
PACIFIC METALS CO., LTD.
Financial Results Briefing Session for the
Six Months Ended September 30, 2024

November 15, 2024

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

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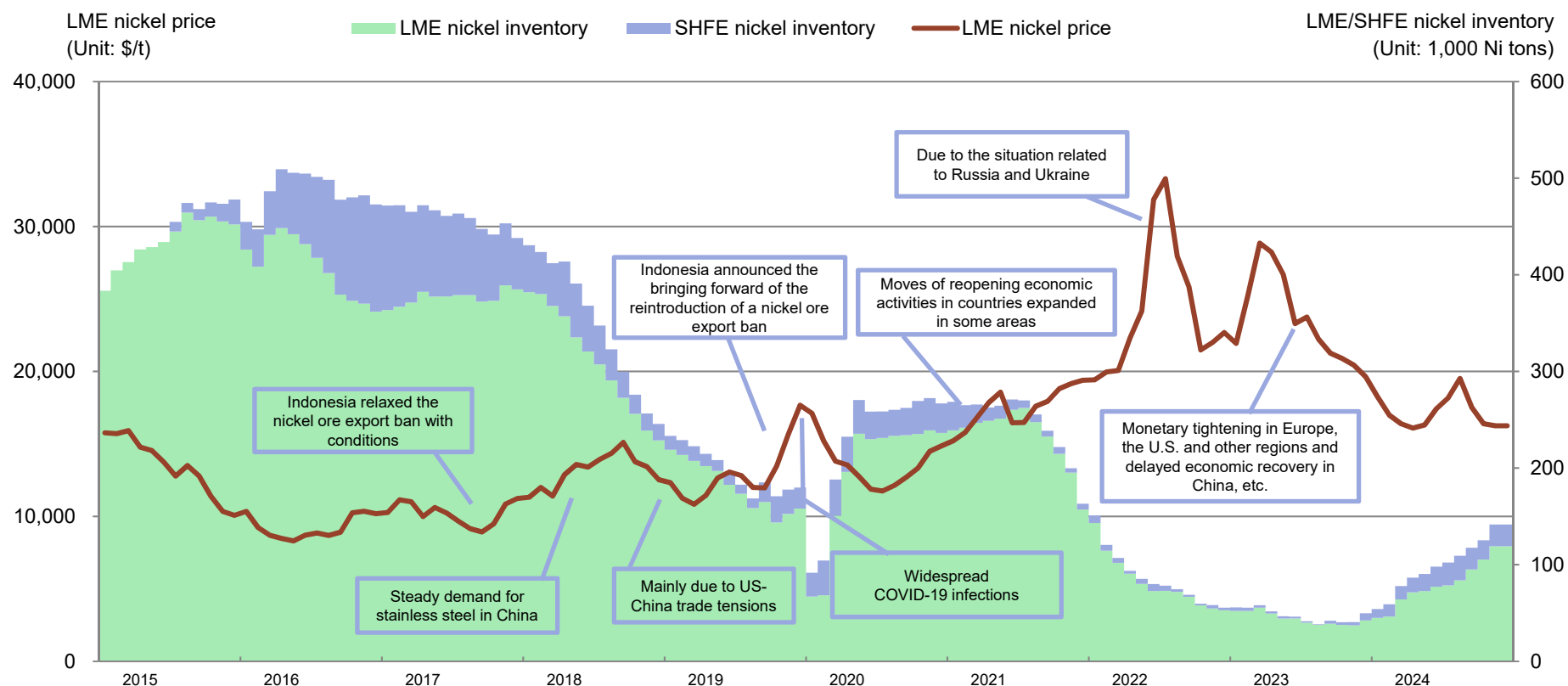
1. Business Environment

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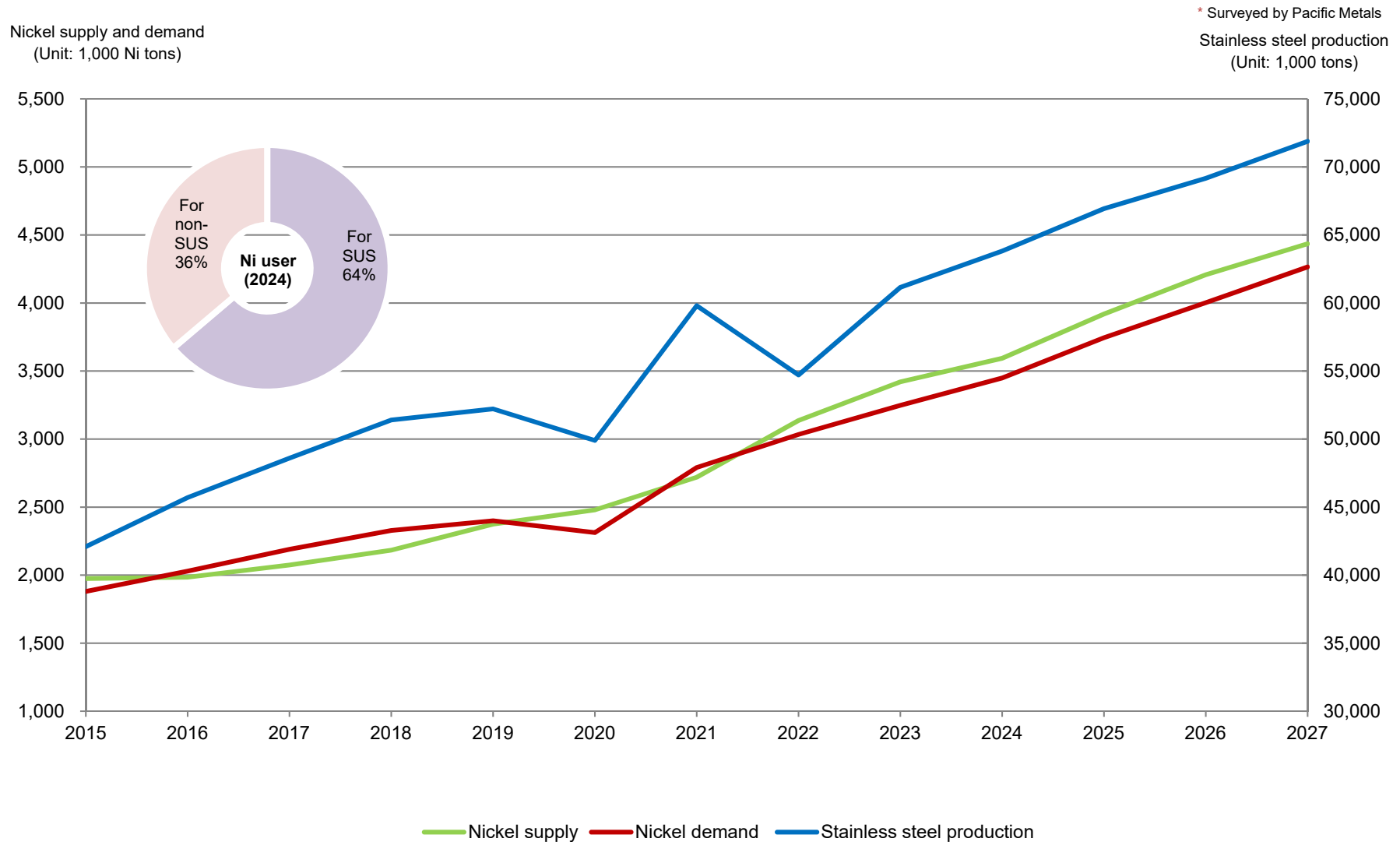
(1) Trends in LME nickel prices and nickel inventory volumes

* Surveyed by Pacific Metals



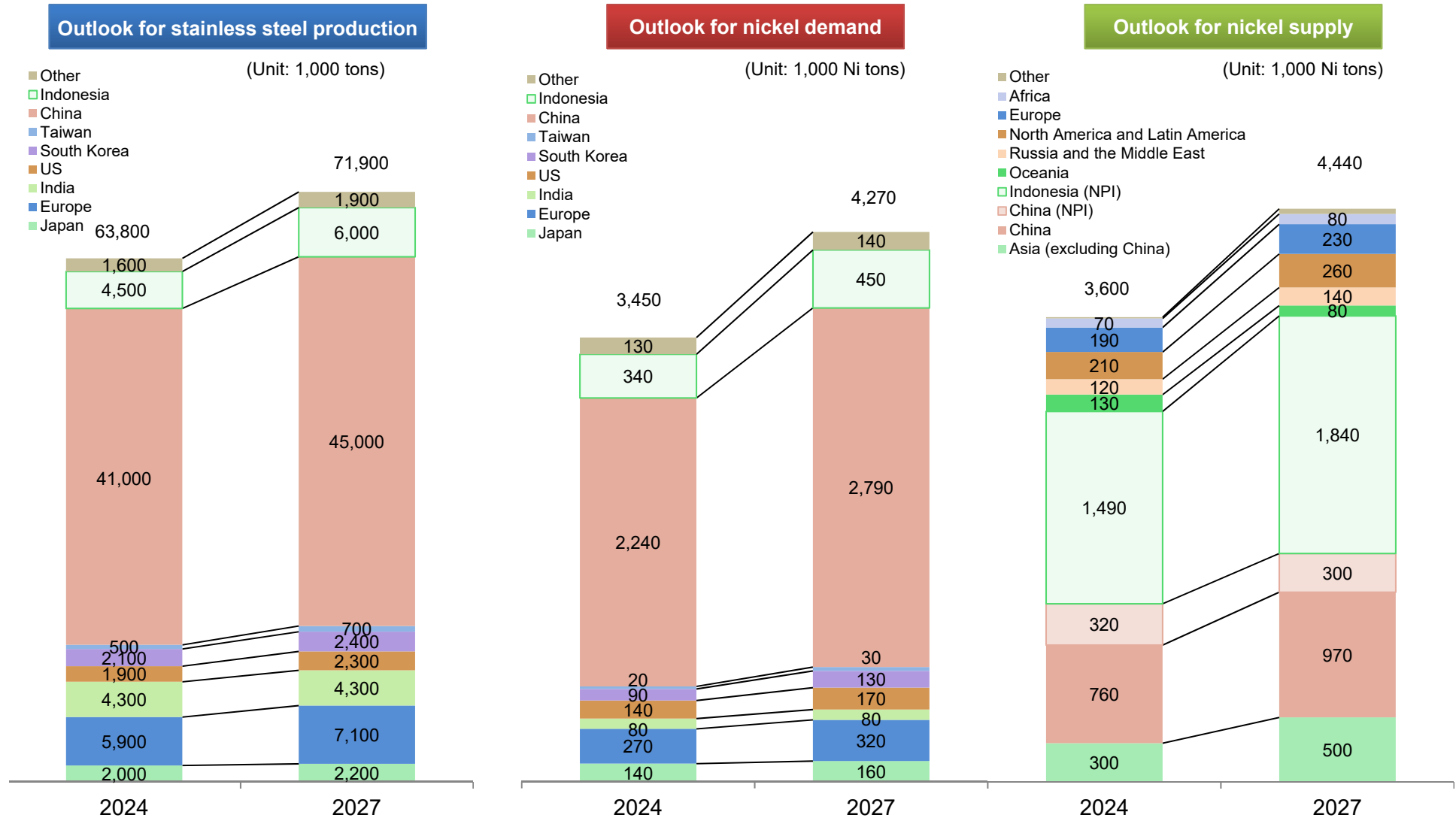
Trend in operating results	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net sales (million yen)	61,225	47,649	38,697	41,210	49,062	44,133	32,217	57,129	34,852	15,521
Operating profit (million yen)	-7,787	-15,357	-3,070	-3,239	176	-1,879	-493	4,806	-12,588	-9,114
Ordinary profit (million yen)	-91	-12,283	-515	-203	3,451	972	3,344	12,999	-4,960	-2,119

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



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

* Survey by Pacific Metals

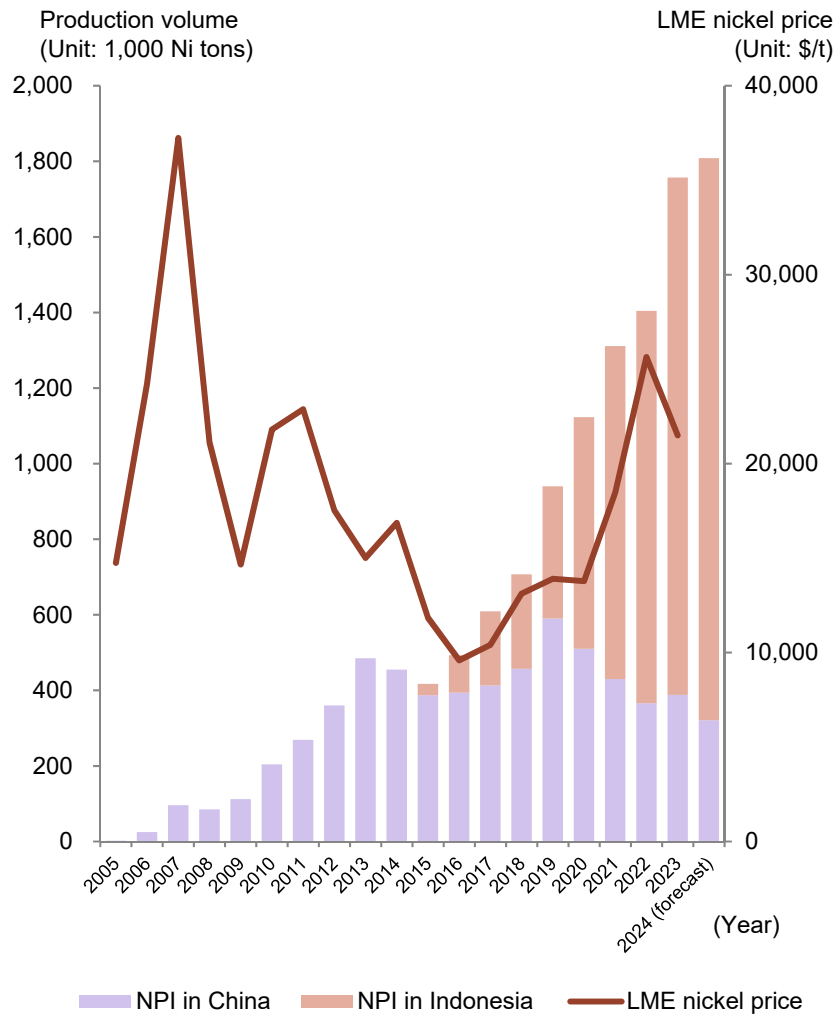


1. Business Environment

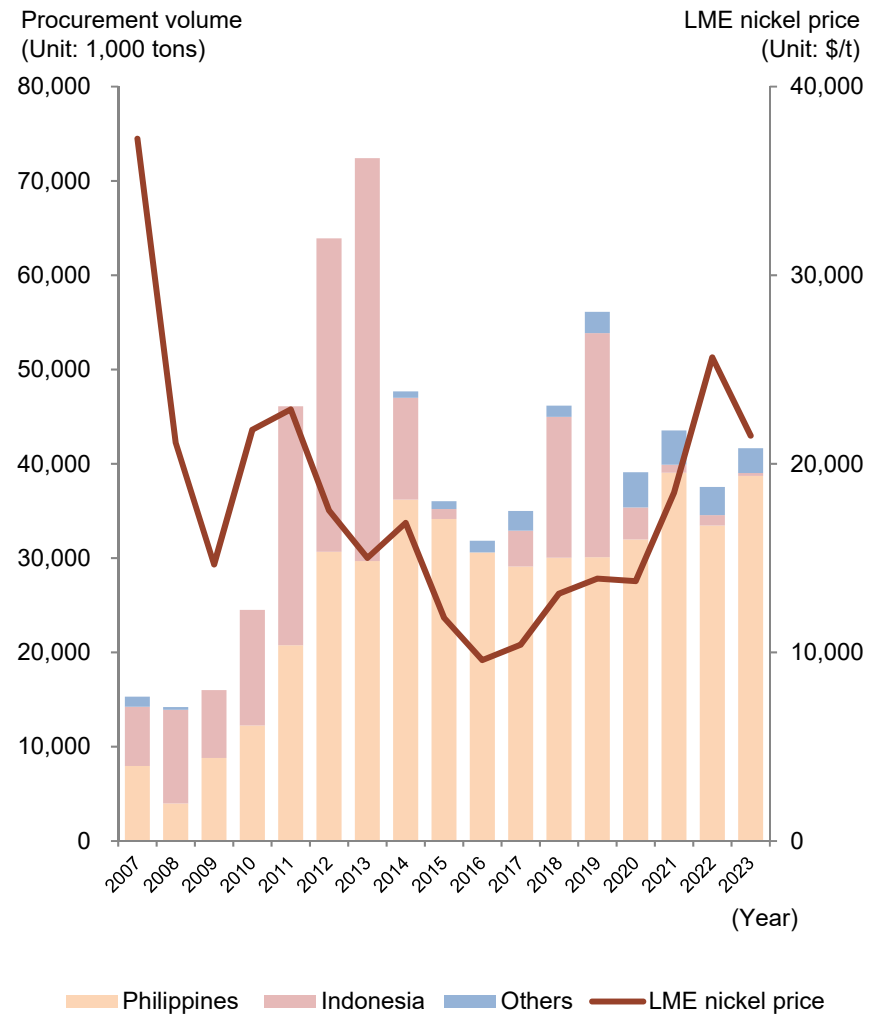
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(4) Trend in nickel pig iron (NPI) production

Nickel pig iron (NPI) production



Nickel ore procurement by China



2. Financial Results for the Six Months Ended September 30, 2024

2. Financial Results for the Six Months Ended September 30, 2024

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

	Results for the fiscal year ended September 30, 2023		Forecast for the fiscal year ended September 30, 2024 (Announced on Jul. 31)		Results for the fiscal year ended September 30, 2024		Year-on-year (%)	Vs Forecast announced on Jul. 31 (%)
	Amount (million yen)	Profit rate (%)	Amount (million yen)	Profit rate (%)	Amount (million yen)	Profit rate (%)		
Net sales	8,083	—	7,248	—	7,835	—	-3.1	8.1
Operating profit (loss)	-6,194	-76.6	-3,687	-50.9	-4,468(*)	-57.0	—	—
Ordinary profit (loss)	-2,487	-30.8	-1,261	-17.4	-2,316(*)	-29.6	—	—
Profit (loss) attributable to owner of parent	-2,611	-32.3	-1,346	-18.6	-1,877(*)	-24.0	—	—
(Investment)	176	—	—	—	178	—	1.4	—
(Depreciation)	171	—	—	—	172	—	0.5	—

(*) Includes 1.5 billion yen of reversal of inventory write-downs (result for the fiscal year ended Sep. 30, 2024).

	Results for the fiscal year ended September 30, 2023	Forecast for the fiscal year ended September 30, 2024 (Announced on Jul. 31)	Results for the fiscal year ended September 30, 2024	Year-on-year (%)	Vs Forecast announced on Jul. 31 (%)
Production volume (Ni t)	3,210	2,475	2,010	-37.4	-18.8
Sales volume (Ni t)	3,052	3,074	3,284	7.6	6.8
Applicable LME nickel price (US\$/t)	23,766	17,813	17,747	-25.3	-0.4
[Applicable LME nickel price (US\$/lb.)]	[10.78]	[8.08]	[8.05]		
Applicable exchange rate (¥/US\$)	140.18	151.61	153.32	9.4	1.1

(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

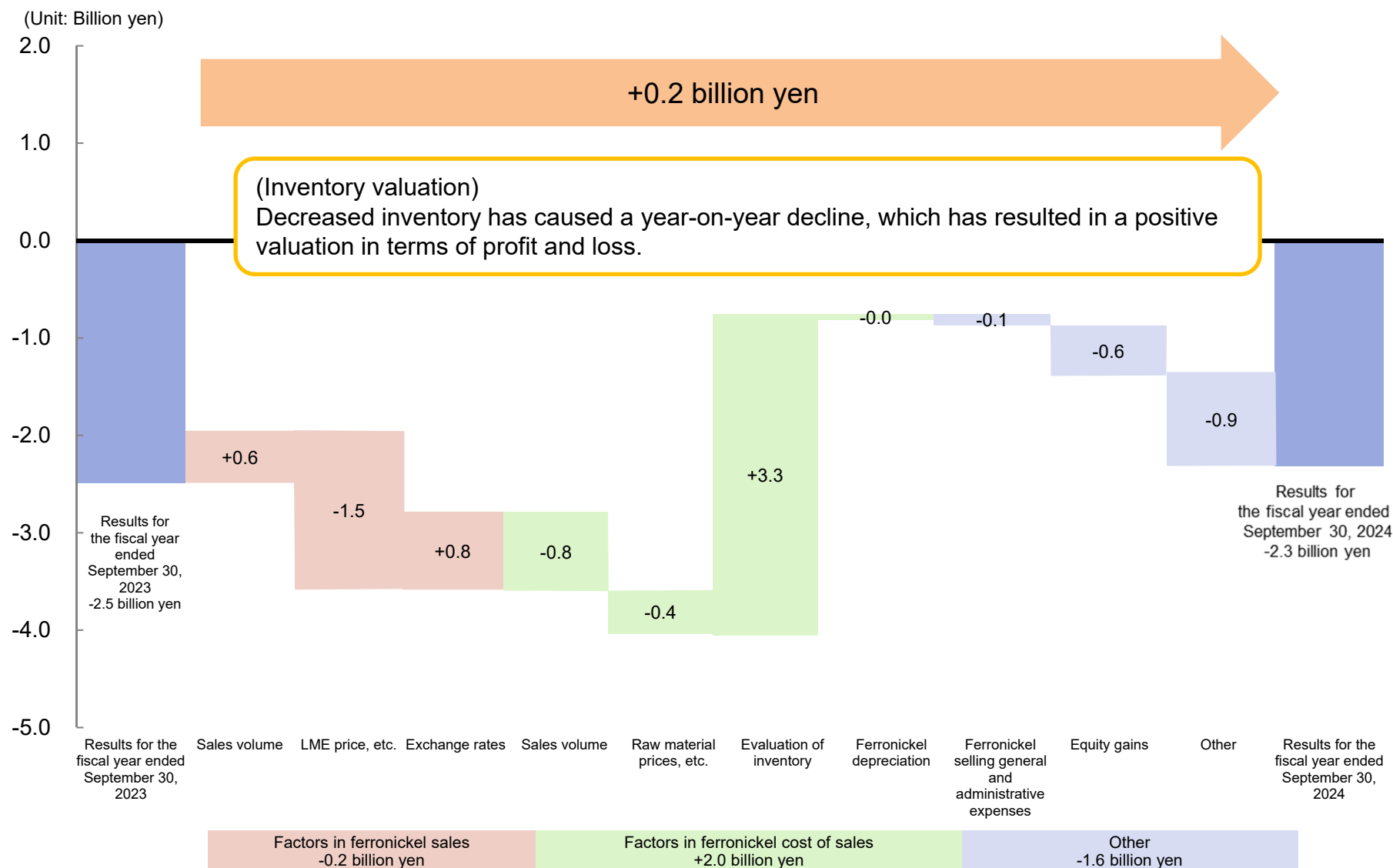
3) On the procurement price front

- **Nickel ore price**
 - Procurement prices are high
- **Energy costs (raw fuel/electricity)**
 - Energy prices are high due to a global rise in resource prices, causing production costs to remain high

2. Financial Results for the Six Months Ended September 30, 2024

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(3) Consolidated ordinary profit and loss analysis



3. Full-Year Financial Results Forecast for the Fiscal Year Ending March 31, 2025

3. Full-Year Financial Results Forecast for the Fiscal Year Ending March 31, 2025

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

	Results for the fiscal year ended March 31, 2024		Forecast for the fiscal year ending March 31, 2025 (Announced on Jul. 31)		Forecast for the fiscal year ending March 31, 2025 (Announced on Oct. 30)		Year-on-year (%)	Vs Forecast announced on Jul. 31 (%)
	Amount (million yen)	Profit rate (%)	Amount (million yen)	Profit rate (%)	Amount (million yen)	Profit rate (%)		
Net sales	15,521	—	14,229	—	14,096	—	-9.2	-0.9
Operating profit (loss)	-9,114	-58.7	-5,979	-42.0	-7,858	-55.8	—	—
Ordinary profit (loss)	-2,120	-13.7	-1,555	-10.9	-3,619	-25.7	—	—
Profit attributable to owner of parent (loss)	-1,074	-6.9	-1,847	-13.0	-3,394	-24.1	—	—
(Investment)	331	—	—	—	529	—	59.8	—
(Depreciation)	350	—	—	—	348	—	-0.6	—

	Results for the fiscal year ended March 31, 2024			Forecast for the fiscal year ending March 31, 2025 (Announced on Jul. 31)	Forecast for the fiscal year ending March 31, 2025 (Announced on Oct. 30)			Year-on-year (%)	Vs Forecast announced on Jul. 31 (%)
	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)	3,210	2,825	6,035	5,245	2,010	1,950	3,960	-34.4	-24.5
Sales volume (Ni t)	3,052	2,973	6,025	6,000	3,284	2,769	6,053	0.5	0.9
Applicable LME nickel price (US\$/t)	23,766	18,563	21,208	17,725	17,747	16,976	17,394	-18.0	-1.9
[Applicable LME nickel price (US\$/lb.)]	[10.78]	[8.42]	[9.62]	[8.04]	[8.05]	[7.70]	[7.89]		
Applicable exchange rate (¥/US\$)	140.18	148.85	144.46	150.42	153.32	139.33	146.92	1.7	-2.3

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

1) On the production and sales volume front

- **Maintaining policy of strategic volume reduction**
 - With no significant changes in the business environment, we enhance volume reduction from a profitability perspective and expect results to be at almost the same level as the previous forecasts (announced in July 2024)

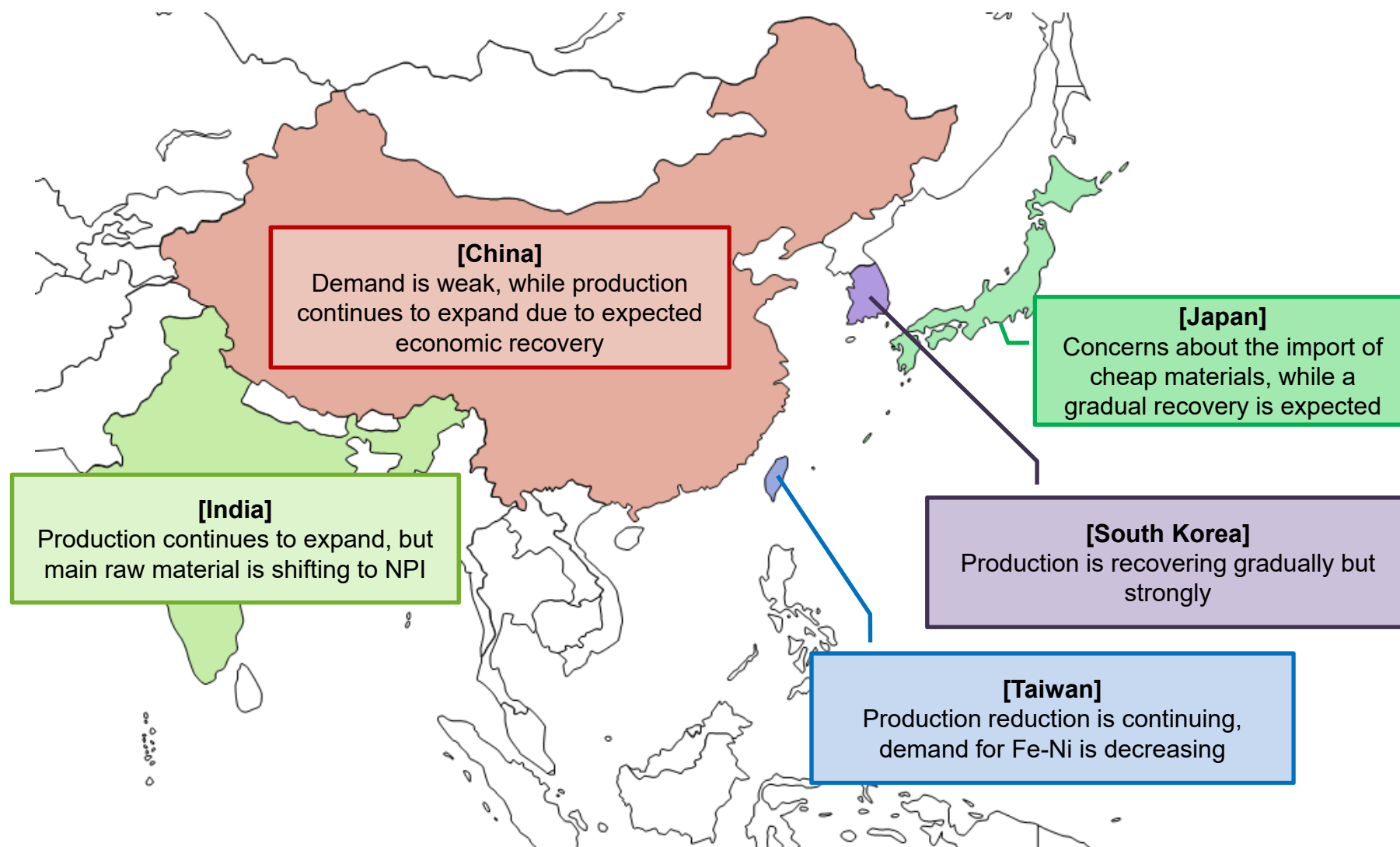
2) On the selling price front

- **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

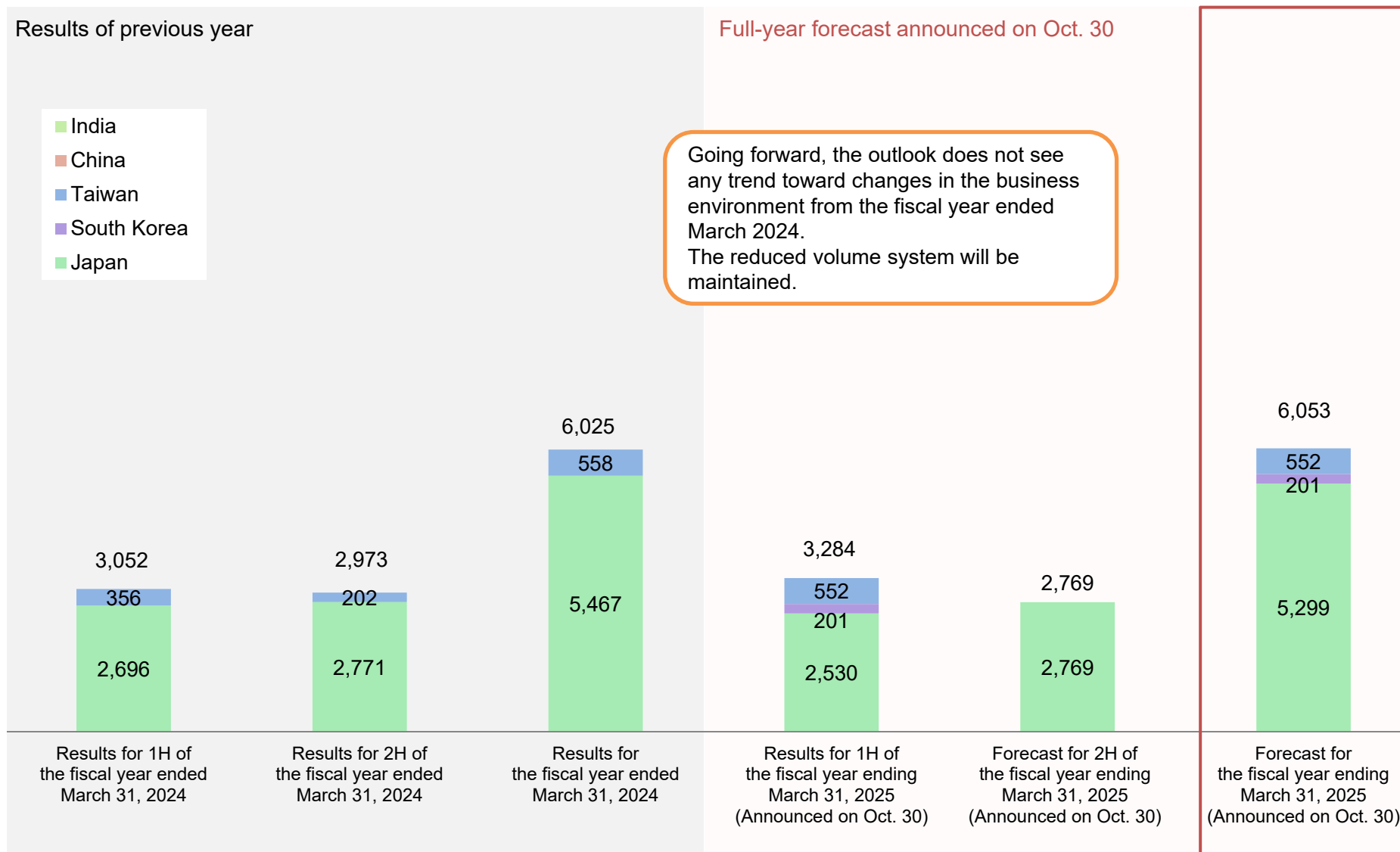
- **High raw material and energy costs continue**
 - Nickel ore prices, the main raw material, as well as raw fuel costs and electricity prices remain high
 - A significant impact on profit expected

(3) Trend in sales destination by country



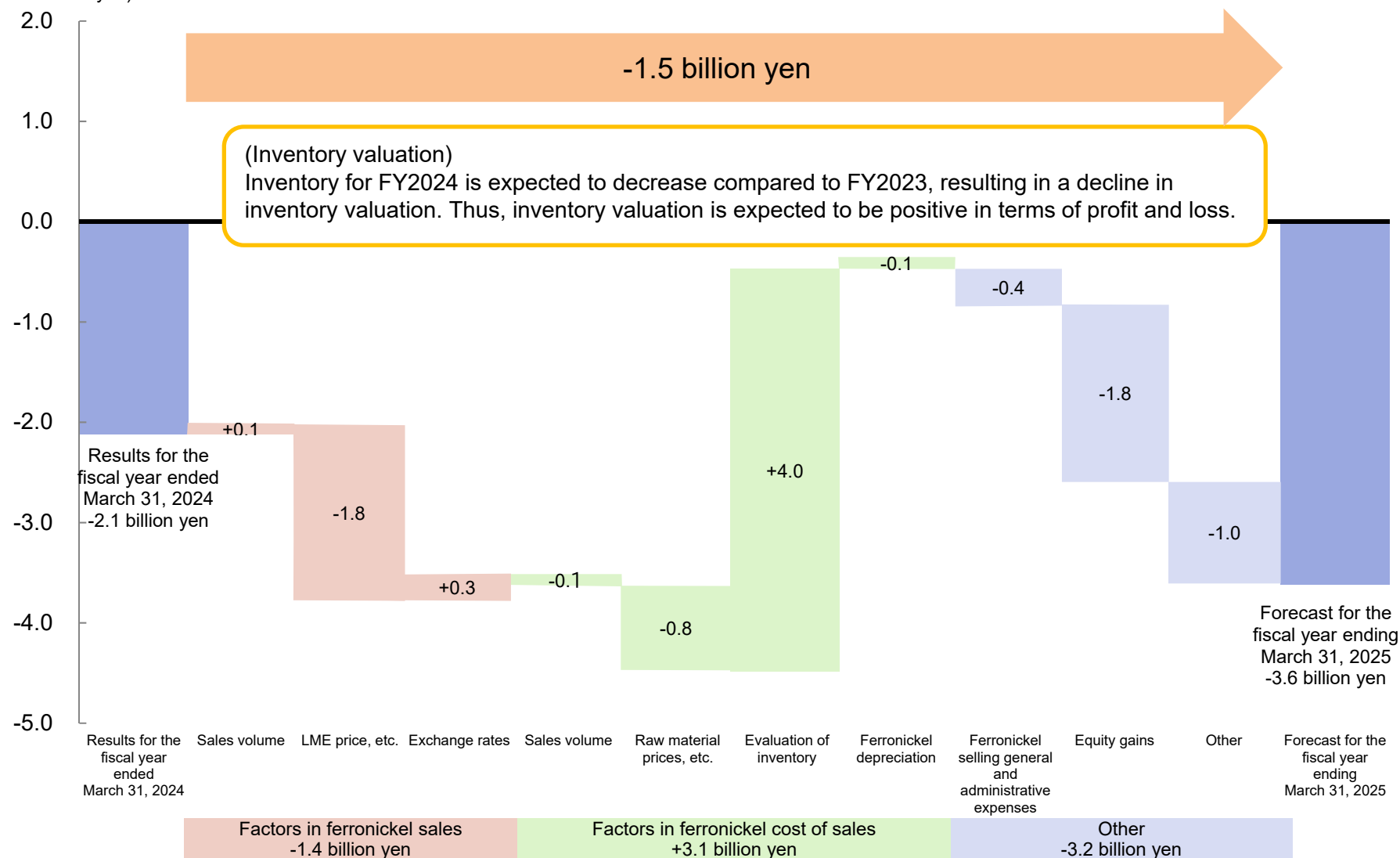
(4) Outlook for sales by country

(Unit: Ni tons)



(5) Consolidated ordinary profit and loss analysis

(Unit: Billion yen)



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

(1) Summary of progress on major priority measures

Priority Measures

(Key presented details are underlined)

- **Creation of new businesses that contribute to society**
 - Promotion of new metal smelting projects (1) (2)
 - Realization of production and sales of raw materials for LIB materials
- **Acceleration of consideration of expansion into overseas smelting business**
 - Promotion of overseas smelting projects and start-up of production
- **Diversification of business in Japan to contribute to a recycling-oriented society**
 - Restructuring of recycling business
- **Enhancement of corporate value by addressing sustainability issues**
 - Reduction of GHG emissions
 - Promoting harmonious co-existence by contributing to regions and resource-providing countries
 - Promoting constructive dialogue with stakeholders

Promotion of new metal smelting projects (1)

Feasibility study of new metal smelting business using resources from underwater sources (F/S)

◆ Our strengths and advantages in commissioned smelting of polymetallic nodules

Technology and knowhow

The technology and knowhow we have developed in the metal smelting business over the years

ESG efforts

Our smelting technology that minimizes environmental impacts and close monitoring control of safety and quality

World's first commercialized smelting of polymetallic nodules
Establishment of a new revenue model

Smelting in Japan

Smelting of critical minerals for LIB use in Japan, which is recognized as an FTA country under the Inflation Reduction Act in the U.S.

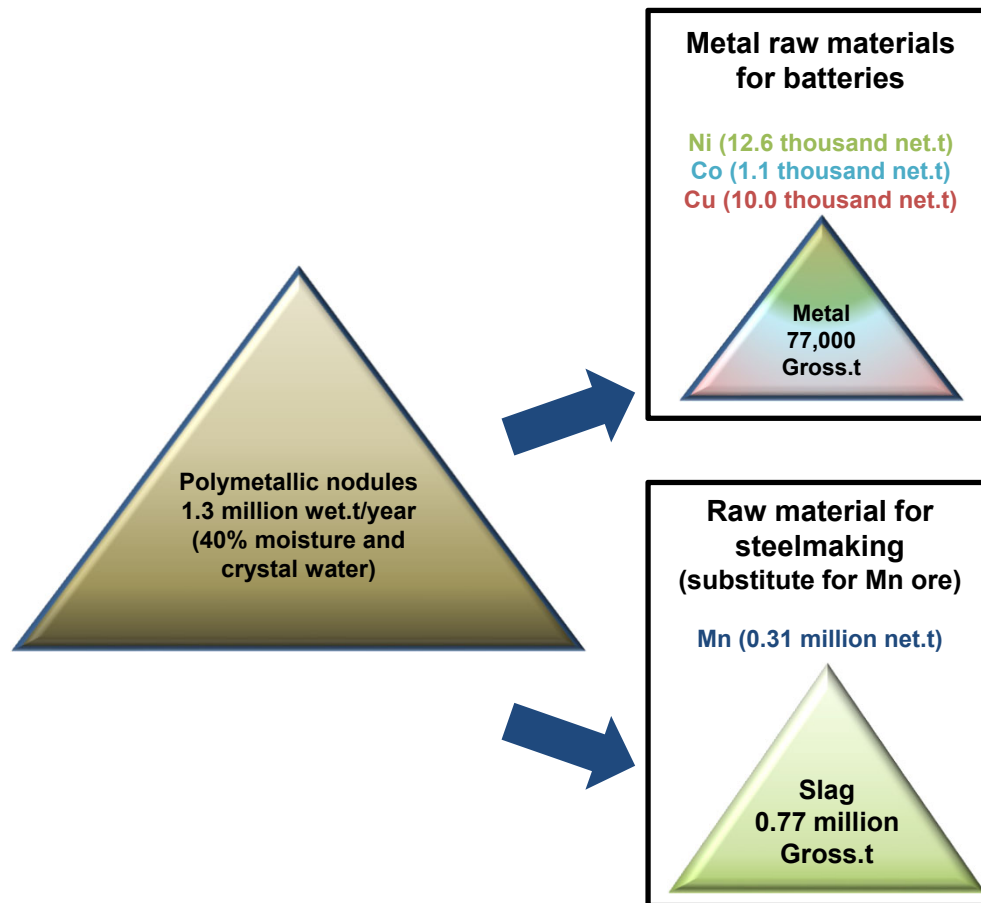
Reduction of investment

Reduction of investment by utilizing Fe-Ni smelting facilities

Promotion of new metal smelting projects (1)

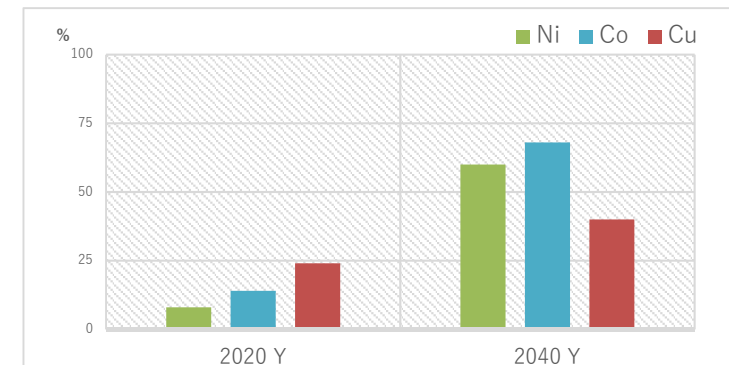
Feasibility study of new metal smelting business using resources from underwater sources (F/S)

◆ Scale of commissioned smelting

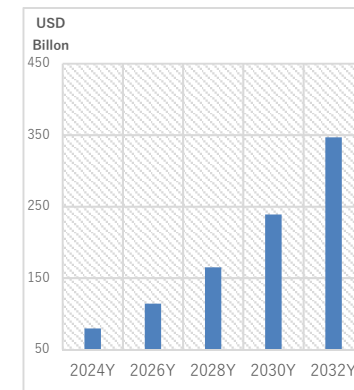


◆ Demand in products created by smelting

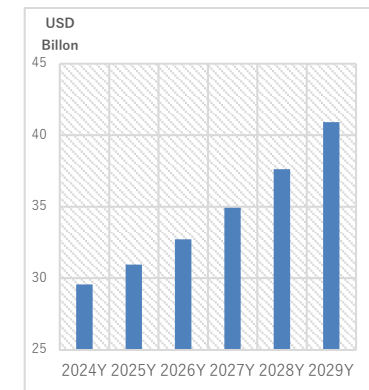
Percentages of demands for Ni, Co and Cu for application in clean energy technology



Global lithium-ion battery market



Global Mn-alloy market



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

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Promotion of new metal smelting projects (1)

Feasibility study of new metal smelting business using resources from underwater sources (F/S)

◆Milestones

- Successfully conducted a calcination test on polymetallic nodules in a ferronickel production facility.

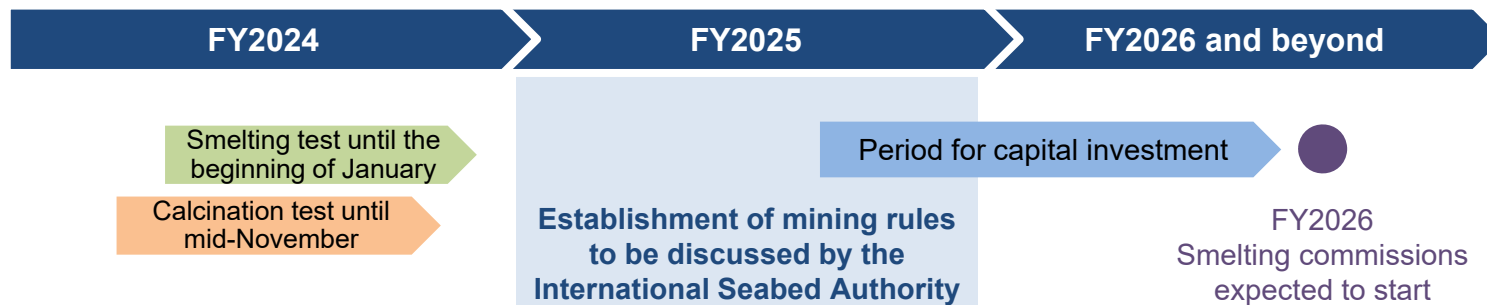
(Press release of The Metals Company on September 9, 2024)

<https://investors.metals.co/news-releases/news-release-details/world-first-tmc-and-pamco-achieve-breakthrough-commercial-scale>

Successfully produced approximately 500 tons of calcinated ore by supplying 1,200 tons of polymetallic nodules to our largest rotary kiln with a total length of 131 m and a diameter of 5.5 m using polymetallic nodules obtained in pilot mining by The Metals Company in 2022.

- Currently conducting a smelting test of high-quality Ni-Co-Cu metal and Mn slag after transferring the obtained calcinated ore to an electric furnace.

◆Timeline



Promotion of new metal smelting projects (2)

Beryllium production and sales business through collaboration

◆ Conclusion of a comprehensive business cooperation agreement with MiRESSO

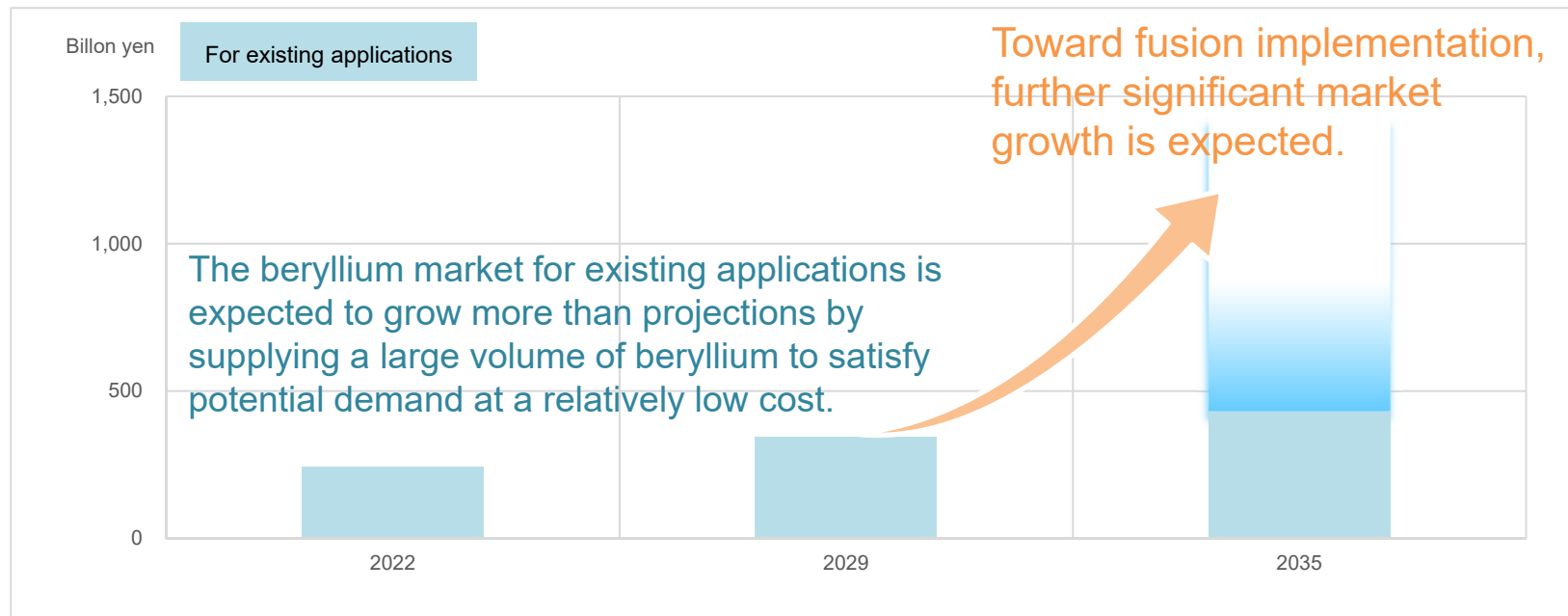
MiRESSO and our company will establish a pilot beryllium plant at our Hachinohe Works in order to conduct a pilot demonstration of MiRESSO's proprietary low-temperature refining technology, with the aim of starting beryllium production in FY2027.

* MiRESSO Co., Ltd.

A fusion startup certified by the National Institute of Quantum Science and Technology (QST).

Its vision is to contribute to the social implementation of fusion energy by providing a stable, low-cost supply of beryllium through its innovative low-temperature refining technology.

◆ Global beryllium market

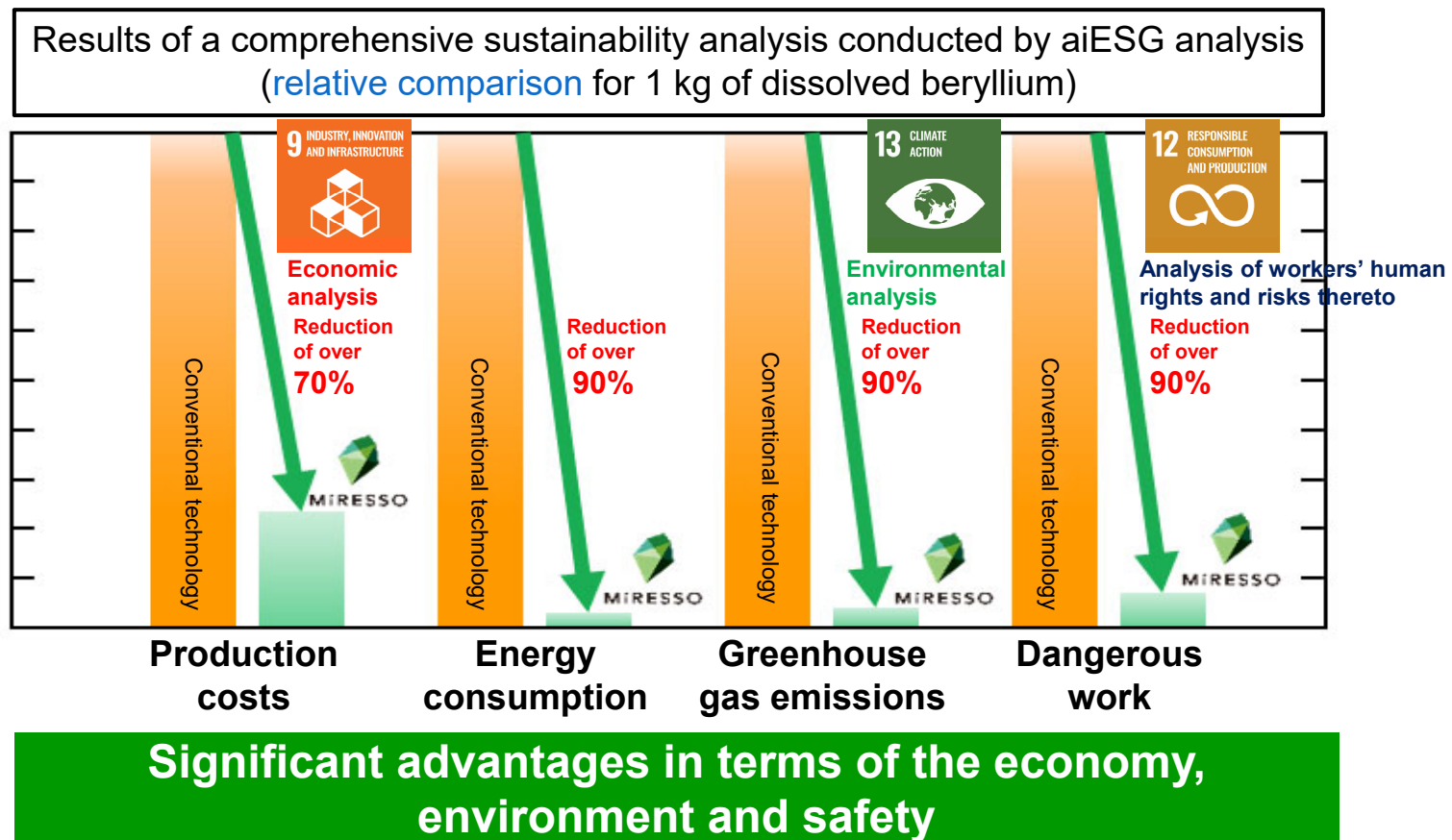


Promotion of new metal smelting projects (2)

Beryllium production and sales business through collaboration

- ◆ Advantages of MiRESSO's proprietary low-temperature refining technology

Reduction of environmental impacts can be achieved in addition to cost reductions.



Promotion of new metal smelting projects (2)

Beryllium production and sales business through collaboration

◆ Overview of the comprehensive business cooperation contract

Purpose:

To aim to commercialize the “Beryllium production and sales business” and the “Technology platform business for low-temperature refining technology” by bringing together both companies’ management resources and knowhow.

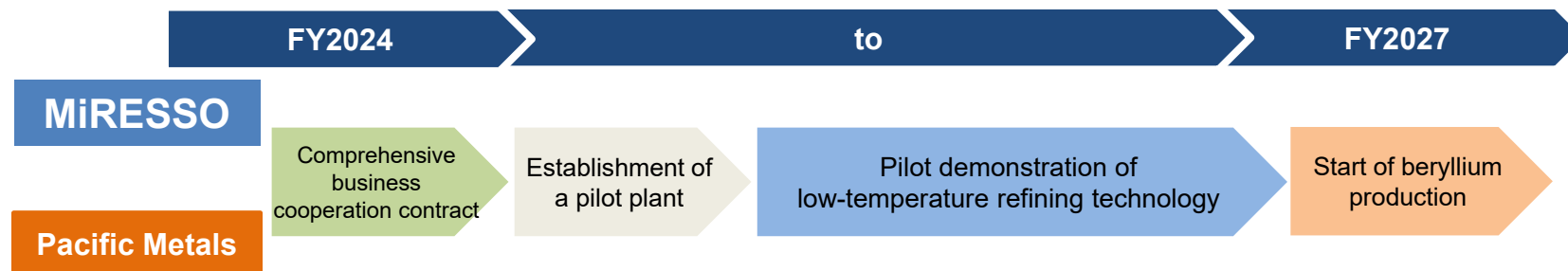
Scope of contract:

Planning, research, development, design and sales activities for this business

Roles:

- MiRESSO: Leading the project with its management resources and knowhow
- Pacific Metals: Providing a reasonable range of its management resources (human resources, facilities, technologies)

◆ Basic concept of the beryllium production and sales business



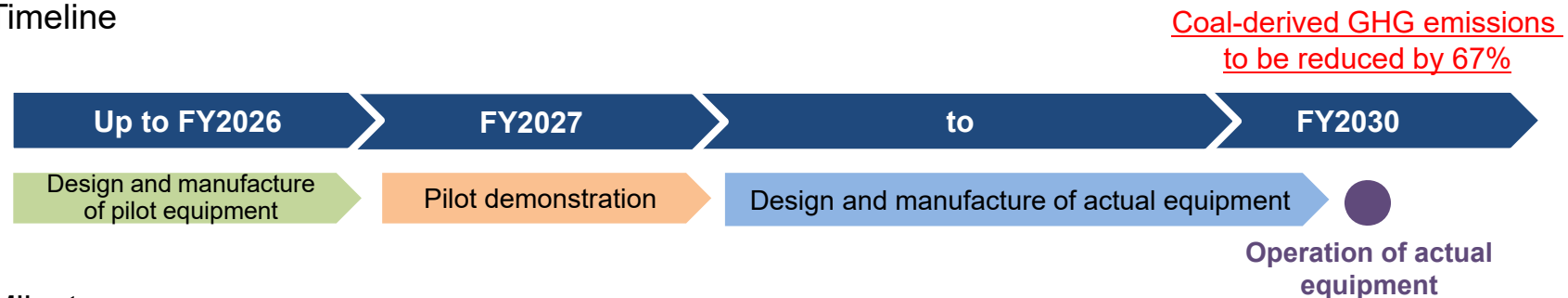
* MiRESSO was selected as a phase-3 business under the small/startup business innovation research (SBIR) system of the Ministry of Education, Culture, Sports, Science and Technology.

MiRESSO has received 2.0 billion yen of subsidies for the business theme of “Demonstration of a low-temperature refining technology for stably securing beryllium resources for fusion furnaces,” and it will establish a pilot plant and conduct a pilot demonstration of low-temperature refining technology in cooperation with us.

Reduction of GHG emissions

Electrification of ferronickel production calcination process

◆ Timeline



◆ Milestones

- Successfully implemented calcination and reduction of nickel ore using standard microwave bench-scale equipment through cooperative research with Microwave Chemical Co., Ltd.
- Confirmed the new advantages for the current calcination process through a continuous emission operation test using bench-scale equipment

- ✓ Reduced fossil-fuel-derived GHG emissions (already achieved)
- ✓ Improved energy efficiency by directly heating nickel ore by microwave (already achieved)

Almost no dust generated in exhaust pipes with less dust dispersion in the calcination furnace



- ✓ Reduced energy consumption by recalcination due to a substantial decrease in return dust (new)
- Started discussions on designing microwave pilot equipment (increase in scale from several kilograms to several tons)



Other Priority Measures

Realization of production and sales of raw materials for LIB materials

- Promoting research and development for producing raw materials for LIB cathode materials that meet the requirements of the Inflation Reduction Act in the U.S., with a target of starting supply to the U.S. market in 2030
- Aiming to produce net nickel of approximately 5,000 tons/year and net cobalt of approximately 500 tons/year for our estimated business scale in order to take advantage of economies of scale

Promotion of overseas smelting projects and start-up of production

- Difficult to realize for the time being because of challenges related to the participation of a foreign company (our company) in the dry smelting furnace project in Indonesia
- Aiming to build relationships through technical support for mine operations, for which there is strong demand, in pursuit of future opportunities to participate in hydrometallurgy projects, rather than focusing on obtaining an interest in a dry smelting furnace project

Restructuring of recycling business

- Continuing marketing activities in the production and sales business of raw materials for steel manufacturing and metal materials for batteries
- Confirmed demand of several thousands of tons per year for raw materials for steel manufacturing
- The feasibility of commercialization is to be assessed as the raw materials for steel manufacturing have been verified to have a quality equivalent to that of existing products as a result of the actual equipment test, with discussions on the desired price underway

Enhancement of corporate value by addressing sustainability issues

- Obtained Silver Certification (Certification No. 3036) as an excellent health management company
- Participated in the Umigomi Zero Week event

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

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(2) Progress on investment plan

(Million yen)	Plan for FY2024 in PAMCO-2024	Plan for FY2024 (announced in May 2024)	Revised plan for FY2024 (announced in November 2024)	Vs. Plan for FY2024 in PAMCO-2024	Vs. Plan for FY2024 (announced in May 2024)
1) Capital investment	1,004	309	302	-702	-7
2) i) Domestic business	7,472	0	0	*1 -7,472	0
2) ii) Overseas business, resources	8	3,607	7	-1	*2 -3,600
2) iii) R&D investment	1,000	231	220	-780	-11
Total	9,484	4,147	529	-8,955	-3,618

- *1

Postponed the new business-related investments designed in PAMCO-2024. (Despite establishing a cobalt sulfate production process (and obtaining a patent), the investment policy has been reviewed based on a change in the environment and we have shifted to investment in developing a production process for rare metal for LIB materials using other raw materials.)

- *2

We, as a foreign company, face challenges in entering such markets because of issues related to the rights to exploit and run mines. A considerable period of advanced preparation is required to solve these issues; thus, capital participation is difficult for the time being. On the other hand, we are continuing our activities to develop overseas businesses.

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

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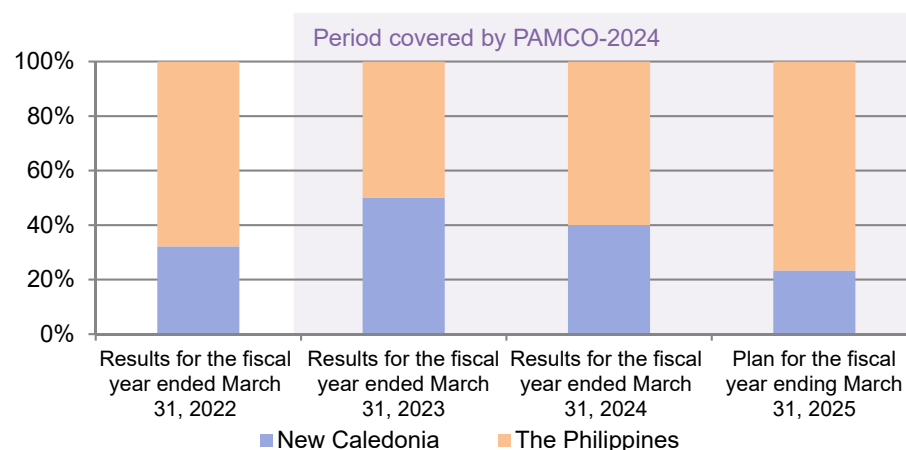
(2) Ore procurement

1) Status of conclusion of long-term contracts

Other party in long-term contracts	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Fiscal year ending March 31, 2025	Fiscal year ending March 31, 2026	Fiscal year ending March 31, 2027
■ Rio Tuba Nickel Mining Corporation (36% stake held by Pacific Metals)	Contract period: Jan. 2022 to Dec. 2026 (5 years)				
■ Taganito Mining Corporation (33.5% stake held by Pacific Metals)	Contract period: Jan. 2022 to Dec. 2026 (5 years)				
■ Cagdianao Mining Corporation	Contract period: Jan. 2022 to Dec. 2026 (5 years)				
■ MKM (1)	(Prior contract period)		Contract period: Jan. 2024 to Dec. 2033 (10 years)		
■ MKM (2)	Contract period: Jan. 2016 to Dec. 2025 (10 years)				
■ Montagna SARL	Contract period: Apr. 2016 to Mar. 2026 (10 years)				

■ The Philippines ■ New Caledonia

2) Procurement ratio



3) Procurement situation

Situation surrounding the nickel market in New Caledonia

SLN, the main supplier of New Caledonian ore, was not permitted by the local government to obtain permission to mine ore in a new section within the mining area for political reasons.

The procured volume of New Caledonia ore has declined because of the projected significant decrease in production volume of ore and the suspension of mine operations due to the riot that occurred in May 2024. Therefore, the situation remains uncertain.

(Reference) Medium-term Business Plan Numerical Data

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Planned figures for the PAMCO-2024 period	(Million yen)	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Fiscal year ending March 31, 2025
	Production volume (Ni t)	20,810	29,037	28,454
	Sales volume (Ni t)	20,500	27,500	27,500
	Applicable LME nickel price (US\$/t) [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 (million yen)	925	225	1,809
	Ordinary profit (million yen)	3,844	2,822	4,549
	Profit 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 and forecasts for the PAMCO-2024 period	(Million yen)	Results for the fiscal year ended March 31, 2023	Results for the fiscal year ended March 31, 2024	Forecast for the fiscal year ending March 31, 2025
	Production volume (Ni t)	13,380	6,035	3,960
	Sales volume (Ni t)	12,393	6,025	6,053
	Applicable LME nickel price (US\$/t) [US\$/lb.]	25,507 [11.57]	21,208 [9.62]	17,394 [7.89]
	Applicable exchange rate (¥/US\$)	135.26	144.46	146.92
	Net sales (million yen)	34,852	15,521	14,096
	Operating profit (loss) (million yen)	-12,588	-9,114	-7,858
	Ordinary profit (loss) (million yen)	-4,960	-2,119	-3,619
	Profit (loss) attributable to owner of parent (million yen)	-5,026	-1,074	-3,394
	Total assets (million yen)	78,825	73,790	70,851
	Net assets (million yen)	72,034	69,060	66,076
	Investment (million yen)	1,232	331	529
	Depreciation (million yen)	289	350	348



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