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PACIFIC METALS CO., LTD.  
Financial Results Briefing Session for the  
Six Months Ended September 30, 2023

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November 16, 2023

PACIFIC METALS Website:

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

Inquiries:

General Administration Dept. (IR Group) TEL: +81-3-3201-6681

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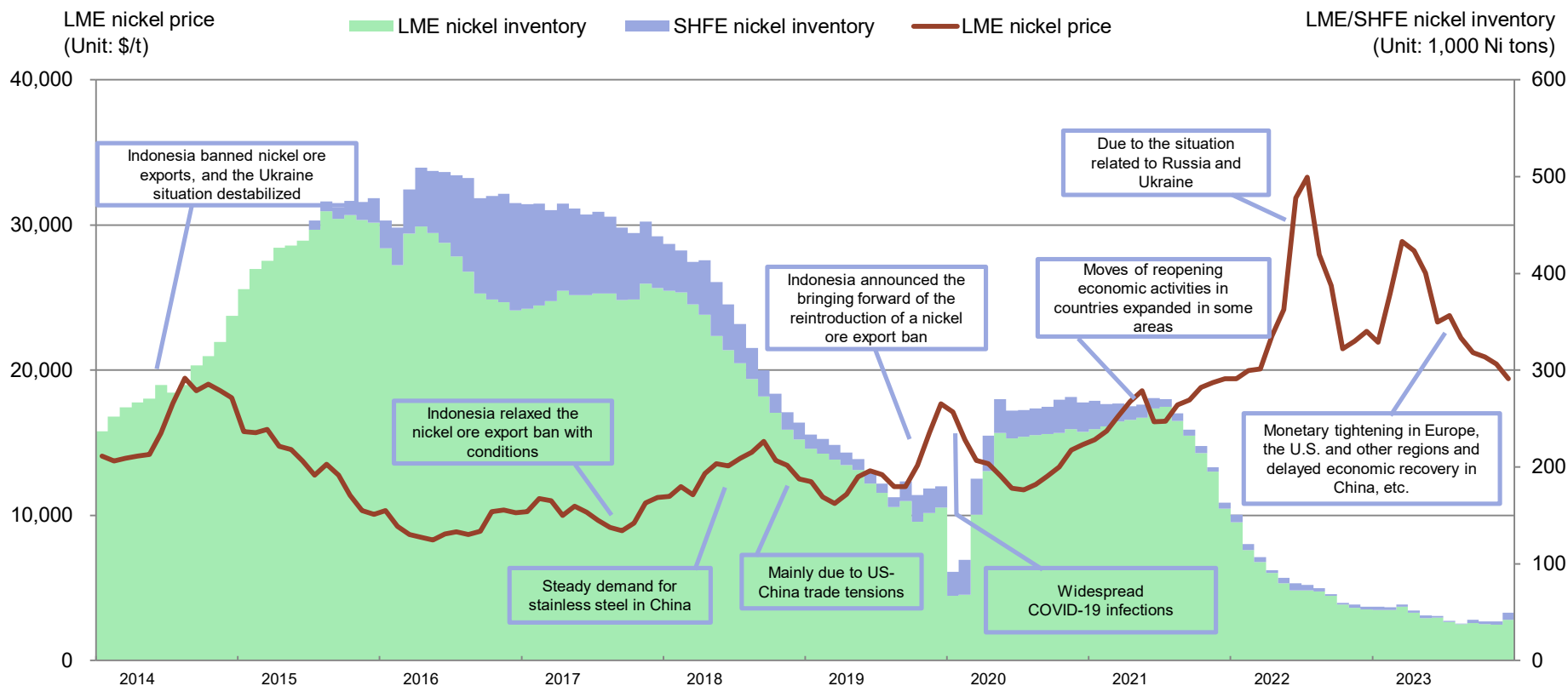
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# 1. Business Environment

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## (1) Trends in LME nickel prices and nickel inventory volumes

\* Surveyed by Pacific Metals

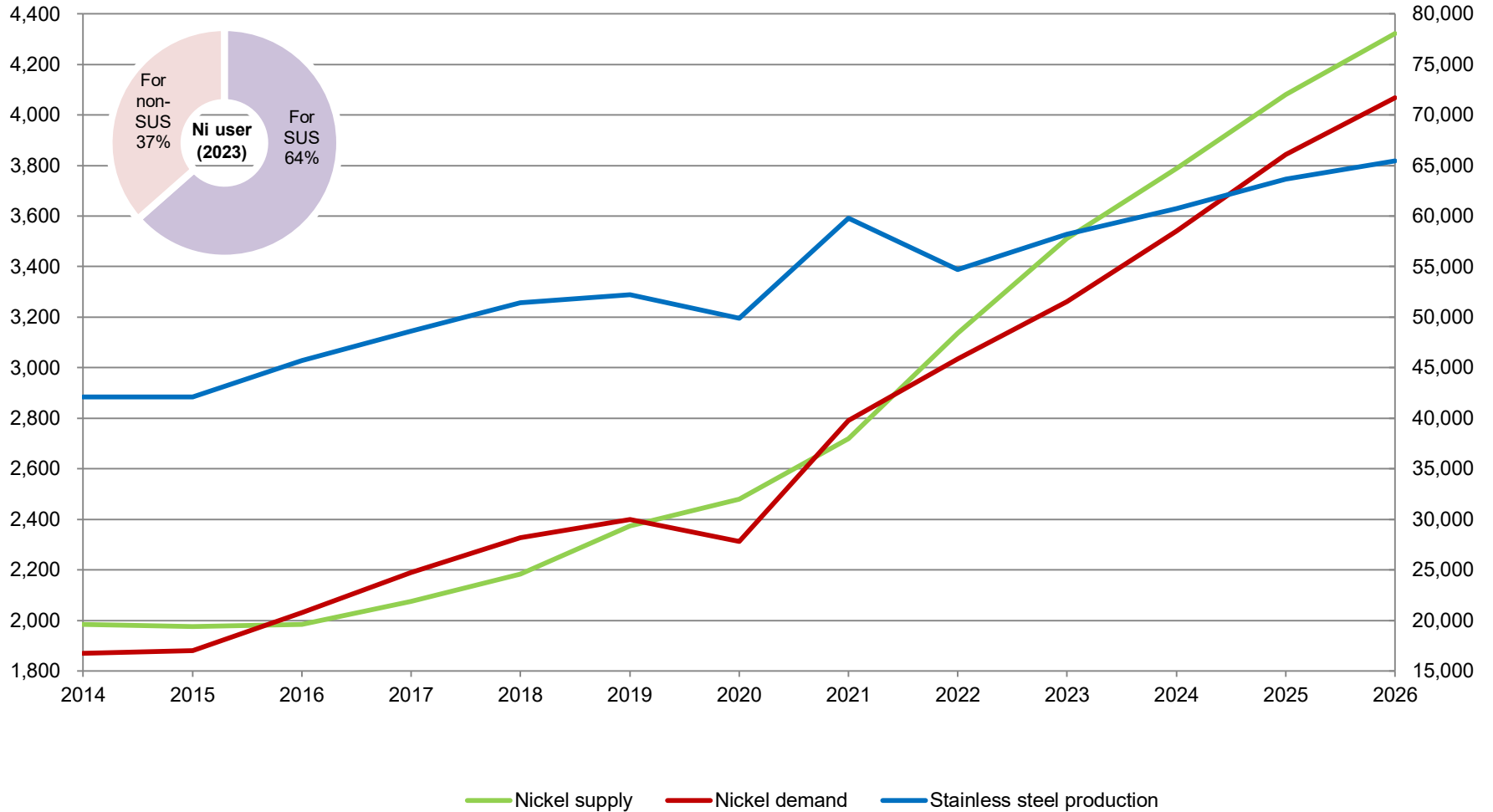


Trend in operating results	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
<b>Net sales</b> (million yen)	56,408	61,225	47,649	38,697	41,210	49,062	44,133	32,217	57,129	34,852
<b>Operating profit</b> (million yen)	-4,079	-7,787	-15,357	-3,070	-3,239	176	-1,879	-493	4,806	-12,588
<b>Ordinary profit</b> (million yen)	-1,838	-91	-12,283	-515	-203	3,451	972	3,344	12,999	-4,960

## (2) Outlook for global stainless steel production and nickel supply and demand

Nickel supply and demand  
(Unit: 1,000 Ni tons)

\* Surveyed by Pacific Metals  
Stainless steel production  
(Unit: 1,000 tons)

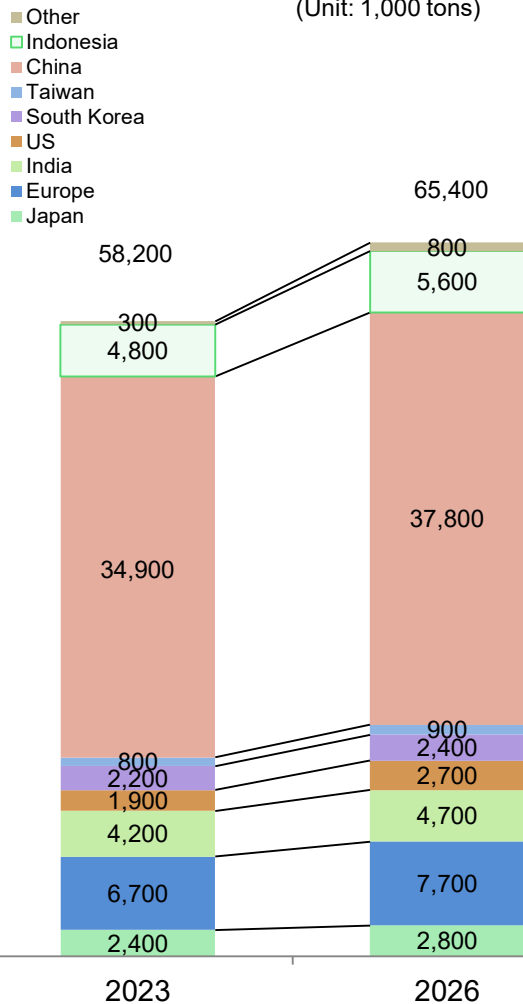


## (3) Outlook for stainless steel production and nickel supply and demand by region

\* Survey by Pacific Metals

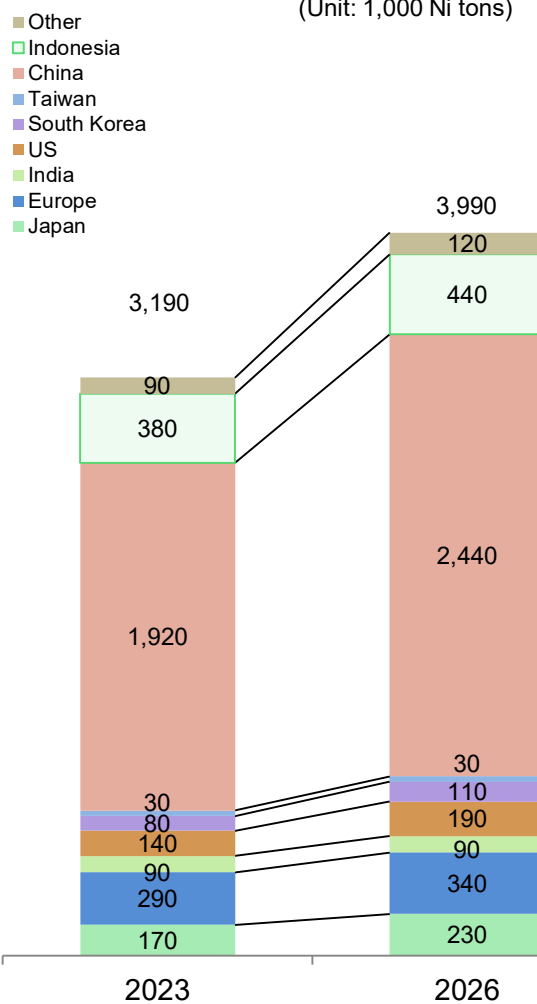
### Outlook for stainless steel production

(Unit: 1,000 tons)



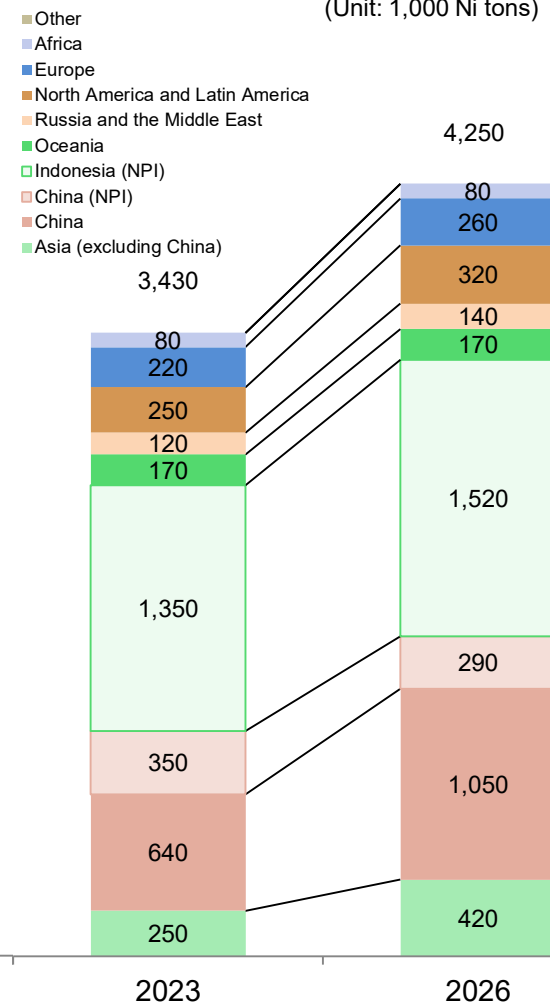
### Outlook for nickel demand

(Unit: 1,000 Ni tons)



### Outlook for nickel supply

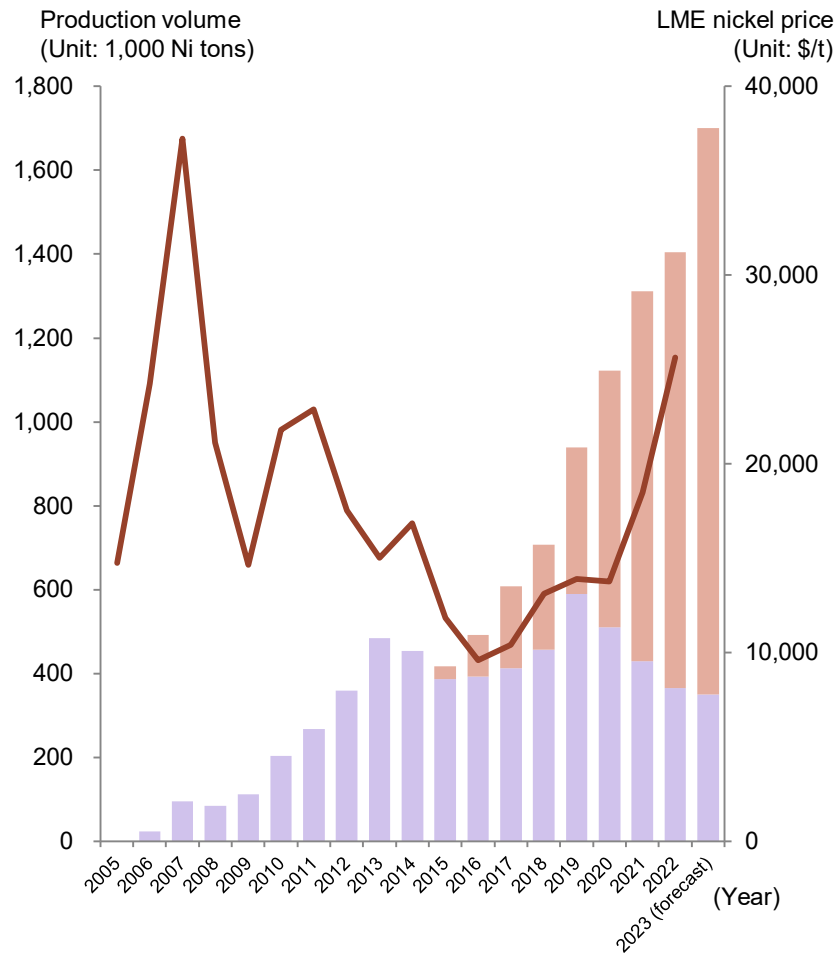
(Unit: 1,000 Ni tons)



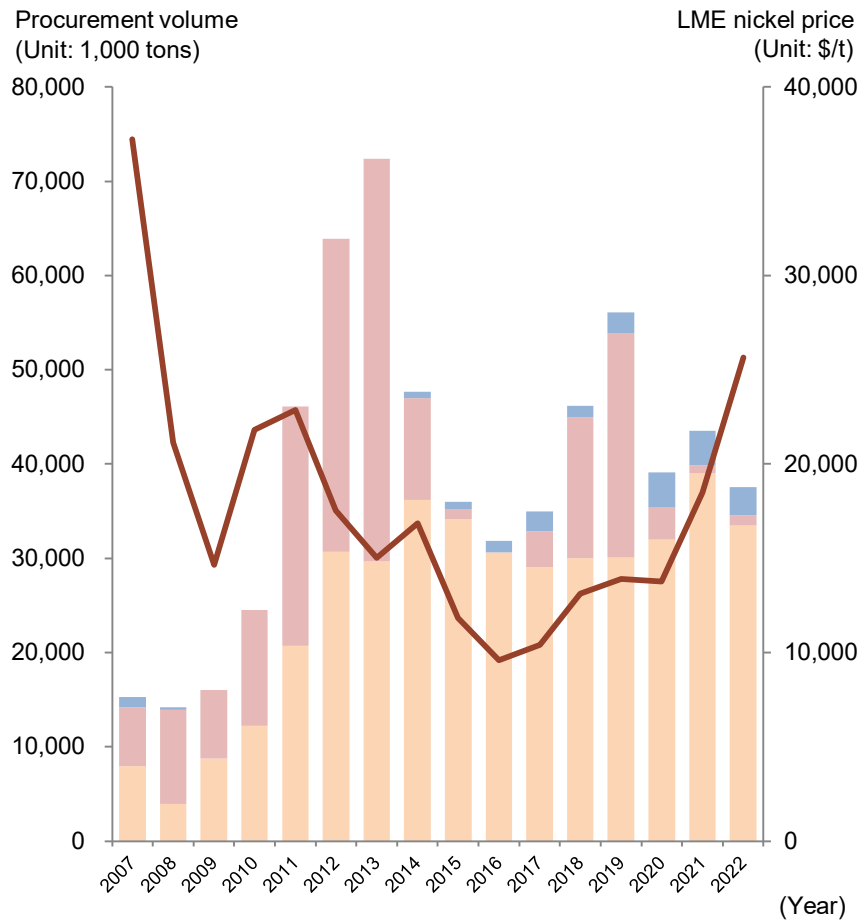
## (4) Trend in nickel pig iron (NPI) production

\* Survey by Pacific Metals

### Nickel pig iron (NPI) production



### Nickel ore procurement by China



■ NPI in China ■ NPI in Indonesia — LME nickel price

■ Philippines ■ Indonesia ■ Others — LME nickel price

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## 2. Financial Results for the Six Months Ended September 30, 2023

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### (1) Financial results for the six months (Summary)

	Results for the fiscal year ended September 30, 2022		Forecast for the fiscal year ended September 30, 2023 (Announced on Aug. 2)		Results for the fiscal year ended September 30, 2023		Year-on-year (%)	Vs Forecast announced on Aug. 2 (%)
	Amount (million yen)	Profit rate (%)	Amount (million yen)	Profit rate (%)	Amount (million yen)	Profit rate (%)		
Net sales	17,642	—	8,592	—	8,083	—	-54.2	-5.9
Operating profit (loss)	-4,464	-25.3	-6,343	-73.8	-6,194(*)	-76.6	—	—
Ordinary profit (loss)	605	3.4	-3,712	-43.2	-2,487(*)	-30.8	—	—
Profit attributable to owner of parent (loss)	229	1.3	-3,871	-45.1	-2,611(*)	-32.3	—	—
(Investment)	497	—	—	—	176	—	-64.6	—
(Depreciation)	135	—	—	—	171	—	26.7	—

(\*) Profit including inventory write-down of 2.5 billion yen (results for the fiscal year ended September 30, 2023)

	Results for the fiscal year ended September 30, 2022	Forecast for the fiscal year ended September 30, 2023 (Announced on Aug. 2)	Results for the fiscal year ended September 30, 2023	Year-on-year (%)	Vs Forecast announced on Aug. 2 (%)
Production volume (Ni t)	8,079	3,428	3,210	-60.3	-6.4
Sales volume (Ni t)	5,668	3,330	3,052	-46.2	-8.4
Applicable LME nickel price (US\$/t)	26,720	23,854	23,766	-11.0	-0.4
[Applicable LME nickel price (US\$/lb.)]	[ 12.12 ]	[ 10.82 ]	[ 10.78 ]		
Applicable exchange rate (¥/US\$)	131.49	135.34	140.18	6.6	3.6

### (2) Financial results for the six months (Topics)

#### 1) On the production and sales volume front

- **Maintaining policy of strategic volume reduction**
  - The price of nickel pig iron (NPI), which is viewed as being price competitive, also affected our selling prices, which led us to continue our policy of strategic volume reduction

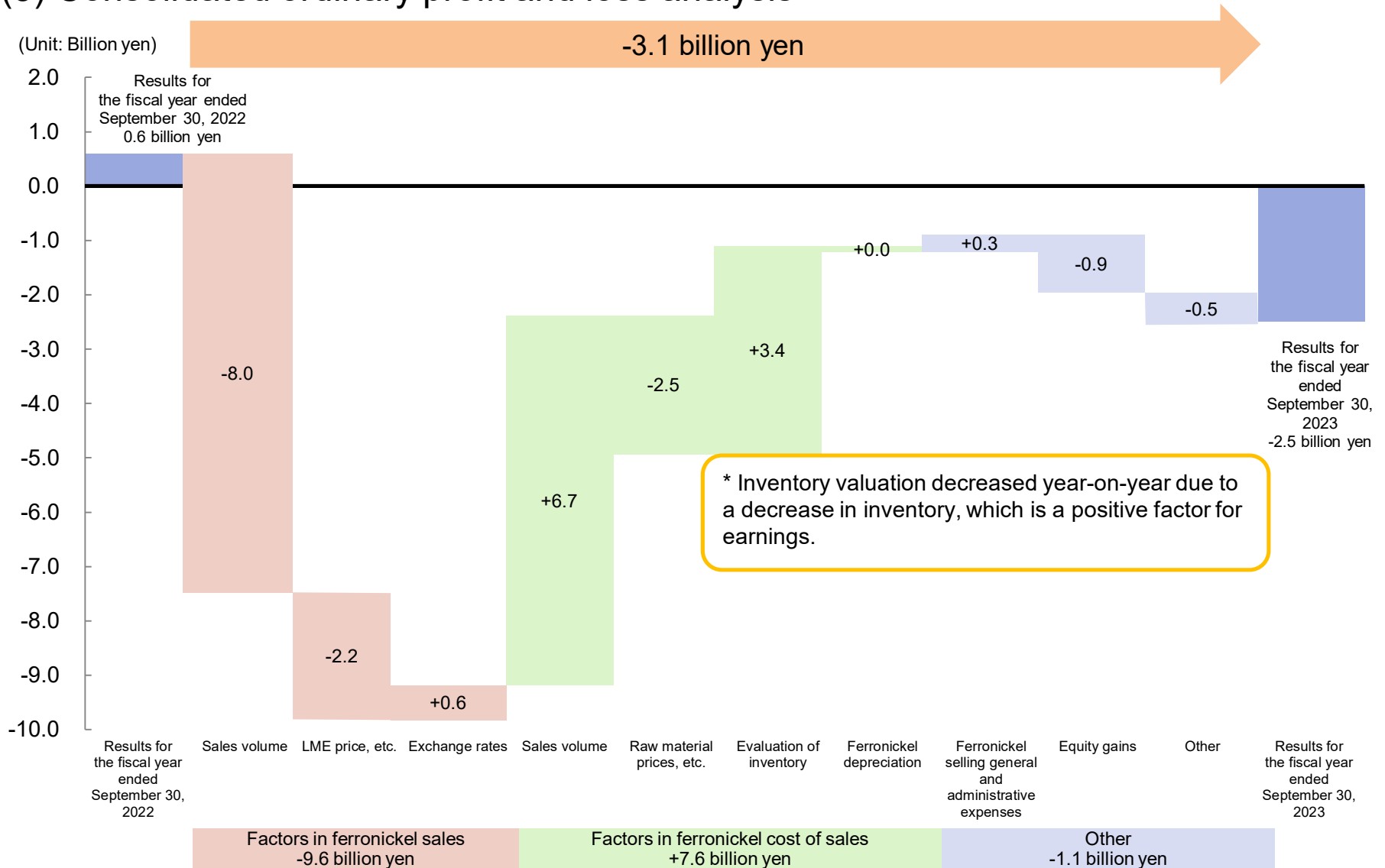
#### 2) On the selling price front

- **Impact from nickel pig iron (NPI) price**
  - 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, resulting in the continuation of a difficult sales environment with sluggish income growth

#### 3) On the procurement price front

- **Nickel ore price**
  - Procurement prices are high
- **Energy costs (raw fuel/electricity)**
  - Prices soared due to global resource price hikes, leading to higher production costs

### (3) Consolidated ordinary profit and loss analysis



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## 3. Full-Year Financial Results Forecast for the Fiscal Year Ending March 31, 2024

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## (1) Full-year financial results forecast (Summary)

	Results for the fiscal year ended March 31, 2023		Forecast for the fiscal year ending March 31, 2024 (Announced on Aug. 2)		Forecast for the fiscal year ending March 31, 2024 (Announced on Oct. 31)		Year-on-year (%)	Vs Forecast announced on Aug. 2 (%)
	Amount (million yen)	Profit rate (%)	Amount (million yen)	Profit rate (%)	Amount (million yen)	Profit rate (%)		
Net sales	34,852	—	20,885	—	15,874	—	-54.5	-24.0
Operating profit (loss)	-12,588	-36.1	-7,089	-33.9	-8,611	-54.2	—	—
Ordinary profit (loss)	-4,960	-14.2	-2,891	-13.8	-3,511	-22.1	—	—
Profit attributable to owner of parent (loss)	-5,026	-14.4	-3,246	-15.5	-2,442	-15.4	—	—
(Investment)	1,232	—	—	—	2,563	—	108.0	—
(Depreciation)	289	—	—	—	359	—	24.2	—

	Results for the fiscal year ended March 31, 2023			Forecast for the fiscal year ending March 31, 2024 (Announced on Aug. 2)	Forecast for the fiscal year ending March 31, 2024 (Announced on Oct. 31)			Year-on-year (%)	Vs Forecast announced on Aug. 2 (%)
	1st half	2nd half	Full year		Results for the 1st half	Forecast for the 2nd half	Forecast for the full year		
Production volume (Ni t)	8,079	5,301	13,380	6,968	3,210	2,848	6,058	-54.7	-13.1
Sales volume (Ni t)	5,668	6,725	12,393	8,200	3,052	3,148	6,200	-50.0	-24.4
Applicable LME nickel price (US\$/t)	26,720	24,493	25,507	22,774	23,766	20,437	22,068	-13.5	-3.1
[Applicable LME nickel price (US\$/lb.)]	[ 12.12 ]	[ 11.11 ]	[ 11.57 ]	[ 10.33 ]	[ 10.78 ]	[ 9.27 ]	[ 10.01 ]		
Applicable exchange rate (¥/US\$)	131.49	138.44	135.26	134.60	140.18	139.22	139.69	3.3	3.8

## (2) Full-year financial results forecast (Topics)

### 1) On the production and sales volume front

- **Maintaining policy of strategic volume reduction**
  - We expect a decrease from the previous plan announced in August 2023, as we do not see any significant change in the environment and will strengthen the control of volume from the perspective of profitability

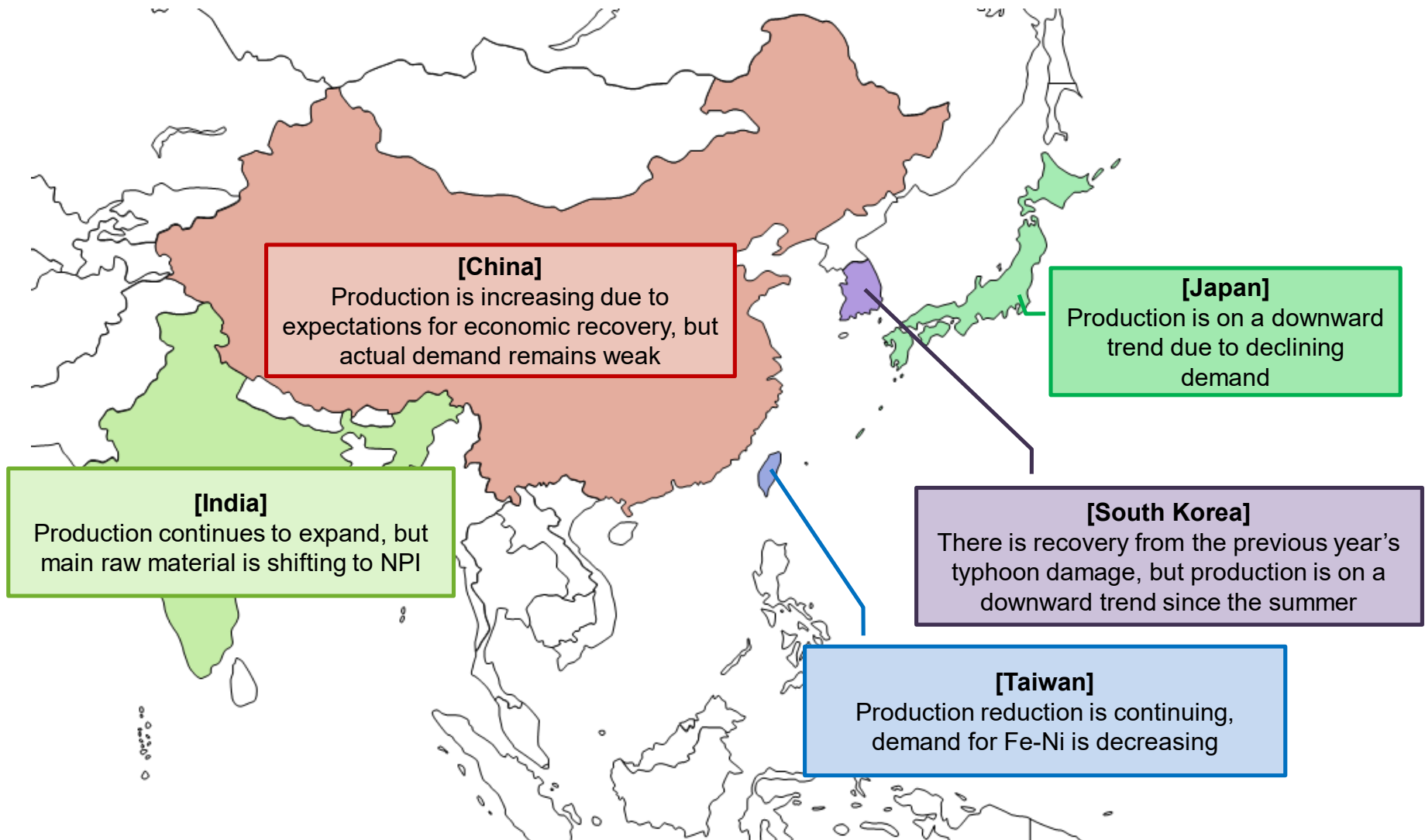
### 2) On the selling price front

- **Impact from nickel pig iron (NPI) price**
  - 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

### 3) On the procurement price front

- **High raw material and energy costs continue**
  - Nickel ore prices, the main raw material, as well as raw fuel costs and electricity prices remain high
  - A significant impact on profit expected

## (3) Trend in sales destination by country



## (4) Outlook for sales by country

(Unit: Ni tons)

Results of previous year

- India
- China
- Taiwan
- South Korea
- Japan

12,393

151

2,689

1,658

1,605

6,290

5,668

151

101

1,203

802

3,412

6,725

0

2,588

455

803

2,879

Full-year forecast announced on Oct. 31

Going forward, the outlook does not see any trend toward changes in the business environment from the fiscal year ended March 2023. The reduced volume system will be maintained.

3,052

356

2,696

3,148

200

2,948

6,200

556

5,644

Results for 1H of the fiscal year ended March 31, 2023

Results for 2H of the fiscal year ended March 31, 2023

Results for the fiscal year ended March 31, 2023

Results for 1H of the fiscal year ending March 31, 2024 (Announced on Oct. 31)

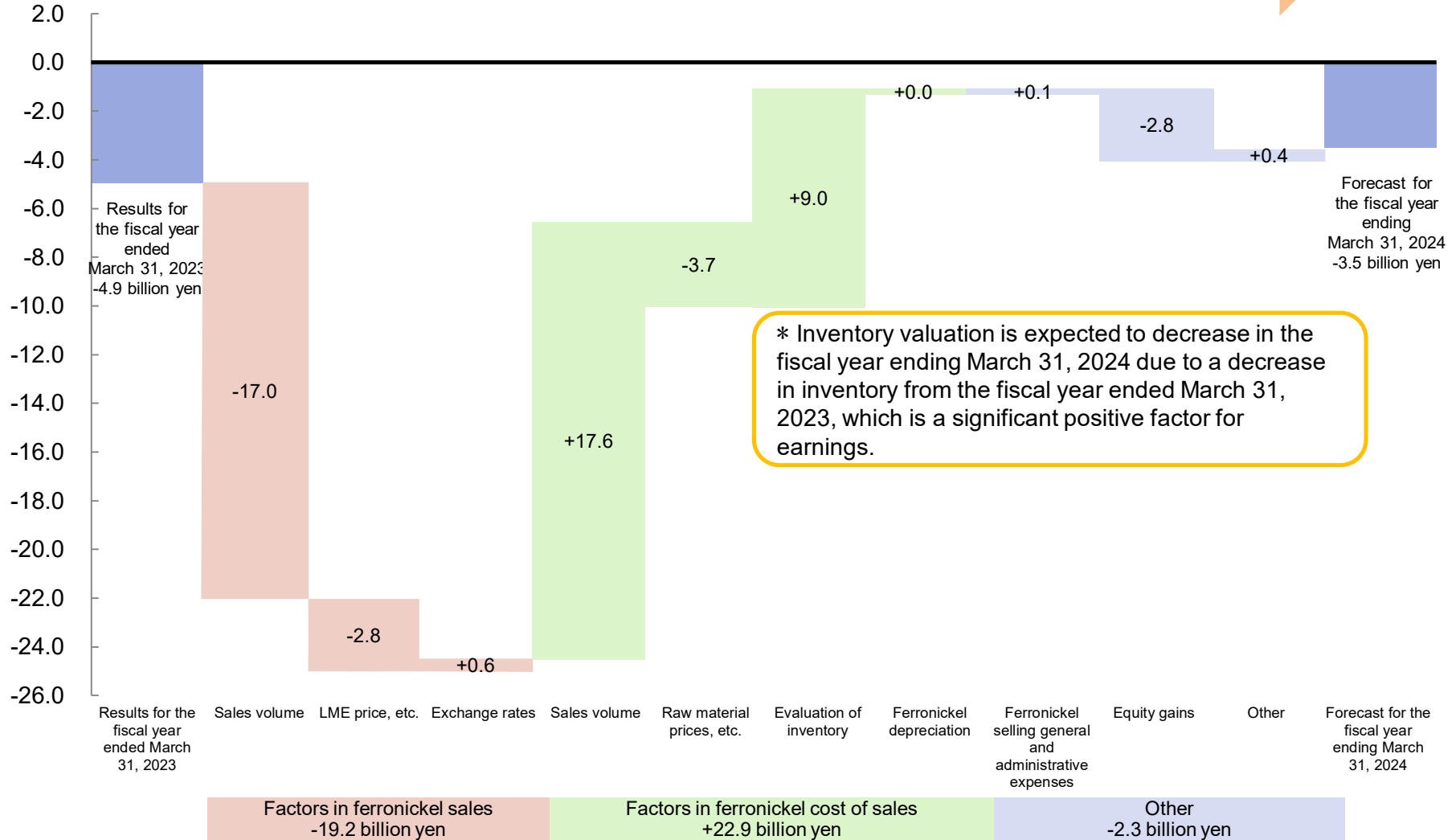
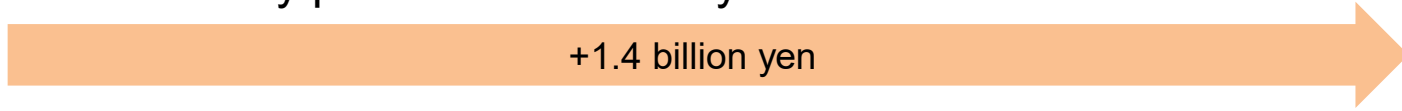
Forecast for 2H of the fiscal year ending March 31, 2024 (Announced on Oct. 31)

Forecast for the fiscal year ending March 31, 2024 (Announced on Oct. 31)



#### (5) Consolidated ordinary profit and loss analysis

(Unit: Billion yen)



\* Inventory valuation is expected to decrease in the fiscal year ending March 31, 2024 due to a decrease in inventory from the fiscal year ended March 31, 2023, which is a significant positive factor for earnings.

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## 4. Progress of Medium-term Business Plan PAMCO-2024

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## (1) Summary of progress on major priority measures

### Progress Status/Future Initiatives

Creation of new businesses that contribute to society



- Promotion of new metal smelting projects

Challenge to metal smelting business from new resources by utilizing smelting technologies cultivated through various ferro-alloy manufacturing businesses since the Company's establishment

**Transition to feasibility study of new metal smelting business using resources from underwater sources**

- Pre-feasibility study results **did not identify any critical issues that would lead to the cancellation of the project at the Hachinohe Works**
- Signed an MOU with The Metals Company (TMC)  
Signed an MOU to deepen our research into **outsourcing smelting to our Hachinohe Works with a target year of 2026** in line with TMC's plan to start commercial production of polymetallic nodules at the Clarion Clipperton Zone at the end of 2025\*  
\* When mining rules are established by the International Seabed Authority (ISA) in 2024

[Agreed matters]

- ✓ Negotiations to conclude a final outsourcing smelting contract
- ✓ Reasonable efforts to implement the programs and schedules agreed by the two companies
- ✓ Feasibility study on the remodeling of the Hachinohe Works and cooperation between the two companies

*With the environment and society as our first considerations, we will pursue this initiative while monitoring and respecting trends at all organizations.*

## (1) Summary of progress on major priority measures

### Progress Status/Future Initiatives

#### Creation of new businesses that contribute to society



- Realization of production and sales of raw materials for LIB materials  
Establish manufacturing process and move to demonstration phase
  - Establish base case production volume and continue investigation with LIB-related business operators to commercialize the project
  - In addition, start development of another process to produce raw materials for LIB cathode materials from different raw materials  
 →To be considered in parallel with the base case as a separate business plan
- Development of LIB recycling technology
  - Promote the development of LIB recycling technology to extract rare metals for LIB applications from black mass raw materials in collaboration with Emulsion Flow Technologies Ltd. and confirm steady results
  - Technology developed will be used in the LIB recycling plant that Emulsion Flow Technologies aims to start operation in 2026

#### Acceleration of consideration of expansion into overseas smelting business



- Promotion of overseas smelting projects and start-up of production
  - Discussions are underway with an Indonesian project owner to participate in an overseas smelting project
  - Participation of a new partner will strengthen our financial position  
 →It is expected that financing through an initial public offering will be unnecessary

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



- Restructuring of recycling business  
Business of manufacturing and sales of steelmaking raw materials and battery materials
  - Conduct demonstration tests using by-products generated by other companies and the smelting reduction technology obtained in the incinerated ash melting and processing business
  - Raw materials for steelmaking, etc. obtained through the demonstration tests are being evaluated and improved, and marketing (demand volume and prices) is underway

## (1) Summary of progress on major priority measures

Enhancement of corporate value by addressing sustainability issues



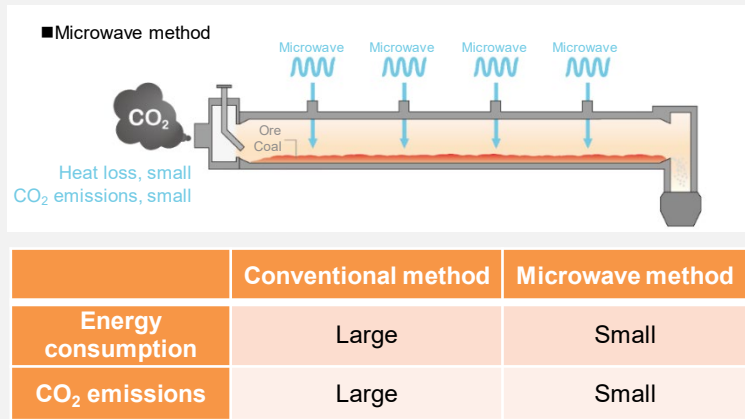
### Progress Status/Future Initiatives

- Reduction of GHG emissions

Pursuing new metal smelting technologies that take the global environment into consideration

Concluded a joint development agreement with Microwave Chemical Co., Ltd. for smelting technology using microwaves

- Continue to study process electrification to replace fossil fuel combustion energy with electric power-derived microwaves in the calcination process, which is the main source of CO<sub>2</sub> emissions in Fe-Ni production
- Table test confirmed removal of crystalline water from ore with microwave heating
- Currently designing and manufacturing a small demonstration facility with the aim of introducing actual equipment by FY2030
- Expect energy savings through a 67% reduction in fossil fuel-derived CO<sub>2</sub> emissions and improved thermal efficiency



## (1) Summary of progress on major priority measures

Enhancement of corporate value by addressing sustainability issues



### Progress Status/Future Initiatives

- Updated Climate-related Financial Disclosures (TCFD)
  - Add likelihood of occurrence to scenario analysis
  - Updated Scope 1 and 2 and **newly calculated Scope 3**
- Reduction of policy shareholdings
  - Five of our stock holdings were reduced in the fiscal year ended March 31, 2023
  - **One of our stock holdings will be partially reduced in the fiscal year ending March 31, 2024**



The FY2023 Integrated Report was published in November 2023  
For more information, [click here](#)

- Initiatives regarding respect for human rights are being promoted.
- Make a “Healthy Company Declaration” and engage in health promotion throughout the Company.
- Together with local communities
  - Participation in Marine Garbage Zero Week (cleanup activities)



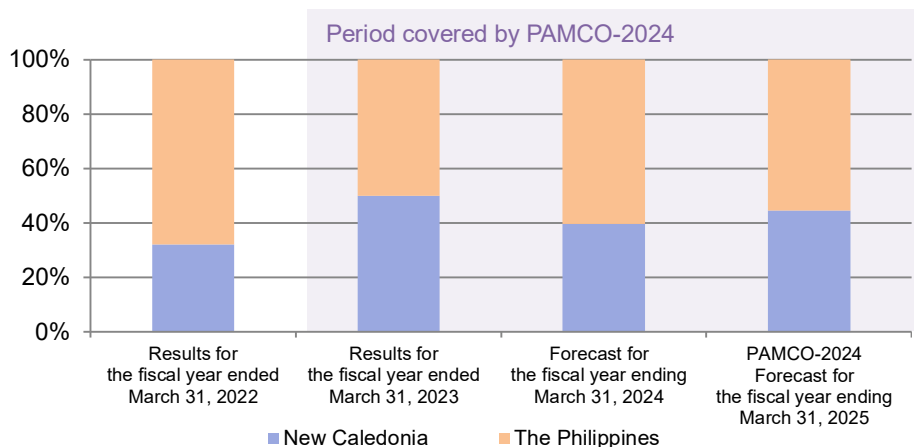
## (2) Ore procurement

### 1) Status of conclusion of long-term contracts

Other party in long-term contracts	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ending March 31, 2024	Fiscal year ending March 31, 2025	Fiscal year ending March 31, 2026
<span style="color: orange;">■</span> Rio Tuba Nickel Mining Corporation (36% stake held by Pacific Metals)	Prior contract period	Contract period: Jan. 2022 to Dec. 2026 (5 years)			
<span style="color: orange;">■</span> Taganito Mining Corporation (33.5% stake held by Pacific Metals)	Prior contract period	Contract period: Jan. 2022 to Dec. 2026 (5 years)			
<span style="color: orange;">■</span> Cagdianao Mining Corporation	Prior contract period	Contract period: Jan. 2022 to Dec. 2026 (5 years)			
<span style="color: blue;">■</span> MKM (1)	Contract period: Jan. 2014 to Dec. 2023 (10 years)			To be updated	
<span style="color: blue;">■</span> MKM (2)	Contract period: Jan. 2016 to Dec. 2025 (10 years)				
<span style="color: blue;">■</span> Montagna SARL	Contract period: Apr. 2016 to Mar. 2026 (10 years)				

■ The Philippines    ■ New Caledonia

### 2) Procurement ratio



### 3) 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.



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