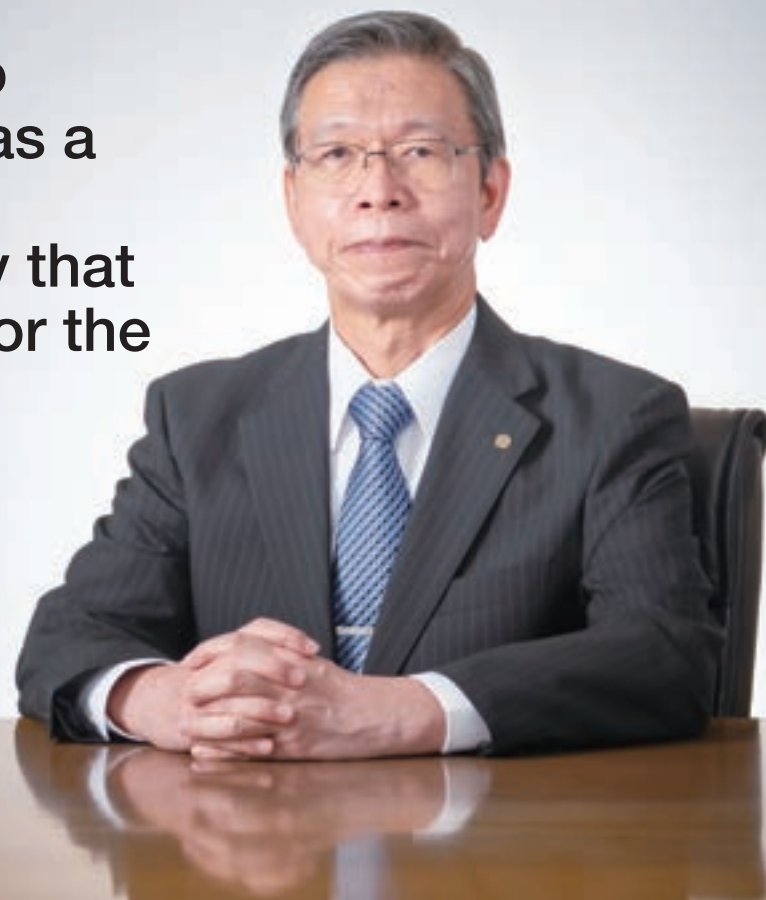


Message From the President

We will continue to tackle challenges as a comprehensive materials company that creates a society for the next generation

Masayuki Aoyama

President and Representative Director



► Underpinning Society by Constantly Meeting the Needs of Changing Times

The Company was founded in 1949 and today our primary product is ferronickel, an alloy of iron and nickel that is the main raw material for stainless steel. We are responsible for the entire process from purchasing ore from overseas and production (smelting) to sales to stainless steel manufacturers and other customers. In addition to possessing one of the world's largest ELKEM-type electric furnaces at our plant in Hachinohe City, Aomori Prefecture, we have built a position as one of the world's leading ferronickel manufacturers based on our in-house developed smelting technology.

Ferronickel has excellent heat resistance and holds up well against corrosion and oxidation. As mentioned above, ferronickel is used as the main raw material for stainless steel for various applications ranging from tableware to construction materials and aircraft parts. While there may be quite a few people who are unfamiliar with this, stainless

steel is a generic term that refers to a vast array of products that vary in their proportions of iron, nickel, chromium, and other content, with JIS designations ranging up to the 600 series. To meet the needs of a diverse range of stainless steel manufacturers and other customers, we have made a commitment to thorough quality control. As a result, we are proud of the stellar reputation that we have earned for the quality of our various products.

Based on our company philosophy, which is to "leverage the power of people to deliver the earth's resources in more useful forms and contribute to the happiness of humankind," we are currently conducting research into the production of processed ferronickel slag, a byproduct of the ferronickel smelting process, as well as the creation of new businesses related to recycling by applying smelting technology to low-grade nickel ore.

► Strategic Control of Sales Volume Addresses Sudden Changes to a Severe Selling Environment

As for the business environment surrounding the Company, the stainless steel industry, which is the main source of demand for ferronickel, is recovering in demand after the COVID-19 pandemic, and the supply and demand for nickel is expected to continue to grow at a steady pace. In addition, amid the worldwide shift toward achieving a low-carbon society, the tide is also rising for business opportunities related to low-carbon products. On the other hand, the trends in China, a major country in terms of stainless steel production and nickel demand, have since before COVID-19 exerted an impact on the entire industry, including the Company's own nickel business.

For years we have been actively engaged in overseas business, including nickel mine development projects in the Philippines, technical assistance to Indonesia, the Philippines and New Caledonia, as well as the opening of offices in the Philippines and Jakarta for the procurement of nickel ore.

Meanwhile, since the 2000s, as the real estate market in China boomed, that country ramped up production of nickel pig iron (NPI), which is produced from relatively low-grade nickel ore. Coincidentally, against a backdrop of resource nationalism in the nickel ore-supplying countries, Indonesia has now banned the export of unprocessed ore, and the amount of nickel supplied with NPI, the production, smelting, and processing of which is backed by Chinese and other capital, accounts for about 1/3 of the world's nickel supply. The price of ferronickel handled by the Group is based on the nickel price on the London Metal Exchange (LME), which has remained high in recent years. However,

overseas stainless steel producers have shifted some of their procurement to NPI, which has a price advantage over high-purity ferronickel, and this has also affected our ferronickel selling prices, creating a situation that cannot be ignored. As a result, our selling price is partially based on the LME nickel price applicable to the Company and the average exchange rate of Japanese yen against U.S. dollar applicable to the Company, as well as NPI prices. Furthermore, the curtailment of economic activities in China due to measures to counter COVID-19 infections and the slump in the real estate market resulted in a slackening of supply-demand balance for nickel, which was a factor in the reduction in selling price.

Amid escalating severity in competition in such a market, in the fiscal year ended March 31, 2023, production costs, including prices of raw materials, fuel, and electricity, rose due to the globally high prices of resources against the backdrop of the situation in Ukraine and other factors. In the midst of rapid change to the severe business environment in which revenue growth was sluggish, we shifted our policy to strategic volume control that does not impair profitability. As a result, consolidated net sales decreased by 39.0% year on year to ¥34,852 million, operating loss was ¥12,588 million (compared with operating profit of ¥4,806 million for the previous fiscal year), and loss attributable to owners of parent amounted to ¥5,026 million (compared with profit attributable to owners of parent of ¥11,368 million for the previous fiscal year).

► PAMCO-2024, Tackling Material Issues as a Sustainable Strategy

With an eye toward 2030, the Company has presented its long-term vision as being "a comprehensive materials company that co-creates a sustainable, recycling-oriented society." In promoting the efficient use and recycling of finite resources, our aim as a comprehensive materials company that handles nickel, other metals and recycled materials, among others, is to work with our stakeholders for a sustainable recycling-oriented society.

Furthermore, to realize our long-term vision, we have formulated the three-year medium-term business plan "PAMCO-2024," which commenced from April 2022. Its

theme is to "further strengthen the platform and promote the sustainability strategy," and we are also making efforts for "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," and "enhancement of corporate value by addressing sustainability issues," as material issues.

► Wielding Our Assets of Quality and Technology to Rebuild Production and Sales Systems

As I mentioned above, we are exercising ongoing strategic control of production given the current severe sales market and continuously soaring costs of raw materials, fuel, and

electricity, in our efforts of "restructuring of ferronickel production and sales systems with emphasis on profitability" which is one of the material issues being addressed by the

Message From the President

medium-term business plan. Specifically, the Company is continuing to operate two ferronickel manufacturing facilities in response to a molten material leakage incident at one of the three ferronickel manufacturing facilities' electric furnaces. At the same time, we will strive to receive orders with an emphasis on profitability based on the high value-added nature of the Group's products, build a flexible production and sales system, early realize overseas

business development and new mine development, and continue to strengthen measures to improve operational efficiency.

With regard to "acceleration of consideration of expansion into overseas smelting business," we will continue to discuss with our overseas partners about our participation in smelting operations outside of Japan.

► Contributing to Decarbonization and the Creation of a Recycling-Oriented Society through Business

As part of our efforts for "creation of new businesses that contribute to society," we are working to realize a business of manufacturing and selling raw materials for lithium-ion battery (LIB) materials. LIB cathode materials contain lithium, cobalt, nickel, and other rare metals, and these are designated as substances of specific importance that depend on certain countries, and this leads to an urgent need to secure stable worldwide supplies of these metals.

We are now continuing to study commercialization with an eye to collaboration with other companies. We have also begun joint research and development with other companies for the development of LIB recycling technology. Furthermore, in August 2023, the Company signed a joint development agreement with Microwave Chemical Co., Ltd. for microwave-based nickel smelting technology. In 2014, Microwave Chemical succeeded in developing the world's first microwave-based manufacturing process for a large-scale chemical plant. Through joint development, coal combustion during nickel ore smelting will be replaced by microwaves generated by electricity, thereby significantly reducing CO₂ emissions. We aim to achieve carbon neutrality by FY2050, and by FY2030 intend to reduce our greenhouse gas emissions by 46% or more compared to the FY2013 level. This joint development is aimed at introducing actual equipment by FY2030 after conducting experiments with a large demonstration unit, and is an initiative to achieve a stable supply of nickel and other metals while promoting decarbonization and to achieve carbon neutrality for the Company. In addition, ferronickel

slag, a byproduct of ferronickel smelting, has been used mainly as a substitute for natural sand and aggregate for components of bridges or roads. However, in field trials conducted in recent years, when used as an agricultural fertilizer the magnesium and silicic acid contained in ferronickel slag have been proven by third-party analysis to be effective in improving clay soil and producing abundant crops. We will continue to move forward on developing applications with the goal of contributing to a recycling-oriented society.



► Achieving Sustainable Growth, Continuing to Tackle New Challenges

Toward "enhancement of corporate value by addressing sustainability issues," we are putting in place a system for conducting sustainability measures company-wide, and in June 2021, we established the Sustainability Management Section in the Corporate Planning & Coordination Department, and in November of the same year, we established the Sustainability Promotion Council with the President serving as a chairman and full-time Directors serving as council members, to regularly discuss medium- to long-term directions and initiatives. As part of our ESG initiatives, we are working to strengthen compliance,

enhance corporate governance, and smoothly operate internal control systems as important management issues.

In addition, our capital policy is based on the three pillars of expansion and reinforcement of shareholders return, growth investment, and ensuring fiscal soundness with a view to enhancement of corporate value. We regard shareholders return as one of our most important management issues and will pay dividends with a target consolidated payout ratio of 30%, while enhancing and strengthening our corporate structure. At the same time, the Company will secure an appropriate level of internal reserves

to be used for growth investment such as securing resources, developing new technologies, and making capital investments, as well as for acquisition of treasury shares as part of our capital policies, along with funds to functionally respond to changes in the business environment and to ensure fiscal soundness.

The Company has always deeply valued its human resources. Employees are the company's treasure, and I hope that they will pass on their accumulated skills through education and work to develop new technologies. Currently, while reviewing our staffing structure, we are now allocating personnel in our R&D department and working to develop new technologies. In addition, as basic measures, we will work on themes such as safe operations, human resource development, harassment prevention, respect for human rights, and diversity to create a work environment where each and every employee can work comfortably and play an active role, thereby increasing employee engagement and enhancing corporate value.

Since our founding, we have developed our business through no small number of economic crises, including postwar reconstruction, rapid economic growth, the oil crisis, and the Great East Japan Earthquake. I have personally experienced that by continuing to take on challenges in a difficult environment, new value can be found and that will lead to the growth of the Company and oneself. We remain in a difficult business environment, but this also presents an opportunity to further reform ourselves and grow the Company again. For example, the above-mentioned joint development of microwave-based nickel

smelting technology is a technological innovation that will fundamentally change our conventional production base by converting all coal combustion in the important process of electric furnaces to electric heating, and has the potential to create new value for the Company in a decarbonized society.

Against the backdrop of global warming, addressing climate change has become a pressing issue in the world. In May 2022, we endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and we are promoting information disclosure based on the recommendations and, as mentioned above, are forging ahead toward achieving carbon neutrality by FY2050.

With the global environment on the cusp of crisis, pressure is being placed on every aspect of industry to make changes. What are the raw materials needed to maintain a livable world while protecting the environment, and what materials can keep the high standards of our social environment without damaging the global environment? How can we coexist with the global environment so that we can continue both production activities and sustainable growth? Finding answers to these questions is no simple matter, but the Company must continue to transform itself. As for myself, I will keep working with our employees to tackle challenges, and while presenting such a profile to our young workers, will pass the baton to the next generation and contribute in at least some small manner to a society where children of the future can live in happiness. To that end I would appreciate the support and cooperation of all our stakeholders.



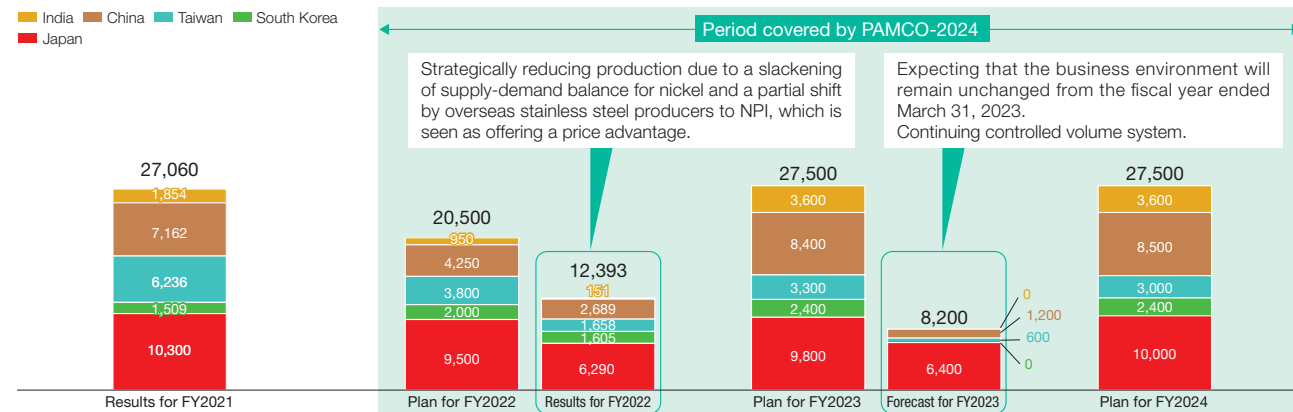
Medium-Term Business Plan “PAMCO-2024”

We have established a new long-term vision, “a comprehensive materials company that co-creates a sustainable, recycling-oriented society,” aiming to grow into a sustainable company, and we have implemented the medium-term business plan (period: FY2022-FY2024, hereinafter, PAMCO-2024) to achieve this.

Progress on Major Priority Measures (Review of FY2022)

Acceleration of consideration of expansion into overseas smelting business	Promotion and production start-up of overseas smelting projects	<ul style="list-style-type: none"> Continuing discussions with local partners in Indonesia for participation in the overseas smelting business
Creation of new businesses that contribute to society	Realization of production and sales of raw materials for LIB materials	<ul style="list-style-type: none"> Continuing to study commercialization with an eye to collaboration with other companies
	Development of LIB recycling technology	<ul style="list-style-type: none"> Start of joint research and development with Emulsion Flow Technologies Ltd.
Diversification of business in Japan to contribute to a recycling-oriented society	Promotion of new metal smelting projects	<ul style="list-style-type: none"> Now studying new metal smelting business from seabed resources, with priority on environmental and social considerations → Signed a non-binding memorandum of understanding with The Metals Company
	Restructuring of recycling business	<ul style="list-style-type: none"> Currently evaluating raw materials for steelmaking obtained through field trials, with a view to production and sale of raw materials for steelmaking and raw materials for battery materials utilizing by-products generated by other companies Currently evaluating precious metals extracted from urban mined resources for recycling by utilizing the Company's melting treatment technology
Enhancement of corporate value by addressing sustainability issues	Reduction of GHG emissions	<ul style="list-style-type: none"> Continuing to study electrification process, with microwaves to eliminate the use of fossil fuels (excluding coal required for reduction) in rotary kiln operations in the calcination process for Fe-Ni production Confirmation of removal of crystallization water from ore by microwave heating in a bench test → Now considering transition (investment) to a larger scale test
	Publication of Integrated Report	<ul style="list-style-type: none"> Published in February 2023

Outlook for Sales by Country (Unit: Ni tons)



Investment Plan

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

(Unit: million yen)	“PAMCO-2024” Plan for FY2022	Results for FY2022	(Difference)	Forecast for FY2023
Capital investment	1,495	1,126	△369	472
Domestic business	53	70	17	0
Overseas business, resources	5,506	31	△5,475	2,007
R&D investment	35	5	△30	57
Total	7,089	1,232	△5,857	2,536

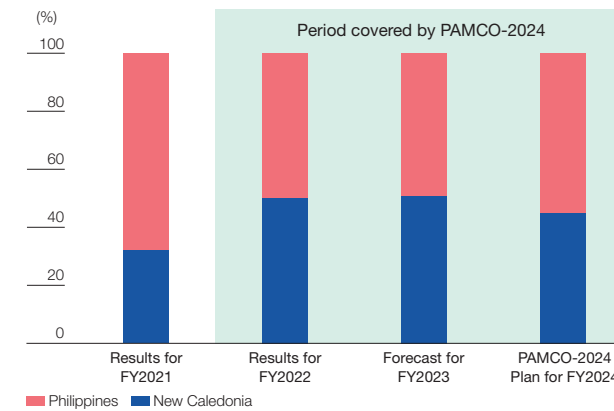
Reason for difference between FY2022 plan and results
Mainly regarding “overseas business, resources,” investment was postponed due to a change in the controlling shareholder because of the restructuring of overseas smelting project ownership. The Company plans to resume conversations with the new controlling shareholder to realize the investment, and the timing of the investment is expected to be determined depending on progress.

Ore Procurement Plan

► Status of conclusion of long-term contracts

Other party in long-term contracts	FY2021	FY2022	FY2023	FY2024	FY2025
Rio Tuba Nickel Mining Corporation (36% stake held by the Company)	Prior contract period	Renewed	Contract period: Jan. 2022 to Dec. 2026 (5 years)		
Taganito Mining Corporation (33.5% stake held by the Company)	Prior contract period		Contract period: Jan. 2022 to Dec. 2026 (5 years)		
Cagdianao Mining Corporation	Prior contract period		Contract period: Jan. 2022 to Dec. 2026 (5 years)		
Mai Kouaoua Mines (1)	Contract period: Jan. 2014 to Dec. 2023 (10 years)		To be updated		
Mai Kouaoua Mines (2)	Contract period: Jan. 2016 to Dec. 2025 (10 years)				
Montagnat SARL	Contract period: Apr. 2016 to Mar. 2026 (10 years)				

► Procurement ratio



► 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.

Quantitative Targets

	Plan for FY2022	Plan for FY2023	Plan for FY2024
Production volume (Ni tons)	20,810	29,037	28,454
Sales volume (Ni tons)	20,500	27,500	27,500
Applicable LME nickel price (US\$/ton) [US\$/lb.]	21,451[9.73]	19,379[8.79]	19,290[8.75]
Applicable exchange rate (¥/US\$)	111.05	111.06	111.07
Net sales (million yen)	50,210	60,958	60,801
Operating profit (loss) (million yen)	925	225	1,809
Ordinary profit (loss) (million yen)	3,844	2,822	4,549
Profit (loss) attributable to owners of parent (million yen)	3,513	2,415	4,058
Total assets (million yen)	89,594	91,934	97,914
Net assets (million yen)	81,026	82,416	85,797
Investment (million yen)	7,089	1,869	9,484
Depreciation (million yen)	314	402	536

	Results for FY2022	Forecast for FY2023	Remarks
Production volume (Ni tons)	13,380	7,083	Remarks The Company shifted its policy to strategically control ferronickel production and sales volume for FY2022 so as not to impair a certain level of profitability. In addition to the impact of the molten material leakage incident that occurred in an electric furnace in the ferronickel manufacturing facilities immediately before the previous fiscal year, this was due to signs of easing in the nickel supply-demand balance, and the partial shift by producers of stainless steel to procurement of NPI, which has a price advantage, even including production costs. The price of NPI has also affected the selling price of the Company's products. Our forecast is for the harsh environment to remain in FY2023, and continuing from FY2022, we expect to implement a strategic volume control policy, with which achieving a certain degree of profitability should not be hampered. As for the restoration and resumption of operations of the electric furnace that was shut down due to the leakage incident, we plan to resume operations once the volume control policy is lifted, while keeping a close eye on the business environment.
Sales volume (Ni tons)	12,393	8,200	
Applicable LME nickel price (US\$/ton) [US\$/lb.]	25,507[11.57]	22,686[10.29]	
Applicable exchange rate (¥/US\$)	135.26	134.08	
Net sales (million yen)	34,852	20,899	
Operating profit (loss) (million yen)	(12,588)	(7,299)	
Ordinary profit (loss) (million yen)	(4,960)	(4,569)	
Profit (loss) attributable to owners of parent (million yen)	(5,026)	(4,778)	
Total assets (million yen)	78,825	73,893	
Net assets (million yen)	72,034	66,963	
Investment (million yen)	1,232	2,536	
Depreciation (million yen)	289	371	