

## 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By 1999, we had withdrawn from in-house production of stainless steel and the non-nickel sector, such as ferroalloys, through selection and concentration in response to changes in the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 proprietarily 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

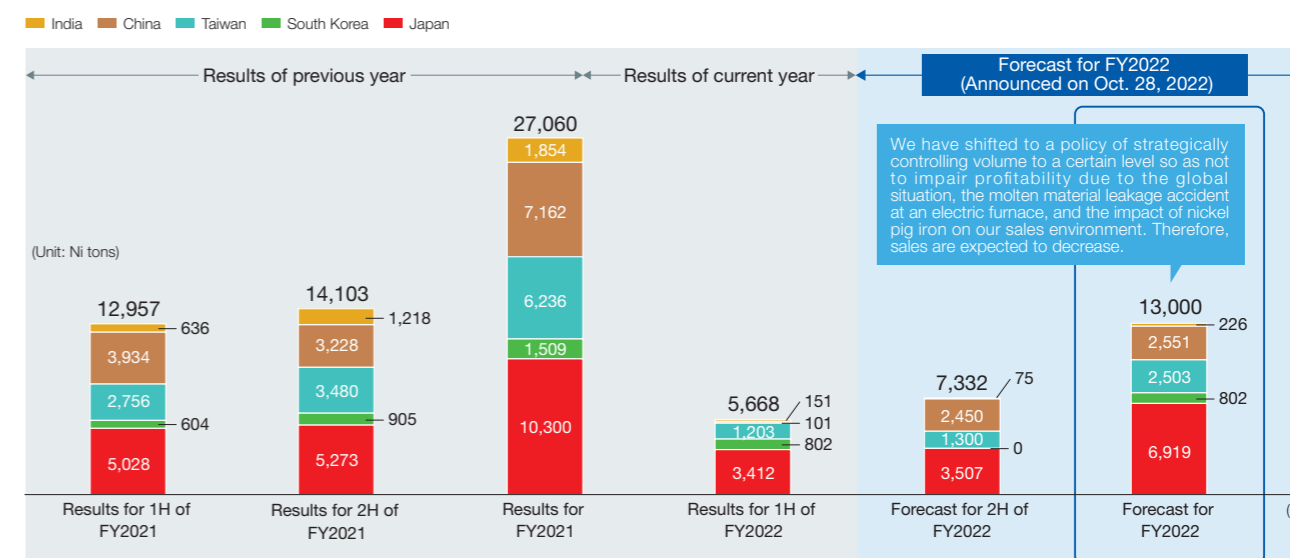
far short of the three-year total target figures due to a decrease in demand caused by the impact of COVID-19, which was not anticipated when the plan was formulated. As a result, net sales and operating profit fell short of the plan, but ordinary profit and profit attributable to owners of parent exceeded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

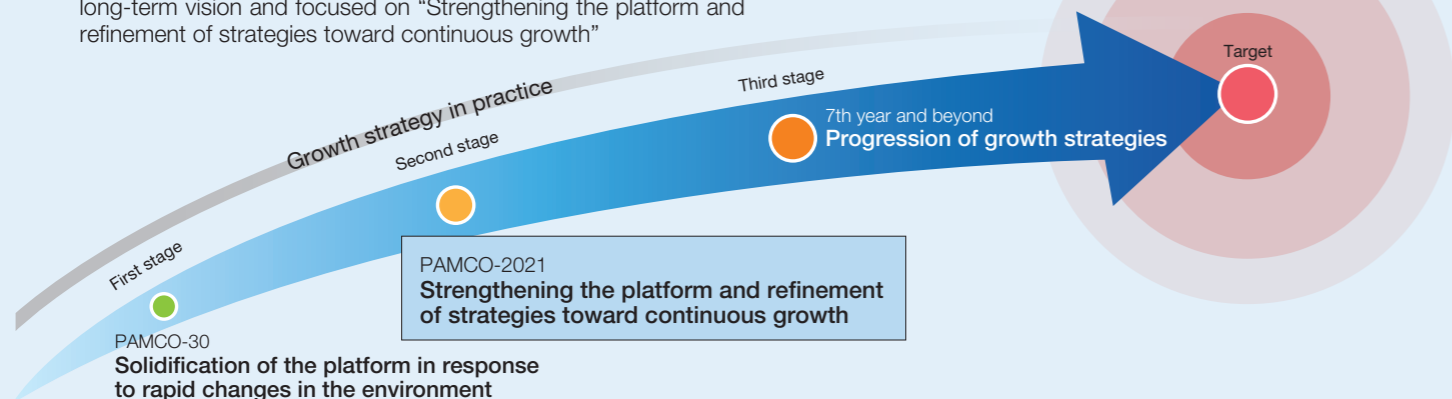
# New Medium-term Business Plan “PAMCO-2024”

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”



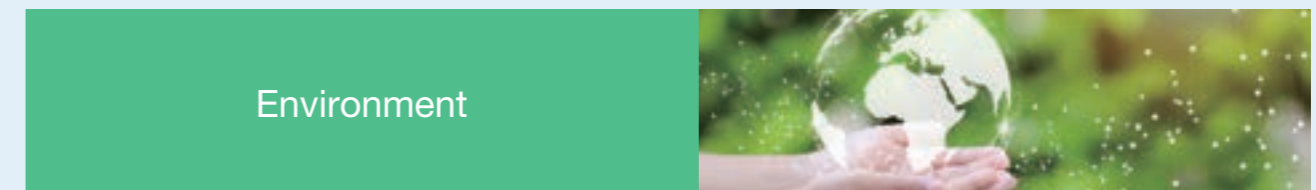
## Achievement of basic policies

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"

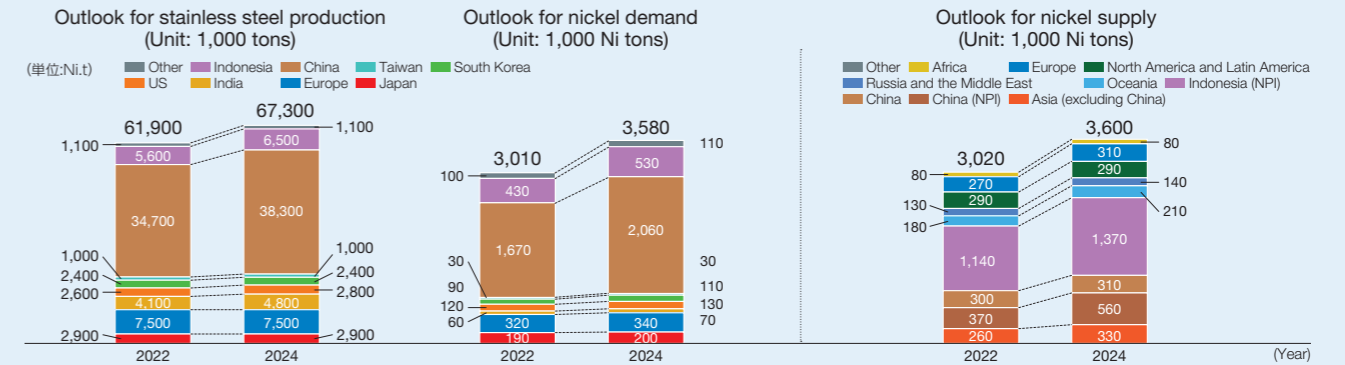
Further strengthen the foundation established under PAMCO-2021 to enable flexible and rapid response to changes in the business environment. Promote sustainable strategies with the aim of solving various social issues that need to be resolved and PAMCO's material issues.



## 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>		

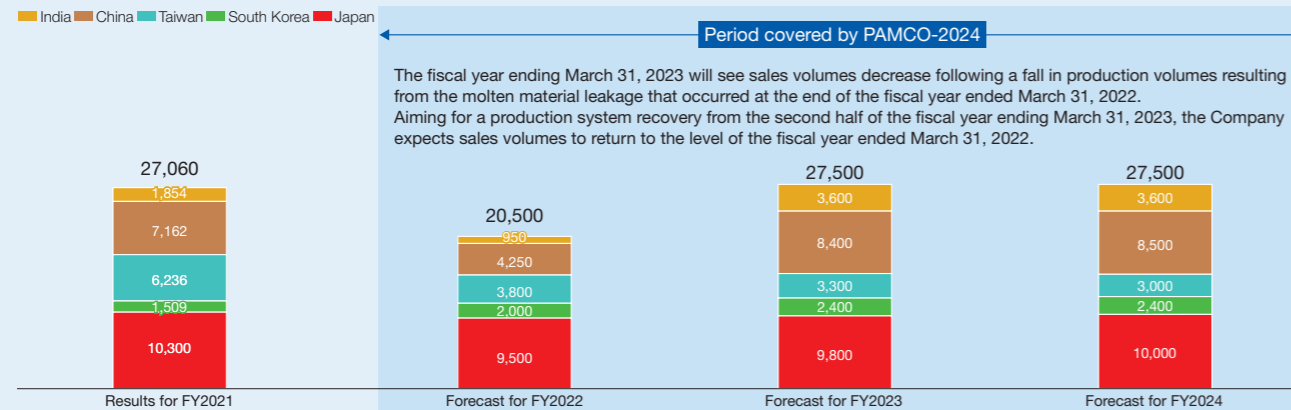
## Trends in LME Nickel Prices and Nickel Inventory Volumes



## 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>
	<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)



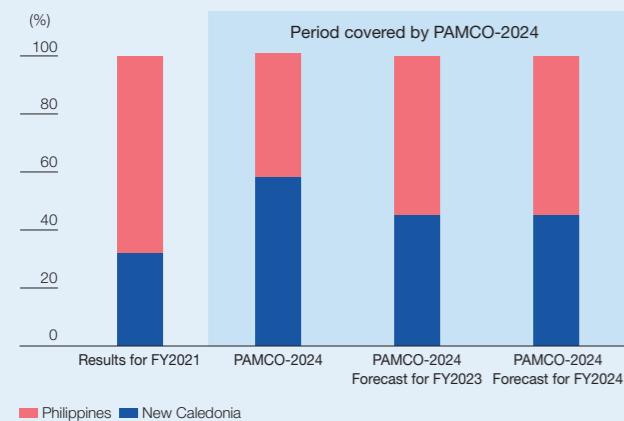
## Ore Procurement Plan

### 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><b>Domestic business</b> Business investment based on business profitability evaluation of domestic business candidates considered in PAMCO-2021</li> <li><b>Overseas business, resources</b> Business investment based on decision to participate in overseas smelting projects New mining area development surveys, etc., to secure resources</li> <li><b>R&amp;D investment</b> 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

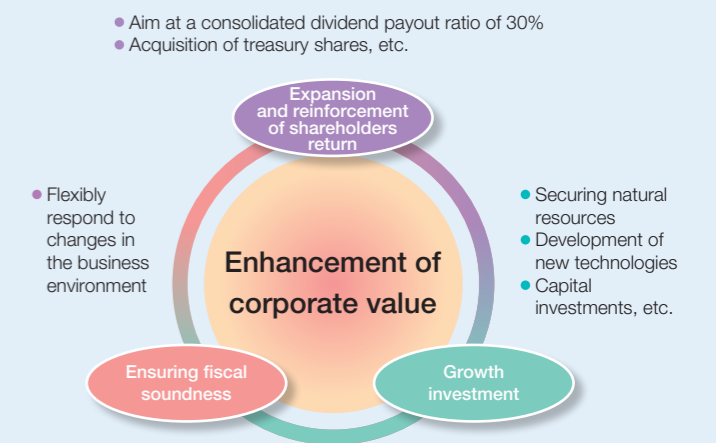
### Dividends of surplus

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