

Disclaimer: This document is an English translation of the original Japanese document and has been prepared for reference purposes only. In the event of any discrepancy between the English translation and the original Japanese document, the latter shall prevail.

Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 [Japanese GAAP]



May 9, 2023

Company name: PACIFIC METALS CO., LTD.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 5541
 URL: <https://www.pacific-metals.co.jp/en/>
 Representative: Masayuki Aoyama, President and Representative Director
 Contact: Terunobu Matsuyama, Managing Executive Officer and Director
 Phone: +81-3-3201-6681
 Scheduled date of Annual General Shareholders Meeting: June 27, 2023
 Scheduled date of filing securities report: June 27, 2023
 Scheduled date of commencing dividend payments: –
 Availability of supplementary briefing materials on financial results: Not available
 Schedule of financial results briefing session: Scheduled (for analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 - March 31, 2023)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2023	34,852	(39.0)	(12,588)	–	(4,960)	–	(5,026)	–
March 31, 2022	57,129	77.3	4,806	–	12,999	288.6	11,368	877.8

(Note) Comprehensive income: Fiscal year ended March 31, 2023: ¥(5,095) million [–%]
 Fiscal year ended March 31, 2022: ¥13,921 million [285.9%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2023	(257.75)	–	(6.6)	(5.9)	(36.1)
March 31, 2022	582.93	–	15.5	15.7	8.4

(Reference) Share of profit of entities accounted for using equity method:

Fiscal year ended March 31, 2023: ¥7,066 million

Fiscal year ended March 31, 2022: ¥6,483 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2023	78,825	72,034	91.0	3,678.90
As of March 31, 2022	89,852	80,153	88.9	4,095.12

(Reference) Equity: As of March 31, 2023: ¥71,746 million

As of March 31, 2022: ¥79,866 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2023	(7,516)	974	(3,006)	17,248
March 31, 2022	7,857	(2,909)	(785)	26,631

2. Dividends

	Annual dividends					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2022	–	20.00	–	155.00	175.00	3,412	30.0	4.7
Fiscal year ending	–	0.00	–	0.00	0.00	–	–	–
March 31, 2023								
Fiscal year ending	–	0.00	–	0.00	0.00		–	
March 31, 2024 (Forecast)								

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 - March 31, 2024)

(% indicates changes from the previous corresponding period.)

	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
First half	8,910	(49.5)	(4,198)	–	(2,937)	–	(2,961)	–	(151.83)
Full year	20,899	(40.0)	(7,299)	–	(4,569)	–	(4,778)	–	(245.00)

*** Notes:**

- (1) Changes in significant subsidiaries during the period under review
(Changes in specified subsidiaries resulting in changes in scope of consolidation): None
Newly included: – (), Excluded: – ()
- (2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
1) Changes in accounting policies due to the revision of accounting standards: None
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatement: None
- (3) Total number of shares issued and outstanding (common stock)
1) Total number of shares issued and outstanding at the end of the period (including treasury shares):
March 31, 2023: 19,577,071 shares
March 31, 2022: 19,577,071 shares

2) Total number of treasury shares at the end of the period:
March 31, 2023: 75,035 shares
March 31, 2022: 74,341 shares

3) Average number of shares during the period:
Fiscal year ended March 31, 2023: 19,502,385 shares
Fiscal year ended March 31, 2022: 19,503,002 shares

(Reference) Outline of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit (loss)		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2023	34,095	(39.7)	(12,564)	–	(7,261)	–	(7,098)	–
March 31, 2022	56,527	78.9	4,776	–	12,783	290.6	11,159	948.7

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended March 31, 2023	(364.01)	–
March 31, 2022	572.17	–

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2023	61,689	55,411	89.8	2,841.32
As of March 31, 2022	75,797	66,325	87.5	3,400.85

(Reference) Equity: As of March 31, 2023: ¥55,411 million
As of March 31, 2022: ¥66,325 million

(Reasons for differences between non-consolidated business results and actual results for the previous fiscal year)
In the stainless steel industry, the primary source of demand for the nickel business, capacity utilization rates of production facilities started to vary. The Company's ferronickel sales volume was planned modestly due to the impact of production decrease caused by the electric furnace molten material leakage incident that occurred in one of the three furnaces in the ferronickel manufacturing facilities just before the end of the previous fiscal year. In

addition, the Company changed its policy with the objective of strategically controlling volume to a certain level so as not to impair profitability because overseas producers of stainless steel are shifting some of their procurement to nickel pig iron, which has a price advantage, even including with respect to production costs, and the price of nickel pig iron is also affecting the selling price of the Company's products. As a result, net sales decreased. Ordinary loss was recorded due mainly to the decrease in net sales, despite recording of dividend income from equity-method affiliates, and net loss was also recorded.

* These financial results are outside the scope of audit by certified public accountants or an audit firm.

* Explanation on the proper use of financial results forecast and other notes
(Cautionary statement regarding forward-looking statements)

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. As such, the Company does not intend to guarantee the achievement of these forecasts. In addition, actual results may differ significantly from these forecasts due to various factors. For preconditions for the financial results forecast and precautions when using the financial results forecast, please see "(4) Future Outlook" under "1. Overview of Operating Results, etc." on page 7.

Table of Contents – Attachments

1. Overview of Operating Results, etc.	2
(1) Overview of Operating Results for the Fiscal Year under Review	2
(2) Overview of Financial Position for the Fiscal Year under Review	5
(3) Overview of Cash Flows for the Fiscal Year under Review.....	6
(4) Future Outlook.....	7
2. Management Policy	8
(1) Medium- to Long-term Management Strategy of the Company	8
3. Basic Policy on Selection of Accounting Standards	8
4. Consolidated Financial Statements and Key Notes	9
(1) Consolidated Balance Sheets.....	9
(2) Consolidated Statements of Income and Comprehensive Income.....	11
(3) Consolidated Statements of Changes in Equity.....	13
(4) Consolidated Statements of Cash Flows	15
(5) Notes to Consolidated Financial Statements	16
(Notes on going concern assumption)	16
(Segment information, etc.)	16
(Per share information).....	21
(Significant subsequent events)	21

1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

During the fiscal year ended March 31, 2023, the Japanese economy saw a pickup in corporate earnings, personal consumption, and other factors, though it was influenced by the trend in COVID-19. There was a recovery trend with weakness seen in the Japanese economy, as the simultaneous occurrence of the high resource prices and the appreciation of the U.S. dollar affected business activities etc.

As for overseas economies, although there was steady performance in the employment and income environment in general, certain areas of the economic recovery appear to have come to something of a standstill due primarily to the impact of concerns about financial and capital market fluctuations, the prolonged situation in Ukraine, and concerns about economic slowdown driven by accelerating inflation.

Under these circumstances, in the stainless steel industry, the primary source of demand for the nickel business that accounts for the majority of the Group's sales and profit and loss, demand trended to recover in line with trends towards the normalization of economic activities. In China, although there is an expectation for a recovery in demand for stainless steel, the signs of such a recovery have not yet manifested. This, along with the impact of China's COVID policy, the sluggish real estate market in China, concerns about the prolonged situation in Ukraine, and other factors meant that there was increasing uncertainty in the market condition, with capacity utilization rates of production facilities starting to vary.

As a result, the demand for ferronickel showed slowdown.

On the procurement front, prices of nickel ore, the primary raw material for ferronickel products, have remained high against the backdrop primarily of the impact of Indonesia's unprocessed ore export ban and a robust demand for nickel ore. Moreover, prices of raw materials and fuel as well as of electricity rose sharply due to the steep rise in resource prices globally, resulting in acceleration of the rate of the increase in production costs.

Nickel prices on the London Metal Exchange (LME) were at a relatively high level. However, in addition to the impact of financial and capital market fluctuations, complex factors related to the situation in Ukraine, and unstable prices of crude oil and other commodities, there were also concerns about an economic slowdown due to accelerating inflation, and prices remained directionless.

In this situation, the Company's ferronickel sales volume was planned modestly due to the impact of production decrease caused by the electric furnace molten material leakage incident that occurred in one of the three furnaces in the ferronickel manufacturing facilities just before the end of the previous fiscal year. In addition, the Company changed its policy with the objective of strategically controlling volume to a certain level so as not to impair profitability, in view of the easing of the nickel supply-demand balance and because overseas producers of stainless steel are shifting some of their procurement to nickel pig iron, which has a price advantage, even including with respect to production costs, and the price of nickel pig iron is also affecting the selling price of the Company's products. As a result, the ferronickel sales volume decreased by 54.2% year on year as a whole due to a decrease in both domestic and overseas sales.

The ferronickel production volume decreased year on year due to the impact of the electric furnace molten material leakage incident. Regarding the affected unit of the production facilities, its restoration and planned resumption of operations is expected to be in the next fiscal year; however, the Company will resume operation of the said electric furnace only once the volume control policy is lifted while also keeping a close eye on the business environment

The selling price of ferronickel products increased compared to the previous fiscal year as the LME nickel price applicable to the Company increased by 32.2% year on year and the average exchange rate of Japanese yen against U.S. dollar applicable to the Company was 21.1% weaker year on year. On the other hand, as mentioned previously, the Company also refers to the price of nickel pig iron in addition to the applicable LME nickel price and the applicable exchange rate when setting the selling price of the Company's products, and thus the selling environment has rapidly changed into a difficult one with stagnant revenue growth.

Despite the rapidly evolving business environment and expectations that the COVID-19 pandemic and the situation in Ukraine will continue on as mentioned above, the Company continues to implement measures in

response to the highly uncertain business environment. To further strengthen its earnings base, the Company is striving to thoroughly focus on the profitability of orders, thereby building a flexible production and sales system. Furthermore, the Company continues its efforts to improve business performance and stabilize earnings through measures such as the early realization of overseas business development and new mine development as well as reinforcement of operational efficiency improvement measures to pursue cost minimization.

As a result, consolidated net sales for the fiscal year under review decreased by 39.0% year on year to ¥34,852 million. On the profit front, the Company posted operating loss of ¥12,588 million (compared with operating profit of ¥4,806 million for the previous fiscal year), owing to an increase in cost of sales due to an inventory write down following a downturn in profitability, on top of the decrease in net sales, and ordinary loss was ¥4,960 million (compared with ordinary profit of ¥12,999 million for the previous fiscal year), reflecting the recording of ¥7,066 million in share of profit of entities accounted for using equity method under non-operating income. Loss attributable to owners of parent was ¥5,026 million (compared with profit attributable owners of parent of ¥11,368 million for the previous fiscal year) following the recording of a bonus incentive reward for reducing power consumption through participation in a winter-time power-saving campaign of our power supplier under extraordinary income and the costs for restoration after the electric furnace molten material leakage incident under extraordinary loss.

Operating results by business segment are as follows.

(i) Nickel business

The operating results of the nickel business are described in “(1) Overview of Operating Results.”

As a result, net sales in this segment decreased by 39.4% year on year to ¥34,135 million with operating loss of ¥12,441 million (compared with operating profit of ¥4,950 million for the previous fiscal year).

(ii) Gas business

In the gas business, despite the recording of costs associated with facility repair, the Company maintained a stable operation, with this segment recording a profit.

As a result, net sales in this segment increased by 34.4% year on year to ¥774 million with operating profit of ¥4 million (compared with operating loss of ¥10 million for the previous fiscal year).

(iii) Other

The segment of other businesses recorded a loss. The real estate business had few sales, and the waste recycling business's order-taking was sluggish.

As a result, net sales in this segment decreased by 88.0% year on year to ¥38 million with operating loss of ¥160 million (compared with operating loss of ¥142 million for the previous fiscal year).

Further, we have withdrawn from the waste recycling business as we did not expect that it would become profitable in future. Moving forward, we will consider a business in which new recycled resources are used as raw materials through use of the manufacturing equipment from said waste recycling business.

	Net sales	Operating profit (loss)	Ordinary profit (loss)	Profit (loss) attributable to owners of parent
Fiscal year ended March 31, 2022 (Million yen)	57,129	4,806	12,999	11,368
Fiscal year ended March 31, 2023 (Million yen)	34,852	(12,588)	(4,960)	(5,026)
Change (%)	(39.0)	–	–	–

	Sales volume (t)			Production volume (t)		
	1st half	2nd half	Full year	1st half	2nd half	Full year
Fiscal year ended March 31, 2022	12,957	14,103	27,060	11,874	14,375	26,249
Fiscal year ended March 31, 2023	5,668	6,725	12,393	8,079	5,301	13,380

	Applicable LME nickel price (\$/lb)			Applicable exchange rate (¥/\$)		
	1st half	2nd half	Full year	1st half	2nd half	Full year
Fiscal year ended March 31, 2022	8.12	9.33	8.75	109.16	113.97	111.67
Fiscal year ended March 31, 2023	12.12	11.11	11.57	131.49	138.44	135.26

(2) Overview of Financial Position for the Fiscal Year under Review

Assets, liabilities, and net assets of the Group as of March 31, 2023 are as follows.

Total assets decreased by ¥11,027 million from the end of the previous fiscal year to ¥78,825 million.

Current assets decreased by ¥13,634 million from the end of the previous fiscal year mainly due to a decrease in cash and deposits resulting from the settlement of merchandise and finished goods, despite an increase in merchandise and finished goods and other items impacted by the maintenance of planned inventory quantity and an increase in raw material and fuel prices.

Non-current assets increased by ¥2,607 million from the end of the previous fiscal year mainly due to an increase in property, plant and equipment resulting from investment in maintenance/replacement and an increase in investment securities resulting from an increase in share of profit of entities accounted for using equity method. Investment securities held by the Company amounting to ¥25,518 million consisted mainly of ¥16,249 million in the amount reflected in the consolidated balance sheet of shares of entities accounted for using equity method, ¥2,378 million in shares of subsidiaries and associates, and ¥6,324 million in shares of Nickel Asia Corporation, a holding company of the Company's equity-method affiliates listed on the Philippine Stock Exchange.

Total liabilities decreased by ¥2,907 million from the end of the previous fiscal year to ¥6,791 million.

Current liabilities decreased by ¥2,969 million from the end of the previous fiscal year primarily owing to a decrease in income taxes payable in line with the payment of income taxes and other factors.

Non-current liabilities increased by ¥62 million from the end of the previous fiscal year mainly due to an increase in provision for costs of restoration, which is an estimated amount allocated for restoration works for those production facilities which had been suspended following the electric furnace molten material leakage incident.

Total net assets decreased by ¥8,119 million from the end of the previous fiscal year to ¥72,034 million.

Shareholders' equity decreased by ¥8,501 million resulting from the recording of loss, the payment of dividends, and other factors. Accumulated other comprehensive income decreased by ¥68 million resulting from a decrease in valuation difference on available-for-sale securities. Non-controlling interests increased by ¥0 million.

(3) Overview of Cash Flows for the Fiscal Year under Review

Net cash used in operating activities amounted to ¥7,516 million, a ¥15,374 million increase in cash outflow compared with the previous fiscal year. Main items for cash inflow were decrease (increase) in trade receivables amounting to ¥7,400 million and interest and dividends received amounting to ¥5,229 million. Main items for cash outflow were loss before income taxes amounting to ¥4,287 million and share of profit of entities accounted for using equity method amounting to ¥7,066 million.

Net cash provided by investing activities amounted to ¥974 million, an increase of ¥3,884 million compared with the previous fiscal year. The main items for cash inflow were proceeds from redemption of securities amounting to ¥1,600 million and proceeds from sale of investment securities amounting to ¥527 million. The main item for cash outflow was purchase of property, plant and equipment amounting to ¥942 million.

Net cash used in financing activities amounted to ¥3,006 million, mainly due to dividends paid, a ¥2,220 million increase in cash outflow compared with the previous fiscal year.

Net increase (decrease) in cash and cash equivalents decreased by ¥13,728 million compared with the figure for the previous fiscal year.

As a result, cash and cash equivalents at end of period amounted to ¥17,248 million, a decrease of ¥9,383 million compared with the previous fiscal year.

The table below shows trends in cash flow indicators on a consolidated basis.

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Equity ratio (%)	89.3	90.4	88.4	88.9	91.0
Equity ratio at market value (%)	73.0	43.8	55.4	89.6	47.7
Ratio of interest-bearing debt to cash flows (year)	0.0	–	0.0	0.0	–
Interest coverage ratio (times)	571.9	–	13,702.1	33,918.9	–

Equity ratio: Shareholders' equity / Total assets

Equity ratio at market value: Market capitalization / Total assets

Ratio of interest-bearing debt to cash flows: Interest-bearing debt / Cash flows

Interest coverage ratio: Cash flows / Interest expenses

- (Notes)
1. The consolidated financial figures constitute the basis for calculating these indicators.
 2. Market capitalization is calculated based on the number of shares issued and outstanding excluding treasury shares.
 3. The cash flows used for calculation are operating cash flows.
 4. Interest-bearing debt includes all debts recorded on the consolidated balance sheets on which interest is paid.
 5. Figures of the ratio of interest-bearing debt to cash flows and the interest coverage ratio for the fiscal year ended March 31, 2010 and for the fiscal year ended March 31, 2023 are not indicated because operating cash flows were negative.

(4) Future Outlook

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

On the volume front, in view of the easing of the nickel supply-demand balance and with producers of stainless steel shifting some of their procurement to nickel pig iron, which has a price advantage, even including with respect to production costs, and with the price of nickel pig iron also affecting the selling price of the Company's products, our forecast is for a harsh environment. Continuing on from the previous year, we expect to implement a strategic volume control policy, with which achieving a certain degree of profitability should not be hampered.

In terms of losses on the selling price front and as described earlier, the Company refers to the price of nickel pig iron in addition to the applicable LME nickel price and the applicable exchange rate when setting the selling price of the Company's products. On the procurement price front, the prices of raw materials and fuel as well as of electricity are at high levels owing to the high price of nickel ore, the primary raw material for ferronickel products, and the steep rise in resource prices globally. Accordingly, a significant impact on the price front is expected.

Although the impacts of COVID-19 and the situation in Ukraine are expected to continue in the next fiscal year, response measures to address 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.

The Group's financial results forecast is follows.

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Forecast for the fiscal year ending March 31, 2024 (Million yen)	20,899	(7,299)	(4,569)	(4,778)
Results for the fiscal year ended March 31, 2023 (Million yen)	34,852	(12,588)	(4,960)	(5,026)
Change (%)	(40.0)	-	-	-

[Reference] Results for the fiscal year ended March 31, 2023 and underlying assumptions for the forecast for the fiscal year ending March 31, 2024 are as follows.

	Sales volume (T/Y)			Production volume (T/Y)		
	1st half	2nd half	Full year	1st half	2nd half	Full year
Forecast for the fiscal year ending March 31, 2024	3,450	4,750	8,200	3,543	3,540	7,083
Results for the fiscal year ended March 31, 2023	5,668	6,725	12,393	8,079	5,301	13,380

	Applicable LME nickel price (\$/lb)			Applicable exchange rate (¥/\$)		
	1st half	2nd half	Full year	1st half	2nd half	Full year
Forecast for the fiscal year ending March 31, 2024	10.68	10.00	10.29	134.06	134.10	134.08
Results for the fiscal year ended March 31, 2023	12.12	11.11	11.57	131.49	138.44	135.26

2. Management Policy

(1) Medium- to Long-term Management Strategy of the Company

In order to establish a management platform capable of responding to changes in the business environment and to achieve continuous growth, we established the long-term vision, “Become a world-class ferronickel manufacturer with comprehensive power,” and endeavored to achieve this long-term vision. However, the business environment surrounding the Company has become increasingly severe due to the materialization of resource nationalism in the nickel ore-producing countries, changes in the market structure of mainstay products, and other factors. The situation is unpredictable due to soaring resource and energy prices, etc., caused by the tense situation in Ukraine.

In this business environment, having positioned further strengthening of the platform, contributing to the SDGs, and becoming carbon neutral as important issues for the Company, we aim to evolve as a sustainable company by building and developing a business structure based on problem-solving.

Based on the above, we have set forth a new long-term vision, “A comprehensive materials company that co-creates a sustainable, recycling-oriented society,” and have formulated a medium-term business plan covering the period from FY2022 to FY2024 (hereinafter, PAMCO-2024) to realize this vision.

(1) Long-term vision: **“A comprehensive materials company that co-creates a sustainable, recycling-oriented society”**

(2) Theme of PAMCO-2024: **“Further strengthen the platform and promote the sustainability strategy”**

(3) Materiality and Priority Measures (1 to 9))

—**Contribute to the achievement of the SDGs through the resolution of material issues—**

Restructuring of ferronickel production and sales systems with emphasis on profitability

1) Establishment of optimal production system by reviewing production strategy

2) Strengthening of cost competitiveness by reviewing procurement strategy

Acceleration of consideration of expansion into overseas smelting business

3) Promotion of overseas smelting projects and start-up of production

Creation of new businesses that contribute to society

4) Promotion of production and sales of raw materials for LIB materials

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

5) Restructuring of recycling business

Enhancement of corporate value by addressing sustainability issues

6) Sustainability Promotion Council

—Promotion of medium- and long-term initiatives related to material sustainability issues—

7) Reduction of GHG emissions

8) Promotion of symbiosis by contributing to the development of regions and resource-rich countries

9) Promotion of constructive dialogue with stakeholders

3. Basic Policy on Selection of Accounting Standards

The Group intends to prepare consolidated financial statements in conformity with the generally accepted accounting principles in Japan (Japanese GAAP) for the time being, taking into consideration comparability of consolidated financial statements over time and comparability among companies.

With regard to adoption of the International Financial Reporting Standards (IFRS), the Group intends to make an appropriate response, taking into consideration situations in Japan and abroad.

4. Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	26,332	16,848
Accounts receivable - trade	13,994	6,593
Securities	2,999	1,500
Merchandise and finished goods	5,649	8,204
Work in process	453	361
Raw materials and supplies	5,587	5,836
Other	2,867	4,904
Allowance for doubtful accounts	(2)	(1)
Total current assets	57,882	44,247
Non-current assets		
Property, plant and equipment		
Buildings and structures	16,420	16,452
Accumulated depreciation	(13,827)	(14,028)
Buildings and structures, net	2,592	2,424
Machinery, equipment and vehicles	55,930	56,527
Accumulated depreciation	(55,814)	(55,674)
Machinery, equipment and vehicles, net	115	852
Land	4,777	4,777
Other	723	806
Accumulated depreciation	(474)	(477)
Other, net	248	329
Total property, plant and equipment	7,734	8,383
Intangible assets	1	239
Investments and other assets		
Investment securities	23,903	25,518
Retirement benefit asset	–	198
Other	336	243
Allowance for doubtful accounts	(5)	(5)
Total investments and other assets	24,234	25,954
Total non-current assets	31,970	34,577
Total assets	89,852	78,825

(Million yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,341	760
Accrued expenses	1,761	1,018
Income taxes payable	1,026	7
Provision for bonuses	444	95
Other	935	657
Total current liabilities	5,508	2,539
Non-current liabilities		
Retirement benefit liability	122	50
Deferred tax liabilities	2,077	2,087
Deferred tax liabilities for land revaluation	631	631
Provision for environmental measures	5	11
Provision for loss on litigation	34	–
Provision for loss contract	1,306	1,273
Provision of restoration cost	–	187
Other	11	10
Total non-current liabilities	4,190	4,252
Total liabilities	9,699	6,791
Net assets		
Shareholders' equity		
Share capital	13,922	13,922
Capital surplus	3,481	3,481
Retained earnings	58,590	50,540
Treasury shares	(450)	(452)
Total shareholders' equity	75,542	67,491
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,603	3,831
Revaluation reserve for land	593	593
Foreign currency translation adjustment	(969)	(510)
Remeasurements of defined benefit plans	95	340
Total accumulated other comprehensive income	4,323	4,254
Non-controlling interests	287	287
Total net assets	80,153	72,034
Total liabilities and net assets	89,852	78,825

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net sales	57,129	34,852
Cost of sales	48,962	45,144
Gross profit (loss)	8,167	(10,292)
Selling, general and administrative expenses		
Selling expenses	1,665	852
General and administrative expenses	1,694	1,443
Total selling, general and administrative expenses	3,360	2,296
Operating profit (loss)	4,806	(12,588)
Non-operating income		
Interest income	8	13
Dividend income	418	459
Rental income from real estate	103	103
Share of profit of entities accounted for using equity method	6,483	7,066
Foreign exchange gains	1,311	–
Other	135	160
Total non-operating income	8,461	7,803
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	–	4
Rental expenses on facilities	20	18
Commitment fees	27	26
Commission for syndicated loans	90	4
Foreign withholding tax	58	64
Provision for environmental measures	–	34
Other	70	22
Total non-operating expenses	268	175
Ordinary profit (loss)	12,999	(4,960)
Extraordinary income		
Gain on sale of non-current assets	0	0
Gain on sale of investment securities	192	386
Received incentive	–	854
Total extraordinary income	192	1,241
Extraordinary losses		
Impairment losses	317	–
Loss on retirement of non-current assets	78	115
Loss on retirement of inventories	–	34
Restoration expenses on facilities	–	418
Total extraordinary losses	396	567
Profit (loss) before income taxes	12,795	(4,287)
Income taxes - current	1,462	501
Income taxes - deferred	(46)	237
Total income taxes	1,415	739
Profit (loss)	11,379	(5,026)
Profit attributable to non-controlling interests	10	0
Profit (loss) attributable to owners of parent	11,368	(5,026)

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Profit (loss)	11,379	(5,026)
Other comprehensive income		
Valuation difference on available-for-sale securities	1,932	(790)
Deferred gains or losses on hedges	37	–
Remeasurements of defined benefit plans, net of tax	349	101
Share of other comprehensive income of entities accounted for using equity method	222	620
Total other comprehensive income	2,541	(68)
Comprehensive income	13,921	(5,095)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	13,910	(5,095)
Comprehensive income attributable to non-controlling interests	10	0

(3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	13,922	3,481	47,950	(449)	64,903
Changes during period					
Dividends of surplus			(780)		(780)
Profit (loss) attributable to owners of parent			11,368		11,368
Purchase of treasury shares				(1)	(1)
Reversal of revaluation reserve for land			51		51
Net changes in items other than shareholders' equity					
Total changes during period	-	-	10,640	(1)	10,638
Balance at end of period	13,922	3,481	58,590	(450)	75,542

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	2,659	(37)	644	(1,108)	(325)	1,833	276	67,014
Changes during period								
Dividends of surplus								(780)
Profit (loss) attributable to owners of parent								11,368
Purchase of treasury shares								(1)
Reversal of revaluation reserve for land								51
Net changes in items other than shareholders' equity	1,944	37	(51)	139	420	2,490	10	2,500
Total changes during period	1,944	37	(51)	139	420	2,490	10	13,139
Balance at end of period	4,603	-	593	(969)	95	4,323	287	80,153

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	13,922	3,481	58,590	(450)	75,542
Changes during period					
Dividends of surplus			(3,022)		(3,022)
Profit (loss) attributable to owners of parent			(5,026)		(5,026)
Purchase of treasury shares				(1)	(1)
Reversal of revaluation reserve for land					–
Net changes in items other than shareholders' equity					
Total changes during period	–	–	(8,049)	(1)	(8,051)
Balance at end of period	13,922	3,481	50,540	(452)	67,491

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	4,603	–	593	(969)	95	4,323	287	80,153
Changes during period								
Dividends of surplus								(3,022)
Profit (loss) attributable to owners of parent								(5,026)
Purchase of treasury shares								(1)
Reversal of revaluation reserve for land								–
Net changes in items other than shareholders' equity	(772)	–	–	458	245	(68)	0	(68)
Total changes during period	(772)	–	–	458	245	(68)	0	(8,119)
Balance at end of period	3,831	–	593	(510)	340	4,254	287	72,034

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit (loss) before income taxes	12,795	(4,287)
Depreciation	256	289
Impairment losses	317	–
Interest and dividend income	(427)	(472)
Share of loss (profit) of entities accounted for using equity method	(6,483)	(7,066)
Loss on retirement of property, plant and equipment	78	115
Loss on retirement of inventories	–	34
Received incentive	–	(854)
Loss (gain) on sale of investment securities	(192)	(386)
Decrease (increase) in trade receivables	(6,114)	7,400
Decrease (increase) in inventories	592	(2,711)
Decrease (increase) in advance payments to suppliers	319	612
Decrease (increase) in consumption taxes refund receivable	79	(1,477)
Increase (decrease) in trade payables	(233)	(580)
Increase (decrease) in accrued consumption taxes	156	(239)
Increase (decrease) in provision for bonuses	186	(348)
Increase (decrease) in provision of restoration cost	–	187
Increase (decrease) in accrued expenses	634	(743)
Increase (decrease) in retirement benefit liability	(100)	(107)
Decrease (increase) in retirement benefit asset	–	(90)
Increase (decrease) in provision for loss contract	(70)	(33)
Decrease (increase) in long-term prepaid expenses	(0)	(2)
Other, net	(4)	(707)
Subtotal	1,788	(11,472)
Interest and dividends received	6,744	5,229
Interest paid	(0)	–
Income taxes refund (paid)	(674)	(1,273)
Net cash provided by (used in) operating activities	7,857	(7,516)
Cash flows from investing activities		
Purchase of securities	(500)	–
Purchase of investment securities	(1,126)	–
Proceeds from sale of investment securities	225	527
Purchase of property, plant and equipment	(1,427)	(942)
Proceeds from redemption of securities	–	1,600
Purchase of intangible assets	(6)	(129)
Other, net	(73)	(80)
Net cash provided by (used in) investing activities	(2,909)	974
Cash flows from financing activities		
Dividends paid	(781)	(3,000)
Other, net	(3)	(5)
Net cash provided by (used in) financing activities	(785)	(3,006)
Effect of exchange rate change on cash and cash equivalents	182	164
Net increase (decrease) in cash and cash equivalents	4,345	(9,383)
Cash and cash equivalents at beginning of period	22,286	26,631
Cash and cash equivalents at end of period	26,631	17,248

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Segment information, etc.)

[Segment information]

1. Overview of reportable segments

The Company's reportable segments are components of the Company for which separate financial information is available and which are subject to periodic review by the Board of Directors in order to determine the allocation of management resources and evaluate their performance.

The Company mainly produces and sells ferronickel products. For product production, a manufacturing division, which forms the basis of the product production system, is located at the Hachinohe Head Office, and for product sales, a sales division spanning the Hachinohe Head Office and the Tokyo Head Office is responsible for formulating comprehensive sales strategies and conducting business development in Japan and abroad.

In addition, gases used in the product manufacturing process at the Hachinohe Head Office are purchased from Pacific Gas Center Co., Ltd., which operates the gas business.

Therefore, the Company is composed of segments by product based on production and sales systems, with "nickel business" and "gas business" as reportable segments.

2. The method of calculating net sales, profit or loss, assets, liabilities, and other items by reportable segment

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Consolidated Statements of Income (Note 3)
	Nickel business	Gas business	Total				
Net sales							
Net sales to outside customers	56,338	466	56,805	324	57,129		57,129
Intersegment sales or transfer	0	109	109	—	109	(109)	—
Total	56,338	576	56,915	324	57,239	(109)	57,129
Segment profit (loss)	4,950	(10)	4,940	(142)	4,797	9	4,806
Segment assets	86,237	568	86,806	3,106	89,913	(60)	89,852
Other items							
Depreciation and amortization	222	24	247	9	256	—	256
Impairment loss	317	—	317	—	317	—	317
Investment in entities accounted for using equity method	15,430	—	15,430	339	15,770	—	15,770
Increase in property, plant and equipment and intangible assets	649	35	685	1	686	—	686

- Notes:
1. “Other” corresponds to business segments, etc. that are not included in the reportable segments and comprises the real estate business and the waste recycling business.
 2. Adjustments are as follows.
 - (1) Adjustment to segment profit (loss) of ¥9 million includes intersegment elimination of ¥9 million and other adjustments of ¥0 million.
 - (2) Adjustment of segment assets of ¥(60) million is intersegment elimination.
 3. Segment profit (loss) is adjusted with operating loss in the consolidated statements of income.

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Million yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Consolidated Statements of Income (Note 3)
	Nickel business	Gas business	Total				
Net sales							
Net sales to outside customers	34,135	677	34,813	38	34,852	—	34,852
Intersegment sales or transfer	0	97	97	—	97	(97)	—
Total	34,135	774	34,910	38	34,949	(97)	34,852
Segment profit (loss)	(12,441)	4	(12,437)	(160)	(12,597)	9	(12,588)
Segment assets	75,778	597	76,376	2,527	78,904	(78)	78,825
Other items							
Depreciation and amortization	258	24	282	7	289	—	289
Investment in entities accounted for using equity method	18,250	—	18,250	355	18,606	—	18,606
Increase in property, plant and equipment and intangible assets	1,169	29	1,198	2	1,201	—	1,201

- Notes:
1. “Other” corresponds to business segments, etc. that are not included in the reportable segments and comprises the real estate business and the waste recycling business.
 2. Adjustments are as follows.
 - (1) Adjustment to segment profit (loss) of ¥9 million includes intersegment elimination of ¥9 million and other adjustments of ¥0 million.
 - (2) Adjustment of segment assets of ¥(78) million is intersegment elimination.
 3. Segment profit (loss) is adjusted with operating loss in the consolidated statements of income.

3. Information on the amounts of net sales, profit or loss, assets, liabilities, and other items by reportable segment and information on breakdown of revenue

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Reportable segment			Other (Note 1)	Total
	Nickel business	Gas business	Total		
Japan	21,256	466	21,722	324	22,047
South Korea	3,429	—	3,429	—	3,429
Taiwan	12,830	—	12,830	—	12,830
China	15,025	—	15,025	—	15,025
India	3,797	—	3,797	—	3,797
Revenue from contracts with customers	56,338	466	56,805	324	57,129
Revenue from other sources	—	—	—	—	—
Net sales to outside customers	56,338	466	56,805	324	57,129

(Note) “Other” corresponds to business segments, etc. that are not included in the reportable segments and comprises the real estate business and the waste recycling business.

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

	Reportable segment			Other (Note 1)	Total
	Nickel business	Gas business	Total		
Japan	18,418	677	19,095	38	19,134
South Korea	4,509	—	4,509	—	4,509
Taiwan	5,043	—	5,043	—	5,043
China	5,640	—	5,640	—	5,640
India	524	—	524	—	524
Revenue from contracts with customers	34,135	677	34,813	38	34,852
Revenue from other sources	—	—	—	—	—
Net sales to outside customers	34,135	677	34,813	38	34,852

(Note) “Other” corresponds to business segments, etc. that are not included in the reportable segments and comprises the real estate business and the waste recycling business.

[Related information]

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

1. Information by product/service

This information is omitted because the amount of net sales to outside customers in a single product/service category exceeds 90% of the amount of net sales in the consolidated statement of income.

2. Information by geographical area

(1) Net sales

(Million yen)

Japan	South Korea	Taiwan	China	India	Total
22,047	3,429	12,830	15,025	3,797	57,129

Note: Net sales are based on the location of customers and are classified by country or region.

(2) Property, plant and equipment

This information is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment in the consolidated balance sheet.

3. Information by major customer

(Million yen)

Customer name	Net sales	Related segment name
NIPPON STEEL Stainless Steel Corporation	19,902	Nickel business
TISCO TRADING (H.K.) LTD	14,231	Nickel business
TANG ENG IRON WORKS CO., LTD.	7,053	Nickel business
WALSIN LIHWA CORPORATION	5,777	Nickel Business

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

1. Information by product/service

This information is omitted because the amount of net sales to outside customers in a single product/service category exceeds 90% of the amount of net sales in the consolidated statement of income.

2. Information by geographical area

(1) Net sales

(Million yen)

Japan	South Korea	Taiwan	China	India	Total
19,134	4,509	5,043	5,640	524	34,852

Note: Net sales are based on the location of customers and are classified by country or region.

(2) Property, plant and equipment

This information is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment in the consolidated balance sheet.

3. Information by major customer

(Million yen)

Customer name	Net sales	Related segment name
NIPPON STEEL Stainless Steel Corporation	17,359	Nickel business
TISCO TRADING (H.K.) LTD	5,086	Nickel business
WALSIN LIHWA CORPORATION	5,043	Nickel business
POSCO	4,509	Nickel business

[Information on loss on impairment of non-current assets]

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Reportable segment			Other	Corporate/ elimination	Total
	Nickel business	Gas business	Total			
Impairment loss	317	—	317	—	—	317

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

Not applicable

[Information on amortization of goodwill and unamortized balance by reportable segment]

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Not applicable.

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

Not applicable.

[Information on gain on bargain purchase by reportable segment]

For the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Not applicable.

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

Not applicable.

(Per share information)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net assets per share	¥4,095.12	¥3,678.90
Basic earnings (loss) per share	¥582.93	¥(257.75)

- Notes:
1. Diluted earnings per share is not presented for the previous fiscal year because there were no dilutive shares. Diluted earnings per share is not presented for the current fiscal year because net loss per share was recorded and because there are no dilutive shares.
 2. The basis for calculation of net assets per share and the basis for calculation of basic earnings per share or basic loss per share are as follows.

Basis for calculation of net assets per share

	As of March 31, 2022	As of March 31, 2023
Total net assets in consolidated balance sheets (million yen)	80,153	72,034
Amount deducted from total net assets (Million yen)	287	287
(of which non-controlling interests (Million yen))	(287)	(287)
Net assets at end of period attributable to shares of common stock (Million yen)	79,866	71,746
Number of shares of common stock at end of period used for calculation of net assets per share (Thousand shares)	19,502	19,502

Basis for calculation of basic earnings (loss) per share

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Profit (loss) attributable to owners of parent (Million yen)	11,368	(5,026)
Amount not attributable to common shareholders (Million yen)	—	—
Profit (loss) attributable to owners of parent relating to shares of common stock (Million yen)	11,368	(5,026)
Average number of shares of common stock during period (Thousand shares)	19,503	19,502

(Significant subsequent events)

Not applicable.