

Disclaimer: This document is an English translation of the original Japanese document and has been prepared for reference purposes only. In the event of any discrepancy between the English translation and the original Japanese document, the latter shall prevail.

## Consolidated Financial Results for the Six Months Ended September 30, 2024 [Japanese GAAP]



November 8, 2024

Company name: PACIFIC METALS CO., LTD.  
 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 5541  
 URL: <https://www.pacific-metals.co.jp/en/>  
 Representative: Masayuki Aoyama, President and Representative Director  
 Contact: Terunobu Matsuyama, Director and Managing Executive Officer  
 Phone: +81-3-3201-6681  
 Scheduled date to file semi-annual securities report: November 8, 2024  
 Scheduled date to commence dividend payments: -  
 Preparation of supplementary material on financial results: None  
 Holding of financial results briefing: Scheduled (for analysts)

(Amounts of less than one million yen are rounded down.)

### 1. Consolidated Financial Results for the Six Months Ended September 30, 2024 (April 1, 2024 – September 30, 2024)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended September 30, 2024	7,835	(3.1)	(4,468)	—	(2,316)	—	(1,877)	—
September 30, 2023	8,083	(54.2)	(6,194)	—	(2,487)	—	(2,611)	—

(Note) Comprehensive income: Six months ended September 30, 2024: ¥(1,495) million [–%]  
 Six months ended September 30, 2023: ¥(1,927) million [–%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2024	(96.26)	—
September 30, 2023	(133.90)	—

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2024	72,455	67,565	92.9
As of March 31, 2024	73,790	69,060	93.2

(Reference) Equity: As of September 30, 2024: ¥67,326 million  
 As of March 31, 2024: ¥68,785 million

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	—	0.00	—	0.00	0.00
Fiscal year ending March 31, 2025	—	0.00			
Fiscal year ending March 31, 2025 (Forecast)			—	0.00	0.00

(Note) Revision from the latest released dividends forecast: None

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 - March 31, 2025)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	14,096	(9.2)	(7,858)	—	(3,619)	—	(3,394)	—	(174.04)

(Note) Revision from the latest released financial results forecast: None

**\* Notes:**

- (1) Significant changes in the scope of consolidation during the period: None  
Newly included: – ( ), Excluded: – ( )
- (2) Accounting methods adopted particularly for the preparation of semi-annual consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
- 1) Changes in accounting policies due to the revision of accounting standards: None
  - 2) Changes in accounting policies other than 1) above: None
  - 3) Changes in accounting estimates: None
  - 4) Retrospective restatement: None
- (4) Total number of shares issued and outstanding (common stock)
- 1) Total number of shares issued and outstanding at the end of the period (including treasury shares):

September 30, 2024:	19,577,071 shares
March 31, 2024:	19,577,071 shares
  - 2) Total number of treasury shares at the end of the period:

September 30, 2024:	75,680 shares
March 31, 2024:	75,605 shares
  - 3) Average number of shares during the period:

Six months ended September 30, 2024:	19,501,436 shares
Six months ended September 30, 2023:	19,501,943 shares

\* Semi-annual financial results are outside the scope of review by certified public accountants or an audit firm.

**\* Explanation on the proper use of financial results forecast and other notes**

(Cautionary statement regarding forward-looking statements)

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. As such, the Company does not intend to guarantee the achievement of these forecasts. In addition, actual results may differ significantly from these forecasts due to various factors. For preconditions for the financial results forecast and precautions when using the financial results forecast, please see “(3) Forward-looking Statements Including Consolidated Financial Results Forecast” under “1. Overview of Operating Results, etc.” on page 4.

## Table of Contents – Attachments

1. Overview of Operating Results, etc.....	2
(1) Overview of Operating Results for the Period under Review .....	2
(2) Overview of Financial Position for the Period under Review .....	3
(3) Forward-looking Statements Including Consolidated Financial Results Forecast .....	4
2. Semi-annual Consolidated Financial Statements and Key Notes .....	5
(1) Semi-annual Consolidated Balance Sheets .....	5
(2) Semi-annual Consolidated Statements of Income and Comprehensive Income .....	7
(3) Notes to Semi-annual Consolidated Financial Statements .....	9
(Notes on going concern assumption) .....	9
(Notes on significant changes in the amount of shareholders' equity) .....	9

## 1. Overview of Operating Results, etc.

### (1) Overview of Operating Results for the Period under Review

During the six months ended September 30, 2024 (the “period under review”), although the continued rise in prices raised concerns about its impact on economic activities, the Japanese economy showed a gradual recovery trend amid remaining standstills in some aspects, as the employment situation, corporate earnings, and other factors generally improved.

As for overseas economies, although there were concerns about an economic slowdown due to the effects of the stagnant real estate market in China, high interest rates in the U.S. and Europe, and growing tensions in the Middle East region and Ukraine, the economy showed signs of recovery, supported by solid personal consumption, a favorable employment and income environment, and other factors.

Under these circumstances, in the stainless steel industry, the primary source of demand for the nickel business that accounts for the majority of the Group’s sales and profit and loss, is experiencing high inventory levels mainly due to a decline in construction demand resulting from the sluggish real estate market in China. Moreover, adjustments were evident in some areas, and the capacity utilization rates of production facilities generally remained varied and lacked momentum.

Demand for ferronickel continued to slow down because, in addition to the environment described above, overseas producers of stainless steel shifted some of their procurement to nickel pig iron, which has a price advantage, and reviewed the stainless steel scrap blending ratio with carbon neutrality in mind.

On the procurement front, prices of nickel ore, the primary raw material for ferronickel products, have been high against the backdrop of robust demand for nickel ore. Moreover, prices for various fuels remained high due to the steep rise in global resource prices, causing production costs to remain high.

Nickel prices on the London Metal Exchange (LME) were relatively volatile due to complex factors, including the slowdown of the Chinese economy, fluctuations in foreign exchange rates and financial and capital markets, increasing tensions in the Middle East and Ukraine, and concerns over nickel ore supply following the riots in New Caledonia.

In this situation, the Company’s ferronickel sales volume increased by 7.6% year on year due to an increase in overseas sales, while the Company continued its policy with the objective of strategically controlling volume so as to secure a certain level of profitability, since the price of nickel pig iron, which has a price advantage mentioned above, is also affecting the selling price of the Company’s products.

The ferronickel production volume decreased year on year due to the policy of controlling sales volume.

Regarding the selling price of ferronickel products, the LME nickel price applicable to the Company declined by 25.4% year on year, while the average exchange rate of the Japanese yen against the U.S. dollar applicable to the Company was 9.4% weaker year on year. Moreover, in addition to the market prices applicable to the Company, the Company also partly referred to the price of nickel pig iron, resulting in the lowering of the selling price of ferronickel products. Therefore, the selling environment continued to be challenging, with stagnant revenue growth due to lower selling prices compared to previous levels.

Despite this harsh business environment, the Company is striving to thoroughly focus on the profitability of orders, build a flexible production and sales system, and further improve operational efficiency to pursue cost minimization. Seeking to restructure the profit base, the Company is proceeding with a joint feasibility study with an overseas company, with an eye on a business that produces metal materials for batteries and raw materials for steelmaking from submarine resources. In addition, the Company has also concluded comprehensive business partnership agreements to make maximum use of resources of the Company’s plant for the commercialization of beryllium production and sales promoted mainly by companies in the prefecture, and actively promoted LIB-related research and development aiming at an early launch of a new business. The Company has thus been continuously working on initiatives to boost business performance and stabilize profits, including initiatives to reduce GHG emissions toward carbon neutrality.

As a result, net sales for the period under review decreased by 3.1% year on year to ¥7,835 million. On the profit front, the Company posted an operating loss of ¥4,468 million (compared with an operating loss of ¥6,194 million for the same period of the previous fiscal year), owing to the significant impact of decreased sales despite a decrease in cost of sales resulting from the reversal of the write-down of inventories. Ordinary loss was ¥2,316 million (compared with an ordinary loss of ¥2,487 million for the same period of the previous fiscal year), including the recording of ¥2,244 million in share of profit of entities accounted for using equity method under non-operating income. Loss attributable to owners of parent was ¥1,877 million (compared with loss attributable

to owners of parent of ¥2,611 million for the same period of the previous fiscal year).

Operating results by business segment are as follows.

(i) Nickel business

The operating results of the nickel business are described in “(1) Overview of Operating Results for the Period under Review.”

As a result, net sales in this segment decreased by 2.6% year on year to ¥7,498 million with an operating loss of ¥4,395 million (compared with the operating loss of ¥6,147 million for the same period of the previous fiscal year).

(ii) Gas business

In the gas business, increased prices for raw materials and fuels, along with other factors, resulted in a loss despite stable operations as planned.

As a result, net sales in this segment decreased by 14.7% year on year to ¥367 million with an operating loss of ¥71 million (compared with an operating loss of ¥43 million for the same period of the previous fiscal year).

(iii) Other

The segment of other businesses recorded a loss, despite concluding sales contracts in the real estate business, because the sales proceeds failed to exceed costs such as administrative expenses.

As a result, net sales in this segment were ¥7 million (compared with net sales of nil for the same period of the previous year) with an operating loss of ¥6 million (compared with an operating loss of ¥8 million for the same period of the previous fiscal year).

(2) Overview of Financial Position for the Period under Review

Assets, liabilities, and net assets of the Group as of September 30, 2024 are as follows.

Total assets decreased by ¥1,334 million from the end of the previous fiscal year to ¥72,455 million.

Current assets decreased by ¥2,100 million from the end of the previous fiscal year, mainly due to a decrease in merchandise and finished goods resulting from decreased inventory volume and a decrease in raw materials and supplies, as well as other factors.

Non-current assets increased by ¥765 million from the end of the previous fiscal year, mainly due to an increase in investment securities resulting from an increase in share of profit of entities accounted for using equity method, and other factors. Investment securities held by the Company amounting to ¥24,524 million consisted mainly of ¥20,454 million in the amount reflected in the consolidated balance sheet of shares of entities accounted for using equity method, ¥2,316 million in shares of subsidiaries and associates, and ¥1,346 million in shares of Nickel Asia Corporation, a holding company of the Company's equity-method affiliates listed on the Philippine Stock Exchange.

Total liabilities increased by ¥161 million from the end of the previous fiscal year to ¥4,890 million.

Current liabilities increased by ¥268 million from the end of the previous fiscal year primarily owing to an increase in notes and accounts payable - trade due to the impact of settlement, and other factors.

Non-current liabilities decreased by ¥107 million from the end of the previous fiscal year mainly due to a decrease in deferred tax liabilities resulting from the impact of valuation difference on available-for-sale securities, and other factors.

Total net assets decreased by ¥1,495 million from the end of the previous fiscal year to ¥67,565 million.

Shareholders' equity decreased by ¥1,877 million resulting from the recording of loss, and other factors. Accumulated other comprehensive income increased by ¥418 million resulting from an increase in foreign currency translation adjustment related to equity-method affiliates. Non-controlling interests decreased by ¥36 million.

### (3) Forward-looking Statements Including Consolidated Financial Results Forecast

With regard to the consolidated financial results forecast, the outlook remains highly uncertain due to the effects of the stagnant real estate market in China, high interest rates in the U.S. and Europe, and growing tensions in the Middle East region and Ukraine.

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 volume control from a profitability perspective 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 partly refers to the price of nickel pig iron in addition to the market prices applicable to the Company, so the revenue is restrained to a certain extent. On the procurement front, the prices of nickel ore, the primary raw material, and those of raw materials, fuel, and electricity remain high and are expected to significantly impact procurement prices.

In addition, regarding the write-down of inventories, the Company expects to record a reversal of the write-down of inventories under cost of sales (decrease in cost of sales) due to the progression of a reduction in the write-down along with a decrease in inventory volume and other factors from the first half to the second half of the fiscal year.

Although the circumstances remain severe, response measures to address the 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.

Based on the above, the Company revised its consolidated financial results forecast as follows and also reviewed underlying assumptions, as announced in "Notice Concerning Recording of Non-operating Income (Share of Profit of Entities Accounted for Using Equity Method) and Revisions to Financial Results Forecast," dated October 30, 2024.

<Reference>

[Revisions to financial results forecast]

Revisions to consolidated financial results forecast for the fiscal year ending March 31, 2025 (April 1, 2024 through March 31, 2025)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share
Previously announced forecast (A) (Announced on July 31, 2024)	Million yen 14,229	Million yen (5,979)	Million yen (1,555)	Million yen (1,847)	Yen (94.71)
Revised forecast (B)	14,096	(7,858)	(3,619)	(3,394)	(174.04)
Change (B-A)	(133)	(1,879)	(2,064)	(1,547)	
Change (%)	(0.9)	—	—	—	
(Reference) Actual results for the previous fiscal year ended March 31, 2024	15,521	(9,114)	(2,119)	(1,074)	(55.10)

[Revisions to underlying assumptions]

	Sales volume (t)			Production volume (t)		
	1st half	2nd half	Full year	1st half	2nd half	Full year
Previously announced forecast (Announced on July 31, 2024)	3,074	2,926	6,000	2,475	2,770	5,245
Revised forecast	3,284	2,769	6,053	2,010	1,950	3,960
(Reference) Actual results for the previous fiscal year ended March 31, 2024	3,052	2,973	6,025	3,210	2,825	6,035

	Applicable LME nickel price (\$/lb)			Applicable exchange rate (¥/\$)		
	1st half	2nd half	Full year	1st half	2nd half	Full year
Previously announced forecast (Announced on July 31, 2024)	8.08	8.00	8.04	151.61	149.17	150.42
Revised forecast	8.05	7.70	7.89	153.32	139.33	146.92
(Reference) Actual results for the previous fiscal year ended March 31, 2024	10.78	8.42	9.62	140.18	148.85	144.46

## 2. Semi-annual Consolidated Financial Statements and Key Notes

### (1) Semi-annual Consolidated Balance Sheets

(Million yen)

	As of March 31, 2024	As of September 30, 2024
<b>Assets</b>		
Current assets		
Cash and deposits	21,758	22,565
Accounts receivable - trade	5,001	5,049
Securities	2,199	2,399
Merchandise and finished goods	7,303	4,479
Work in process	257	178
Raw materials and supplies	3,521	3,338
Other	1,773	1,705
Allowance for doubtful accounts	(1)	(1)
Total current assets	41,814	39,714
Non-current assets		
Property, plant and equipment	7,388	7,381
Intangible assets	285	10
Investments and other assets		
Investment securities	23,687	24,524
Retirement benefit asset	476	500
Other	142	328
Allowance for doubtful accounts	(5)	(5)
Total investments and other assets	24,301	25,348
Total non-current assets	31,975	32,741
Total assets	73,790	72,455



(Million yen)

	As of March 31, 2024	As of September 30, 2024
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	234	465
Accrued expenses	892	879
Income taxes payable	47	46
Provision for bonuses	117	111
Provision of restoration cost	5	-
Other	376	439
Total current liabilities	1,674	1,942
Non-current liabilities		
Retirement benefit liability	59	63
Deferred tax liabilities	1,135	1,025
Deferred tax liabilities for land revaluation	547	547
Provision for environmental measures	2	2
Provision for loss contract	1,273	1,273
Provision of restoration cost	14	14
Other	23	21
Total non-current liabilities	3,055	2,948
Total liabilities	4,729	4,890
<b>Net assets</b>		
Shareholders' equity		
Share capital	13,922	13,922
Capital surplus	3,481	3,481
Retained earnings	49,658	47,781
Treasury shares	(452)	(452)
Total shareholders' equity	66,609	64,731
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,183	927
Revaluation reserve for land	400	400
Foreign currency translation adjustment	179	858
Remeasurements of defined benefit plans	412	407
Total accumulated other comprehensive income	2,176	2,594
Non-controlling interests	274	238
Total net assets	69,060	67,565
<b>Total liabilities and net assets</b>	<b>73,790</b>	<b>72,455</b>

## (2) Semi-annual Consolidated Statements of Income and Comprehensive Income

### Semi-annual Consolidated Statements of Income

(Million yen)

	For the Six months ended September 30, 2023	For the Six months ended September 30, 2024
Net sales	8,083	7,835
Cost of sales	13,318	11,186
Gross loss	(5,234)	(3,351)
Selling, general and administrative expenses		
Selling expenses	176	189
General and administrative expenses	783	928
Total selling, general and administrative expenses	960	1,117
Operating loss	(6,194)	(4,468)
Non-operating income		
Interest income	11	18
Dividend income	174	73
Rental income from real estate	53	55
Share of profit of entities accounted for using equity method	2,827	2,244
Foreign exchange gains	691	-
Other	33	23
Total non-operating income	3,791	2,415
Non-operating expenses		
Interest expenses	0	0
Foreign exchange losses	-	222
Loss on disposal of inventories	32	0
Foreign withholding tax	25	10
Other	25	31
Total non-operating expenses	83	263
Ordinary loss	(2,487)	(2,316)
Extraordinary income		
Gain on sale of non-current assets	-	0
Gain on sale of investment securities	138	128
Insurance claim income	-	459
Total extraordinary income	138	588
Extraordinary losses		
Loss on retirement of non-current assets	1	7
Total extraordinary losses	1	7
Loss before income taxes	(2,350)	(1,735)
Income taxes - current	230	163
Income taxes - deferred	51	14
Total income taxes	282	177
Loss	(2,632)	(1,913)
Loss attributable to non-controlling interests	(21)	(36)
Loss attributable to owners of parent	(2,611)	(1,877)

## Semi-annual Consolidated Statements of Comprehensive Income

(Million yen)

	For the Six months ended September 30, 2023	For the Six months ended September 30, 2024
Loss	(2,632)	(1,913)
Other comprehensive income		
Valuation difference on available-for-sale securities	(200)	(309)
Remeasurements of defined benefit plans, net of tax	(19)	(6)
Share of other comprehensive income of entities accounted for using equity method	926	733
Total other comprehensive income	705	418
Comprehensive income	(1,927)	(1,495)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,905)	(1,459)
Comprehensive income attributable to non-controlling interests	(21)	(36)

(3) Notes to Semi-annual Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.