



August 2, 2023

To whom it may concern,

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Notice Concerning Recording of Operating Loss (Write-down of Inventories), Recording of Non-operating Income (Share of Profit of Entities Accounted for Using Equity Method) and Revisions to Financial Results Forecast

PACIFIC METALS CO., LTD. (the “Company”) hereby announces that it has recorded a write-down of inventories under operating loss and share of profit of entities accounted for using equity method under non-operating income for the three months ended June 30, 2023 (April 1, 2023 through June 30, 2023). The Company also announces that, in light of the most recent performance trend, it has decided to revise the consolidated financial results forecast for the six months ending September 30, 2023 (April 1, 2023 through September 30, 2023) and for the fiscal year ending March 31, 2024 (April 1, 2023 through March 31, 2024) announced on May 9, 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. 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, production costs are increasing because raw material and fuel prices as well as the cost of electricity remain at a high level, among other factors, resulting in an increase in the 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 amounting to 1,764 million yen under cost of sales.

● Details of non-operating income (share of profit of entities accounted for using equity method)

The Company expects to record share of profit of entities accounted for using equity method of 1,245 million yen for the three months ended June 30, 2023 due mainly to strong performance of entities accounted for using equity method in the Philippines supported by strong demand.

● Revisions to financial results forecast

1. Revisions to consolidated financial results forecast for the six months ending September 30, 2023 (April 1, 2023 through September 30, 2023)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share
Previously announced forecast (A) (Announced on May 9, 2023)	Million yen 8,910	Million yen (4,198)	Million yen (2,937)	Million yen (2,961)	Yen (151.83)
Revised forecast (B)	8,592	(6,343)	(3,712)	(3,871)	(198.49)
Change (B–A)	(318)	(2,145)	(775)	(910)	
Change (%)	(3.6)	—	—	—	
(Reference) Actual results for the previous six months ended September 30, 2022	17,642	(4,464)	605	229	11.75

2. Revisions to consolidated financial results forecast for the fiscal year ending March 31, 2024 (April 1, 2023 through March 31, 2024)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share
Previously announced forecast (A) (Announced on May 9, 2023)	Million yen 20,899	Million yen (7,299)	Million yen (4,569)	Million yen (4,778)	Yen (245.00)
Revised forecast (B)	20,885	(7,089)	(2,891)	(3,246)	(166.44)
Change (B–A)	(14)	210	1,678	1,532	
Change (%)	(0.1)	—	—	—	
(Reference) Actual results for the previous fiscal year ended March 31, 2023	34,852	(12,588)	(4,960)	(5,026)	(257.75)

3. Reason for revisions

With regard to the consolidated financial results forecast, the protracted situation in Ukraine continues to affect the Japanese and overseas economies. The economic slowdown primarily against the backdrop of sharp interest rate increases in the U.S. and Europe and the delay in China's economic recovery has made the economic outlook even more uncertain.

On the volume front, the environment in which the Company operates has remained largely unchanged and the Company expects results to be almost the same as the previously announced forecast.

In terms of profit and loss, on the selling price front, the Company also partially refers to the price of nickel pig iron, which has a price advantage over ferronickel products, 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, continue to remain high, as do the prices of raw materials, fuel and electricity. These and other factors are expected to have a significant impact on procurement prices.

In other areas, regarding the impact of a write-down of inventories, while the Company expects to record additional write-down of inventories for the first half, a reversal is expected to occur in the second half because of a reduction in the write-down amount. Therefore, the earnings trend is expected to differ for the first half and the second half.

Although the situation remains challenging, 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 (May 9, 2023)	3,450	4,750	8,200	3,543	3,540	7,083	10.68	10.00	10.29	134.06	134.10	134.08
Revised forecast	3,330	4,870	8,200	3,428	3,540	6,968	10.82	10.00	10.33	135.34	134.10	134.60
(Reference) Actual results for the previous fiscal year ended March 31, 2023	5,668	6,725	12,393	8,079	5,301	13,380	12.12	11.11	11.57	131.49	138.44	135.26