



April 26, 2024

To whom it may concern,

Company name:	PACIFIC METALS CO., LTD.
Representative:	Masayuki Aoyama, President and Representative Director (Securities code: 5541 TSE Prime Market)
Contact:	Terunobu Matsuyama, Director and Managing Executive Officer (Telephone: +81-3-3201-6681)

**Notice Concerning Recording of Cost of Sales (Reversal of 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 reversal of write-down of inventories under cost of sales and share of profit of entities accounted for using equity method under non-operating income for the fiscal year ended March 31, 2024 (April 1, 2023 through March 31, 2024). 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 fiscal year ended March 31, 2024 (April 1, 2023 through March 31, 2024) announced on February 2, 2024.

● Details of cost of sales (reversal of 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, the value of inventories of raw materials and other items is increasing because raw material and fuel prices as well as the cost of electricity remain at high levels, among other factors. As a result, with regard to the full-year consolidated financial results, a decline in profitability of inventories (merchandise and finished goods, work in process, raw materials and supplies) was recognized for the nine months ended December 31, 2023, and the Company recorded a write-down of inventories amounting to 2,581 million yen under cost of sales. However, due to a decrease in inventory volume and other factors, the Company expects to reverse an amount of 1,598 million yen under cost of sales (decrease in cost of sales), and a full-year net write-down of inventories is expected to be 982 million yen.

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

With regard to the full-year consolidated financial results, the Company expects to record share of profit of entities accounted for using equity method of 1,506 million yen due mainly to strong performance of entities accounted for using equity method in the Philippines supported by strong demand, in addition to the 4,546 million yen already recorded, and accordingly a total share of profit of entities accounted for using equity method is expected to be 6,053 million yen.

● Revisions to financial results forecast

1. Revisions to consolidated financial results forecast for the fiscal year ended 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 February 2, 2024)	Million yen 15,586	Million yen (8,740)	Million yen (3,242)	Million yen (1,138)	Yen (58.35)
Revised forecast (B)	15,521	(9,114)	(2,119)	(1,074)	(55.10)
Change (B–A)	(64)	(374)	1,122	63	
Change (%)	(0.4)	—	—	—	
(Reference) Actual results for the previous fiscal year ended March 31, 2023	34,852	(12,588)	(4,960)	(5,026)	(257.75)

2. Reason for revisions

With regard to the consolidated financial results forecast, the economic outlook remains highly uncertain, mainly affected by severe real estate market conditions in China, global monetary tightening, growing tensions in the Middle East and Ukraine, and the remaining high level of inflation rate.

On the volume front of the Company's ferronickel products, the environment in which the Company operates has remained largely unchanged. Accordingly, the Company has continued with the policy of controlling volume from the viewpoint of profitability and expects results to be almost the same as the previously announced forecast.

In terms of profit and loss, on the selling price front of ferronickel products, 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 in setting the selling price of the Company's products. Therefore, income was restrained to a certain extent. Moreover, on the procurement front, prices of nickel ore, which is the main raw material, 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. With regard to the operating profit, the amount of loss is expected to increase due to a decrease in reversal of write-down of inventories compared to the previously announced forecast. On the other hand, with regard to the ordinary profit, the amount of loss is expected to decrease due to an increase in share of profit of entities accounted for using equity method.

In other areas, regarding a write-down of inventories, while the Company recorded additional write-down of inventories for the first half, a reversal has occurred in the second half because of a reduction in the write-down amount. Therefore, the earnings trend is expected to differ from quarter to quarter. In addition, the Company expects to record a gain on sale of investment securities under extraordinary income, and impairment losses under extraordinary losses.

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 above. For the underlying assumptions, please refer to "(Reference) Revisions to underlying assumptions," on the following page.

(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 (February 2, 2024)	3,052	2,998	6,050	3,210	2,805	6,015	10.78	8.43	9.61	140.18	146.29	143.21
Revised forecast	3,052	2,973	6,025	3,210	2,825	6,035	10.78	8.42	9.62	140.18	148.85	144.46
(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