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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/>

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# 1. Profile ◇ (1) Company overview

## Company Overview (As of March 31, 2023)

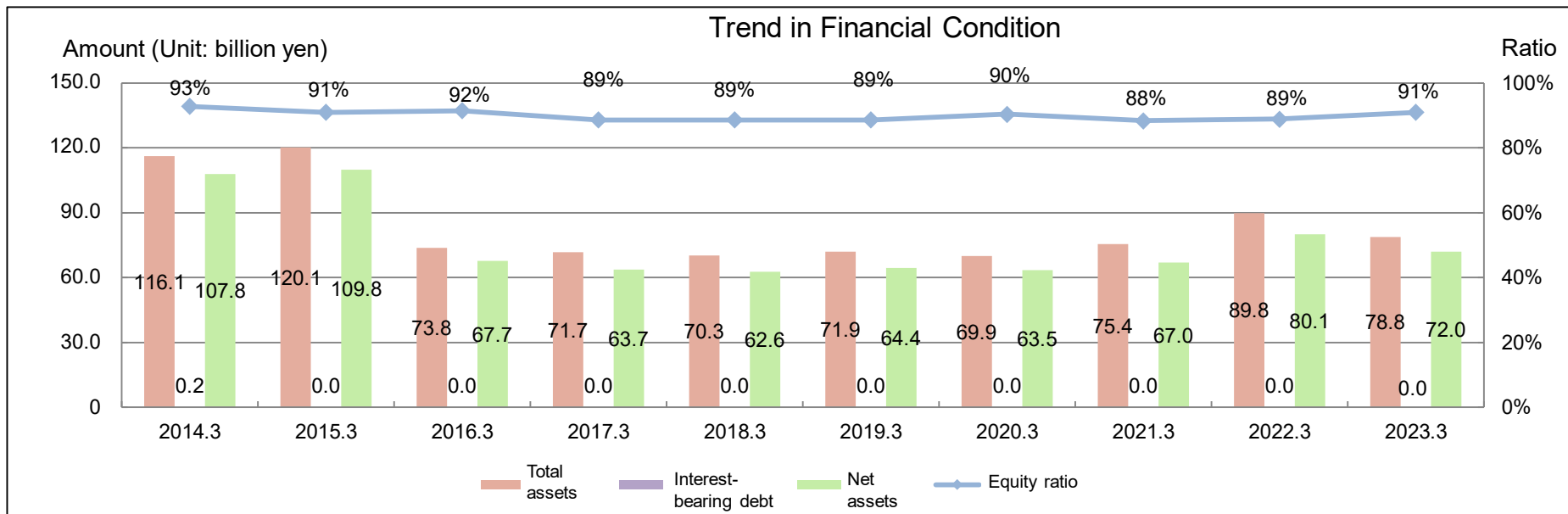
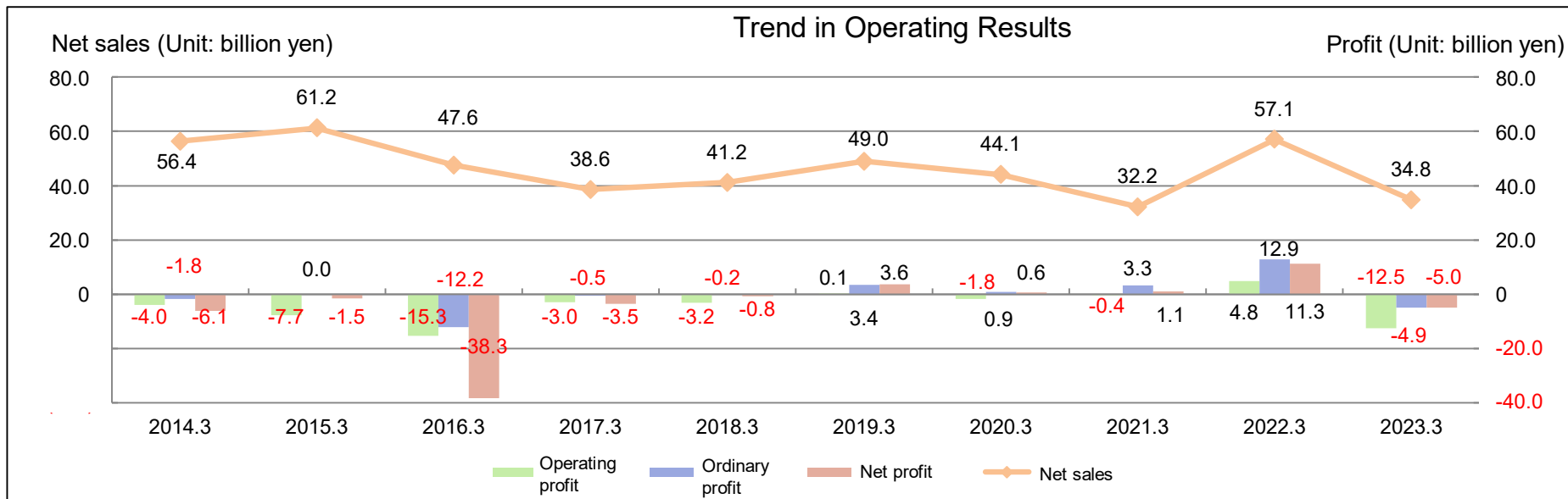
Business	Production and sales of ferronickel and ferronickel slag products Waste recycling business		
Established	December 1949		
Tokyo Head Office Location	1-6-1 Otemachi, Chiyoda-ku, Tokyo 100-0004		
Hachinohe Head Office Location	5-2, Toyama Shinden, Kawaragi, Hachinohe City, Aomori 031-8617 (Hachinohe Works)		
Number of Employees	468 people (consolidated), 422 people (unconsolidated)		
Number of Issued Shares	19,577,071 shares		
Securities Code	5541 Tokyo Stock Exchange (Prime Market)		
Major Shareholders <small>* Ownership ratios are calculated excluding 75,035 shares of treasury stock</small>	Name	Number of Shares Held (1,000 shares)	Ownership Ratio (%)
	The Master Trust Bank of Japan, Ltd.	3,257	16.70
	NIPPON STEEL Stainless Steel Corporation	2,049	10.51
	Custody Bank of Japan, Ltd.	1,373	7.04
Business Size (Consolidated) (Million yen)	Net Sales	34,852	
	Operating Profit	-12,588	
	Ordinary Profit	-4,960	
	Profit Attributable to Owners of Parent	-5,026	
	Total Assets	78,825	
	Net Assets	72,034	
	Share Capital	13,922	
	Interest-Bearing Debt	-	

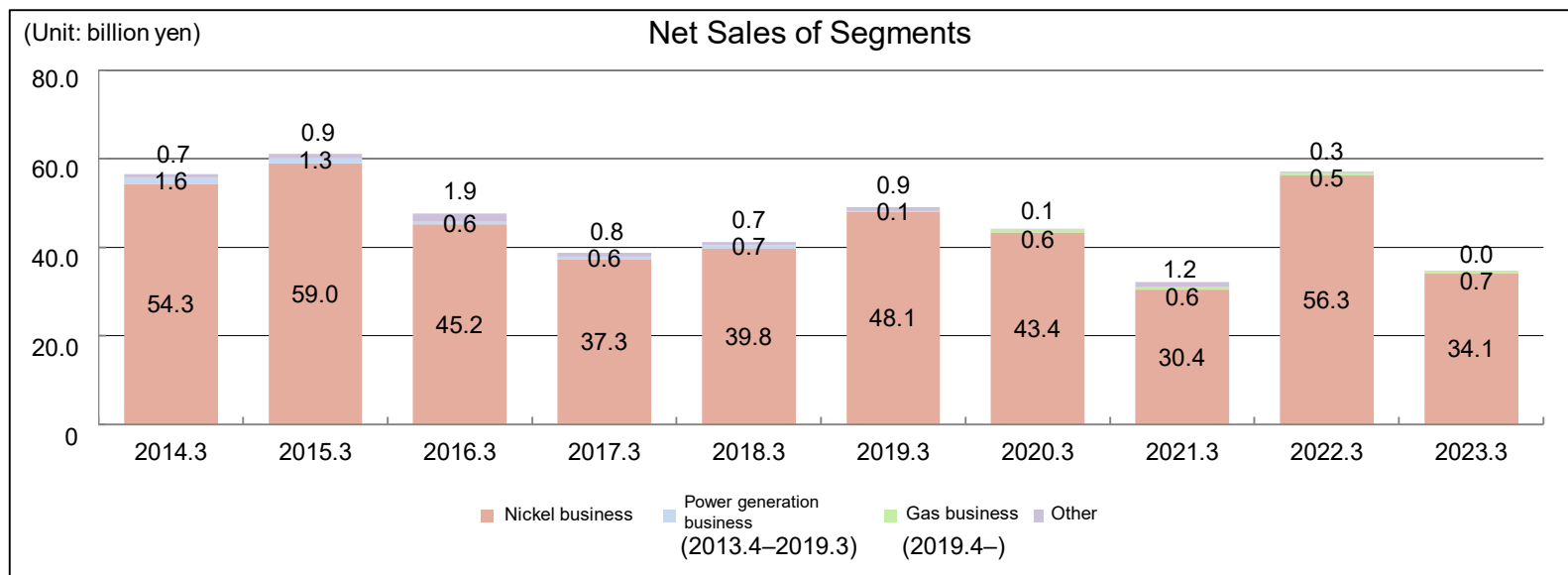
## Brief History

1949	Founded as Nisso Steel Co., Ltd. after being spun off from the steel division of Nippon Soda Co., Ltd.
1952	Listed on both the Tokyo and Osaka Stock Exchanges
1954	Started production of ferronickel
1968	Started production of stainless steel
1970	Absorbed Pacific Nickel Co., Ltd. through merger and changed its name to Pacific Metals Co., Ltd.
1973	Acquired an equity stake in Rio Tuba Nickel Mining Corporation (the Philippines) and got involved in development of nickel mines
1987	Acquired an equity stake in Taganito Mining Corporation (the Philippines) and got involved in development of nickel mines
1995	Installed a 60,000-kVA electric furnace for ferronickel smelting. Three electric furnace systems established at the Hachinohe Works
1998	Acquired ISO 9002, then transitioned to ISO 9001: 2000 in 2003
1999	Withdrew from the stainless-steel business. Transferred headquarters function to Hachinohe to become a specialized manufacturer of ferronickel
2003	Started a waste recycling business
2009	Acquired ISO 14001 (environmental management)
2012	Acquired OHSAS 18001: 2007
2013	Started operation of wastewater terminal treatment facilities
2014	Started operation of an Integrated Management System
2023	Withdrew from the waste recycling business



Head Office (Hachinohe Works)





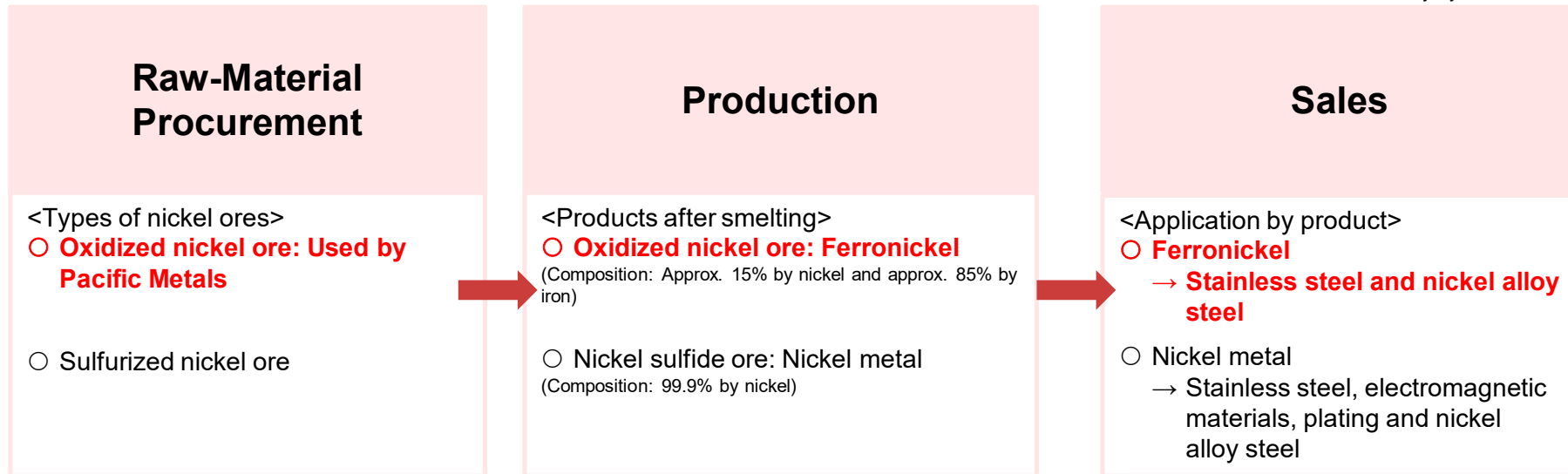
Segment	Company Name	Ownership Ratio	Business (As of March 31, 2023)
Nickel Business (Note)	Pacific Metals Co., Ltd.		Production and sales of ferronickel products, ferronickel slag products, and incinerated ash recycling
	◎ Taiheiyo Kosan Co., Ltd.	74.0%	Transport, contracting, real estate, etc.
	* Taganito Mining Corporation	33.5%	Mining and sales of ore (in the Philippines)
	* Rio Tuba Nickel Mining Corporation	36.0%	Same as above
	* Pacific Sowa Corporation	33.7%	Sales of cast and forged steel products, industrial machinery, etc.
Gas Business (Note)	◎ Pacific Gas Center Co., Ltd.	50.0%	Production and sales of gasses

◎: Consolidated subsidiary \* : Affiliated company accounted for by the equity method

(Note) Pacific Metals has changed its business segments to be described as reportable segments of the Group since the second quarter of the fiscal year ended March 2021, and has set "nickel business" and "gas business" as the reportable segments.

### 1) Ferronickel business—from raw-material procurement to sales—

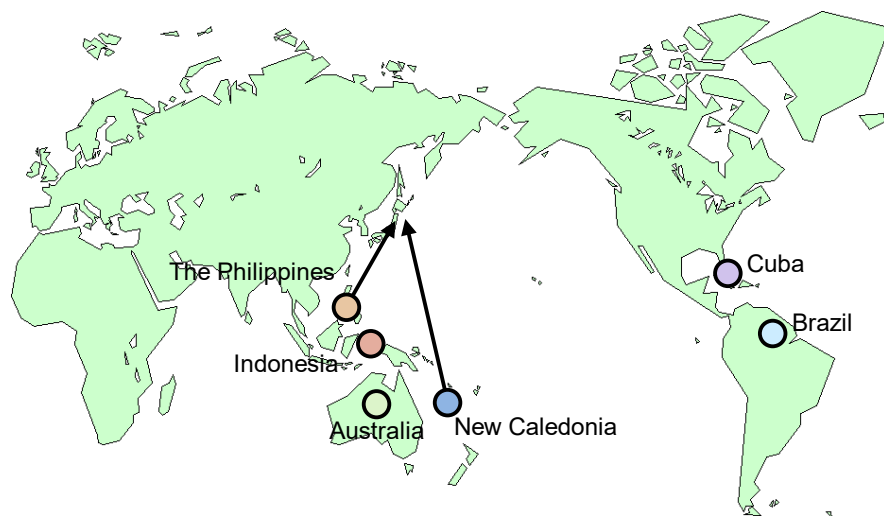
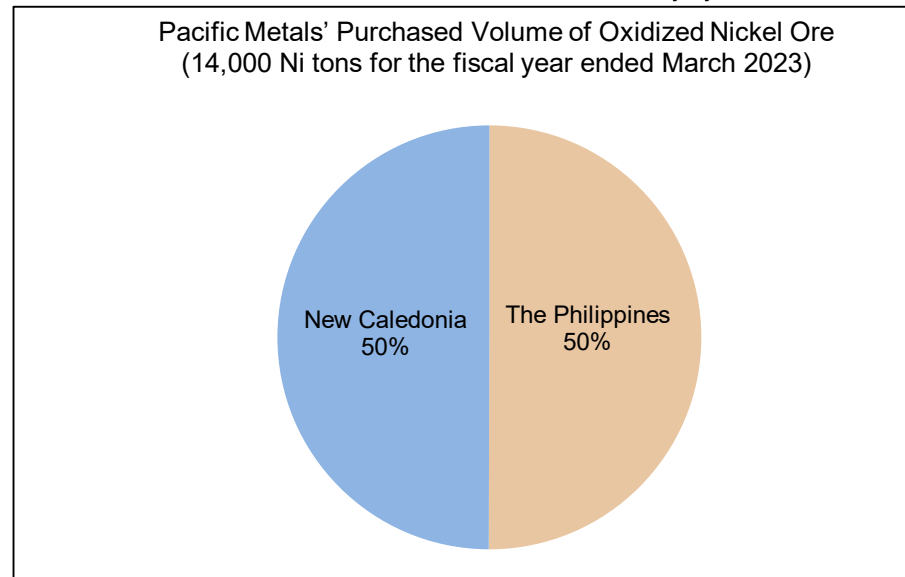
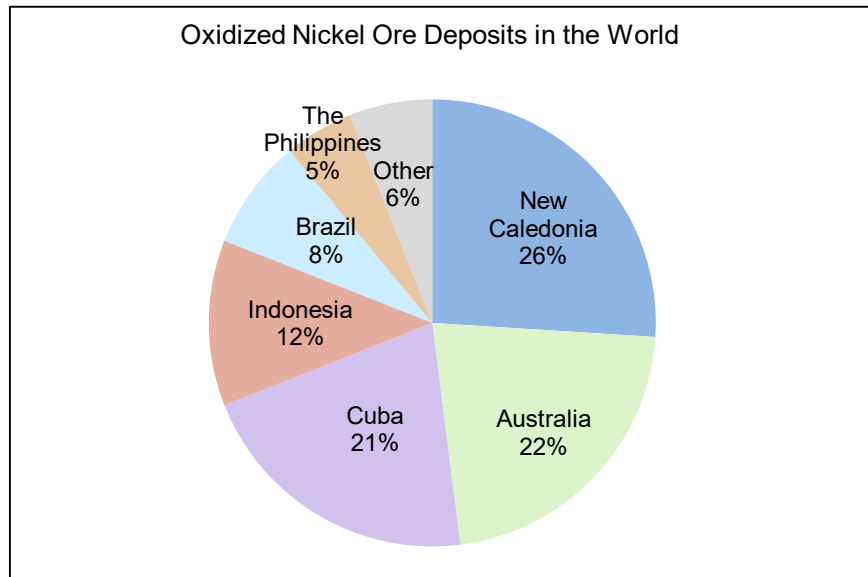
\* Survey by Pacific Metals



\* Reference figures on the assumption that nickel ore grade is 1.7% (on a dry-basis) and annual nickel production is 30,000 tons.

### 1) Ferronickel business—raw-material procurement—

\* Survey by Pacific Metals



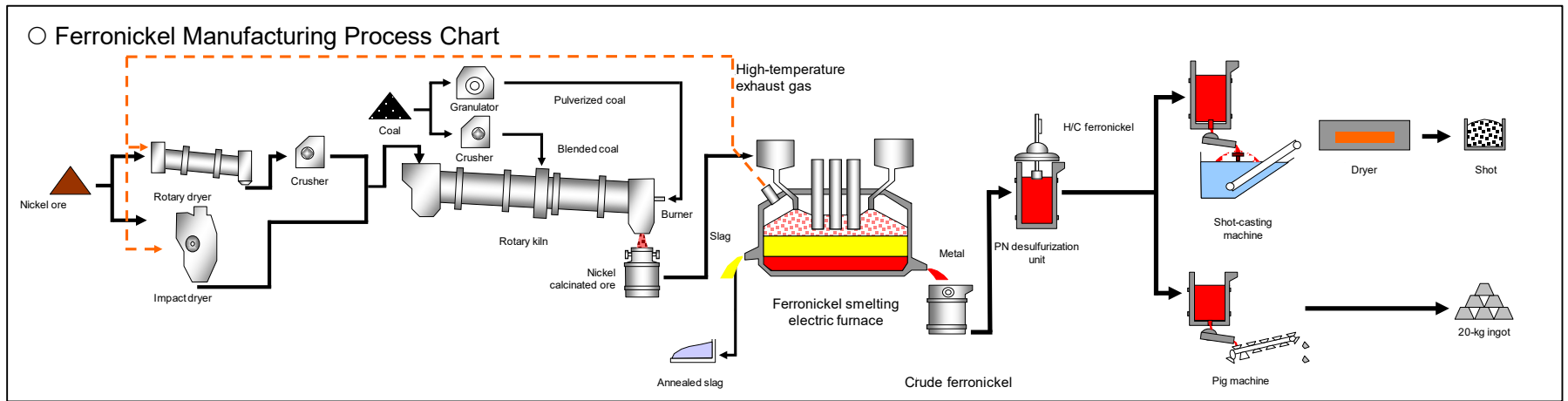
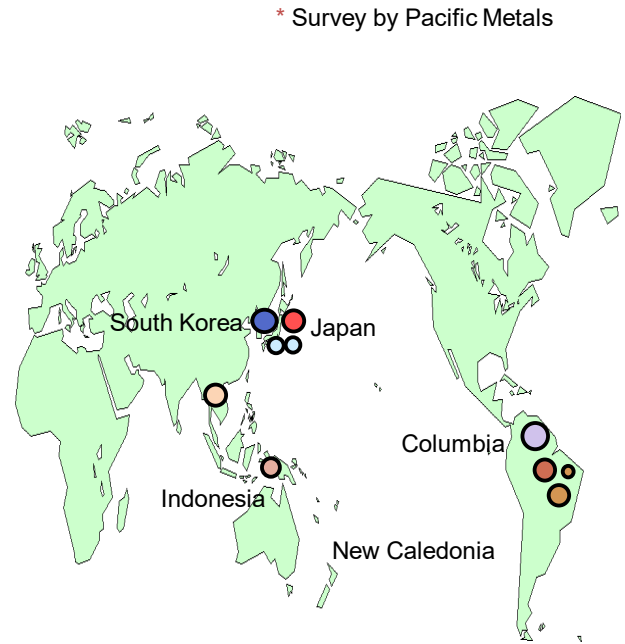
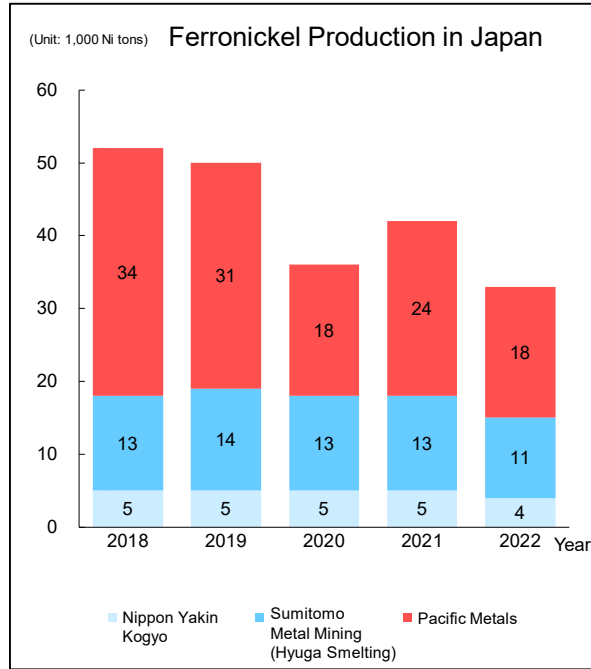
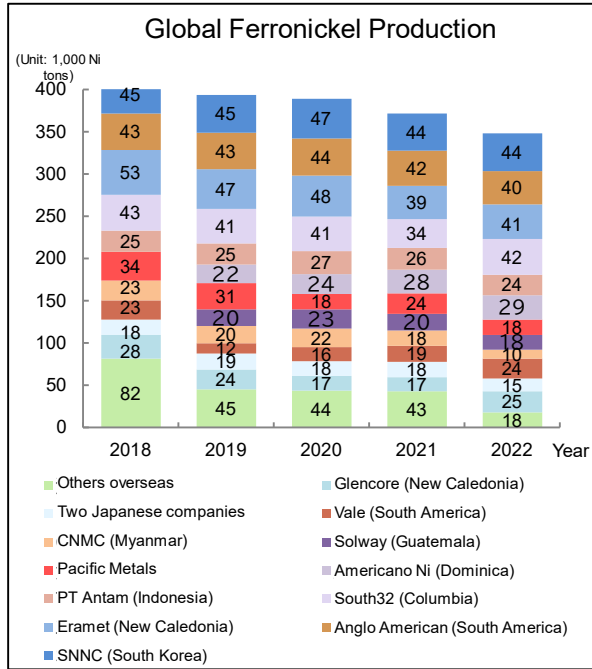
○ The Philippines  
Rio Tuba Nickel Mining and Taganito Mining are joint ventures in which Pacific Metals holds a 36% stake and a 33.5% stake, respectively. Pacific Metals has provided full-scale technical and personnel assistance and kept mutual exchange since the initial stage of mine development.

○ New Caledonia  
Pacific Metals has had transactional relations with Montagna for more than 20 years, and has offered various forms of assistance including financing to MKM. We have provided both companies with technical cooperation concerning the operation of mines to procure ore stably based on 10-year long contracts.

○ Indonesia  
Pacific Metals provided PT Antam with technical assistance as the general supervisor related to the construction of Indonesia's first ferronickel smelting plant as of 1975, and operational guidance. Since then, the Company has provided a wide range of technical assistance in mining operations, nickel smelting, etc. over the years.

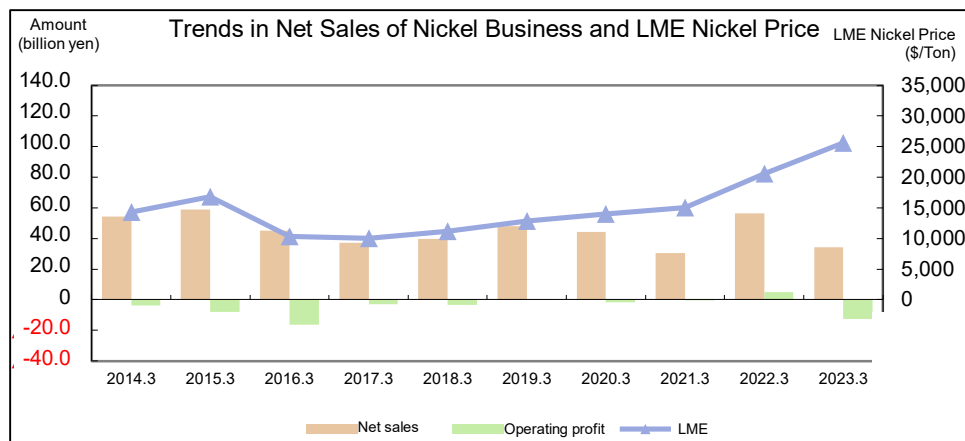
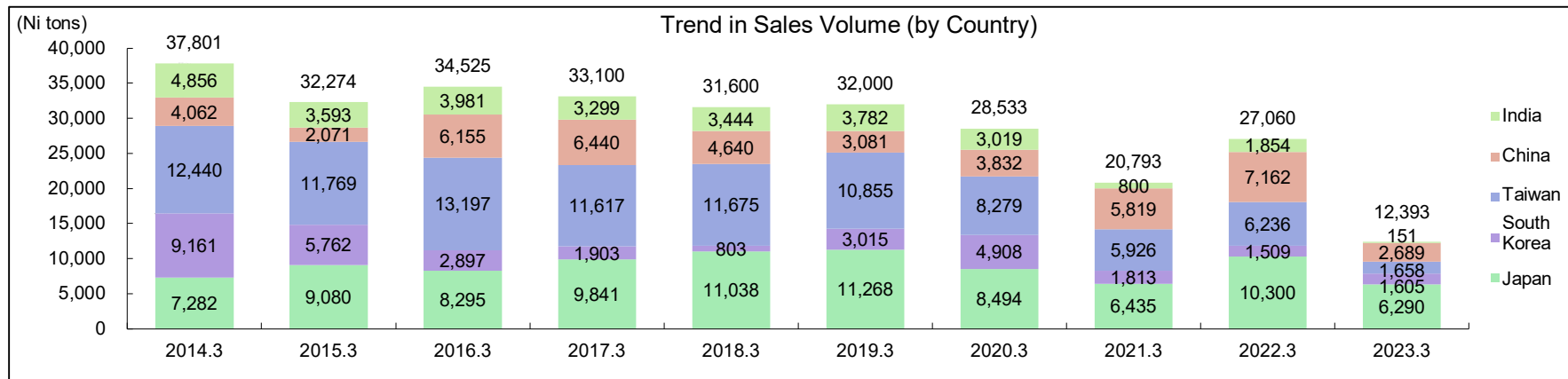
\* In January 2014, a policy to ban exports of unprocessed ore came into effect. From January 2017 to December 2019, that policy was partially eased.

## 1) Ferronickel business—production—





### 1) Ferronickel business—sales—



#### Standards for the Ferronickel Sales Price

○ For Japan

[The LME nickel price (Average of the previous 3 months)] ×  
[Foreign exchange rates (Average of the previous 3 months)]

○ For export

[The LME nickel price (Average of the previous month)] ×  
[Foreign exchange rates (spot)]

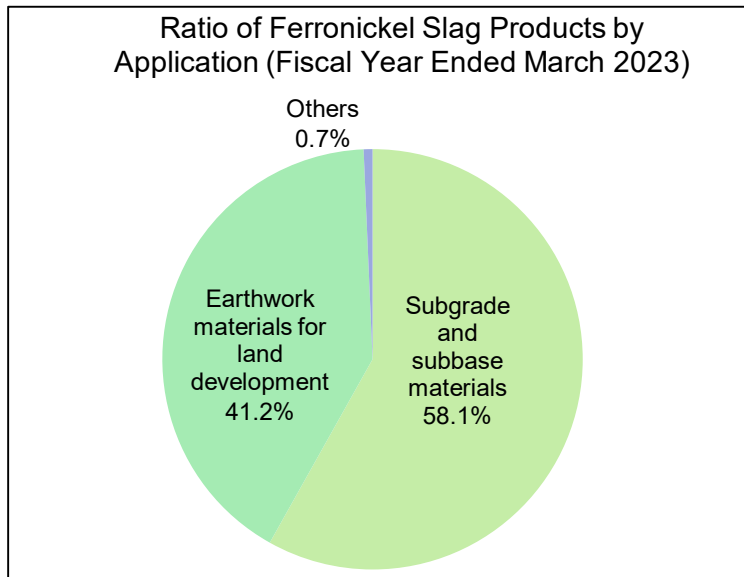
→ Pacific Metals' revenue is linked with the LME nickel price

\* Reference prices are adjusted in addition to the above due to changes in the sales environment

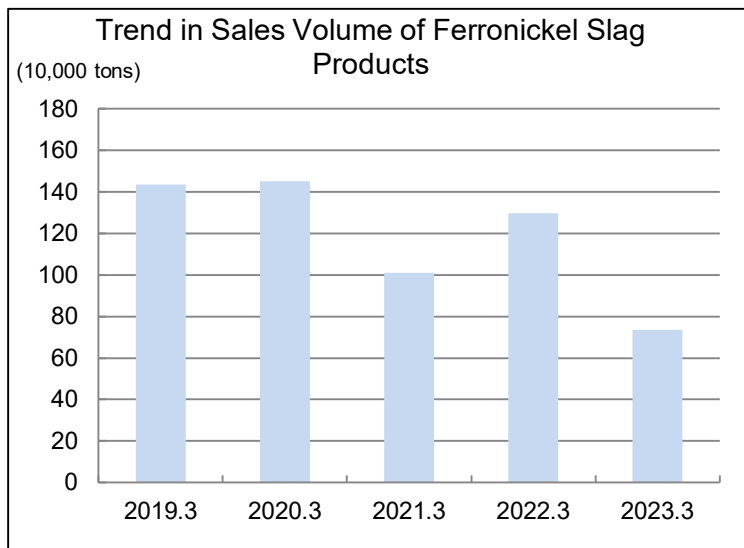
(Nickel Business)	2014.3	2015.3	2016.3	2017.3	2018.3	2019.3	2020.3	2021.3	2022.3	2023.3
Net Sales (Million yen)	54,302	59,065	45,239	37,357	39,855	48,142	44,133	30,419	56,338	34,135
Operating Profit (Million yen)	-3,978	-7,987	-16,208	-3,129	-3,412	382	-1,879	-567	4,950	-12,441
LME (\$/Ton)	14,356	16,825	10,387	10,042	11,159	12,893	13,991	14,999	20,602	25,629
FX TTS (¥/\$)	101.24	110.93	121.14	109.38	111.85	111.91	109.74	107.06	113.38	136.47

\* The LME nickel price and FX TTS are the averages during each fiscal year.

### 2) Ferronickel slag business—overview—



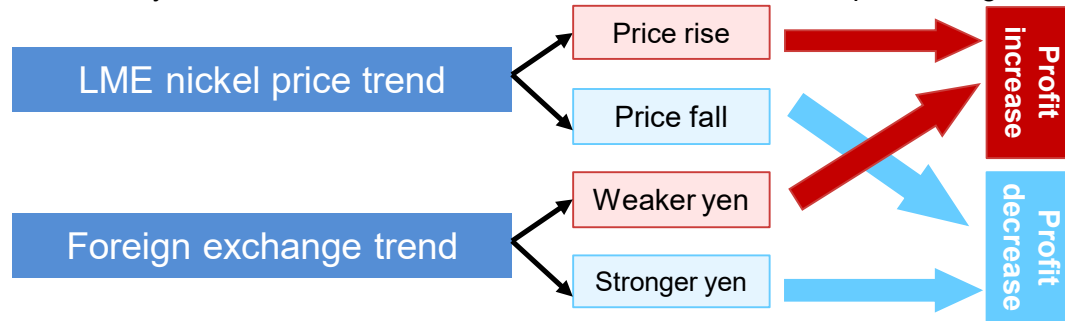
Application	Main Features and Benefits
(1) Subgrade and subbase materials	Suitable for soil covering to improve soft ground
(2) Earthwork materials for land development	Sufficient strength as subbase material and high freeze-thaw resistance
(3) Smelting materials	Used as auxiliary raw materials to adjust the composition of blast-furnace slag



Scene of Pacific Metals' ferronickel slag products in use

#### (1) How do the LME nickel price and foreign exchange rates affect operating results?

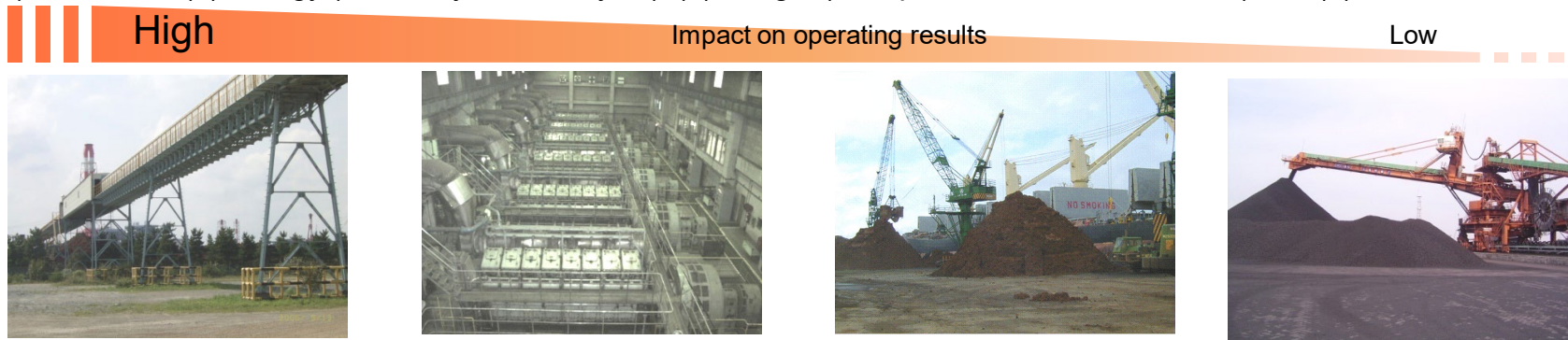
- Premise: The selling price of ferronickel products is based on the standard which is [LME nickel price] × [Exchange rates] (See page 9)
- Therefore, a rise in the LME nickel price and a weak yen in the FX market work to Pacific Metals' advantage. (On the other hand, a weak yen in the FX market becomes a factor that increases purchasing costs of raw materials.)



\* The standard composition is shown in the chart. Note that the range of increase/decrease in profit fluctuates due to adjustments to reference prices associated with changes in the sales environment.

#### (2) Which cost factors have a stronger effect on operating results?

- To cite factors impacting operating results in descending order.  
 (1) Nickel ore, (2) Energy (electricity and heavy oil), (3) Freight (transport of nickel ore and coal) and (4) Coal



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# Medium-term Business Plan PAMCO-2024

(Announced on May 10, 2022)

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## (1) Positioning of the Medium-term Business Plan

- 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.

\* Promoting a sustainable strategy to solve society’s issues and PAMCO’s material issues.



## (2) 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 U.S.-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>		

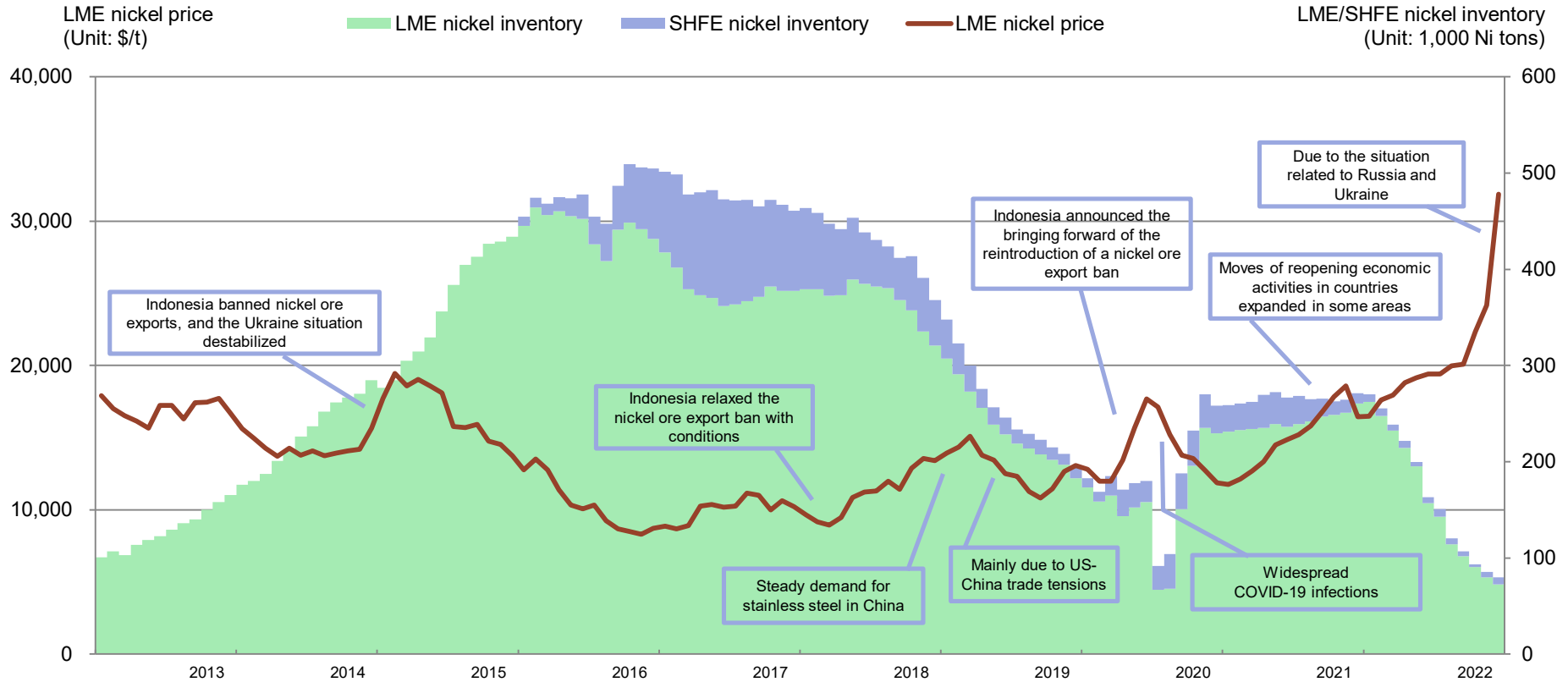
*Increased momentum of initiatives to minimize “risks” and exploit “opportunities”*

(3) Material issues (materiality)

- Restructuring of ferronickel production and sales systems with emphasis on profitability
- Acceleration of consideration of expansion into overseas smelting business
- Creation of new businesses that contribute to society
- Diversification of business in Japan to contribute to a recycling-oriented society
- Enhancement of corporate value by addressing sustainability issues

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

\* Surveyed by Pacific Metals



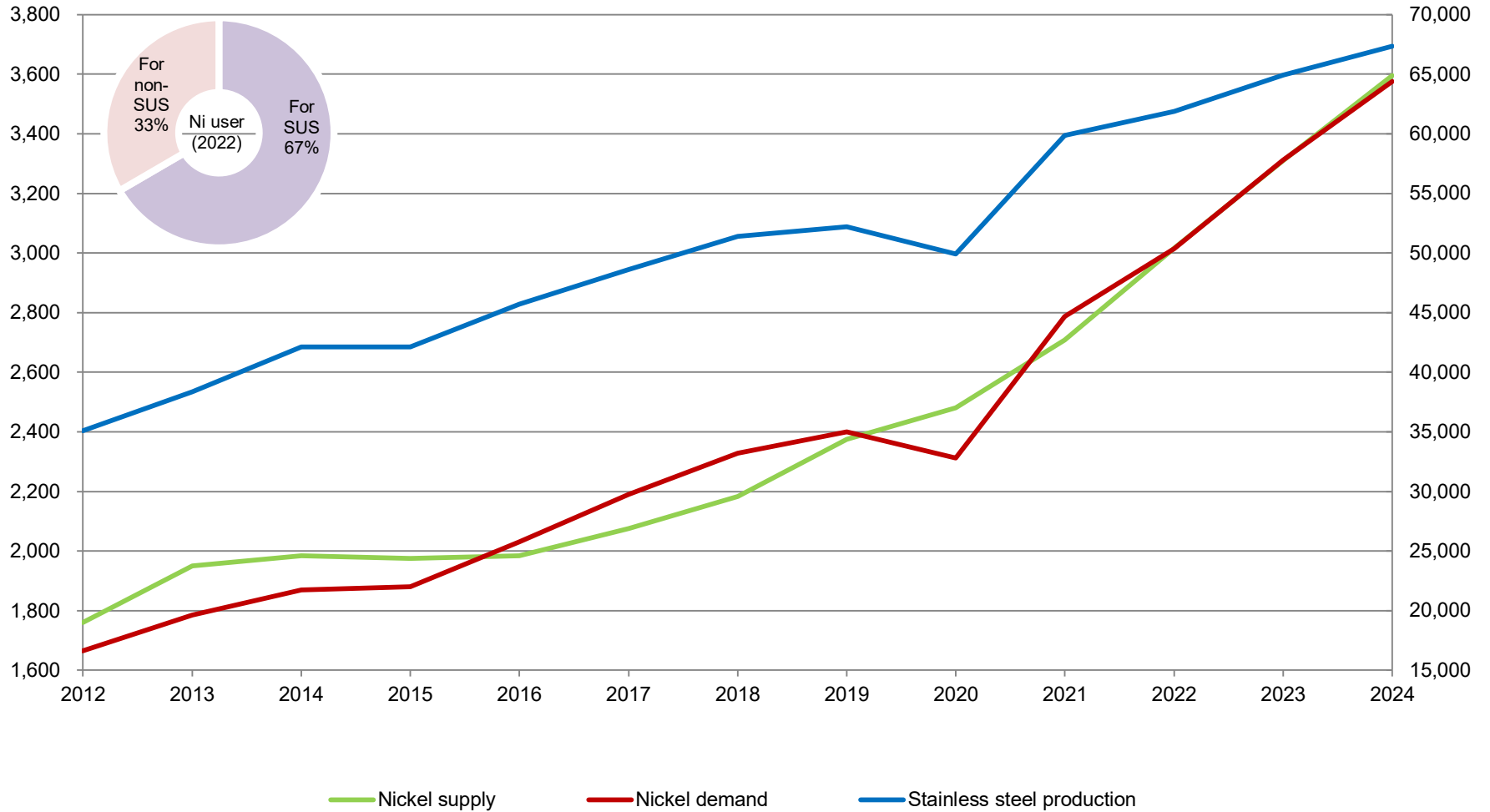
Trend in operating results	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
<b>Net sales</b> (million yen)	58,488	56,408	61,225	47,649	38,697	41,210	49,062	44,133	32,217	57,129
<b>Operating profit</b> (million yen)	2,168	-4,079	-7,787	-15,357	-3,070	-3,239	176	-1,879	-493	4,806
<b>Ordinary profit</b> (million yen)	4,920	-1,838	-91	-12,283	-515	-203	3,451	972	3,344	12,999



## (5) Outlook for 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)

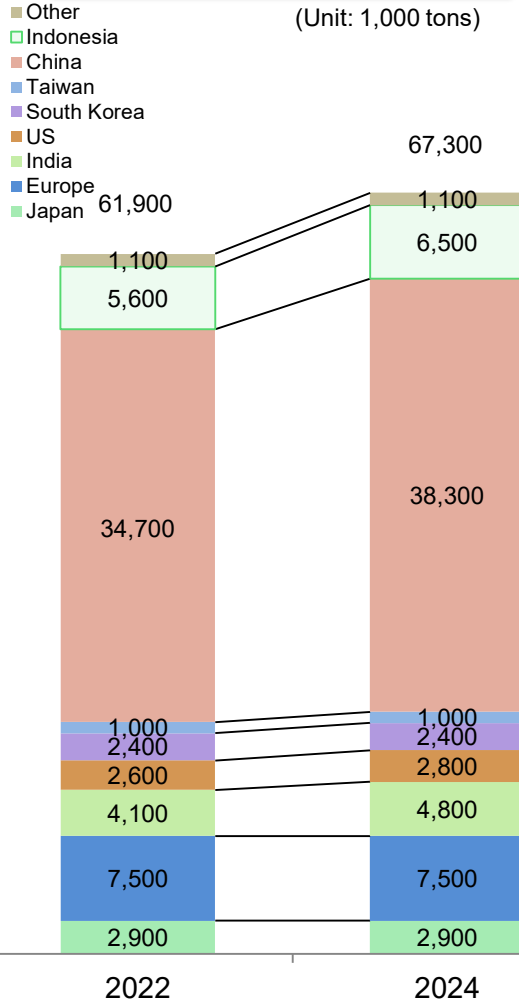


## (6) Outlook for stainless steel production and nickel supply and demand by region

\* Survey by Pacific Metals

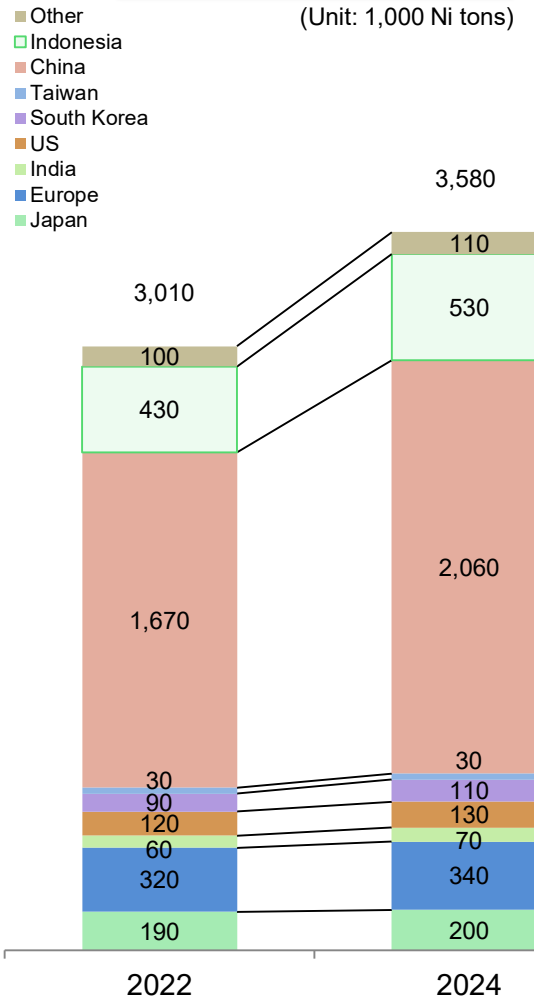
**Outlook for stainless steel production**

(Unit: 1,000 tons)



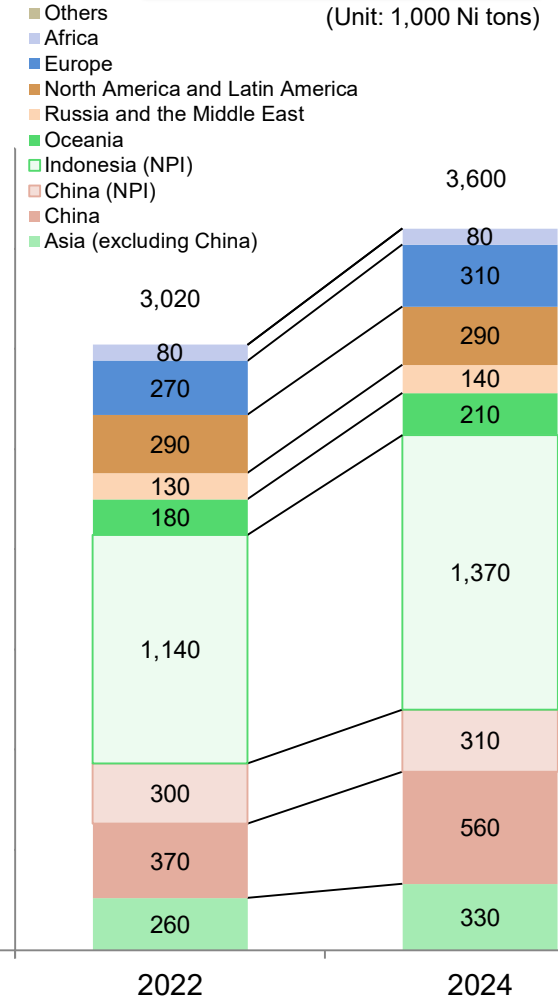
**Outlook for nickel demand**

(Unit: 1,000 Ni tons)



**Outlook for nickel supply**

(Unit: 1,000 Ni tons)



## (7) Priority measures

*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
  - Establish optimal production system to further strengthen the platform.

- 2) Strengthening of cost competitiveness by reviewing procurement strategy
  - Review and strengthen procurement strategies for fuels and other raw materials, according the highest priority to cost competitiveness.

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



- 3) Promotion of overseas smelting projects and start-up of production
  - Establish optimal ferronickel production and sales system by combining domestic and overseas smelting operations.

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



- 4) Promotion of production and sales of raw materials for LIB materials
  - Create a business to manufacture and sell raw materials for LIB materials by utilizing hydrometallurgical technologies.

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



- 5) Restructuring of recycling business
  - Promote restructuring of our recycling business through collaboration with other companies, etc.

## (7) Priority measures

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

### Enhancement of corporate value by addressing sustainability issues

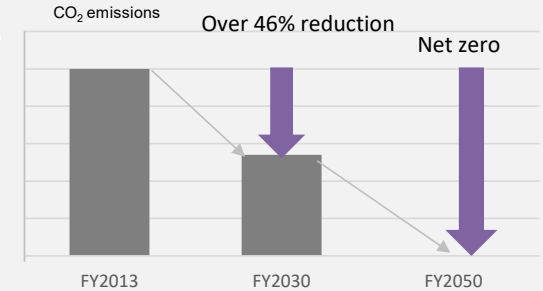


#### 6) Sustainability Promotion Council

- 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.

#### 7) Reduction of GHG emissions

- To achieve carbon neutrality by FY2050, implement measures with clear targets, including use of carbon-free energy and introduction of new technologies.



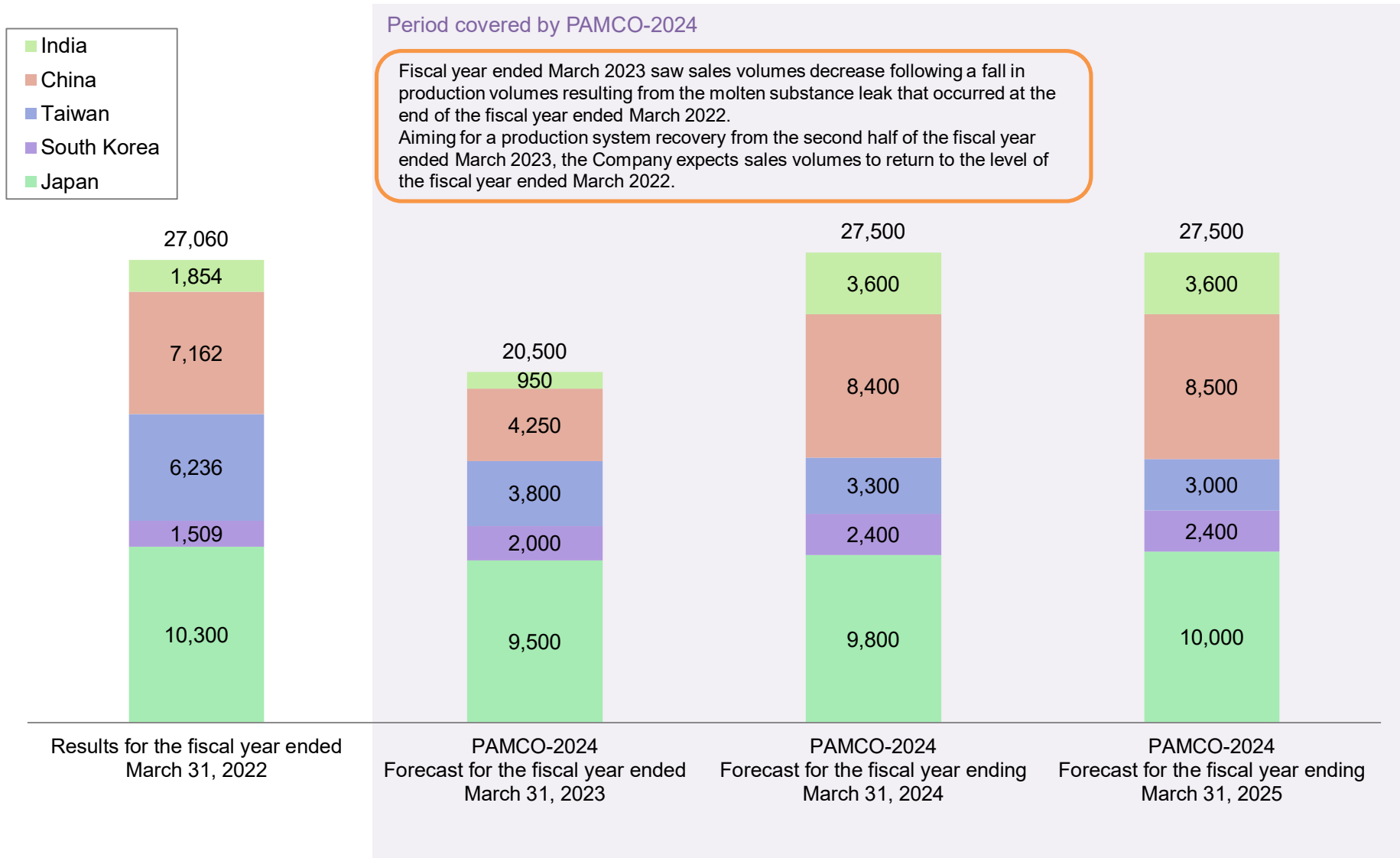
#### 8) Promotion of symbiosis by contributing to the development of regions and resource-rich countries

- Promote symbiosis through activities that contribute to the development of the region and resource-rich countries.

#### 9) Promotion of constructive dialogue with stakeholders

- 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.

## (8) Outlook for sales by country



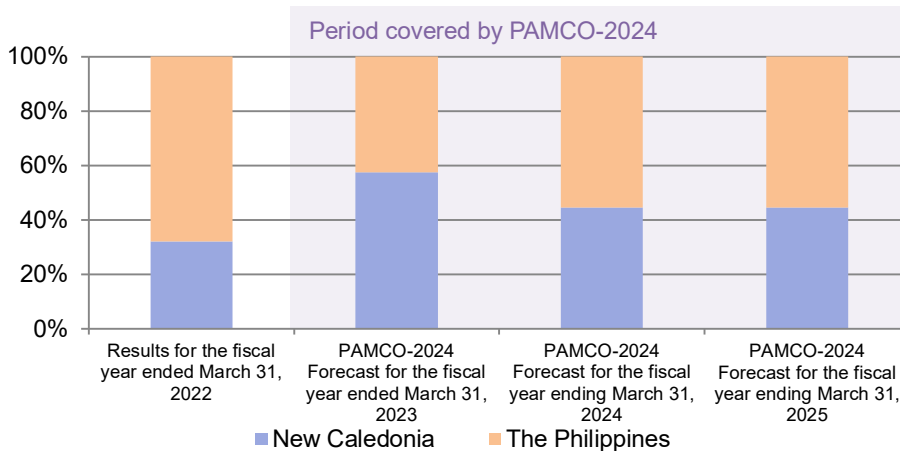
## (9) Ore procurement plan

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

Other party in long-term contracts	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ending March 31, 2024	Fiscal year ending March 31, 2025
<span style="color: orange;">■</span> Rio Tuba Nickel Mining Corporation (36% stake held by Pacific Metals)	Prior contract period		Renewed	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)				
<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**
  - Export ban of 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 ores procurement from New Caledonia.

## (10) Investment plan

- |                         |  |
|-------------------------|--|
| 1) Capital investment   | <ul style="list-style-type: none"> <li>• Capital investment that contributes to the maintenance, efficiency, and longevity of facilities</li> </ul>  |
| 2) Strategic investment | <ul style="list-style-type: none"> <li>• i) Domestic business                             <ul style="list-style-type: none"> <li>➢ Business investment based on business profitability evaluation of domestic business candidates considered in PAMCO-2021</li> </ul> </li> <li>• ii) Overseas business, resources                             <ul style="list-style-type: none"> <li>➢ Business investment based on decision to participate in overseas smelting projects</li> <li>➢ New mining area development surveys, etc., to secure resources</li> </ul> </li> <li>• iii) R&amp;D investment                             <ul style="list-style-type: none"> <li>➢ R&amp;D investment for sustainable nickel business</li> </ul> </li> </ul> |

(Million yen)	Period covered by PAMCO-2021	Period covered by PAMCO-2024			
		FY2022	FY2023	FY2024	Total
1) Capital investment	2,466	1,495	1,351	1,004	3,850
2) i) Domestic business	—	53	500	7,472	8,025
2) ii) Overseas business, resources	—	5,506	18	8	5,532
2) iii) 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>

*Promoting investment to achieve the priority measures of new medium-term business plan PAMCO-2024*

## (11) Capital policy

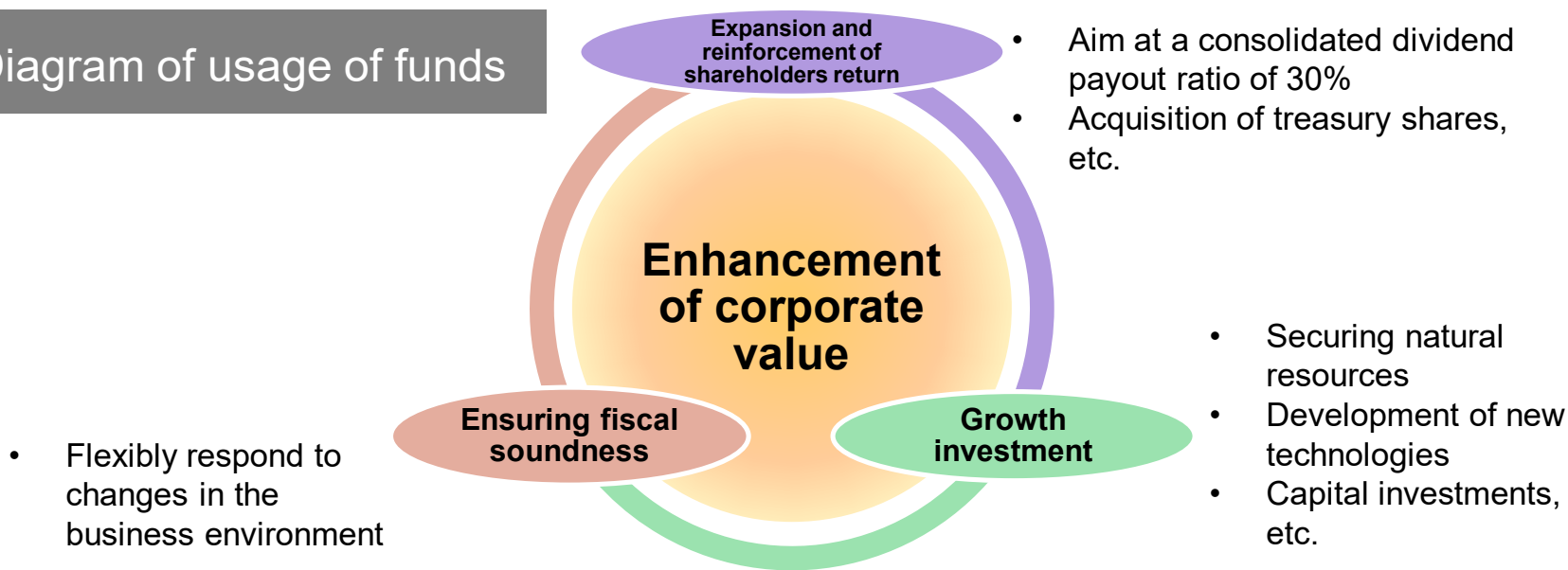
### 1) Dividends of surplus

- 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.

### 2) 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



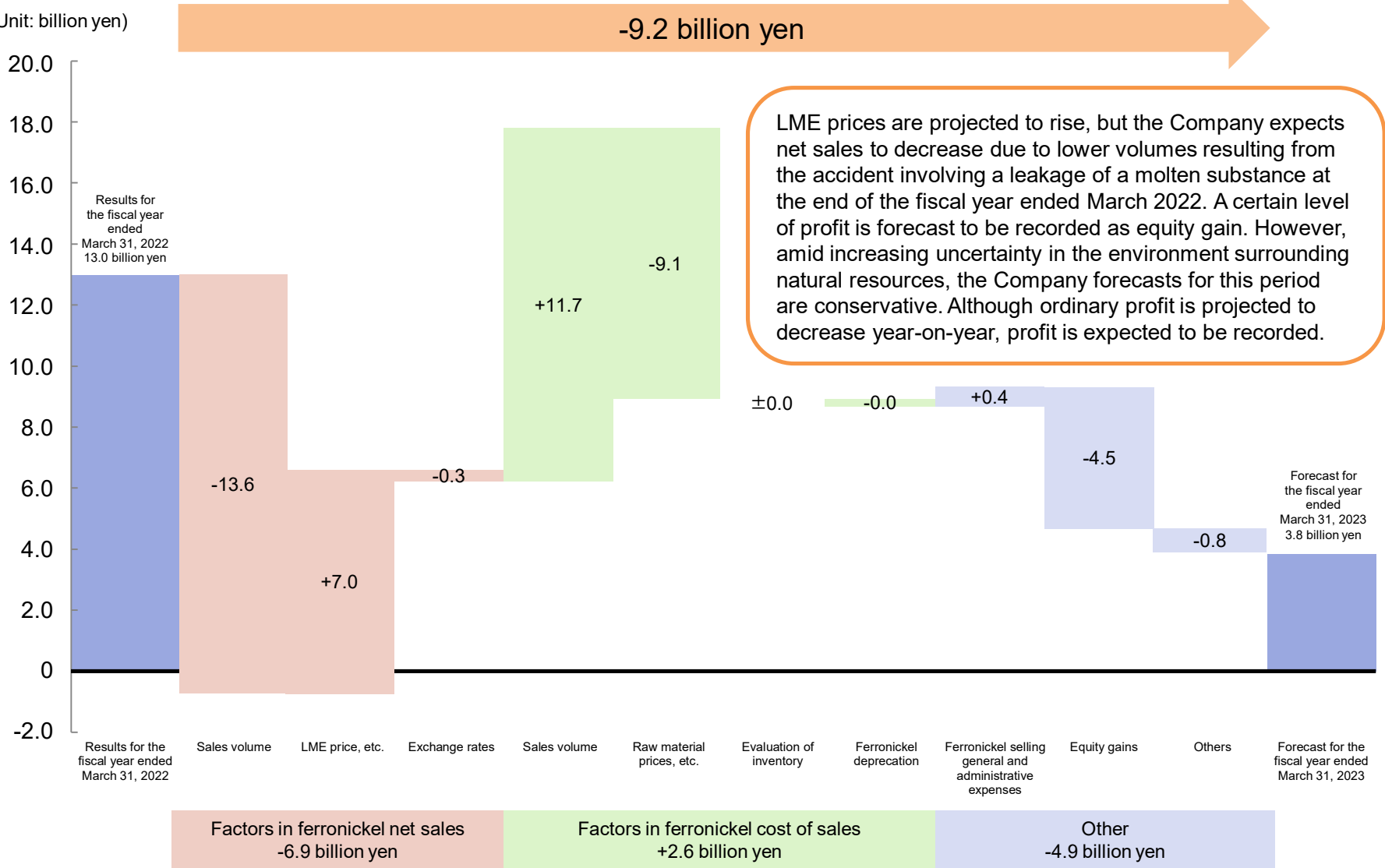


## (12) Indicators for each fiscal year (earnings plan)

(Million yen)		Period covered by PAMCO-2024			
		FY2022	FY2023	FY2024	Total
Production volume	Ni t	20,810	29,037	28,454	78,301
Sales volume	Ni t	20,500	27,500	27,500	75,500
Applicable LME nickel price	(US\$/lb.)	9.73	8.79	8.75	9.03
Applicable exchange rate	(¥/US\$)	111.05	111.06	111.07	111.06
Consolidated (Million yen)	Net sales	50,210	60,958	60,801	171,969
	Operating profit	925	225	1,809	2,959
	Ordinary profit	3,844	2,822	4,549	11,215
	Profit attributable to owner of parent	3,513	2,415	4,058	9,986
	Total assets	89,594	91,934	97,914	—
	Net assets	81,026	82,416	85,797	—
	Investment	7,089	1,869	9,484	18,442
	Depreciation	314	402	536	1,252

## (13) Consolidated ordinary profit and loss analysis (First year of PAMCO-2024 period)

(Unit: billion yen)



LME prices are projected to rise, but the Company expects net sales to decrease due to lower volumes resulting from the accident involving a leakage of a molten substance at the end of the fiscal year ended March 2022. A certain level of profit is forecast to be recorded as equity gain. However, amid increasing uncertainty in the environment surrounding natural resources, the Company forecasts for this period are conservative. Although ordinary profit is projected to decrease year-on-year, profit is expected to be recorded.



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