



April 28, 2023

To whom it may concern,

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**Notice Concerning Recording of Operating Loss (Write-down of Inventories) and Revisions to
Financial Results Forecast**

PACIFIC METALS CO., LTD. (the “Company”) hereby announces that it will record a write-down of inventories under operating losses for the fiscal year ended March 31, 2023 (April 1, 2022 through March 31, 2023). The Company also announces that, in light of the most recent performance trend, it has decided to revise the financial results forecast for the fiscal year ended March 31, 2023 (April 1, 2022 through March 31, 2023) announced on February 8, 2023.

● Details of operating loss (write-down of inventories)

In the nickel business, the LME nickel price applicable to the Company is higher than that of nickel pig iron, which is mass-produced overseas and supplied to the market, and producers of stainless steel are shifting some of their procurement to nickel pig iron, which has a price advantage including with respect to production costs. In light of this environment, the selling prices of the Company’s products are set at the price level partially based on the price of nickel pig iron. In addition, with regard to inventories, the rate of the increase in production costs has been increasing because of sharp rises in prices of raw materials and fuel, the cost of electricity and other factors, which collectively have a significant impact on the book value of inventories. As a result, a decline in profitability of inventories (merchandise and finished goods, work in process, raw materials and supplies) has been recognized, and the Company expects to record a write-down of inventories under cost of sales. In the financial results for the fiscal year, the Company expects to record an additional 3,401 million yen on top of the 5,504 million yen already recorded, for a total expected write-down of inventories under cost of sales of 8,905 million yen.

● Revisions to financial results forecast

1. Revisions to consolidated financial results forecast for the fiscal year ended March 31, 2023 (April 1, 2022 through March 31, 2023)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previously announced forecast (A) (Announced on February 8, 2023)	35,318	(9,736)	(2,664)	(3,061)	(156.96)
Revised forecast (B)	34,852	(12,588)	(4,960)	(5,026)	(257.75)
Change (B-A)	(465)	(2,852)	(2,296)	(1,965)	
Change (%)	(1.3)	—	—	—	
(Reference) Actual results for the previous fiscal year ended March 31, 2022	57,129	4,806	12,999	11,368	582.93

2. Reason for revisions

With regard to the consolidated financial results forecast, the economic outlook remains highly uncertain as COVID-19 and the situation in Ukraine continue to affect the domestic and overseas economies.

On the volume front, the Company expects results to be almost the same as the previously announced forecast. In addition to the impact of the molten material leakage accident at an electric furnace that occurred in one of the three ferronickel manufacturing facilities just before the end of the previous fiscal year, this is because the Company changed its policy with the objective of strategically controlling volume to a certain level so as not to impair profitability. This decision reflects easing of the nickel supply-demand balance, as well as the fact that producers of stainless steel are shifting some of their procurement to nickel pig iron, which has a price advantage, including with respect to production costs, and the price of nickel pig iron is also affecting the selling price of the Company's products.

In terms of profit and loss, on the selling price front, as described above, the Company also partially refers to the price of nickel pig iron in addition to the applicable LME nickel price and the applicable exchange rate in setting the selling price of the Company's products. Moreover, on the procurement front, prices of nickel ore, which is the main raw material used in ferronickel products, remain high, as do the prices of raw materials, fuel and electricity due to high resources prices. These and other factors are expected to have a significant impact on procurement prices.

In other areas, the Company expects to record the write-down of inventories under cost of sales, cash bonuses in extraordinary income as the benefit of reducing power consumption by participating in the power company's winter power-saving challenge campaign, and restoration costs from the molten material leakage accident at an electric furnace in extraordinary losses.

Although the impacts of COVID-19 and the situation in Ukraine are expected to continue during the fiscal year ending March 31, 2024, response measures against such business environment are consistent with activities to be undertaken under the basic policies set forth in the Group's Medium-term Management Plan, and the Company will continue to strongly push forward with these measures.

Accordingly, the consolidated financial results forecast has been revised as described in the previous page. For the underlying assumptions, please refer to "(Reference) Revisions to underlying assumptions."

(Note) The forward-looking statements including the financial results forecast contained herein are based on information currently available to the Company, as well as certain assumptions deemed reasonable by the Company. Actual results may differ significantly from these forecasts due to various factors.

(Reference) Revisions to underlying assumptions

	Sales volume (t)			Production volume (t)			Applicable LME nickel price (\$/lb)			Applicable exchange rate (¥/\$)		
	1st half	2nd half	Full year	1st half	2nd half	Full year	1st half	2nd half	Full year	1st half	2nd half	Full year
Previously announced forecast (February 8, 2023)	5,668	6,832	12,500	8,079	5,405	13,484	12.12	10.95	11.48	131.49	138.88	135.53
Revised forecast	5,668	6,725	12,393	8,079	5,301	13,380	12.12	11.11	11.57	131.49	138.44	135.26
(Reference) Actual results for the previous fiscal year ended March 31, 2022	12,957	14,103	27,060	11,874	14,375	26,249	8.12	9.33	8.75	109.16	113.97	111.67