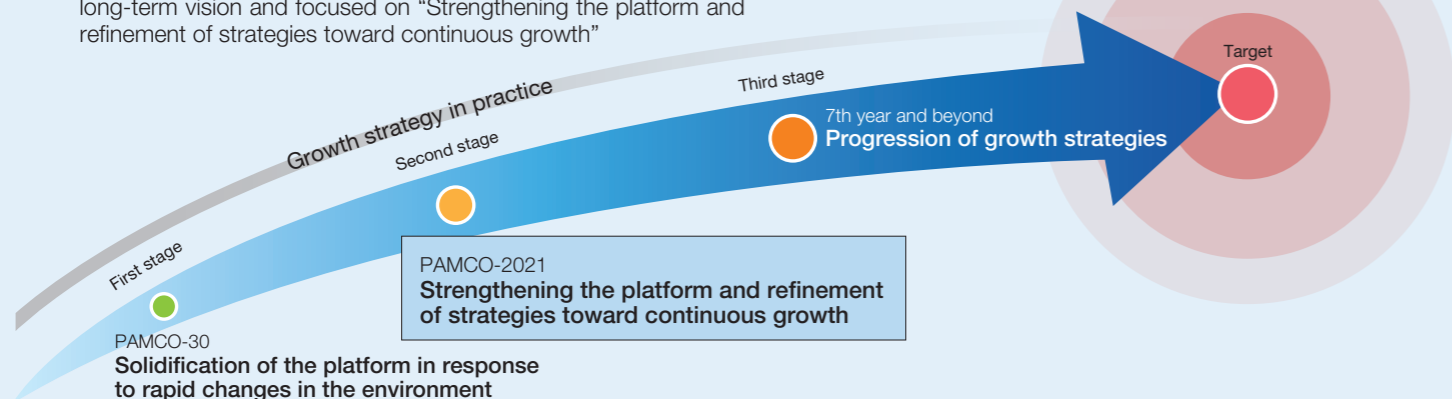
# New Medium-term Business Plan "PAMCO-2024"

With further strengthening of the platform, contribution to SDGs, and realization of carbon neutrality as material issues for the Company, we build and develop a business structure centered on solving these issues. By doing so, we have established a new long-term vision, "A comprehensive materials company that co-creates a sustainable,

recycling-oriented society," aiming to grow into a sustainable company, and we have formulated a new medium-term business plan (period: FY2022-FY2024, hereinafter, PAMCO-2024) to achieve this.

## Review of Previous Medium-term Business Plan PAMCO-2021

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"



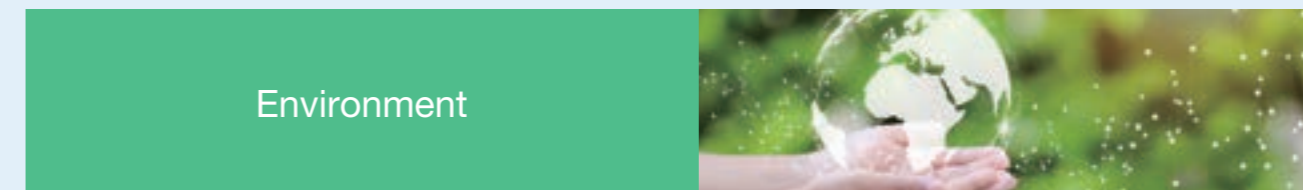
## Achievement of basic policies

Basic policies	Achievement status (○: Achievement made △: Issues remain)
Strengthening of facilities and stable procurement of ore to develop the optimal production system	○ 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
Initiatives with view to expanding overseas business	△ Shortlisting overseas smelting projects in cooperation with resource-rich countries
Diversification of business in Japan	△ Sowing seeds for domestic business candidates and shortlisting with a view to rebuilding the recycling business
Strengthen profitability	○ 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
Strengthening of organization and human resources in anticipation of changes in the business environment	○ New organizational structure strengthened the responsiveness of the organization
	○ Secured necessary personnel based on future-oriented human resource development and recruitment plans
Management focused on cash flow	○ Reduce the risk of shortfall of funds through appropriate cash flow management
Contribution toward achieving a sustainable society	○ Reduced CO <sub>2</sub> 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

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

	FY2019-FY2021 (3-year total)			Reason for increases/decreases
	Plan	Results	Comparison	
Production volume (Ni tons)	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 tons)	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 US 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

## ESG Initiatives



### Environmentally friendly manufacturing process

- Carrying out efficient manufacturing with some of the world's largest electric furnaces by utilizing the world's top level smelting technology
- Reducing energy consumption by using high-temperature exhaust gas from electric furnaces into the ore drying process
- Implementing measures to reduce environmental impact, such as recycling recycled raw materials containing nickel by smelting them together with nickel ore

### Making use of by-products and zero waste emissions

- The entire product of ferronickel slag obtained as a by-product of the ferronickel manufacturing process is recycled and sold as an attractive product that can be used in a wide range of applications
- We recycle waste oil generated by our ferronickel production process and other facilities. Since we contract subcontractor industrial waste treatment companies to recycle all waste that cannot be treated in-house, we have achieved zero waste emissions

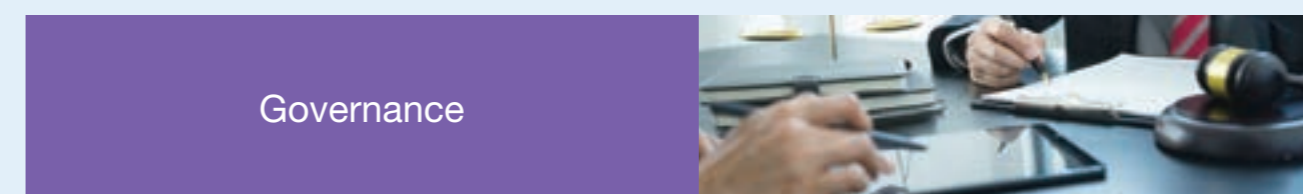


### Together with the community

- Donation of alcohol-based disinfectants to the City of Hachinohe
- Sponsorship of the local soccer club (Vanraure Hachinohe)
- Donation for recovery measures after the August 2021 heavy rain damage in Kazamura Village and Mutsu City

### Together with mineral resource countries

- Donation to the Philippines affected by Typhoon Rai (Name in the Philippines: Odette) in 2021
- Donation to victims of the November 2022 West Java earthquake in Indonesia



### Cross-shareholdings

- 7,939 million yen, as of March 31, 2022
- \*Of which, 7,047 million yen (88.8%) is a stake in Nickel Asia Corporation of the Philippines (an affiliate accounted for by the equity-method).
- Net assets: 80,153 million yen
- Ratio of cross-shareholdings to net assets: 9.9%
- Reduced by 1 cross-shareholding in the fiscal year ended March 31, 2022
- Consider gradually reducing remaining cross-shareholdings

### Composition of the Board of Directors

- Independent Outside Directors: 3 (accounting for 33.3% of the 9 Directors) (Female Director: 1)

### Evaluation of effectiveness of the Board of Directors

- Questionnaire survey 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.

### Nomination and Compensation Committee (voluntary)

- Established in May 2021, met five times by the end of March 2022
- Discussing the nomination policy and future officer compensation under the chair, who is an Independent Outside Director

### Future initiatives

- Consideration for disclosure in line with TCFD
- Efforts to ensure diversity

## Positioning of the Medium-term Business Plan

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"

### 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"

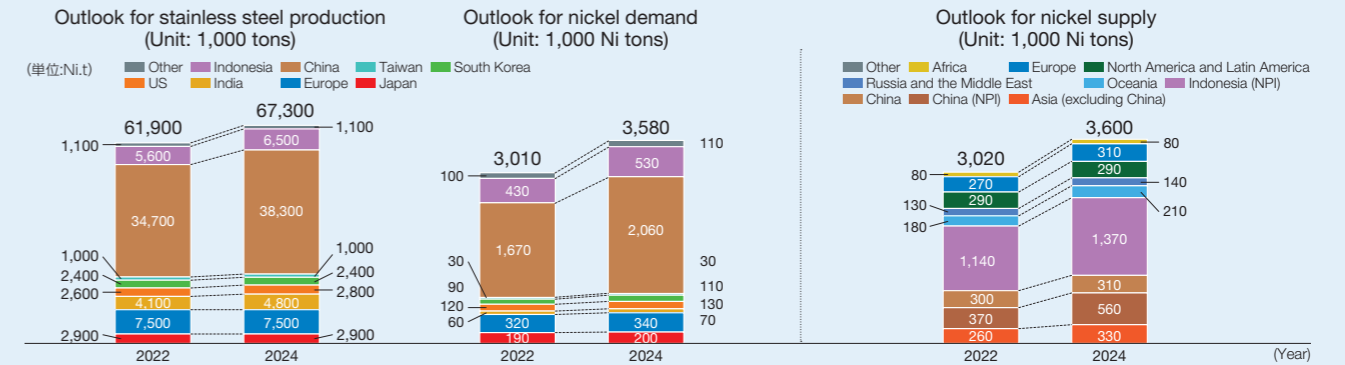
Further strengthen the foundation established under PAMCO-2021 to enable flexible and rapid response to changes in the business environment. Promote sustainable strategies with the aim of solving various social issues that need to be resolved and PAMCO's material issues.



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

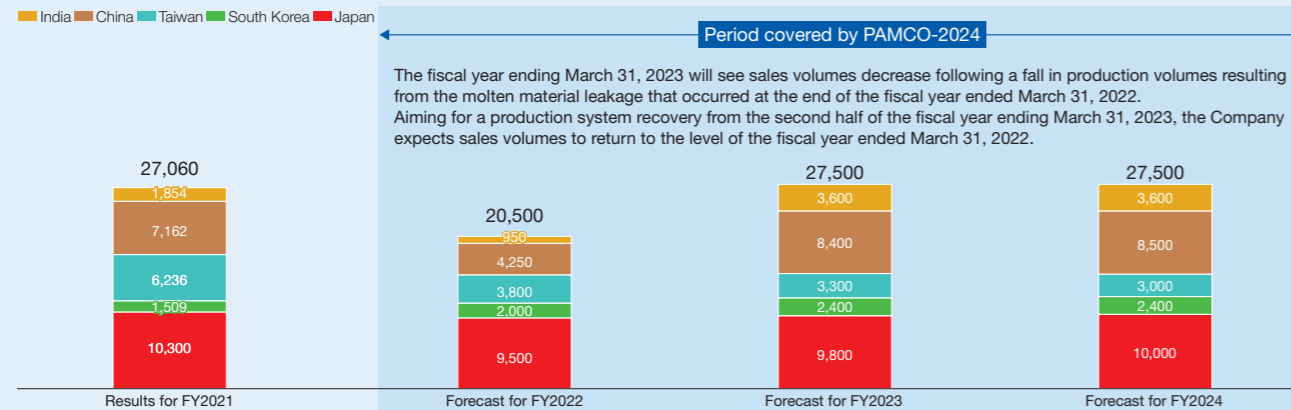
## Trends in LME Nickel Prices and Nickel Inventory Volumes



## Material Issues (Materiality) and Measures

<b>Restructuring of ferronickel production and sales systems with emphasis on profitability</b> 	<ul style="list-style-type: none"> <li>Establishment of optimal production system by reviewing production strategy                             <ul style="list-style-type: none"> <li>Establish optimal production system to further strengthen the platform.</li> </ul> </li> <li>Strengthening of cost competitiveness by reviewing procurement strategy                             <ul style="list-style-type: none"> <li>Review and strengthen procurement strategies for fuels and other raw materials, according to the highest priority to cost competitiveness.</li> </ul> </li> </ul>
<b>Acceleration of consideration of expansion into overseas smelting business</b> 	<ul style="list-style-type: none"> <li>Promotion of overseas smelting projects and start-up of production                             <ul style="list-style-type: none"> <li>Establish optimal ferronickel production and sales system by combining domestic and overseas smelting operations.</li> </ul> </li> </ul>
<b>Creation of new businesses that contribute to society</b> 	<ul style="list-style-type: none"> <li>Promotion of production and sales of raw materials for LIB materials                             <ul style="list-style-type: none"> <li>Create a business to manufacture and sell raw materials for LIB materials by utilizing hydrometallurgical technologies.</li> </ul> </li> </ul>
<b>Diversification of business in Japan to contribute to a recycling-oriented society</b> 	<ul style="list-style-type: none"> <li>Restructuring of recycling business                             <ul style="list-style-type: none"> <li>Promote restructuring of our recycling business through collaboration with other companies, etc.</li> </ul> </li> </ul>
<b>Enhancement of corporate value by addressing sustainability issues</b> 	<ul style="list-style-type: none"> <li>Sustainability Promotion Council                             <ul style="list-style-type: none"> <li>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.</li> </ul> </li> <li>Reduction of GHG emissions                             <ul style="list-style-type: none"> <li>To achieve carbon neutrality by FY2050, implement measures with clear targets, including use of carbon-free energy and introduction of new technologies.</li> </ul> </li> </ul>
	<p>Over 46% reduction Net zero</p>
	<ul style="list-style-type: none"> <li>Promotion of symbiosis by contributing to the development of regions and resource-rich countries                             <ul style="list-style-type: none"> <li>Promote symbiosis through activities that contribute to the development of the region and resource-rich countries.</li> </ul> </li> <li>Promotion of constructive dialogue with stakeholders                             <ul style="list-style-type: none"> <li>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.</li> </ul> </li> </ul>

## Outlook for Sales by Country (Unit: Ni tons)



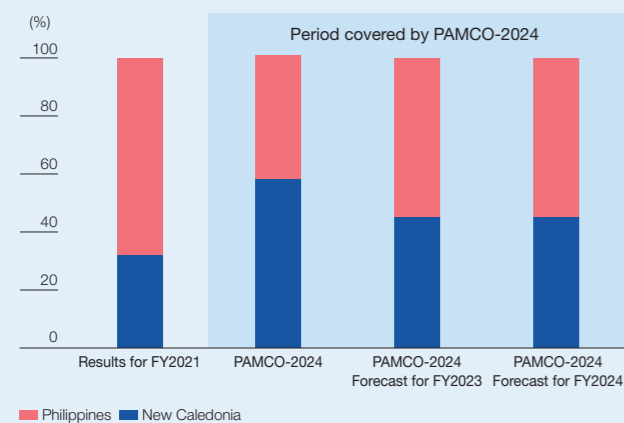
## Ore Procurement Plan

### Status of conclusion of long-term contracts

Other party in long-term contracts	FY2020	FY2021	FY2022	FY2023	FY2024
Rio Tuba Nickel Mining Corporation (36% stake held by the Company)	Prior contract period	Renewed	Contract period: Jan. 2022 to Dec. 2026 (5 years)		
Taganito Mining Corporation (33.5% stake held by the Company)	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)		
Mai Kouaoua Mines (1)	Contract period: Jan. 2014 to Dec. 2023 (10 years)				
Mai Kouaoua Mines (2)	Contract period: Jan. 2016 to Dec. 2025 (10 years)				
Montagnat SARL	Contract period: Apr. 2016 to Mar. 2026 (10 years)				

Philippines New Caledonia

### Procurement ratio



### 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.

## Investment Plan

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

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

## Capital Policy

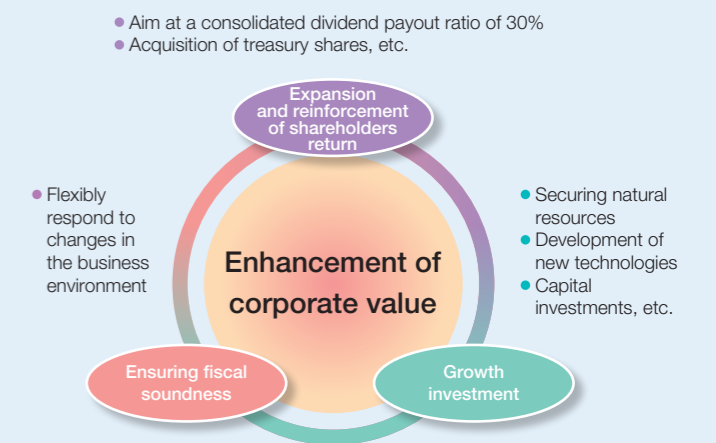
### Dividends of surplus

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.

### 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



## Quantitative Targets

	FY2022	FY2023	FY2024
Production volume (Ni tons)	20,810	29,037	28,454
Sales volume (Ni tons)	20,500	27,500	27,500
Applicable LME nickel price (US\$/ton) [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

## Environment

### Environmental Management

PACIFIC METALS has established an environmental management system, and works to continuously improve its activities to reduce environmental impact through the stable implementation of the PDCA cycle. Based on this environmental management system, we have established an environmental policy and environmental objectives and targets, and are developing and implementing various environmental measures at each site.

#### Environmental policy

##### Basic philosophy

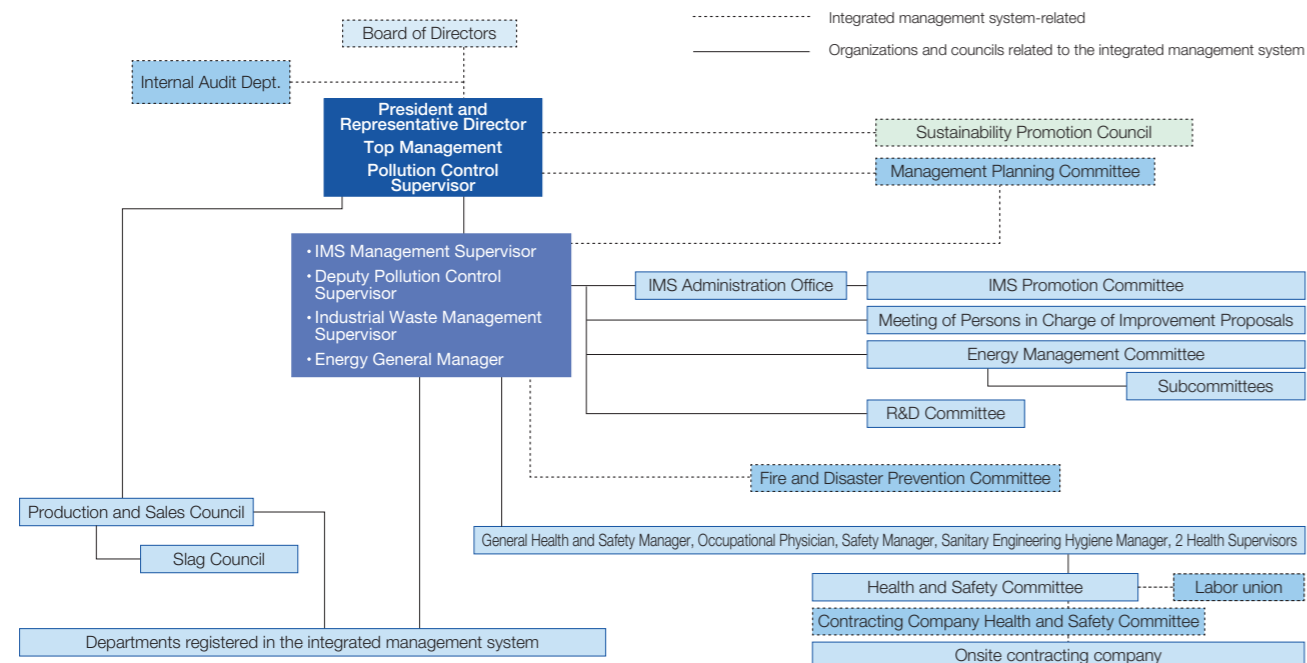
Recognizing that environmental problems are an important issue common to all mankind, PACIFIC METALS CO., LTD. is committed to harmony with the environment and engages in activities aimed at conserving the global environment and contributing to society.

##### Basic policy

PACIFIC METALS CO., LTD. uses large quantities of ore and energy in the production of nickel. The use of this ore and energy emits soot and greenhouse gases, so we consider environmental issues to be an important challenge for the Company and work together in our efforts to continuously reduce our environmental impact.

- Reduction of environmental impact**  
We strive to prevent air pollution caused by dust, soot and smoke emissions, and water pollution caused by wastewater. We also consider the reuse of these emissions and strive to minimize their impact on the environment.
- Reduction of greenhouse gas emissions**  
We pursue the development of energy-saving and environmentally friendly technologies, promote operational efforts to improve productivity and yield, and strive to reduce greenhouse gas emissions.
- Contribution to zero emissions**  
We will promote the reduction and recycling of waste generated in the course of our operations. We will also contribute to zero emissions by promoting the proper disposal of contracted waste.
- Compliance with laws, regulations, etc.**  
We comply with environment-related laws, regulations, tripartite agreements and industry standards, while also setting voluntary standards and actively working to protect the environment.
- Ensure operation and continuous improvement of the environmental management system**  
In order to achieve this environmental policy, we have set environmental objectives and targets for each department, and all employees promote efforts in environmental management. In addition, we will regularly review our environmental objectives and targets, and strive to promote a more effective environmental management system.
- Dissemination of the environmental policy**  
This environmental policy is communicated to all employees, including those of affiliated companies. We also inform our partner companies of this policy and request their understanding and cooperation.

#### Environmental management system



#### Environmental accounting and safety accounting

Aggregated results for environmental accounting and safety accounting in FY2021 are shown below. We spent about 2,280 million yen on environmental accounting as a whole. Pollution control costs, resource recycling costs, and environmental damage response costs account for the bulk of this spending. We spent about 70 million yen on safety accounting as a whole. Most of this was for capital investments in safety countermeasure construction, etc. and in costs relating to health and safety protective equipment.

##### Environmental accounting

Classification	Main content	Amount (10,000 yen)
Business area costs	Dust collector maintenance costs	195,176
	Pollution prevention costs	
	Wastewater treatment facilities maintenance costs	
	Purchase costs for ammonia water for denitration	
Global environmental protection costs	Energy conservation-related training costs	6
Resource recycling costs	Costs for in-house treatment of waste generated by the Company	18,176
Upstream and downstream costs	—	—
Management activity costs	International Organization for Standardization (ISO) inspection costs	3,113
	On-site tree planting and management costs	
	Sustainability report publishing costs	
	Various monitoring equipment maintenance and management costs	
R&D costs	—	—
Social activity costs	General road cleaning costs for the vicinity	22
Costs of dealing with any environmental damage	Pollution load levy	11,607
<b>Total</b>		<b>228,100</b>

##### Safety accounting

Classification	Amount (10,000 yen)
Capital investment (constructions for safety measures, etc.)	2,238
Safety, health, and disaster prevention education costs	238
Legal inspection costs (boilers, cranes, firefighting related)	602
Health checkup fees	1,031
Safety and health protective equipment costs	2,965
<b>Total</b>	<b>7,074</b>

# Response to the TCFD Recommendations



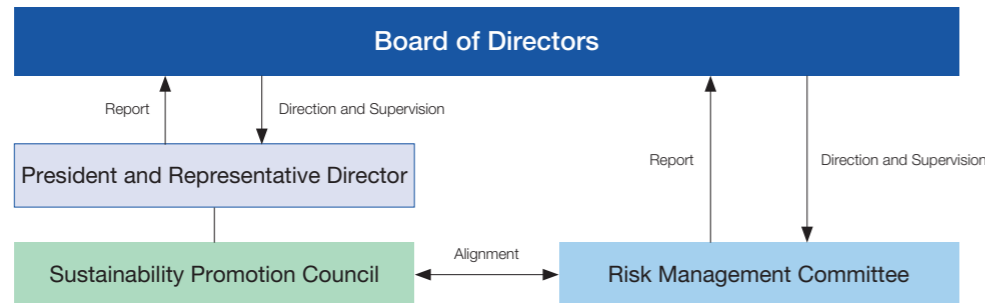
We have endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB). Positioning the response to climate change and the realization of a sustainable society as important management issues, we are promoting company-wide initiatives, including deliberation on medium- to long-term initiatives and orientation regarding important issues (materiality) related to sustainability, as well as response to ESG issues, promotion of CSR, and initiatives toward carbon neutrality. As part of these efforts, the Company has established a framework for promoting initiatives for addressing issues regarding ESG/SDGs, sustainability and climate change.

We will proactively promote initiatives that contribute to climate change mitigation and adaptation and information disclosure in line with the TCFD recommendations, build a deep relationship of trust with our stakeholders, and contribute to resolving climate change issues and realizing a sustainable society through our business activities.

## Governance

We regard responding to climate change and realization of a sustainable society as important management issues. The Sustainability Promotion Council was established to discuss medium- and long-term initiatives and orientation related to materiality, as well as to promote specific measures across the Company to address ESG issues, promote CSR, achieve carbon neutrality, etc. The Sustainability Promotion Council meets quarterly.

The Sustainability Promotion Council is chaired by the President and its membership comprises executive officers. It reports to the Board of Directors for direction and supervision.

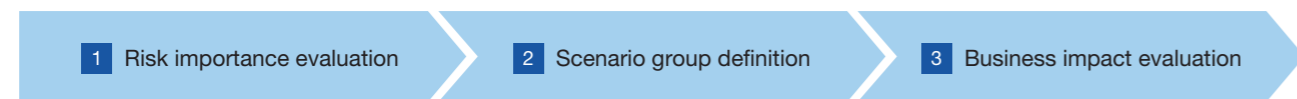


## Risks and opportunities

We examined “climate-related transition and physical risks” and “climate-related opportunities through climate change mitigation and adaptation solutions” according to the TCFD classifications.

Scenario analysis was conducted for 1.5°C and 4°C scenarios, with reference to the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC). We have conducted a scenario analysis as shown on the following page, and the results confirmed that our strategy has resilience with regard to the response to each risk and opportunity.

Risk analysis procedure



## Risk management

We have established the Risk Management Committee for company-wide risk management, including risks related to climate change. The Risk Management Committee is chaired by a director appointed by the President and its membership comprises executive officers and general managers. It meets quarterly to conduct routine risk management (risk identification, evaluation, monitoring, etc.). For risk countermeasures, we prioritize risks based on likelihood and impact, and we engage in risk mitigation activities for priority risks and manage progress.

The Risk Management Committee reviews “climate-related risks and opportunities” annually and the status of activities is reported to the Board of Directors at least once a year for direction and supervision. Matters affecting important sustainability issues are reported to the Sustainability Promotion Council.

## Scenario analysis (GHG emissions are in CO<sub>2</sub> equivalent)

Prerequisites:

- We examined risks and opportunities expected in 2030.
- Financial impacts of climate change have been estimated.

Category of risks and opportunities		Overview of risks and opportunities	1.5°C scenario financial impact	4°C scenario financial impact	PACIFIC METALS's response	
Risks	Transition	Policies and regulations	Higher energy costs for business operations (manufacturing and transportation) due to introduction of carbon tax	Large	Small	<ul style="list-style-type: none"> <li>• Process electrification</li> <li>• Transition to renewable energy use</li> </ul> <ul style="list-style-type: none"> <li>• Installation of microwave equipment in the raw material drying and burning process to reduce coal and fossil fuels as heat sources</li> <li>• Phased transition to the use of purchased renewable energy</li> </ul>
		Market and technology transition	Higher energy risks and costs due to higher fossil fuel prices caused by changes in the supply-demand balance resulting from climate change and unstable supply due to unseasonable weather and other factors	Small	Large	
		Market and technology transition	Greater customer demand for decarbonization. Lower product competitiveness (e.g., declining market share) if the Company's response to decarbonization is insufficient	Large	Medium	<ul style="list-style-type: none"> <li>• LCCO2 evaluation</li> </ul> <ul style="list-style-type: none"> <li>• Transition to decarbonized manufacturing, followed by LCCO2 evaluation to meet customer demand</li> </ul>
		Market and technology transition	Higher Ni prices due to higher demand reflecting shift to EVs, leading to replacement of raw materials for stainless steel by less expensive alternative metals	Large	Large	<ul style="list-style-type: none"> <li>• Creation of new businesses</li> </ul> <ul style="list-style-type: none"> <li>• Restructuring of business portfolio, with an eye to creating new businesses in the long term</li> </ul>
	Reputation in the market	Preference for ESG-responsive suppliers in the supply chain, leading to damage to corporate value and additional ESG-related costs	Large	Small	<ul style="list-style-type: none"> <li>• Commitment to decarbonization</li> <li>• Commitment to initiatives</li> </ul> <ul style="list-style-type: none"> <li>• Commitment to sustainability issues and active disclosure of implementation status (TCFD disclosure, response to CDP, etc.)</li> </ul>	
	Reputation in the market	Declining value in capital markets (e.g., share price declines) because of failure to respond to climate change information disclosure requirements	Large	Small		
Physical	Acute	Physical damage to production sites and the supply chain, causing suspension of operations and logistics, resulting in lost profits and additional costs.	Small	Small	<ul style="list-style-type: none"> <li>• Diversification of risks by diversifying raw material suppliers</li> </ul> <ul style="list-style-type: none"> <li>• Procurement risk diversification by diversifying the suppliers of raw materials, including recycled resources</li> </ul>	
	Chronic	Additional production costs due to changes in properties, such as increased moisture content of raw materials, because of longer rainy seasons in the regions where resources are procured.	Small	Small		
Opportunities	Resource efficiency	Expanded use of recycled metal resources (alternative to metal resources), which produce less GHG emissions and show higher manufacturing efficiency than natural resources	Large	Large	<ul style="list-style-type: none"> <li>• Establishment of a system for resource recycling</li> </ul> <ul style="list-style-type: none"> <li>• Establishment of a new system for resource recycling by collecting and accepting a larger amount of recycled resources</li> </ul>	
	Energy source	Innovation in the manufacturing process, which results in a substantial decrease in fossil fuel use and a reduction in energy costs and in turn reduces GHG emissions and improves the impact of carbon pricing	Large	Large	<ul style="list-style-type: none"> <li>• Process electrification</li> <li>• Transition to renewable energy use</li> </ul> <ul style="list-style-type: none"> <li>• Installation of microwave equipment in the raw material drying and burning process to reduce coal and fossil fuels as heat sources</li> <li>• Phased transition to the use of purchased renewable power</li> </ul>	
	Products and services	Innovation in the manufacturing process, which contributes to GHG emission reductions in customers' supply chains and increases product competitiveness	Medium	Small	<ul style="list-style-type: none"> <li>• Strengthening of sales capabilities and expansion of new customers</li> </ul> <ul style="list-style-type: none"> <li>• Sale of low-carbonization products, leading to better relationships with customers</li> <li>• Cultivation of new business partners, such as overseas manufacturers</li> </ul>	
	Resilience	More flexible and speedy response due to the transition of active engagement in ESG issues to company-wide strengthening of governance, leading to support and cooperation from investors and other stakeholders, increased corporate value, strengthening of business foundation, and further business expansion	Medium	Small	<ul style="list-style-type: none"> <li>• Strengthening of governance</li> </ul> <ul style="list-style-type: none"> <li>• Planning, implementation, and management of response to ESG issues</li> </ul>	

1.5°C Scenario: A scenario where continued efforts are made to limit the average temperature increase to 1.5°C.  
 4°C Scenario: A scenario where no measures are taken and the situation takes its natural course.

## Goals and indicators

In “PAMCO-2024” announced in May 2022, we set the following goals.

### Initiatives to achieve the goals

Reduction of GHG emissions (from PAMCO-2024 priority measures)

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

### Scope 3

We have compiled category-specific calculation methods for Scope 3 emissions and aim to disclose the emissions soon.



# Environmentally Friendly Ferronickel Manufacturing Process

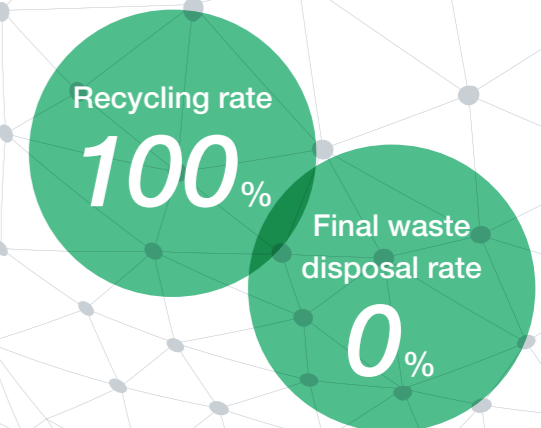
Ferronickel, which is the main raw material for stainless steel, and we are the number one domestic producer of ferronickel. Utilizing the world's top level smelting technology, we carry out efficient manufacturing with the world's largest electric furnace. Ingenuity to reduce environmental impact, we apply many technologies such as reducing energy consumption by using high-temperature exhaust gas from electric furnaces into the ore drying process, and partly replacing nickel ore with recycled resources containing nickel.

## Flow of inputs and outputs

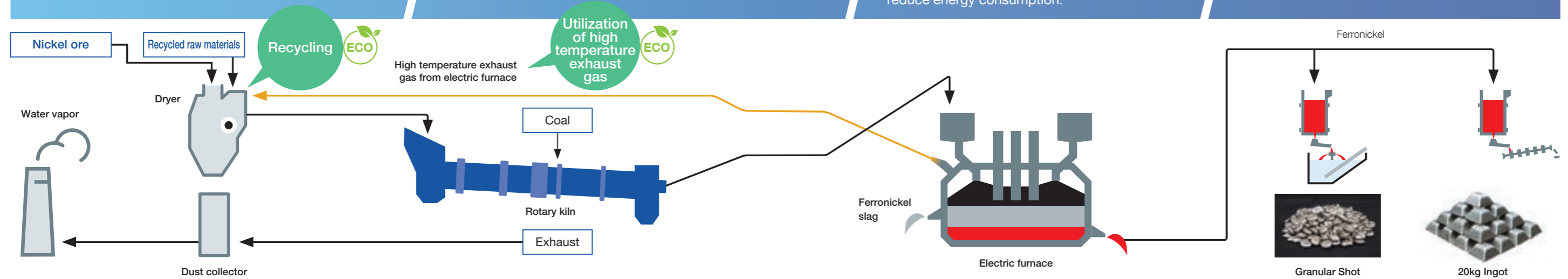
INPUT			Results for FY2021
Main raw materials	Nickel ore	2,260,000 t	
	Secondary ingredients	330,000 t	
Industrial water		6,070,000 m <sup>3</sup>	

For total energy, see P35

OUTPUT			Results for FY2021
Product	Ferronickel	180,000 t	
Resource recycling	Ferronickel slag	1,380,000 t	
Wastewater	Discharged water	4,920,000 m <sup>3</sup>	
Atmospheric release	CO <sub>2</sub>	740,000 t	
	SO <sub>x</sub>	855 t	
	NO <sub>x</sub>	1,487 t	
	Soot and dust	29 t	



## Ferronickel manufacturing process



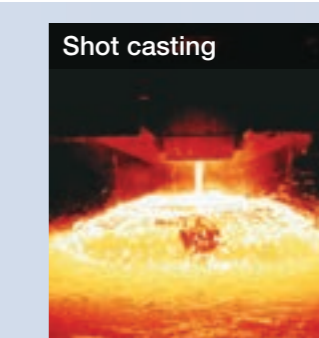
Raw material conveyor is total around 2.4km length.



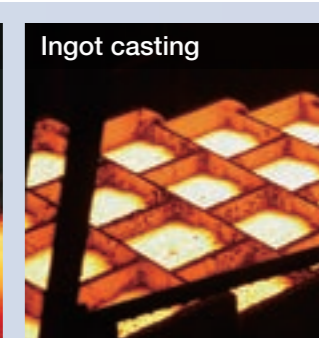
A calcining equipment, over 100m in total length that thermally processes dried ore by heating it to approximately 1,000 degrees Celsius.



These are the world's largest electric furnaces that is heated by using electric resistance, and used for smelting ferronickel from ore.



Molten metal is rapidly cooled with water in a water tank and finished into small particles.



Molten metal is poured into molds and finished into 20kg ingots.

- 1 Outline and Vision
- 2 Strategy for Value Creation
- 3 Sustainability Strategies to Support Value Creation
- 4 Data Section

# Waste Recycling Business

We are engaged in the waste recycling business by utilizing the advanced technology cultivated in ferronickel smelting. At the incineration ash/scallop shell recycling facility, incineration ash from general waste and industrial waste together with scallop shells in Aomori Prefecture are melted in a DC electric furnace and recycled into metal raw materials and fine aggregate for concrete (artificial aggregate).

## Flow of inputs and outputs

Results for FY2021

INPUT		
Main raw materials	Waste	2,244t
	Scallop shells	815t
	Waste generated in-house	1,301t
	Collateral raw materials	755t
Industrial water		1,393m <sup>3</sup>

For total energy, see P35

Results for FY2021

OUTPUT		
Product	Molten metal	136t
	Molten slag	3,546t
Waste	Soot and dust, etc.	143t
Wastewater	Discharged water	0m <sup>3</sup>
	CO <sub>2</sub>	1,000t
Atmospheric release	SO <sub>x</sub>	0.02t
	NO <sub>x</sub>	0.83t
	Soot and dust	0.02t



Click here for information on industrial waste disposal, etc.

WEB <https://www.pacific-metals.co.jp/environment/waste.html>



# Eco Products That Contribute to Reducing Environmental Impact

## Effective use of by-products

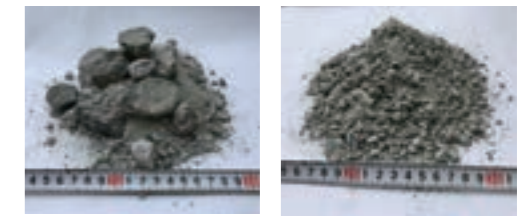
Ferronickel slag obtained as a by-product of the ferronickel manufacturing process is cooled by the slow cooling method, and then the entire product is recycled according to the intended use and sold as an attractive product that can be used in a wide range of applications. The slag's constituent components are stable, environmentally friendly, and have the same quality as natural resources and thus contribute to energy saving by conserving natural resources, and to the formation of a recycling-oriented society.



Used as a civil engineering material in earthquake disaster reconstruction areas

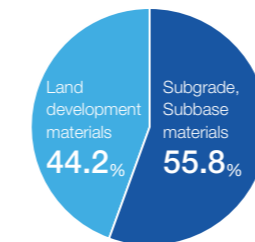
## Ferronickel slag (Product name: Pamco crustone)

After cooling, ferronickel slag is crushed by crushing equipment to particle sizes of 5mm or less, 5 to 20mm, or 20 to 40mm, which thus allows for a wide range of particle size adjustments when combined according to customer requests. The slag is characterized by the fact that it is environmentally friendly, highly safe, and does not contain harmful substances, and because it has high roadbed bearing capacity after compaction, it is easy to install, and has excellent frost heaving suppression. In the Tohoku area, it is used mainly as a substitute civil engineering material for mountain sand and crushed stone (for roads, embankments, and land development).



Ferronickel slag of 0 to 40mm Ferronickel slag, 5mm or less

## Percentage of ferronickel slag product by application (period ended March 2022)



Application	Main Features and Effects
Land development materials	Excellent roadbed material strength and low freeze-thaw resistance
Subgrade, Subbase materials	Suitable as soft ground improvement soil
Coverage materials, Earthwork materials	Suitable for embankments etc. because it compacts well to form firm ground
Blast furnace steelmaking materials	Used as an auxiliary material for adjusting blast furnace slag components

## LCA for ferronickel slag products

Our ferronickel slag products meet all the elution amount and content standards notified by the Ministry of the Environment, are free from harmful substances, are environmentally friendly and boast high safety, and crushed stones the reduction of environmental load. The figure below is an LCA<sup>1</sup> evaluation comparing ferronickel slag products and quarry products<sup>2</sup>, confirming a reduction in CO<sub>2</sub> emissions<sup>3</sup>.

<sup>1</sup>: Abbreviation for Life Cycle Assessment. A method of quantifying the environmental impact of a product during its lifetime (resource extraction, manufacturing, use, disposal).  
<sup>2</sup>: Products manufactured by collecting and mining natural stones  
<sup>3</sup>: Evaluation results for ferronickel slag products manufactured in FY2018

Ferronickel slag product application	CO <sub>2</sub> emissions (t-CO <sub>2</sub> /year)		CO <sub>2</sub> reduction rate
	Crushed stone	PACIFIC METALS ferronickel slag products	
Land development materials	2,360	44	98%
Subgrade, Subbase materials	115	32	72%
Coverage materials, Earthwork materials	2,059	571	72%
Blast furnace steelmaking materials	5,518	1,477	73%
<b>Total</b>	<b>10,052</b>	<b>2,124</b>	<b>79%</b>

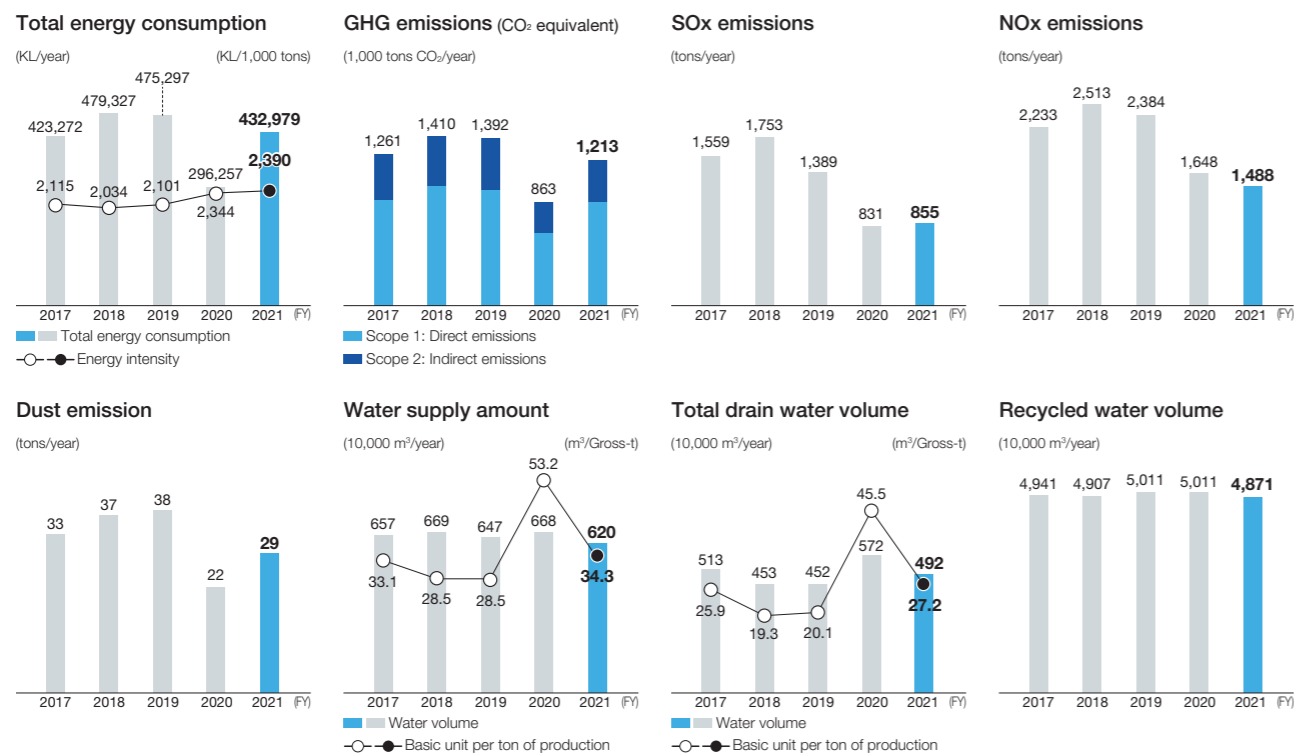
Click here for product information

WEB <https://www.pacific-metals.co.jp/en/products/kras.html>



# Initiatives for Reducing Environmental Impact

We use significant amounts of electricity and fossil fuels in the manufacturing process and emit soot and smoke. For this reason, we are actively working on energy-saving measures and to reduce the environmental impact on the atmosphere and water.



## Curbing global warming and energy conservation measures

We are engaged in efforts to use energy more efficiently, including using hot electric furnace exhaust gas in our nickel ore drying process to reduce the amount of heavy oil and LNG we use in our production process. In FY2021, our total energy consumption, CO<sub>2</sub> emissions, and energy used per unit of production (energy intensity) rose in line with higher production volumes.

## Air pollution control measures

To monitor the soot and smoke generated by production processes and private power generation equipment, we have taken new measures such as constant monitoring using telemeters and upgraded non-gas continuous measuring devices, and have implemented internal circulation of the management status of self-managed values as well as training in legal and regulatory compliance to raise employee awareness. We also prevent the scatter of dust by running watering and dust collecting devices in front of furnaces 24-hours a day in mines and on-premises road surfaces, etc. In FY2021, SO<sub>x</sub>, NO<sub>x</sub>, and dust emissions were roughly level with the previous year. Going forward, we will continue to consider measures for curbing emissions.

## Water pollution control measures

We are making efforts to reduce the amount of water we use by using circulating water to cool electric furnaces and ferronickel slag. In addition to measuring wastewater regularly, we manage it thoroughly on a daily basis through real-time monitoring using continuous surveillance monitors and employee patrols, etc.

Furthermore, at our wastewater terminal treatment facilities, in addition to performing appropriate controls such as adjusting treatment water levels when turbidity concentrations rise during rainfall, we change the filtering media in the filters on a regular basis. Our wastewater terminal treatment facilities ran properly again in FY2021, and there were no values that exceeded the wastewater agreement value. Both water supply amount and total drain water volume were at the same level as in the average year.

## Green procurement initiatives

We have formed a policy of prioritizing procurement of products and services from suppliers that are working to reduce their environmental loads, and are striving to procure environmentally friendly products and services that must;

- Use reduced amounts of hazardous substances.
- Conserve resources and energy.
- Be available over the long term.
- Be reusable or recyclable.
- Use recycled materials and components. (products, containers, packaging materials)
- Be ease to disassemble and treat when discarded.

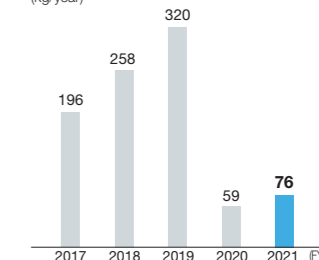
## Proper management of chemical substances

Based on the PRTR system, we ascertain the amount of emissions from and movements of substances subject to notification and report them to the government every year. The four types of substances subject to PRTR notification in FY2021 are shown in the table below. We control the amounts of chemical substances we procure, use, and store, and are working to reduce the amounts of hazardous substances we use. Using a chemical control system procured in FY2019, we are controlling the chemicals used in testing more thoroughly than ever before. Furthermore, since controlling the nickel compounds discharged from our ferronickel production process is one of our most important control items, we take various control measures, including 24-hour a day watering and cleaning with motorized sweepers.

### Substances subject to PRTR notification in FY2021

Emission volumes	Transfer volumes	Substances subject to PRTR notification in FY2021			
		Nickel compounds (kg/year)	Chromium and trivalent chromium compounds (kg/year)	Manganese and compounds thereof (kg/year)	Dioxins class compounds (mg/year)
Atmospheric	External waste	60	18	13	0.00082
Waterways		16	0	0	0
Soil		0	0	0	0
Landfill		0	0	0	0
		0	0	0	16.9

### Nickel compound emissions



## Observance of environmental laws and regulations

We regularly inspect business-use air conditioning, refrigerating, and freezing equipment in accordance with the Fluorocarbon Emissions Restraining Act. Inspection results revealed no leaks that needed to be reported. We also measured total mercury in exhaust gas from waste incinerators, which are classified as mercury discharge facilities under the Air Pollution Control Act, in accordance with the act and there were no mercury emissions that exceeded standards under the act. We outsource the treatment of product waste that uses mercury (fluorescent lamps, etc.) appropriately in accordance with the Waste Disposal Act. With respect to PCB-containing equipment, we are eliminating the treatment of insulating oil containing trace amounts of PCBs in large transformers.

## Initiatives for a recycling society

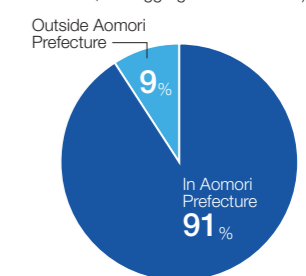
In FY2021, we produced 1,380,000 tons of by-product ferronickel slag. Ferronickel slag is what remains after nickel and steel are extracted from ore, and its main components are silica and magnesia. Since it contains no hazardous substances, it is effectively used as a soil covering material and earthwork material, etc. Furthermore, we recycle waste oil generated by our ferronickel production process and private power generation facilities in-house. Since we have all waste, we cannot treat in-house recycled by subcontractor industrial waste treatment companies, we have achieved zero waste emissions. We have participated in the "Aomori Eco Town" since 2007. We also contribute to local zero emissions efforts by effectively using waste as a resource, not alone, but together with multiple nearby companies.

### Amount of industrial waste disposal subcontracted in FY2021

Type of Waste	Amount Disposed (t)	Type of Waste	Amount Disposed (t)
Dust (hazardous)	93.9	Waste plastic and metal scrap mixtures	16.9
Sludge	5.8	Waste oil	32.6
Strong acid	1.9	Wood scrap	11.6
Cinders (hazardous)	48.9	Asbestos	0
Cinders	0.8	Stable mixed waste	54.4
Waste alkali	1.1	Glass, concrete, and ceramic scrap	3.5
Waste alkali (hazardous)	0.1	Waste PCBs, etc.	100.7
Flammable waste oil	0.1	Other waste	7.0
Waste plastics	27.6	<b>Total</b>	<b>406.9</b>

### Percentage of slag processed products sold by region

(Blast furnace steelmaking materials, fertilizers, fine aggregate for concrete)



## Acquisition of environment-related technical qualifications

To enhance environmental awareness and strengthen our environmental control initiatives, we promote the acquisition of environment-related technical qualifications. Acquisition status is as shown on the right.

### Number of environment-related technically qualified personnel

Name of qualification	Number of qualified personnel	Name of qualification	Number of qualified personnel
Atmospheric pollution control manager - Type 1	16	Garbage treatment facility technical manager	6
Water quality pollution control manager - Type 1	13	Crushing and recycling facility technical manager	2
Dioxin pollution control manager	7	Industrial waste final disposal site technical manager	1
Disposal courses relating to specially controlled industrial waste treatment businesses	1	Specially controlled industrial waste management supervisor	6
Industrial waste incinerator technical manager	14		
Industrial waste intermediate treatment facility technical manager	4		

# Quality Control System

To reliably provide products all of our stakeholders can trust, we have come together company-wide to promote quality management activities based on our Quality Management System (QMS) and the Industrial Standardization Act.

## ISO certification registration

We have registered certifications for ISO 9001, ISO 14001, and ISO 45001. The surveillance examination in FY2021 uncovered no minor nonconformities and 26 opportunities for improvement. The Administration Office and each department are forming action plans and engaging in correction and improvement initiatives. One a positive note, we were given good assessments on 19 items. Furthermore, in addition to implementing continuous initiatives for preventing disasters and accidents due to small group activities with the goal of reducing labor disasters and accidents, we strengthened our health management initiatives, including mental health and work hour management, in collaboration with the HR Department.


### Certification Registration Information

Certification standard	Registration scope	Registration No.	Expiry date	Initial registration
ISO 9001:2015	Hachinohe Head Office (Manufacturing Works)	0314	February 15, 2024	April 9, 1998
ISO 14001:2015		E1998		March 19, 2009
ISO 45001:2018	Tokyo Head Office	H063		February 16, 2012



## Main initiatives and specific results

Main initiatives	Specific results
Measures to improve customer satisfaction	<p>Our ferronickel products are highly regarded by our customers in a variety of aspects, including stable quality, stable supply, and precise adherence to delivery deadlines, etc. Our regular CS surveys help us create products that meet customer needs.</p> <p>In addition, we are striving to deliver better products and services, and to provide proposal-type selling that benefits our customers. Our production and sales departments are working as one team to further improve customer satisfaction.</p> <p>Our ferronickel slag products are of high environmental safety quality and are mainly used for civil engineering works (roads and land development) in Aomori Prefecture and neighboring areas. We strive day in day out to meet customer requirements for the particle size and component of our products. They are highly regarded by our customers for their ease of use, etc.</p> <p>We also work to properly control our management system in compliance with all relevant laws and regulations and in accordance with the Japan Mining Industry Association's "Guidelines for Managing the Production and Sale of Nonferrous Slag Products." In this manner, we manage our operations so as not to impose environmental impacts or other issues on local residents. To serve the local community, we regularly clean transportation roads in Hachinohe City. These efforts have been well received.</p>

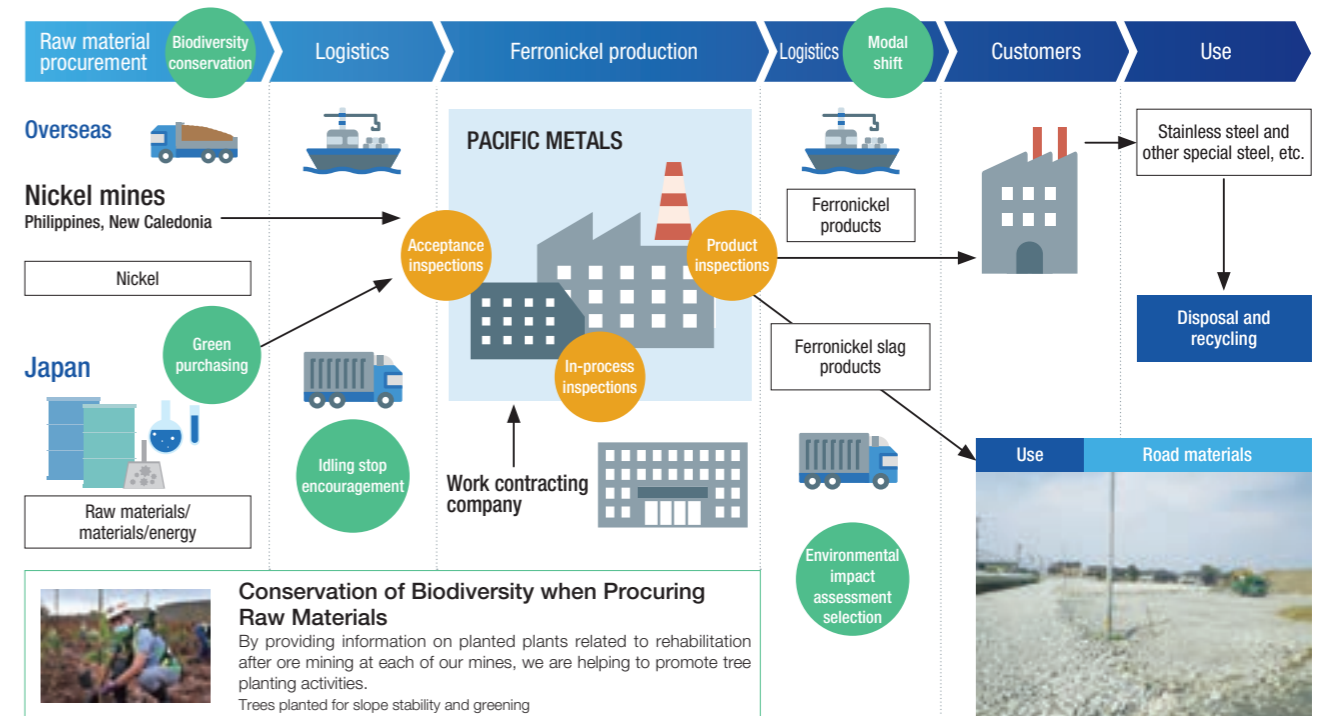
Main initiatives	Specific results
Brush up of our analytical techniques to improve product quality reliability	<p>We conduct OJT based on a skills chart including diagrams and photographs, which document the tacit knowledge of experienced employees, such as sensory-based techniques and knowhow. In this manner, we are also working to expand individual scopes of work, implement initiatives to enhance competence, and share knowledge and experience of analytical techniques among all department staff. We are also working to improve our analytical techniques by adding and updating new information and knowledge to the skills chart.</p>  <p>Skills Chart</p>
Laboratory accreditation of testing and calibration laboratories (ISO/IEC 17025)	<p>Since the prices of ferronickel products and nickel ore depend on the amount of nickel they contain, ensuring the reliability of nickel analysis values is an important matter. We are certified under ISO/IEC 17025 in "methods for chemically analyzing components in ferronickel," "X-ray fluorescence methods for analyzing components in ferronickel," and "methods for chemically analyzing components in nickel ore," which we use to ensure the international and objective reliability of product inspections and raw material acceptance inspection results.</p> <p>For activities that we have implemented, we have participated in laboratory proficiency tests, and improved and expanded our work qualifications. In FY2021, we maintained our certifications by undergoing the surveillance examination.</p>

## Supply chain management

We conduct a variety of activities that take the environment and quality into consideration at each stage in the supply chain, not just at our production sites. As an environmental measure, we carry out afforestation at local mines in order to restore (rehabilitate) sites to their original states to the degree possible after ore mining. In addition, we comply with internationally unified safety regulations for the sea transportation of cargo, and take safety measures and environmental considerations into account.

Regarding quality, in addition to product inspection before shipment, we thoroughly control the quality of manufacturing processes such as acceptance inspections of raw materials. We also contribute to the reliability of product quality in analyzing the chemical composition of ferronickel products. For slag products, we regularly conduct tests based on the Soil Contamination Countermeasures Act to confirm that our products meet the required standards.

## Overview diagram of the PACIFIC METALS supply chain



\*Photograph provided by Rio Tuba Nickel Mining Corporation

# Occupational Health and Safety

We have been promoting voluntary work accident prevention activities under the slogan “Be Safety!” and working to prevent workplace accidents by raising safety awareness.

We are also promoting health management activities so that employees can maintain a safe and healthy work environment.

## Basic views

### Occupational safety management

- ◎ **Health and safety policy:** Eliminating accidents and strengthening physical and mental health management for our employees
- ◎ **Priority goal:** Raising employee safety awareness to ensure elimination of accidents
- ◎ **Goal:** Thorough elimination of accidents (including contractors)
- ◎ **Specific activities**
  - (1) Promoting various safety activities through small group (team) activities
  - (2) Raising safety awareness through continued initiatives for safety focus campaigns
  - (3) Strengthening follow-up on health and safety education for new employees and visitors
  - (4) Identifying hazard sources for one-person work during night work and establishing a safety confirmation contact system
  - (5) Re-identification of risks by reconfirming hazardous and harmful operations in contracted work
  - (6) Response to the revision of the law in relation to the inclusion of welding fumes in the regulations on specified chemical substances
  - (7) Achieving zero traffic accidents for employees through initiatives to eliminate traffic accidents and violations

### Occupational health management

- ◎ **Priority goal:** Strengthening physical and mental health management for our employees
- ◎ **Goal:** Reducing the number of people with findings in their medical checkups
- ◎ **Specific activities**
  - (1) Reducing the number of people with findings in their health checkups
    - ① “Individual goals” activities for voluntary and proactive health management
    - ② Promoting the active use of the health guidance system
    - ③ Considering and continuing support for health management activities (health education, in-house exercise facilities)
  - (2) Reducing mental health illnesses by properly carrying out stress checks and mental health training
  - (3) Improving the workplace environment by continuing to measure the working environment

## Occupational safety activities

As small group activities, we held safety activities covering a total of 88 themes. These manager-led activities included improvement of facilities, emergency response training, risk reduction measures, as well as other issues that are relevant to the current status of each department. In addition, we selected good examples of small group activities in FY2020 and compiled them into a collection of case studies. We circulated these throughout the Company to help raise safety awareness.

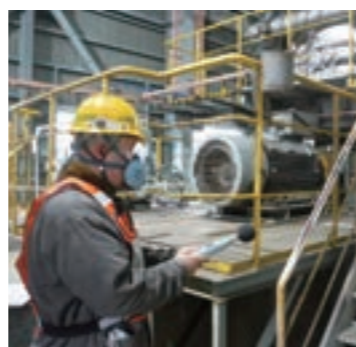
From FY2021, we began providing safety training to new employees in the Production Department before they are assigned to shift work, in addition to training at the time of hire. This ensures that they have a better understanding of safety and recognize that safety is a priority in their work. In addition, we have newly updated the accident-free record bulletin board located at the guard station. We keep our safety record on display at all times, making it more visible to employees in order to raise safety awareness.



## Hygiene activities

We have set a departmental goal of strengthening physical and mental health management of our employees. We are encouraging employees to engage in voluntary activities by setting individual goals to reduce the number of findings in regular health checkups by one. In addition, as a means of promoting the active use of the health guidance system, we have focused on employees who are at high risk of developing lifestyle-related diseases due to findings in the results of health checkups, such as obesity, blood pressure, cholesterol, or blood sugar levels, and preventive effect can be highly expected by improving their lifestyle, and we have actively encouraged them to use our health guidance system, which helps them to review their lifestyle habits. This effort has led to an increase in the utilization rate of specific health guidance and of workers' compensation secondary health checkups. More than half of the employees in question have lost weight, and their health awareness has improved.

We carry out weekly regular workplace patrols by Health Supervisors as workplace labor environment improvement activities, during which supervisors check for work environments that could impact worker health and point out defects to each department, which we then correct.



## Disaster prevention activities

During the annual Comprehensive Disaster Prevention Training, employees are trained to carry out evacuations, and confirm damage situation and safety in preparation for large earthquakes with seismic intensities of 5 or higher. It also involves teaching new employees how to fight fires using fire extinguishers, and water discharge training using trucks carrying transportable pumps, thereby providing understanding of the importance of extinguishing fires quickly.

Our tsunami evacuation training conducted on March 11 assumes the issuance of a major tsunami warning with a height of more than 10 meters following a major earthquake. In the disaster simulation exercise, each employee considered possible responses from their own position, making it possible to quickly and reliably evacuate personnel and confirm safety during the limited time available when a major tsunami warning is issued. This has improved our disaster preparedness. In addition, we conduct training for scenarios in which a large-scale natural disaster such as an earthquake or tsunami occurs at night or on holidays. In the training, personnel remaining on Company premises quickly check the damage situation and the safety of personnel, using an app to quickly and smoothly share information concerning the premises.

In addition, we have increased the number of AEDs installed on our premises by 10 for a total of 14. In addition, by holding general lifesaving training sessions for team leader class managers, we are establishing a system that enables prompt first aid using AEDs during emergencies.



## Human Resources

# Human Resources

We are working to realize our Company Philosophy of “Leverage the power of people to deliver the earth’s resources in more useful forms and contribute to the happiness of humankind.” To this end, we are developing a work environment and education system that allows a diverse workforce to thrive.

### Personnel education to ensure diversity

#### Initiatives for diversity

To realize diversity, we will continue conducting training and other programs aimed at self-development. We strive to reform awareness and build a supportive corporate culture by actively implementing efforts to resolve any issues as they arise. We will also continue our initiatives for improving productivity and work-life balance.

In addition, we are raising the retirement age to 65 years old for employees who will turn 60 years old in FY2022. We will work to create a system that takes employees' health into consideration while allowing them to continue to perform as well as ever.

#### Diversity management training

We carried out training in which participants learned about the concept of diversity and diversity management with the aim of gaining the ability to develop and promote the advancement of diverse human resources required for management positions, including women. The training is also aimed at creating a less stressful workplace and improving employee motivation.

Human resources education, development of environment, etc. to ensure diversity, including promoting active participation of women

Promoting active participation of women

We will always strive to create a comfortable work environment that balances work and home life, including support for child-birth, childcare, and nursing care, etc. We will also provide training for female employees to support their career development, and training for male employees to reform their awareness. We will work to improve the environment in terms of both the work environment and the facility environment to promote the active involvement of women in the workforce.

Number of female employees (non-consolidated)

FY2017	FY2018	FY2019	FY2020	FY2021
4.3%	4.1%	5.0%	4.6%	4.3%



Seminar on supporting active participation of women

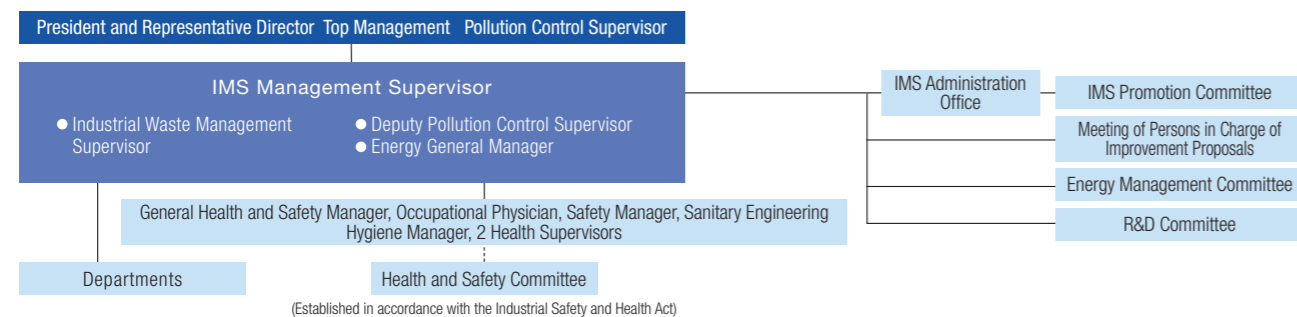
Seminar on supporting active participation of women

We conducted a training program that encouraged participants to think proactively about how to make the most of their value, how to continue contributing to the organization through the way they work, and how to achieve happiness in their own lives, in order to realize a society in which women can fully demonstrate their individuality and abilities, in a social environment where women are expected to play an active role.

Integrated Management System (IMS) concept and education

The Company operates three management systems - Quality Management, Environmental Management, and Occupational Health and Safety Management - as an Integrated Management System (IMS). This system is maximally utilized, with management policies positioned with IMS policies as goal attainment tools in PAMCO-2021.

IMS system diagram



1 The purpose of IMS education

The purpose of these rules is to clarify the competencies (knowledge and skills) required for IMS for those who work for the Company, and to establish education procedures to improve these competencies and ensure their competence.

2 Awareness education

Awareness education is education to help employees understand what is expected of them in the tasks they are entrusted with. It highlights how these tasks support the Company's overall activities and performance, for example by realizing customer satisfaction, reducing environmental impact, and reducing occupational health and safety risks. In this manner, the education helps employees realize that they are entrusted with important tasks that are indispensable to the Company.

We plan and implement awareness education necessary for our employees and for employees of partner companies and subcontractors.

Details of education for employees of partner companies, etc.

1 Technical guidance

- ① How to operate newly installed equipment, etc.
- ② How to operate equipment, etc. that has been refurbished
- ③ At the start of production of a new product
- ④ Instructions on matters that require urgent action for environmental or health and safety reasons

2 Emergency instructions for disasters, accidents, etc.

In case of giving instructions necessary to ensure the health and safety of employees of partner companies and subcontractors in the event of an emergency, such as a disaster or accident

3 Instructions necessary for compliance with laws and regulations, etc.

To provide guidance and instructions necessary to prevent violation of related laws and regulations, Company rules, etc.

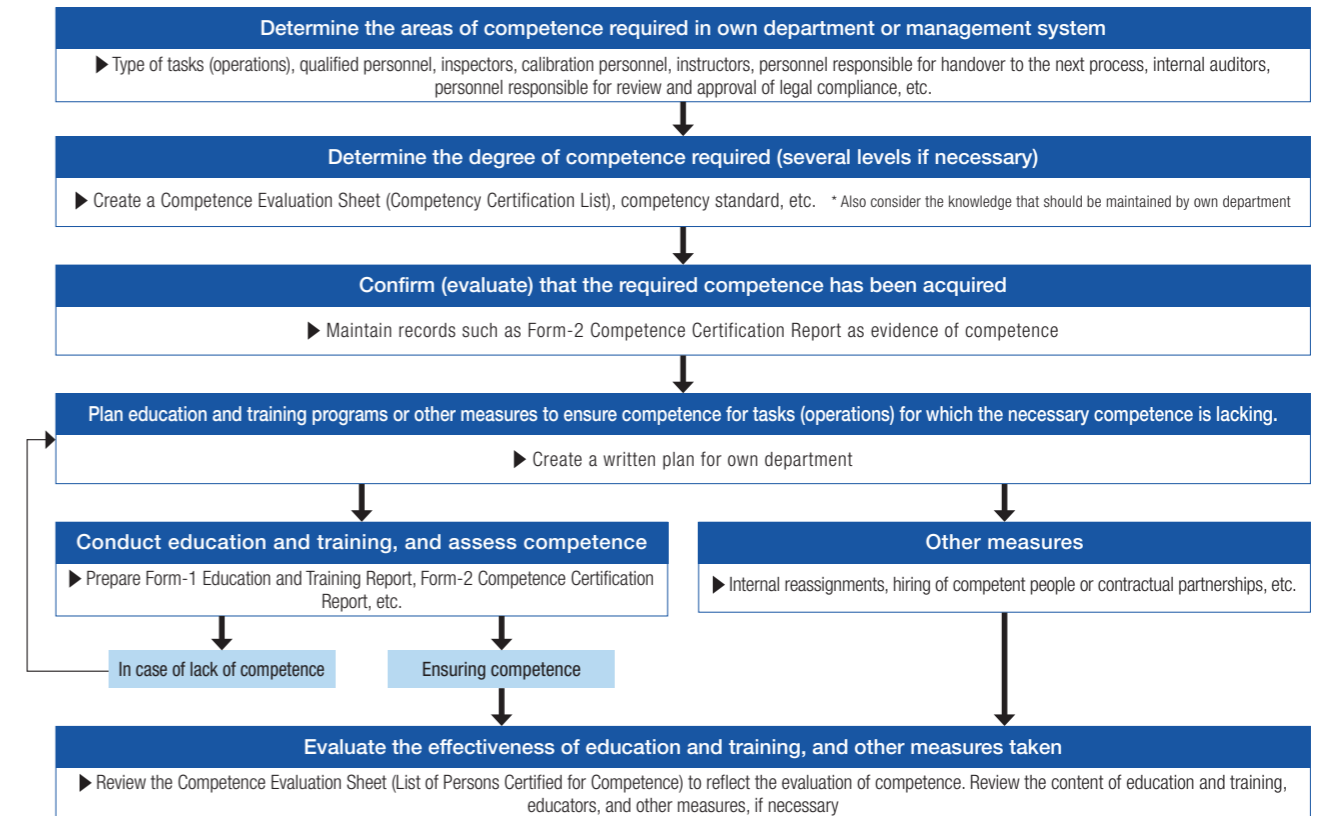
4 Onboarding education, etc.

- ① Onboarding education conducted by the Safety & Health Management Department at the beginning of each fiscal year
- ② Each fiscal year, each Department uses the New Visitor Safety Guide for personnel visiting for the first time.

5 Participation in educational seminars held by the Company (quality, environment, safety and health education)

Acceptance to attend educational seminars held by the Company, if necessary

Procedure for ensuring competence



Human rights awareness activities

We organize our diversity efforts and promote the following ideas within the Company.

1 Basic policy for respecting human rights

We will promote initiatives for respecting human rights, in accordance with international norms and standards as a guideline for fulfilling our responsibilities. Our Corporate Code of Ethics established based on our Company Philosophy and Company Policy states that we will create a work environment where employees can work together and express themselves. In keeping with this, we believe that creating a vibrant workplace whose human resources are diverse in terms of nationality, gender, and age, where we understand each other's values, individuality, and circumstances, and where each individual can fully demonstrate his or her abilities, will lead to higher productivity.

2 Concept for respecting human rights

We will do our utmost not to violate the human rights of all those affected by our business activities. We will work to correct and remedy any situations that have negative impacts on human rights in the event that they occur. We also engage with our stakeholders, and we encourage them not to violate human rights if they have caused any negative impacts.

3 Scope of application

The scope of this policy applies to all employees and officers of the Group. We will promote respect for human rights in cooperation with our business partners with whom we have close relationships.

4 Education

We will promote appropriate education.

5 Human rights due diligence

We will refer to the Guiding Principles on Business and Human Rights, and establish the necessary human rights due diligence system for the Company.

6 Governance system

We will discuss our approach to respect for human rights at the Sustainability Promotion Council.

## Communicating with the Local Community

We value the connection with the local community, carry out clean-up activities, and endeavor to revitalize the community by sponsoring local organizations and participating in local events. We strive to communicate with all of our stakeholders through local initiatives.

### Cleanup activities on factory premises and in the region

It's been 13 years now since we started cleanup activities along harbor-facing roads around our factory to support regional beautification efforts and make contributions to society. In November 2021, a total of 13 employees, including our employees and employees from affiliates and partner companies, donned masks and practiced social distancing as they participated in cleanup activities in the First Industrial Port in the City of Hachinohe's Kawaragi District. They collected a total of 5kg of combustible and non-combustible garbage. The City of Hachinohe recorded this cleanup activity in its "Hachinohe Green System," which supports environmental beautification activities.



### Sponsorship of the local soccer club

We started loaning the artificial turf "PAMCO Field" soccer field, prepared on a final disposal site where we used to bury ferronickel slag, to the local "Vanraure Hachinohe" soccer club in July 2019. We continued our official partnership with Vanraure Hachinohe into FY2021 as well. We very much hope to remain an active part of "Vanraure Hachinohe," and continue our contributions to the promotion of regional sports. In addition, under our sponsorship, the PAMCO Cup was held in FY2021 for the U-10 age group, with all eight teams competing in a league.



### Donations to disaster-stricken areas in Japan and overseas

- Following the heavy rain disasters that occurred on August 9, 2021 in Kazamaura Village and Mutsu City, on August 20, we made donations to aid recovery efforts in the disaster-stricken areas.
- On January 24, 2022, we made a donation via the Philippine Red Cross following the damage caused by Typhoon Nalgae in the Philippines.
- In November 2022, we made a donation to victims of the West Java Earthquake in Indonesia.

## Risk Management

We have established and operate a risk management system for dealing with various risks in a timely and appropriate manner.

### Basic views

#### Basic policy

The Company aims to maximize corporate value by generating profits through the use of management resources and assets entrusted to it by shareholders. In making management decisions, the Board of Directors thoroughly scrutinizes and analyzes the risks associated with business and investment activities, and makes decisions based on appropriate procedures in light of the profits to be generated by such activities. In making such possible assumptions on management risks, the Company allows an appropriate level of risks in light of the corresponding business and investment returns. However, risks that affect permanent business continuity are diversifying and increasing as the business and natural environment changes. Depending on how these are handled, it may become extremely difficult to achieve the business plan, and the very survival of the business could come into jeopardy. To maintain a state in which appropriate management decisions can be made, the Company correctly understands the risks that may arise, reduces the possibility of occurrence, and devises measures to reduce probable losses before they occur. To this end, the organization and rules for dealing with each risk are clarified in the Risk Management Regulations. We have established a risk management system to thoroughly manage crises should they occur, minimizing damage and taking responsible measures for early recovery. We continuously implement this system under the following philosophy, basic objectives, and action guidelines. In the event the risk of a critical situation occurs or the possibility of occurrence rises, the Company responds in accordance with the Crisis Management Manual.

#### Philosophy

- (1) Fulfilling the Company's corporate social responsibility
- (2) Ensuring the Company's social credibility

#### Basic objectives

- |   |   |
|---|---|
| (1) Permanent business continuity                   | (2) Responding to climate change risk                   |
| (3) Securing the trust and interest of stakeholders | (4) Ensuring the safety of employees and their families |
| (5) Preserving company assets                       | (6) Enhancing corporate value                           |

#### Action guidelines

- (1) Improve risk response capabilities through continuous risk management activities
- (2) Share information on potential risks
- (3) Act in a manner that does not jeopardize the safety, health or interests of stakeholders
- (4) Minimize the damage caused by the occurrence of a business crisis and take responsible actions for early recovery.

### Management system

The Company will establish a risk management system by preparing the Risk Management System List that describes the risks to be managed, the departments and organizations responsible for those risks, and the rules and regulations governing those bodies.

### Risk identification and assessment process

The Risk Management Committee will implement the following matters under its jurisdiction.

- |  |   |
|--|---|
| (1) Understanding, analyzing and evaluating risks  | (2) Considering countermeasures for evaluated risks |
| (3) Matters related to crisis management           | (4) Report to the Board of Directors                |
| (5) Report to the Sustainability Promotion Council | (6) Other necessary matters related to risk         |

#### ●Crisis Management Manual

The manual outlines the normal situation response in the "Normal situation crisis management policy" and the "Emergency response policy" (specific measures to be taken in the event of a serious crisis or the possibility of a serious crisis occurring).

**Classification of major risks**

The Company classifies and identifies major risks based on the basic objectives of the Risk Management Regulations.

- |   |   |
|---|---|
| <p><b>1. Management risks</b><br/>                 (1) Financial (i) Stock price fluctuation (hostile takeover) (ii) Insufficient funds (iii) Accounting fraud<br/>                 (2) Market (i) LME fluctuation (ii) Exchange rate fluctuation (iii) Demand decline (price competition)<br/>                 (3) Procurement (i) Electricity (price fluctuation, securing procurement volume) (ii) Ore (price fluctuation, securing procurement volume) (iii) Coal and oil (price fluctuation, securing procurement volume) (iv) Other materials<br/>                 (4) Investment (i) New business (ii) Capital investment (iii) Research and development (iv) Acquisition and merger absorption (v) Overseas investment</p> <p><b>2. Labor risks</b><br/>                 (1) Fraud or misconduct by officers<br/>                 (2) Fraud or misconduct by employees<br/>                 (3) Labor disputes and strikes<br/>                 (4) Harassment<br/>                 (5) Leakage of personal information</p> <p><b>3. Social risks</b><br/>                 (1) Crime syndicates, Sokaiya (racketeers that disrupt shareholder meetings), and intimidation<br/>                 (2) Media attacks, criticism, and slander<br/>                 (3) Compliance violations</p> | <p><b>4. Climate change risks</b><br/>                 (1) Global warming caused by GHG emissions</p> <p><b>5. Risks of disasters, accidents, etc.</b><br/>                 (1) Natural disasters (i) Typhoons/storm surges (ii) Earthquakes/tsunami (iii) Water disasters/floods (iv) Tornadoes/wind disasters<br/>                 (2) Accidents (i) Fires, explosions, and high-heat leaks (hot water leaks, etc.) (ii) Chemical substance leaks (iii) Electrical and mechanical accidents (iv) Facilities accidents (v) Traffic accidents (vi) Industrial accidents (vii) Accidents during transportation and shipping (viii) Theft (ix) Trespassing<br/>                 (3) Hygiene (i) Infectious and contagious diseases</p> <p><b>6. Risks in the production and sales process</b><br/>                 (1) Products (i) Product defect warranty (ii) Product liability (PL law) (iii) Defective products (iv) System failure (production, sales management operations, etc.)<br/>                 (2) Environment (i) Oil pollution accident (ii) Liability for environmental pollution (iii) Violation of environmental regulations (iv) Tighter environmental regulations</p> <p><b>7. Network risks</b><br/>                 (1) Cyberattacks, etc.<br/>                 (2) Network failure</p> |
|---|---|

**Compliance**

We believe that compliance is essential to supporting the foundation of our corporate activities and avoiding various risks, and take strengthening measures.

**Basic views**

Our Board of Directors has established “Company Policy,” a “Corporate Code of Ethics,” and a “Corporate Code of Conduct,” etc., and advocates compliance with laws and regulations.

To ensure business is conducted based on these policies and norms, we have established an Internal Controls Committee to strengthen compliance. We list the following with respect to compliance and adherence to social norms, and all officers and employees, including directors, carry out their duties with an awareness thereof.

- 1 Conduct corporate activities in accordance with compliance, social norms, and social decency.
- 2 Conduct sound company activities by remaining insulated from antisocial forces that threaten social order and security.
- 3 Comply with international rules and local laws, and respect local cultures and customs when conducting international business activities. Conduct company activities that contribute to the development of each country.

**Providing education on internal controls**

We conduct the following internal control-related training and educational activities to instill compliance in our employees and to achieve adherence.

- Conducting compliance awareness questionnaires
- Compliance training
  - (1) Compliance education for new employees
  - (2) Circulation of the Company’s “Rules of Whistle-blowing” and “Whistle-blowing Processing System” Target: employees, affiliates and business partners
  - (3) Compliance awareness activities Target: officers, managers, entire Company
  - (4) Compliance magazine regular distribution Target: entire Company
  - (5) External seminar for Internal Control Committee Secretariat (correspondence course)

**Whistleblowing**

- The Company has established a whistle-blowing system (internal and external contact points) based on the Rules of Whistle-blowing System. Whistle-blowing reports are submitted to the Board of Auditors, and specific cases are reported to the Board of Directors. Disadvantageous treatment of whistle-blowers is prohibited.

**Corporate Governance**

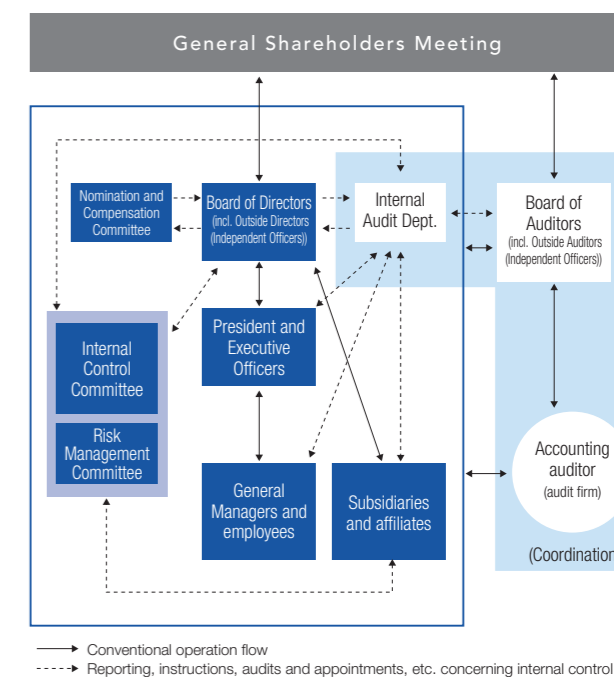
Aiming to improve corporate value, we strive to strengthen and enhance corporate governance through rapid decision making and management efficiency, and through ensuring transparency and soundness of management by strengthening supervisory functions.

**Basic views**

Based on the company philosophy and policy established by the Group, the Company will enhance its corporate governance as described below to achieve sustainable growth and increase its medium- to long-term corporate value.

- The Company shall respect the rights of all shareholders and ensure equality.
- The Company shall collaborate with all stakeholders, including shareholders, consumers, business partners, employees, and local communities, sincerely and appropriately, considering their interests.
- The Company shall proactively disclose information that could serve as a basis for investment decisions, in addition to disclosing information appropriately in compliance with relevant laws and regulations.
- The Company’s Board of Directors shall be responsible for achieving sustainable growth and maximizing medium- to long-term corporate value based on its fiduciary responsibility to shareholders. To this end, the Company shall establish a fair and transparent management structure by introducing an executive officer system to separate decision-making and business execution functions and by strengthening the business execution supervisory function through the appointment of outside officers (outside directors and outside auditors).
- The Company shall engage in constructive dialogue with shareholders to achieve sustainable growth and maximum medium- to long-term corporate value.

**Company governance system diagram**



**Board of Directors**

The Board of Directors consists of nine Directors (including three Outside Directors). In addition to monthly Board of Directors’ meetings, Directors hold meetings as needed for prompt handling of matters, efficient execution of duties, and monitoring of the execution of duties among Directors.

**Board of Auditors**

The Company has adopted an auditor system, and three persons out of four Auditors comprising the Board of Auditors are Outside Auditors. In order to ensure the fair execution of duties by Directors, the Company enables all Auditors including part-time Auditors to attend all Board of Directors’ meetings.

**Nomination and Compensation Committee**

The Company has established the Nomination and Compensation Committee, aiming at enhancing the fairness, transparency, and objectivity of procedures for the nomination and compensation of Directors and Executive Officers, as well as at further improving corporate governance. In response to inquiries from the Board of Directors, the Nomination and Compensation Committee primarily deliberates on matters related to the appointment and dismissal of Directors and other officers, the compensation of Directors, and matters approved by other committees regarding the nomination and compensation of Directors.

**Internal Control Committee**

The Company has established the Internal Control Committee as an advisory body to the Board of Directors to ensure “compliance with laws and regulations in corporate activities,” “securing the reliability of financial reports,” and “securing the effectiveness of duties” of the Group. The Internal Control Committee reports on its activities to the Board of Directors twice or more per year.

**Risk Management Committee**

The Company has established the Risk Management Committee, aiming at enhancing and continuously implementing the risk management system in order to correctly understand all possible risks, lower the possibility of their occurrence, devise measures to reduce probable losses before they occur, and when they occur, perform thorough crisis management, minimize the damage, and take responsible measures for early recovery.



### Reasons of appointment as Outside Directors and status of activities

Name	Reasons of Appointment	Attendance at Board of Directors' meetings
Shinya Matsumoto	The Company determined that Shinya Matsumoto is capable of properly performing his duties as Outside Director based on his professional perspective and broad insight as an attorney. The Company expects him to promote the enhancement of compliance and corporate governance, leveraging the above-mentioned perspective and insight.	22 out of 23 meetings (95.7%)
Hikari Imai	The Company determined that Hikari Imai is capable of properly performing his duties as Outside Director based on his extensive experience as a corporate manager over many years. The Company expects him to promote the improvement of corporate governance and the enhancement of the foundation of corporate management at the Company by leveraging the above-mentioned experience.	22 out of 23 meetings (95.7%)
Yukari Sakai	The Company determined that Yukari Sakai is capable of properly performing her duties as Outside Director based on her extensive experience as a corporate manager in a wide range of business fields. The Company expects her to promote the enhancement and reinforcement of corporate governance based on a variety of perspectives from the viewpoint of diversity, leveraging the above-mentioned experience.	16 out of 16 meetings (100%)

### Evaluation of the effectiveness of the Board of Directors

The Company analyses and evaluates the effectiveness of the Board of Directors as a whole to enhance the functions of the Board of Directors and ultimately the corporate value. In March 2022, the Company implemented the evaluation for FY2021 by means of a questionnaire survey performed by an outside institution, targeting all Directors and Auditors (including Outside Directors and Outside Auditors).

The responses to the survey show that the compensation system for senior management is evaluated positively because compensation is appropriately determined through discussions by the non-statutory Nomination and Compensation Committee (established in May 2021). Accordingly, the Company shared the recognition that the Board of Directors has generally maintained a certain level of effectiveness. On the other hand, the Directors also shared issues such as the need for further discussion concerning the appropriateness of incentives for senior management and full discussion of the basic sustainability policy, including aspects such as ESG and the SDGs, initiatives to improve sustainability, and related disclosure.

Based on the results of the evaluation of the effectiveness, the Board of Directors of the Company aims to further enhance the functions of the Board of Directors by thoroughly examining the policy of addressing these issues in the future.

#### Identified issues

Issues	Measures
(1) Diversity of Board members (representation of different nationalities, women, etc.)	On June 25, 2021, one female outside director was elected at the Annual General Shareholders Meeting.
(2) Establishment of a Compensation Committee for ensuring the transparency of officers' compensation	On May 20, 2021, the Board of Directors established the Nomination and Compensation Committee (a voluntary body), appointed its members, and established the Committee Regulations. (First meeting: September 14; Second meeting: October 14; Third meeting: December 14; Fourth meeting: February 18, 2022; Fifth meeting: March 15, 2022)
(3) Establishment of a Nomination Committee, including consideration of succession planning	Similar measures to (2). A succession plan is scheduled to be established in FY2022.

### Compensation, etc. for officers, etc.

The Company, through the Nomination and Compensation Committee, has decided the determination policy on the details of individual Directors' compensation, etc. This policy has been established by the Board of Directors in the Officers' Compensation Rules. The Company's determination policy on the details of individual Auditors' compensation, etc. has also been established by the Board of Directors in the Officers' Compensation Rules. Compensation for individual Auditors is determined through discussion between Auditors, within the total compensation limit resolved by the General Shareholders Meeting. The basic policy for Director's compensation is to link the compensation system with the benefits of shareholders in order to make the system fully functional as an incentive to pursue the sustainable improvement of corporate value, and to determine the individual Director's compensation at an appropriate level according to his/her responsibilities.

Specifically, Directors' compensation consists of "basic compensation for officers" as fixed compensation, and

"bonuses for officers (monetary/stock)" as performance-linked compensation. Regarding Outside Directors, who assume the responsibility of oversight, only "basic compensation for officers" is paid in light of their duties. The basic compensation for officers is an amount of fixed compensation based on position, corresponding to the level of duties. Bonuses for officers (monetary) are performance-linked monetary compensation based on single fiscal year performance, etc. as a short-term incentive, which is limited to a maximum of the sum of individual monthly fixed compensation for five months. Compensation is paid after the Company's results, etc. have been determined in each fiscal year. Bonuses for officers (stock) are performance-linked stock compensation based on points awarded, while in office, for the delivery of shares, to promote the sharing of benefits and risks with shareholders from a medium- to long-term perspective. Shares are delivered to Directors upon retirement. Regarding the ratio by compensation type, the ratio of fixed compensation to performance-linked compensation is in the range between 10:0 and 7:3.

Basic compensation for Directors of the Company is fixed monthly compensation, in an amount deliberated by the Nomination and Compensation Committee and determined by the Board of Directors.

Proposals for monthly compensation for individual Directors are submitted to the Nomination and Compensation Committee by the President and Representative Director, based on careful evaluation of the roles expected of each Director by the Company. The Nomination and Compensation Committee, upon deliberation, determines compensation for individual Directors, and the President and Representative Director submits a proposal for the payment of the aggregate amount to the Board of Directors, which decides it.

The aggregate amounts of bonuses for officers, which are performance-linked compensation, are determined in accordance with the allocation standards. The President and Representative Director submits a proposal for the payment of the aggregate amount to the Board of Directors, which decides it. The amounts allocated to individual Directors are determined in proportion to the monthly fixed compensation for each position.

The Board of Directors has measures in place to ensure that the Nomination and Compensation Committee appropriately exercises this authority, with the President and Representative Director submitting the results of the Committee's deliberation to the Board of Directors for decision. Because the amounts of individual Directors' compensation are determined according to these procedures, the Board of Directors believes that they are in line with the determination policy.

The resolution of the Annual General Shareholders Meeting pertaining to officers' compensation was passed on June 29, 2006, which stipulates that the amount of monetary compensation for Directors of the Company shall be up to 350 million yen per year (excluding the portion of employee salary of Directors who concurrently serve as employees). In addition, it was also resolved that the amount of monetary compensation for Auditors of the Company shall be up to 60 million yen per year.

Regarding the amounts of compensation, etc. for individual Directors of the Company, the Nomination and Compensation

Committee, delegated authority by the Board of Directors, deliberates on proposals for the aggregate amounts of compensation for each period, based on the separately-established policy on Directors' compensation. The President and Representative Director submits the results of this deliberation to the Board of Directors, which decides the amounts of compensation, within the total compensation limit resolved by the General Shareholders Meeting.

Authority is delegated to the Nomination and Compensation Committee, a non-statutory advisory body of the Board of Directors composed of a majority of Outside Directors, to ensure the fairness, transparency, and objectivity of processes related to the determination of compensation, etc.

For the current fiscal year, the Nomination and Compensation Committee (Chairperson: Outside Director Shinya Matsumoto; Members: President and Representative Director Masayuki Aoyama, Outside Director Hikari Imai, Outside Director Yukari Sakai) has determined the details of compensation, etc. for individual Directors. The scope of this authority is stipulated under the Committee Regulations as the compensation system basic policy, proposals for compensation limits (including calculation methods), and specific individual compensation amounts (including calculation methods). The Board of Directors and the Nomination and Compensation Committee carried out the following activities in the process of determining the amount of compensation for officers of the Company during the fiscal year under review. The Committee evaluated the current compensation for Directors and organized its concept, conducted a general review of the composition of monthly compensation and performance-linked compensation, and discussed the ideal form of total amount of compensation and individual compensation. As a result, a new policy on Directors' compensation was formulated and the Officers' Compensation Rules was revised by the Board of Directors, adding an objective evaluation of each individual as well as his or her position, responsibilities, and years in office.

#### Total amount of compensation, etc. for each officer category, total amount by type of compensation, etc., and number of eligible officers

Officer category	Total amount of compensation, etc. (million yen)	Total amount of compensation, etc. by type (million yen)				Number of eligible officers (persons)
		Fixed compensation	Performance-linked compensation, etc.	Retirement benefits	Of which, non-monetary compensation, etc.	
Directors (excluding Outside Directors)	193	131	62	-	-	7
Auditors (excluding Outside Auditors)	27	19	8	-	-	1
Outside officers	35	35	-	-	-	6

(Notes) 1 The number of officers and amount paid above include one Director who retired at the conclusion of the 95th Annual General Shareholders Meeting held on June 25, 2021.  
 2 The total amount of compensation, etc. for Directors do not include the portion of employee salary for Directors who concurrently serve as employees.  
 3 The Board of Directors' meeting, held on May 22, 2006, resolved to abolish the retirement benefits system for officers, and the 80th Annual General Shareholders Meeting, held on June 29, 2006, resolved to grant final payments in conjunction with the abolishment of the retirement benefits system. Total amounts of the final payments in the future as of the end of this fiscal year is as follows. A total of 6 million yen for one Auditor  
 4 Outside officers do not receive officers' compensation, etc. from subsidiaries.

### Shareholding status

#### Methods for assessing shareholding policies and rationality of holdings, and details of verification by the Board of Directors, etc. regarding the appropriateness of holding individual issues

The Company holds shares of other companies as cross-shareholdings, with the aim of maintaining or strengthening business relationships and enhancing the medium- to long-term corporate value of investee companies and the Company. In addition, the Company exercises voting rights as to its cross-shareholdings after taking into account the business relationships and the return, etc. from the shareholdings, as well as whether or not the proposed agenda will help improve the corporate value of the investee company and the Company.

The Board of Directors regularly explains the purpose and rationality of shares held by the Company as cross-shareholdings. This is done after comprehensively determining the appropriateness of continuing to hold, based on a quantitative assessment of changes in the stock price and market capitalization, changes in the amount of dividends received and the dividend yield, and changes in ROE over the past five years, as well as qualitative assessment of the medium- to long-term economic rationality and future prospects.

#### Number of issues and balance sheet amount

	Number of issues	Total amount on balance sheet (million yen)
Unlisted stocks	11	190
Stocks other than unlisted stocks	10	7,939

# Officers

## Directors



**Masayuki Aoyama**

President and Representative Director

April 1975 Joined the Company  
 April 2009 General Manager, Utility & Maintenance Dept., Production Div.  
 May 2010 Director, Pacific Energy Center Co., Ltd.  
 June 2011 Executive Officer, the Company  
 June 2014 Director, Rio Tuba Nickel Mining Corporation  
 June 2014 Director, Taganito Mining Corporation  
 June 2014 Director, the Company  
 June 2014 Senior Executive Officer  
 June 2014 General Manager, Production Div.  
 June 2014 President & Representative Director, Pacific Gas Center Co., Ltd.  
 May 2017 Managing Executive Officer, the Company  
 July 2019 In charge of Business Process Reengineering, Production and Recycling Business  
 June 2020 President and Representative Director (to present)  
 May 2021 Member of Nomination and Compensation Committee (to present)



**Yoshiharu Inomata**

Director & Senior Managing Executive Officer

April 1975 Joined the Company  
 June 2014 Senior Executive Officer  
 June 2014 General Manager, Quality Control Dept. and General Manager, Environmental Management Dept.  
 July 2016 General Manager, Quality Control & Environmental Management Dept.  
 September 2016 General Manager, Quality Control & Environmental Management Dept., General Manager, Technical Research & Development Dept. and Manager, Pyrometallurgy Development Sec.  
 June 2017 Director (to present)  
 June 2017 In charge of Safety & Health Management, Quality Control & Environmental Management  
 June 2017 General Manager, Technical Research & Development Dept.  
 July 2019 In charge of Safety & Health Management and Resources & Technology Development Project  
 July 2019 General Manager, Quality Control & Environmental Management Dept.  
 June 2020 Managing Executive Officer  
 June 2020 In charge of Corporate Planning, Safety & Health Management, Quality Control & Environmental Management  
 June 2021 Senior Managing Executive Officer (to present)  
 June 2021 Assistant to President (to present)  
 June 2021 In charge of Corporate Planning, Recycling Business (to present)



**Kenichi Hara**

Director & Managing Executive Officer

April 1988 Joined the Company  
 June 2014 Executive Officer  
 June 2014 General Manager, Ferro Nickel Sales Dept.  
 June 2017 Senior Executive Officer  
 March 2018 Director, Pacific Sowa Corporation (to present)  
 June 2018 Director, the Company (to present)  
 June 2018 In charge of Sales  
 July 2019 General Manager, Sales & Marketing Dept. (to present)  
 June 2020 In charge of Procurement (to present)  
 June 2021 Managing Executive Officer (to present)



**Terunobu Matsuyama**

Director & Managing Executive Officer

April 1988 Joined the Company  
 May 2014 Auditor, Pacific Gas Center Co., Ltd.  
 June 2014 General Manager, Finance & Accounting Dept., the Company  
 June 2017 Executive Officer  
 June 2018 Director (to present)  
 June 2018 Senior Executive Officer  
 June 2020 In charge of IR (to present)  
 May 2021 Director, Taiheiyō Kōsan Co., Ltd. (to present)  
 June 2021 Managing Executive Officer, the Company (to present)  
 June 2021 In charge of Internal Control (to present)  
 June 2021 In charge of General Administration (to present)  
 June 2021 In charge of Finance & Accounting (to present)  
 June 2021 General Manager of Personnel & Labor Relation Dept. (to present)



**Hiroaki Ichiyanagi**

Director & Senior Executive Officer

April 2003 Joined the Company  
 June 2014 Executive Officer  
 June 2014 General Manager, Ore Purchasing & Mining Engineering Dept.  
 June 2017 Senior Executive Officer (to present)  
 June 2018 Director, Rio Tuba Nickel Mining Corporation (to present)  
 June 2018 Director, Taganito Mining Corporation (to present)  
 July 2019 General Manager, Resources & Technology Development Project Dept., the Company (to present)  
 June 2020 Director (to present)  
 June 2021 In charge of Quality Control & Environmental Management (to present)



**Kazuo Iwadate**

Director & Senior Executive Officer

April 1985 Joined the Company  
 December 2012 General Manager, Production Dept., Production Div.  
 November 2015 General Manager, Production Dept. and General Manager, Environmental Business Dept., Production Div.  
 June 2017 Executive Officer  
 June 2017 Assistant General Manager, Production Div., General Manager, Utility & Maintenance Dept. and General Manager, Environmental Business Dept.  
 July 2019 General Manager, Business Process Reengineering Dept. (to present)  
 May 2020 President & Representative Director, Pacific Gas Center Co., Ltd. (to present)  
 June 2020 Director, the Company (to present)  
 June 2020 Senior Executive Officer (to present)  
 June 2020 In charge of Utility & Maintenance and Production (to present)  
 June 2021 In charge of Safety & Health Management (to present)



**Shinya Matsumoto**

Outside Director

April 1987 Registered as attorney, joined Marunouchi Sogo Law Office  
 July 1996 Partner and attorney  
 June 2001 Outside Corporate Auditor, Impress Corporation (now Impress Holdings, Inc.) (to present)  
 June 2006 Member of Special Committee, the Company  
 June 2007 Outside Director, The Shibusawa Warehouse Co., Ltd. (to present)  
 October 2011 Partner and Representative Attorney, Marunouchi Sogo Law Office (to present)  
 June 2013 Outside Director, the Company (to present)  
 May 2021 Chairperson of Nomination and Compensation Committee (to present)



**Hikari Imai**

Outside Director

April 1974 Joined Yamaichi Securities Co., Ltd.  
 January 1986 Joined Morgan Stanley Japan Securities Co., Ltd.  
 April 1993 Joined Merrill Lynch Japan Incorporated  
 January 1999 Deputy Chairman, and Chairman, Investment Banking Division, Merrill Lynch Japan Securities Co., Ltd.  
 November 2007 Vice-President and Director, RECOF Corporation  
 April 2008 President  
 July 2010 Advisor, Ebara Foods Industry, Inc.  
 April 2012 Outside Director, Olympus Corporation  
 June 2015 Outside Director, CYBERDYNE Inc. (to present)  
 June 2016 Outside Director, the Company (to present)  
 November 2019 Outside Director, SHIMACHU CO., LTD.  
 May 2021 Member of Nomination and Compensation Committee, the Company (to present)



**Yukari Sakai**

Outside Director

April 1991 Joined Nomura Securities Co., Ltd.  
 January 2005 Director of Corporate Tune Co., Ltd.  
 June 2005 Standing Outside Audit and Supervisory Board Member of UNITED ARROWS LTD.  
 June 2008 Outside Auditor of REPROCELL Inc.  
 September 2013 Outside Auditor of Beauty Kadan Co., Ltd.  
 June 2016 Outside Director (Standing Audit and Supervisory Committee Member) of UNITED ARROWS LTD. (to present)  
 October 2017 Outside Director (Audit and Supervisory Committee Member) of Tea Life Co., Ltd.  
 March 2019 External Director (Audit & Supervisory Board Member) of Uzabase, Inc.  
 June 2021 Outside Director, the Company (to present)

## Auditors



**Kiichi Tatsunaka**

Full-time Auditor

April 1963 Joined the Company  
 December 1995 Assistant General Manager, Administration Dept., Hachinohe Plant and Manager, Finance & Accounting Dept.  
 July 1999 Assistant General Manager, Finance & Accounting Dept. and Manager, Finance & Planning Dept.  
 April 2003 General Manager, Finance & Accounting Dept.  
 June 2003 Auditor  
 June 2005 Full-time Auditor (to present)



**Ken Yasuda**

Outside Auditor

April 1976 Joined The Kyowa Bank, Ltd.  
 April 1995 Manager of Kawachi Chiyoda Branch, The Asahi Bank, Ltd.  
 April 1997 Manager of Kosaka Branch, The Asahi Bank, Ltd.  
 June 1999 Manager of Kudan Branch, The Asahi Bank, Ltd.  
 April 2001 Manager of Tokyo Chuo Branch and General Manager of Branch Sales Dept. No.1, The Asahi Bank, Ltd.  
 July 2001 General Manager of Tokyo Chuo Region Sales Dept. and General Manager of Regional Sales Dept. No.1, The Asahi Bank, Ltd.  
 January 2003 Manager of Tokyo Chuo Branch, The Asahi Bank, Ltd.  
 June 2003 Executive Officer, General Manager of Tokyo Sales Administration Dept. and In Charge of Tokyo Real Estate Dept., Resona Bank, Limited  
 October 2003 Executive Officer and General Manager of Tokyo Sales Dept., Resona Bank, Limited  
 June 2006 General Manager of General Affairs Dept., JCB Co., Ltd.  
 June 2007 Standing Corporate Auditor, Hibiya Engineering, Ltd.  
 June 2016 External Auditor, NIHON PLAST CO., LTD.  
 June 2018 Outside Auditor, the Company (to present)



**Hideki Ogata**

Outside Auditor

April 1976 Joined Hokkaido-Tohoku Development Corp.  
 October 1999 Assistant General Manager, Human Resources Management Dept., Development Bank of Japan Inc.  
 June 2002 Head of Regional Development Dept., Development Bank of Japan Inc.  
 June 2004 Head of Inspection Dept., Development Bank of Japan Inc.  
 May 2005 Head of Investigation Dept., Development Bank of Japan Inc.  
 June 2005 Inspector (Part-time), Development Bank of Japan Inc.  
 June 2007 Full-time Auditor, Hokkaido Gas Co., Ltd.  
 June 2015 Full-time Auditor, Hokkaido Sugar Co., Ltd.  
 June 2019 Outside Auditor, the Company (to present)



**Shuzo Ikeda**

Outside Auditor

April 1985 Joined the Industrial Bank of Japan  
 April 1995 Deputy Assistant General Manager, International Business Dept., the Industrial Bank of Japan  
 June 1997 Assistant General Manager, Screening Dept., the Industrial Bank of Japan  
 November 1999 Acting General Manager, Industrial Investigation Dept., the Industrial Bank of Japan  
 October 2000 Corporate Researcher, Capital Markets Group, Mizuho Securities Co., Ltd.  
 October 2003 Corporate Researcher, Corporate Marketing Dept. 2, Mizuho Corporate Bank, Ltd.  
 April 2005 Corporate Researcher, Credit Engineering Dept., Mizuho Corporate Bank, Ltd.  
 April 2007 Deputy General Manager, Credit Engineering Dept., Mizuho Corporate Bank, Ltd.  
 April 2011 Vice President, Member of the Board, Japan Industrial Solutions Co., Ltd.  
 September 2012 External Director, ULVAC, Inc.  
 May 2013 Member of the Board, Japan Industrial Solutions Co., Ltd.  
 July 2014 Outside Director, TOKYO ROPE MFG. CO., LTD.  
 June 2020 Outside Auditor, the Company (to present)  
 June 2020 External Auditor, NIHON PLAST CO., LTD. (to present)

## Skills matrix

		①	②	③	④	⑤	⑥	⑦	⑧	⑨	⑩	⑪
Name		Corporate management	Finance/Accounting	Marketing	Manufacturing	Research/Development/IT	Law	Risk management	Personnel and labor relations	Global management	ESG and sustainability	Audit
Directors	Masayuki Aoyama	●			●			●			●	
	Yoshiharu Inomata	●			●	●		●	●		●	
	Kenichi Hara	●		●	●			●		●	●	
	Terunobu Matsuyama	●	●		●	●	●	●	●		●	
	Hiroaki Ichiyanagi	●		●	●	●		●		●	●	
	Kazuo Iwadate	●			●	●		●			●	
	Shinya Matsumoto	●					●	●				
	Hikari Imai	●	●					●				
	Yukari Sakai	●	●					●	●			
	Kiichi Tatsunaka		●					●				●
Auditors	Ken Yasuda		●				●					●
	Hideki Ogata		●				●					●
	Shuzo Ikeda	●	●				●					●

(Note) The skills matrix classifies knowledge and experience considered to be important for the Company and indicates the fields in which the Directors and Auditors have appropriate expertise and the fields for which the Company has high expectations of the Directors and Auditors.

## Message from Outside Directors



**Shinya Matsumoto**  
Outside Director

According to the Corporate Governance Code, the main roles expected of outside directors are to provide advice and monitoring functions (Principle 4.7). However, if we merely attend the Board of Directors' meetings held in principle once a month, and offer advice and monitoring in a condescending manner, we cannot possibly sway full-time officers. Therefore, I believe as a Director of the Company, that it is essential to have the standpoint of a colleague who shares the desire to make the Company better. Advice should not be a one-sided sales pitch of successful experiences or past

experiences. It should rather be a sharing of wisdom in the process of serious discussion together from a common perspective. Monitoring must be based not on suspicion but rather on trust in full-time officers, while maintaining a reasonable level of tension.

In the case of a certain management issue, the decision was made after numerous discussions with all officers, both inside and outside the Company. It is precisely because we completed this process of discussion that we were able to put in place a follow-up system for pursuing subsequent

results. If the decision had been made only by the full-time officers, would we have been able to have such free and vigorous discussions in the process leading up to the decision? Would we have been able to form a proper system after the decision was made? While it may be a bit presumptuous of me to say so, I believe that outside directors play a role in improving the openness of the discussion forum that is the Board of Directors and in creating an environment that allows for constructive discussions. I am quietly proud of that.



**Hikari Imai**  
Outside Director

When I joined the Company's management as an Outside Director, the nickel market was beset by fierce price competition due to the rise of low-cost Chinese competitors. The Company was in the midst of a severe decline in business performance, with consecutive losses in every fiscal year. The rationality of conducting smelting operations in Japan, where electricity costs are high, was questioned. We faced a situation in which our very existence was called into question. Even in such very difficult circumstances, the management team faced up to the challenges with sincerity. We were able to weather the worst of times by making a heart-rending decision to reduce headcount and adjust production in the past.

The background to this is that, while receiving external pressure for governance reform, the internal officers were frank in the way they listened to outside opinions and engaged in lively discussions at the Board of Directors' meetings. While there was some hesitation, we also appreciate the results of their sincere efforts toward management reform.

Through many years of experience in foreign investment banking, I have gained insights in areas such as the principles of capital markets, the concepts of corporate acquisitions and consolidation, and the requirements and perspectives of foreign investors. At the Board of Directors' meetings, I hope that these insights can provide full-time

officers with different perspectives that will help them find solutions to the issues they face.

Our efforts are still underway in taking drastic measures to address the issues we are facing, in an environment where we are required to pursue the challenges of SDGs and a sustainable circular society. We face challenges that we must resolve, such as business expansion and development through external business alliances and international expansion through overseas investment. I also feel that now more than ever it is necessary to accelerate the hiring of talent from outside the Company as well as initiatives toward diversity.



**Yukari Sakai**  
Outside Director

I was appointed as an Outside Director in 2021. Outside directors are in a position to monitor management objectively from an independent standpoint. Our mission is to continuously enhance corporate value while balancing the interests of stakeholders from employees and shareholders to society as a whole. It has been just over one year since I assumed my post. During that time, our Board of Directors has listened attentively to the opinions and questions of outside officers and communicated very politely. I sense a high degree of integrity in the attitude of the Company.

Starting this fiscal year, the Company has set forth a new long-term vision: "A comprehensive materials company that co-creates a sustainable, recycling-oriented society."

Recently, the environment surrounding the business has been changing rapidly. Many challenges need to be addressed, such as cost structure and environmental issues, which involve variables such as technological characteristics and geopolitical factors. We believe that to increase corporate value sustainably, it is essential that we add new profit models by applying or converting the advanced technologies that we have developed over our long history. I am looking forward to seeing the Company work boldly toward further growth in the spirit of change and challenge.

In terms of governance, as this is the second year since the Nomination and Compensation Committee was established, discussions on the Succession Plan have just begun.

We are discussing the design of the officers compensation system with the idea of linking it to the medium- to long-term business plan and ensuring that it contributes to the common interests of shareholders. I believe that we need to engage in more constructive dialogue with our stakeholders than ever before.

By drawing from my experience as an outside director of several companies in different fields, I will make every effort to ensure the medium- to long-term growth of the Company, the sustainable enhancement of its corporate value, and the strengthening of governance, which is the basis for such growth.

# 11-year Financial Highlights

[Japanese GAAP] (Consolidated)

(million yen)

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
<b>Business Performance</b>											
Product sales volume [Ni.t]	27,950	37,102	37,801	32,274	34,525	33,100	31,600	32,000	28,533	20,793	27,060
Production volume [Ni.t]	28,774	38,380	38,530	29,651	36,692	33,101	29,902	33,506	30,885	18,414	26,249
Net sales	48,330	58,488	56,408	61,225	47,649	38,697	41,210	49,062	44,133	32,217	57,129
Operating profit (loss)	154	2,168	(4,079)	(7,787)	(15,357)	(3,070)	(3,239)	176	(1,879)	(493)	4,806
Ordinary profit (loss)	3,524	4,920	(1,838)	(91)	(12,283)	(515)	(203)	3,451	972	3,344	12,999
Profit (loss) before income taxes	686	4,817	(4,260)	(952)	(38,462)	(3,321)	(445)	4,054	937	1,399	12,795
EBITDA	6,552	9,172	3,170	(1,627)	(9,819)	(2,695)	(2,928)	483	(1,549)	(115)	5,062
Profit (loss) attributable to owners of parent	1,175	2,126	(6,149)	(1,611)	(38,369)	(3,561)	(810)	3,693	625	1,162	11,368
Capital investment	8,979	3,626	1,353	4,247	1,091	269	259	276	530	1,249	686
Depreciation	6,375	6,980	7,249	6,160	5,538	375	311	307	330	378	256
Research and development expenses	1,539	2,814	2,320	999	171	128	144	142	190	234	276
<b>Financial Status</b>											
Total assets	123,922	125,771	116,175	120,105	73,840	71,760	70,351	71,933	69,960	75,484	89,852
Property, plant and equipment	52,115	48,697	42,229	39,801	10,191	9,542	9,292	9,146	8,596	7,606	7,734
Net assets	110,908	114,388	107,865	109,807	67,733	63,771	62,616	64,439	63,506	67,014	80,153
<b>Per Share Information</b>											
Net assets per share (yen)*1	567.85	585.56	552.18	562.00	346.33	325.95	3,199.09	3,291.66	3,242.70	3,421.84	4,095.12
Basic earnings (loss) per share (yen)	6.02	10.89	(31.51)	(8.26)	(196.62)	(18.25)	(41.56)	189.37	32.06	59.61	582.93
Cash dividend (yen)	2.00	4.00	0.00	0.00	0.00	0.00	0.00	55.00	25.00	20.00	175.00
Dividend payout ratio (%)	33.2	36.7	—	—	—	—	—	29.0	78.0	33.6	30.0
<b>Financial Indicators</b>											
Equity ratio (%)	89.46	90.88	92.77	91.32	91.52	88.62	88.70	89.26	90.40	88.41	88.89
ROA (%)	0.95	1.69	(5.29)	(1.34)	(51.96)	(4.96)	(1.15)	5.14	0.89	1.54	12.65
ROE (%)	1.06	1.89	(5.54)	(1.48)	(43.29)	(5.43)	(1.29)	5.84	0.98	1.79	15.51
D/E ratio	0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Status of Cash Flows</b>											
Cash flows from operating activities	(1,481)	7,183	(984)	9,646	(3,618)	(3,360)	(1,067)	399	(4,720)	5,829	7,857
Cash flows from investing activities	9,370	(6,845)	(1,636)	(272)	(4,859)	7,907	(2,333)	3,026	(394)	(1,781)	(2,909)
Cash flows from financing activities	(1,858)	(701)	(1,058)	(272)	(100)	(21)	(18)	(398)	(1,072)	(102)	(785)
Free cash flows	7,889	338	(2,620)	9,374	(8,477)	4,547	(3,400)	3,425	(5,114)	4,048	4,948
<b>Information by Segment</b>											
<b>Net sales</b>											
Nickel business	46,015	56,026	54,302	59,065	45,239	37,357	39,855	48,142	43,489	30,419	56,338
Gas business (power generation business)*2	2,023	1,743	1,627	1,361	661	620	760	135	624	617	576
Other (Non segment)	462	987	724	997	1,952	868	748	917	148	1,283	324
<b>Operating profit</b>											
Nickel business	(18)	1,780	(3,978)	(7,987)	(16,208)	(3,129)	(3,412)	382	(1,559)	(567)	4,950
Gas business (power generation business)*2	273	217	213	119	22	87	269	(111)	3	21	(10)
Other (Non segment)	(114)	152	(334)	29	796	(51)	(125)	(123)	(342)	43	(142)
<b>Other</b>											
Number of employees (persons)	489	491	494	498	482	468	464	456	459	458	460

\*1 The Company conducted a 1 to 10 share consolidation on October 1, 2017.

\*2 The Company has changed its reportable segments since the second quarter of the fiscal year ended March 31, 2021, making the "Nickel business" and the "Gas business" its reportable segments.

# Overview of the Company and Stock Information

## Overview of the Company (As of March 31, 2022)

<b>Name</b>	PACIFIC METALS CO., LTD.
<b>Representative</b>	Masayuki Aoyama President and Representative Director
<b>Date of establishment</b>	December 1, 1949
<b>Annual sales</b>	56,527 million yen (nonconsolidated basis for FY2021)
<b>Number of employees</b>	416 employees (nonconsolidated basis for FY2021)
<b>Capital</b>	13.9 billion yen

## Officer Information (As of March 31, 2022)

<b>Masayuki Aoyama</b>	President and Representative Director	<b>Shinya Matsumoto</b>	Director (Outside)
<b>Yoshiharu Inomata</b>	Director	<b>Hikari Imai</b>	Director (Outside)
<b>Kenichi Hara</b>	Director	<b>Yukari Sakai</b>	Director (Outside)
<b>Terunobu Matsuyama</b>	Director	<b>Kiichi Tatsunaka</b>	Auditor (Full-time)
<b>Hiroaki Ichiyanagi</b>	Director	<b>Ken Yasuda</b>	Auditor (Outside)
<b>Kazuo Iwadata</b>	Director	<b>Hideki Ogata</b>	Auditor (Outside)
		<b>Shuzo Ikeda</b>	Auditor (Outside)

## Business Offices and Works

<b>Tokyo Head Office</b>	1-6-1 Otemachi, Chiyoda-ku, Tokyo 100-0004 (Otemachi Building) TEL. +81-3-3201-6681 FAX. +81-3-3212-7876
<b>Hachinohe Head Office (Manufacturing Works)</b>	5-2 Toyama Shinden, Kawaragi, Hachinohe City, Aomori 031-8617 TEL. +81-178-47-7121 FAX. +81-178-45-8118
<b>Philippines Office</b>	Unit-2, 22/F, NAC Tower, 32nd St., Bonifacio Global City, Taguig City, Philippines
<b>Jakarta Office</b>	Sentral Senayan II, 15th Floor Jl. Asia Afrika No.8, Jakarta 10270, Indonesia

## Business Items

<b>Ferronickel</b>	Granular shots, 20kg ingots (used mainly as raw materials for stainless steel)
<b>Ferronickel slag</b>	Pamco crustone (used for civil engineering material)
<b>Waste recycling business</b>	Cinders (general waste, industrial waste), sludge (inorganic only), plant and animal residue (shells without any deposits of combustibles only), metal scraps, glass scraps, concrete scraps, and ceramic scraps, slag, soot and dust

## Company Website Information

The Company's website provides latest corporate and IR information. We welcome your visit to our website.

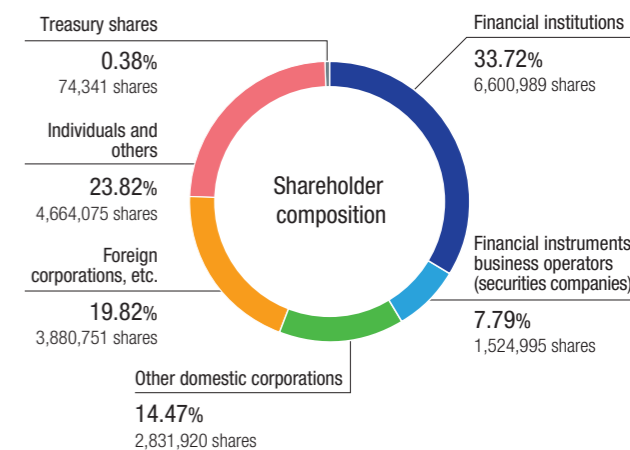
URL <https://www.pacific-metals.co.jp/en/>



## Stock Information (As of March 31, 2022)

### Status of shares

Total number of shares authorized to be issued	50,000,000
Total number of shares issued and outstanding (excluding 74,341 shares of treasury shares)	19,502,730
Number of shareholders (Increase of 317 shareholders from the end of the previous fiscal year)	14,422



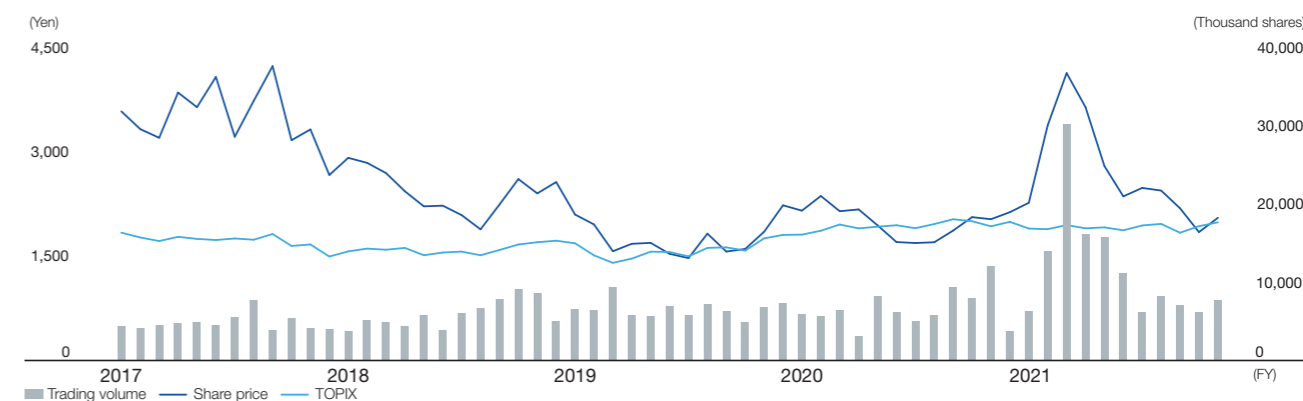
### Major shareholders (top 10 shareholders)

Name of shareholders	Number of shares held (thousands)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	4,773	24.47
NIPPON STEEL Stainless Steel Corporation	2,049	10.51
Custody Bank of Japan, Ltd. (trust account)	1,586	8.14
STATE STREET BANK AND TRUST COMPANY 505103	997	5.11
BBH FOR FIDELITY PURITAN TR: FIDELITY SR INTRINSIC OPPORTUNITIES FUND	890	4.57
Tachibana Securities Co., Ltd.	662	3.40
RBC IST 15 PCT LENDING ACCOUNT - CLIENT ACCOUNT	349	1.79
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SEGR ACCT	326	1.67
Matsui Securities Co., Ltd.	205	1.06
Business Partners' Shareholding Association, PACIFIC METALS CO., LTD.	196	1.00

\*1 Figures less than thousand shares in the number of shares held are rounded down.

\*2 The shareholding ratios are calculated using the figure 19,502,730, which is the total number of shares issued and outstanding less treasury shares.

## Trends in Share Prices



## Trends in Annual Dividend per Share

Fiscal Year	Dividend per Share (Yen)
FY2017	0.00
FY2018	55.00
FY2019	25.00
FY2020	20.00
FY2021	175.00



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