

Basic Sustainability Policy

Under the Group philosophy “Leverage the power of people to deliver the earth’s resources in more useful forms and contribute to the happiness of humankind,” our stated long-term vision is to be “a comprehensive materials company that co-creates a sustainable, recycling-oriented society,” and the Group has positioned securing a management platform able to adapt to changes in the business environment, contributing to the SDGs, and achieving carbon neutrality as material issues for the Group. We are working to grow into a sustainable company and heighten corporate value, while devoting all our efforts to realize a sustainable society and environment.

Material Issues (Materiality)

Restructuring of ferronickel production and sales systems with emphasis on profitability    	<p>1 Establishment of optimal production system by reviewing production strategy</p> <ul style="list-style-type: none"> Establish optimal production system to further strengthen the platform. <p>2 Strengthening of cost competitiveness by reviewing procurement strategy</p> <ul style="list-style-type: none"> Review and strengthen procurement strategies for fuels and other raw materials, according to the highest priority to cost competitiveness.
Acceleration of consideration of expansion into overseas smelting business     	<p>3 Promotion and production start-up of overseas smelting projects</p> <ul style="list-style-type: none"> Establish optimal ferronickel production and sales system by combining domestic and overseas smelting operations.
Creation of new businesses that contribute to society   	<p>4 Promotion of production and sales of raw materials for LIB materials</p> <ul style="list-style-type: none"> 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     	<p>5 Restructuring of recycling business</p> <ul style="list-style-type: none"> Promote restructuring of our recycling business through collaboration with other companies, etc.
Enhancement of corporate value by addressing sustainability issues              	<p>6 Sustainability Promotion Council</p> <ul style="list-style-type: none"> 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. <p>7 Reduction of GHG emissions</p> <ul style="list-style-type: none"> To achieve carbon neutrality by FY2050, implement measures with clear targets, including use of carbon-free energy and introduction of new technologies. <p>8 Promotion of symbiosis by contributing to the development of regions and resource-rich countries</p> <ul style="list-style-type: none"> Promote symbiosis through activities that contribute to the development of the region and resource-rich countries. <p>9 Promotion of constructive dialogue with stakeholders</p> <ul style="list-style-type: none"> 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.

Environment

Response to the TCFD Recommendations



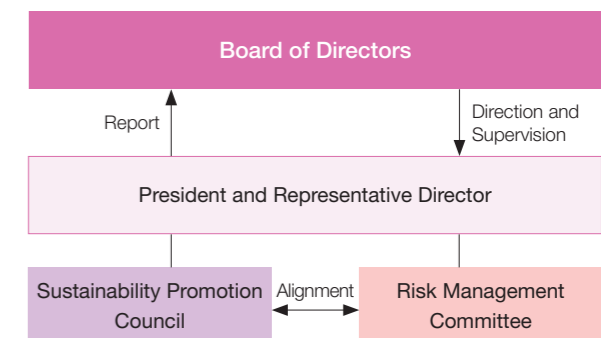
The Group has endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB). Positioning the response to climate change and the realization of a sustainable society as important management issues, we are promoting company-wide initiatives, including deliberation on medium- to long-term initiatives and orientation regarding important issues (materiality) related to sustainability, as well as response to ESG issues, promotion of CSR, and initiatives toward carbon neutrality. As part of these efforts, the Company has established a framework for promoting initiatives for addressing issues regarding ESG/SDGs, sustainability and climate change.

We will proactively promote initiatives that contribute to climate change mitigation and adaptation and information disclosure in line with the TCFD recommendations, build a deep relationship of trust with our stakeholders, and contribute to resolving climate change issues and realizing a sustainable society through our business activities.

► Governance

The Group regards responding to climate change and realization of a sustainable society as important management issues. The Sustainability Promotion Council was established to discuss medium- and long-term initiatives and orientation related to materiality, as well as to promote specific measures across the Company to address ESG issues, promote CSR, achieve carbon neutrality, etc. The Sustainability Promotion Council meets quarterly.

The Sustainability Promotion Council is chaired by the President and its membership comprises executive officers. It reports to the Board of Directors for direction and supervision.

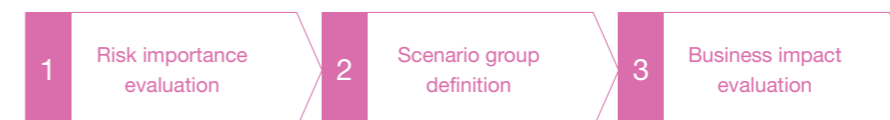


► Risks and opportunities

We examined “climate-related transition and physical risks” and “climate-related opportunities through climate change mitigation and adaptation solutions” according to the TCFD classifications.

Scenario analysis was conducted for 1.5°C and 4°C scenarios, with reference to the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC). We have conducted a scenario analysis as shown on the following page, and the results confirmed that our strategy has resilience with regard to the response to each risk and opportunity.

Risk analysis procedure



► Risk management

The Group has established the Risk Management Committee for company-wide risk management, including risks related to climate change. The Risk Management Committee is chaired by a director appointed by the President and its membership comprises executive officers and general managers. It meets quarterly to conduct routine risk management (risk identification, evaluation, monitoring, etc.). For risk countermeasures, we prioritize risks based on likelihood and impact, and we engage in risk mitigation activities for priority risks and manage progress.

The Risk Management Committee reviews “climate-related risks and opportunities” annually and the status of activities is reported to the Board of Directors at least once a year for direction and supervision. Matters affecting important sustainability issues are reported to the Sustainability Promotion Council.

► Goals and indicators

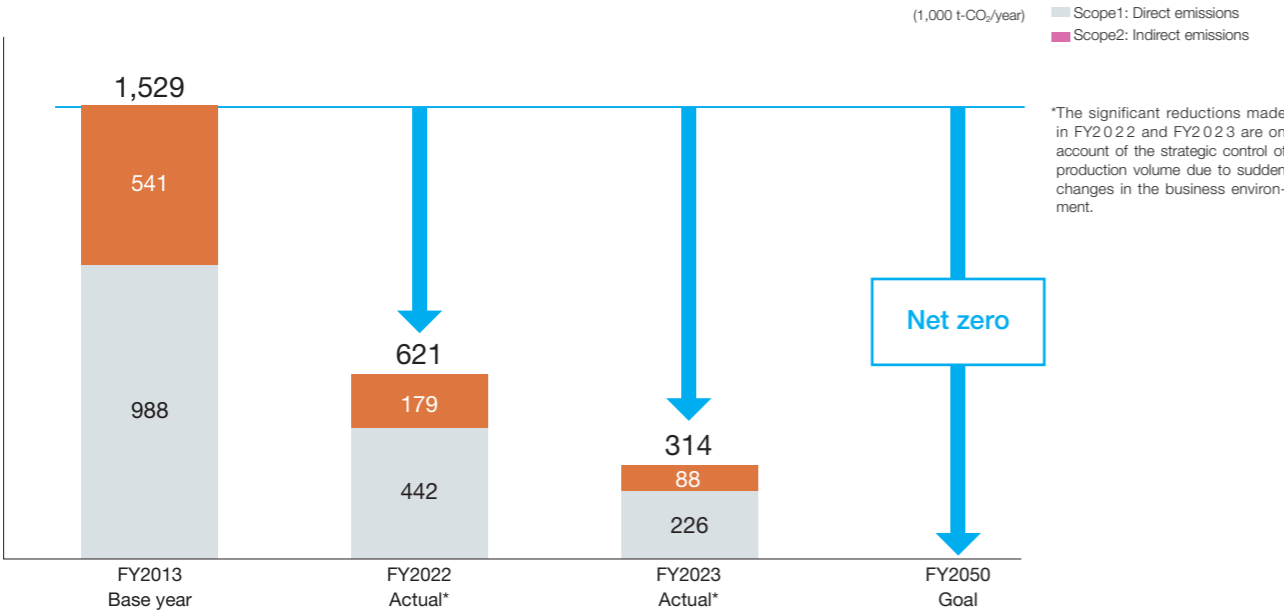
The Group aims to reduce GHG emissions by 46% or more by 2030 (compared with 2013) and achieve net zero emissions by 2050.

Initiatives to achieve the goals

- Reduction of GHG emissions

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

Scope 1 and 2 emissions (non-consolidated)

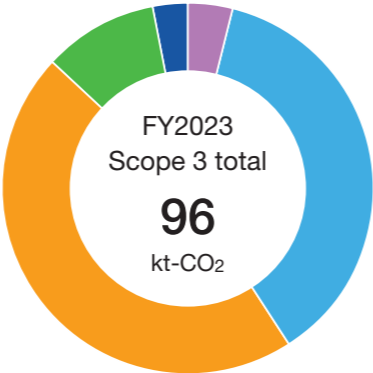


Scope 3 emissions (non-consolidated)

The Company has calculated Scope 3 emissions based on the “Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain (Ver. 2.5)” provided by the Ministry of Economy, Trade and Industry and the Ministry of the Environment. The total of Scope 3 emissions in FY2023 was 96 kt-CO₂. The category-specific breakdown was Category 1: Purchased goods and services (4%), Category 3: Fuel-and energy-related activities not included in scope 1 or scope 2 (37%), Category 4: Upstream transportation and distribution (46%), and Category 13: Downstream leased assets (10%), accounting for about 97% of the total.

Supply chain emissions [1,000 t-CO ₂]		
Category	FY2022 (% of total emissions)*2	FY2023 (% of total emissions)*2
C1 Purchased goods and services	41(16%)	4(4%)
C3 Fuel-and energy-related activities not included in scope 1 or scope 2	89(34%)	36(37%)
C4 Upstream transportation and distribution	116(45%)	44(46%)
C13 Downstream leased assets	10(4%)	9(10%)
Other than the above categories (the total of C2, C5-C9, C12)	4(1%)	3(3%)
Scope 3 total*3	260(100%)	96(100%)

*2 Rounded to the nearest whole number *3 C10, C11, C14, and C15 are not applicable.



Target ratios for non-fossil fuel electricity

To reduce our GHG emissions from electricity, we have set the following targets for the ratio of non-fossil fuel electricity.

	FY2030	FY2050
Target ratio for non-fossil fuel electricity (%)	50	100

► Scenario analysis (GHG emissions are in CO₂ equivalent)

Prerequisites: • We examined risks and opportunities expected in 2030. • Financial impacts of climate change have been estimated.

Category of risks and opportunities			Overview of risks and opportunities	1.5°C scenario		4°C scenario		PACIFIC METALS's response	
				financial impact	Possibility	financial impact	Possibility		
Risks	Transition	Policies and regulations	Higher energy costs for business operations (manufacturing and transportation) due to introduction of carbon tax	Large	High	Small	High	<ul style="list-style-type: none">Process electrificationTransition to renewable energy use	<ul style="list-style-type: none">Installation of microwave equipment in the raw material drying and burning process to reduce coal and fossil fuels as heat sourcesPhased transition to the use of purchased renewable energy
			Higher risks and costs of procuring various raw materials due to higher fossil fuel prices caused by changes in the supply-demand balance resulting from climate change, unstable supply due to unseasonable weather and other factors, and a higher renewable energy levy	Small	Low	Large	Medium		
		Market and technology transition	Greater customer demand for decarbonization. Lower product competitiveness (e.g., declining market share) if the Company's response to decarbonization is insufficient	Large	Medium	Medium	Low	<ul style="list-style-type: none">LCCO2 evaluation	<ul style="list-style-type: none">Transition to decarbonized manufacturing, followed by LCCO2 evaluation to meet customer demand
			Higher Ni prices due to higher demand reflecting shift to EVs, leading to replacement of raw materials for stainless steel by less expensive alternative metals	Large	Low	Large	Low		
		Reputation in the market	Preference for ESG-responsive suppliers in the supply chain, leading to damage to corporate value and additional ESG-related costs	Large	Medium	Small	Medium	<ul style="list-style-type: none">Commitment to decarbonizationCommitment to initiatives	<ul style="list-style-type: none">Commitment to sustainability issues and active disclosure of implementation status (TCFD disclosure, response to CDP, etc.)
			Declining value in capital markets (e.g., share price declines) because of failure to respond to climate change information disclosure requirements	Large	Medium	Small	Low		
	Physical	Acute	Physical damage to production sites and the supply chain, causing suspension of operations and logistics, resulting in lost profits and additional costs.	Small	Low	Small	Medium	<ul style="list-style-type: none">Diversification of risks by diversifying raw material suppliers	<ul style="list-style-type: none">Procurement risk diversification by diversifying the suppliers of raw materials, including recycled resources
		Chronic	Additional production costs due to changes in properties, such as increased moisture content of raw materials, because of longer rainy seasons in the regions where resources are procured.	Small	Medium	Small	High		
Opportunities		Resource efficiency	Expanded use of recycled metal resources (alternative to metal resources), which produce less GHG emissions and show higher manufacturing efficiency than natural resources	Large	Medium	Large	Medium	<ul style="list-style-type: none">Establishment of a system for resource recycling	<ul style="list-style-type: none">Establishment of a new system for resource recycling by collecting and accepting a larger amount of recycled resources
		Energy source	Innovation in the manufacturing process, which results in a substantial decrease in fossil fuel use and a reduction in energy costs and in turn reduces GHG emissions and improves the impact of carbon pricing	Large	Medium	Medium	Medium	<ul style="list-style-type: none">Process electrificationTransition to renewable energy use	<ul style="list-style-type: none">Installation of microwave equipment in the raw material drying and burning process to reduce coal and fossil fuels as heat sourcesPhased transition to the use of purchased renewable power
		Products and services	Innovation in the manufacturing process, which contributes to GHG emission reductions in customers' supply chains and increases product competitiveness	Medium	Medium	Small	Low	<ul style="list-style-type: none">Strengthening of sales capabilities and expansion of new customers	<ul style="list-style-type: none">Sale of low-carbonization products, leading to better relationships with customersCultivation of new business partners, such as overseas manufacturers
		Resilience	More flexible and speedy response due to the transition of active engagement in ESG issues to company-wide strengthening of governance, leading to support and cooperation from investors and other stakeholders, increased corporate value, strengthening of business foundation, and further business expansion	Medium	Medium	Small	Medium	<ul style="list-style-type: none">Strengthening of governance	<ul style="list-style-type: none">Planning, implementation, and management of response to ESG issues

1.5°C Scenario: A scenario where continued efforts are made to limit the average temperature increase to 1.5°C.
4°C Scenario: A scenario where no measures are taken and the situation takes its natural course.

► Process electrification initiatives

We are proceeding with research and development to shift our calcination process, which is the main cause of CO₂ emissions in nickel ore smelting, away from energy derived from coal combustion used in conventional technology to microwaves generated by electricity.

In tests using standard microwave bench-scale equipment, we have confirmed a reduction reaction equivalent to that of our current rotary kiln, which has given us prospects for significant reductions in CO₂ emissions from fossil fuels and energy savings through improved thermal efficiency.

We will continue with scaling-up verification tests with a view to introducing full-size equipment in 2030.



Existing rotary kiln



Standard microwave bench-scale equipment

Environmentally Friendly Ferronickel Manufacturing Process

Ferronickel, which is the main raw material for stainless steel, and we are the number one domestic producer of ferronickel. Utilizing the world's top level smelting technology, we carry out efficient manufacturing with the world's largest electric furnace. Ingenuity to reduce environmental impact, we apply many technologies such as reducing energy consumption by using high-temperature exhaust gas from electric furnaces into the ore drying process, and partly replacing nickel ore with recycled resources containing nickel.

► Flow of inputs and outputs

INPUT			Results for FY2023
Main raw materials	Nickel ore	530,000 t	
	Secondary ingredients	70,000 t	
Industrial water		3,980,000 m³	

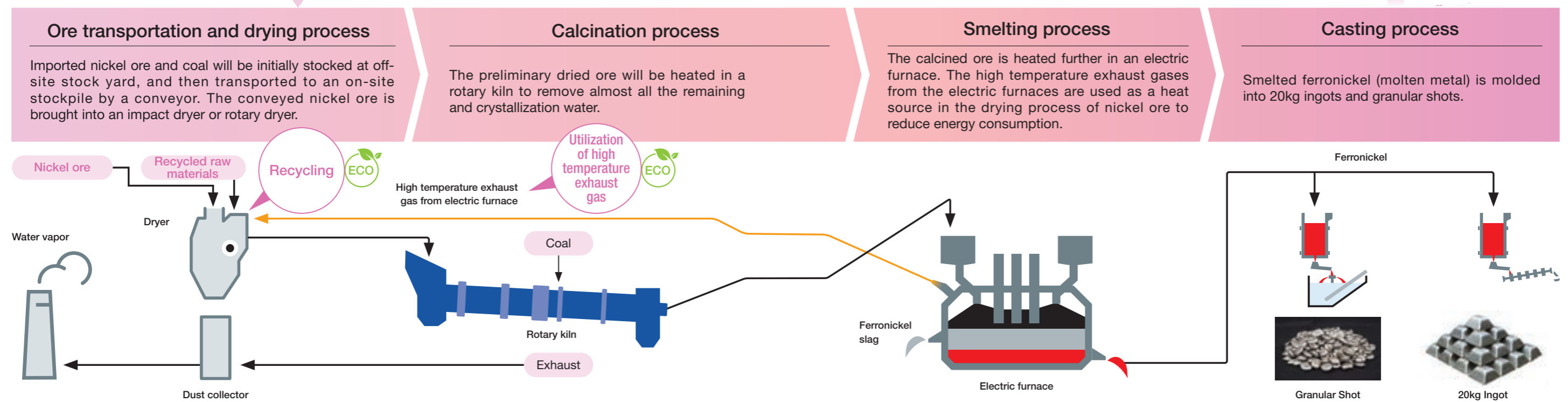
For total energy, see P45

OUTPUT			Results for FY2023
Product	Ferronickel	39,000 t	
Resource recycling	Ferronickel slag	330,000 t	
Wastewater	Discharged water	3,900,000 m³	
Atmospheric release	CO₂	310,000 t	
	SOx	295 t	
	NOx	1,007 t	
	Soot and dust	9 t	

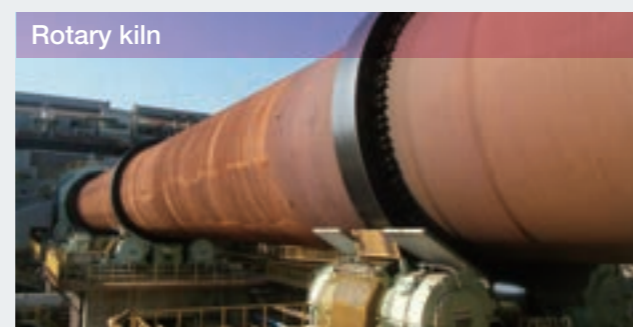
Recycling rate
100%

Final waste disposal rate
0%

► Ferronickel manufacturing process



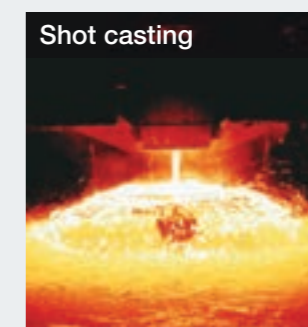
Raw material conveyor
Conveyors totaling 2.4 km in length transport unloaded ore and other materials to the plant.



Rotary kiln
A calcining equipment, over 100m in total length that thermally processes dried ore by heating it to approximately 1,000 degrees Celsius.



Electric furnace
These are the world's largest electric furnaces that is heated by using electric resistance, and used for smelting ferronickel from ore.



Shot casting
Molten metal is rapidly cooled with water in a water tank and finished into small particles.



Ingot casting
Molten metal is poured into molds and finished into 20kg ingots.

Environmental Management

The Company has established an environmental management system, and works to continuously improve its activities to reduce environmental impact through the stable implementation of the PDCA cycle. Based on this environmental management system, we have established an environmental policy and environmental objectives and targets, and are developing and implementing various environmental measures at each site.

Environmental policy

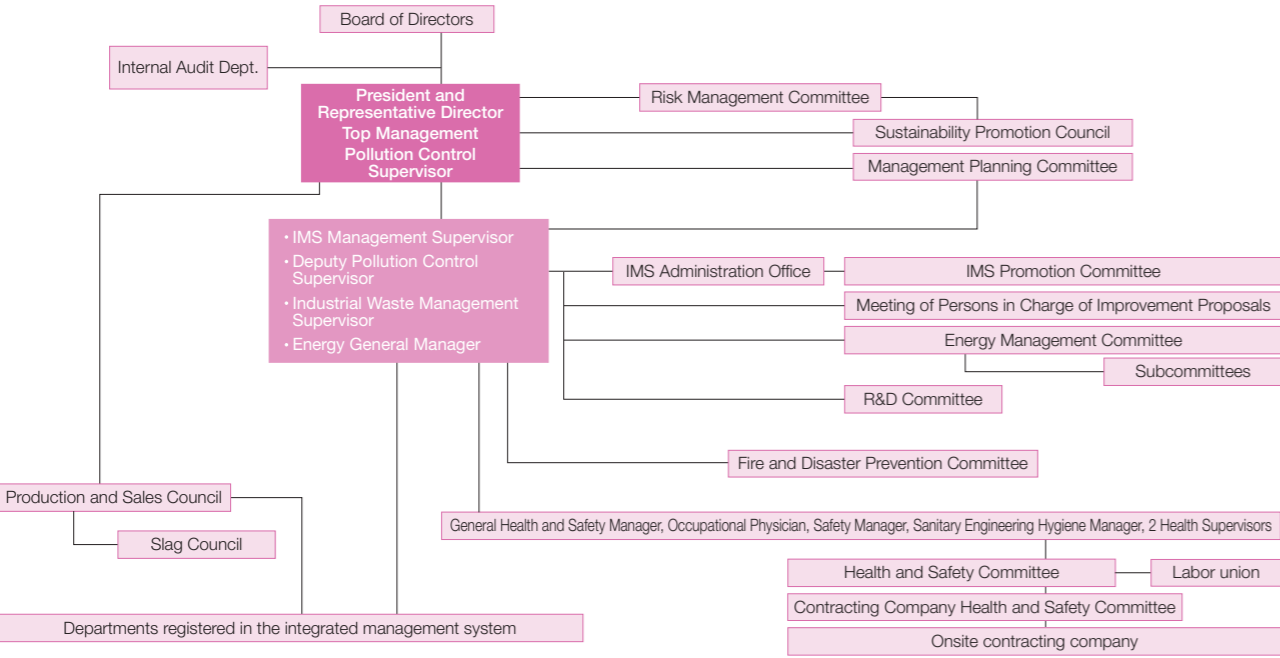
Basic philosophy

Recognizing that environmental problems are common material issues for all humankind, the Company is committed to harmony with the environment and engages in activities aimed at conserving the global environment and contributing to society.

Basic policy

- The Company uses large quantities of ore and energy in the production of nickel. The use of this ore and energy emits soot and greenhouse gases, so we consider environmental issues to be an important challenge for the Company and work together in our efforts to continuously reduce our environmental impact.
- (1) Reduction of environmental impact
We strive to prevent air pollution caused by dust, soot and smoke emissions, and water pollution caused by wastewater. We also consider the reuse of these emissions and strive to minimize their impact on the environment.
 - (2) Reduction of greenhouse gas emissions
We pursue the development of energy-saving and environmentally friendly technologies, promote operational efforts to improve productivity and yield, and strive to reduce greenhouse gas emissions.
 - (3) Contribution to zero emissions
We will promote the reduction and recycling of waste generated in the course of our operations. We will also contribute to zero emissions by promoting the proper disposal of contracted waste.
 - (4) Compliance with laws, regulations, etc.
We comply with environment-related laws, regulations, tripartite agreements and industry standards, while also setting voluntary standards and actively working to protect the environment.
 - (5) Ensure operation and continuous improvement of the environmental management system
In order to achieve this environmental policy, we have set environmental objectives and targets for each department, and all employees promote efforts in environmental management. In addition, we will regularly review our environmental objectives and targets, and strive to promote a more effective environmental management system.
 - (6) Dissemination of the environmental policy
This environmental policy is communicated to all employees, including those of affiliated companies. We also inform our partner companies of this policy and request their understanding and cooperation.

Environmental management system



Initiatives for a recycling society

Ferronickel slag, produced as a byproduct of the ferronickel manufacturing process, is composed mostly of silicon dioxide, magnesium oxide, and diiron trioxide at approximately 95% based on its high safety profile that meets all the elution (No. 18) and content (No. 19) standard values as notified by the Ministry of the Environment. As an eco-friendly product that contributes to the reduction of environmental impact, all ferronickel slag is recycled and widely used in and outside of Aomori Prefecture.

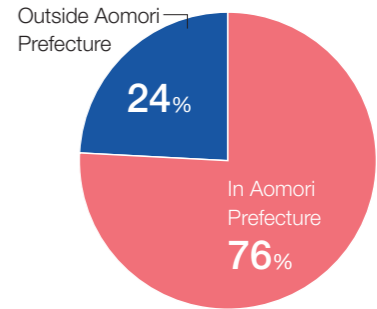
A new product, Pamco Green, has been added as a main ferronickel slag products, joining the existing Pamco Crustone. We produce and sell Pamco Crustone as a road material (subgrade and subbase material), earthwork material (land reclamation materials), and fertilizer material, and began producing and selling Pamco Green , a fertilizer (registered special fertilizer), in FY2023. A confirmed characteristic of Pamco Green is that it supplies magnesium and other nutrients to the soil and raises the level of available phosphoric acid in the soil, generally improving the absorption of nutrients needed for vegetables to grow. Farmers are using this product as a soil improvement agent, and we are promoting initiatives for a recycling-oriented society.



Pamco Green is used in the cultivation of garlic. Garlic grown in soil with the largest quantity added to the soil (120 t/1,000 m²) grew to almost twice the size (right photograph; weight: 148 g) of that grown in soil with no Pamco Green added (left photograph; weight: 79 g).

Percentage of slag processed products sold by region

(Blast furnace steelmaking materials, fertilizers, fine aggregate for concrete)



Pacific Metals Joins the Hachinohe Area New Zero Emissions Council to achieve carbon neutrality in the Hachinohe area

We have joined the Hachinohe Area New Zero Emissions Council with the aim of achieving carbon neutrality in the Hachinohe area. The main purpose of the council is to share challenges facing members, consider solutions, and learn about new technologies, to have industries in the Hachinohe region achieve carbon neutrality in 2050 while maintaining current production levels.

Eco Products That Contribute to Reducing Environmental Impact

Effective use of by-products

Ferronickel slag obtained as a by-product of the ferronickel manufacturing process is cooled by the slow cooling method, and then the entire product is recycled according to the intended use and sold as an attractive product that can be used in a wide range of applications. The slag's constituent components are stable, environmentally friendly, and have the same quality as natural resources and thus contribute to energy saving by conserving natural resources, and to the formation of a recycling-oriented society.

Ferronickel slag (Product name: Pamco crustone)

After cooling, ferronickel slag is crushed by crushing equipment to particle sizes of 5mm or less, 5 to 20mm, or 20 to 40mm, which thus allows for a wide range of particle size adjustments when combined according to customer requests. The slag is characterized by the fact that it is environmentally friendly, highly safe, and does not contain harmful substances, and because it has high roadbed bearing capacity after compaction, it is easy to install, and has excellent frost heaving suppression. In the Tohoku area, it is used mainly as a substitute civil engineering material for mountain sand and crushed stone (for roads, embankments, and land development).



Used as a civil engineering material in earthquake disaster reconstruction areas

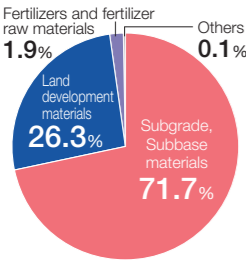


Ferronickel slag of 0 to 40mm



Ferronickel slag, 5mm or less

Percentage of ferronickel slag product by application (period ended March 2024)



Application	Main Features and Effects
Land development materials	Suitable as soft ground improvement soil
Subgrade, Subbase materials	Excellent roadbed material strength and low freeze-thaw resistance
Fertilizers and fertilizer raw materials	Ferronickel slag contains substances need by crops, including ferric oxide (Fe) and magnesium oxide (MgO). Products are used as fertilizer and fertilizer raw materials.

LCA for ferronickel slag products

Our ferronickel slag products meet all the elution amount and content standards notified by the Ministry of the Environment, are free from harmful substances, are environmentally friendly and boast high safety, and crushed stones the reduction of environmental load. The figure below is an LCA^{*1} evaluation comparing ferronickel slag products and quarry products^{*2}, confirming a reduction in CO₂ emissions^{*3}.

*1: Abbreviation for Life Cycle Assessment. A method of quantifying the environmental impact of a product during its lifetime (resource extraction, manufacturing, use, disposal).

*2: Products manufactured by collecting and mining natural stones

*3: Evaluation results for ferronickel slag products manufactured in FY2018

Ferronickel slag product application	CO ₂ emissions (t-CO ₂ /year)		CO ₂ reduction rate
	Crushed stone	PACIFIC METALS ferronickel slag products	
Land development materials	2,360	44	98%
Subgrade, Subbase materials	115	32	72%
Coverage materials, Earthwork materials	2,059	571	72%
Blast furnace steelmaking materials	5,518	1,477	73%
Total	10,052	2,124	79%

● Click here for product information

WEB <https://www.pacific-metals.co.jp/en/products/kras.html>



Quality Control System

To reliably provide products all of our stakeholders can trust, we have come together company-wide to promote quality management activities based on our Quality Management System (QMS) and the Industrial Standardization Act.

ISO certification registration

We have registered certifications for ISO 9001, ISO 14001, and ISO 45001.

The Administration Office and each department are forming action plans and engaging in correction and improvement initiatives to prevent unforeseen nonconformities regarding quality, the environment and safety. One a positive note, we were given good assessments on 13 items. In addition, the audit results and the results of initiatives taken in the current fiscal year are reported in a Top Management review, and the issues indicated in the current fiscal year are taken up to be addressed in the next fiscal year, with efforts made to solve such issues.

Certification Registration Information

Certification standard	Registration scope	Registration No.	Expiry date	Initial registration
ISO 9001:2015	Hachinohe Head Office (Manufacturing Works)	0314		April 9, 1998
ISO 14001:2015		E1998	February 15, 2027	March 19, 2009
ISO 45001:2018	Tokyo Head Office	H063		February 16, 2012

Main initiatives and specific results

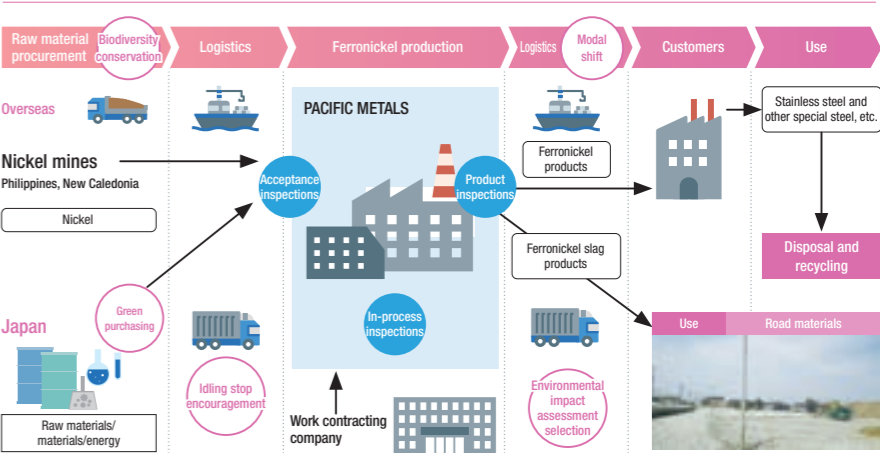
Main initiatives	Specific results
Measures to improve customer satisfaction	Our ferronickel products are highly regarded by our customers in a variety of aspects, including stable quality, stable supply, and precise adherence to delivery deadlines, etc. Our CS surveys, held every year, help us create products that meet customer needs. In addition, we are striving to deliver better products and services, and to provide proposal-type selling that benefits our customers. Our production and sales departments are working as one team to further improve customer satisfaction. Our ferronickel slag products are of high environmental safety quality and are mainly used for civil engineering works (roads and land development) in Aomori Prefecture and neighboring areas and as fertilizer materials. We strive day in day out to meet customer requirements for the particle size and component of our products. They are highly regarded by our customers for their ease of use, etc. Furthermore, our management system is in compliance with all relevant laws and regulations and in accordance with the Japan Mining Industry Association's "Guidelines for Managing the Production and Sale of Nonferrous Slag Products." In this manner, we have built a framework so as not to impose environmental impacts or other issues on the local residents, and regularly clean transportation roads in Hachinohe City. These efforts have been well received as contributions to the local community.
Brush up of our analytical techniques to improve product quality reliability	We conduct OJT based on a skills chart including diagrams and photographs, which document the tacit knowledge of experienced employees, such as sensory-based techniques and knowhow. In this manner, we are also working to expand individual scopes of work, implement initiatives to enhance competence, and share knowledge and experience of analytical techniques among all department staff. We are also working to improve our analytical techniques by adding and updating new information and knowledge to the skills chart.
Laboratory accreditation of certification standards for testing and calibration laboratories (ISO/IEC 17025)	Since the prices of ferronickel products and nickel ore depend on the amount of nickel they contain, ensuring the reliability of nickel analysis values is an important matter. We are certified under ISO/IEC 17025 in "methods for chemically analyzing components in ferronickel," "X-ray fluorescence methods for analyzing components in ferronickel," and "methods for chemically analyzing components in nickel ore," which we use to ensure the international and objective reliability of product inspections and raw material acceptance inspection results. In FY2023 as well, we improved and expanded our work qualifications, and conducted activities in preparation for their renewal assessment in FY2024.

Supply chain management

We conduct a variety of activities that take the environment and quality into consideration at each stage in the supply chain, not just at our production sites. As an environmental measure, we carry out afforestation at local mines in order to restore (rehabilitate) sites to their original states to the degree possible after ore mining. In addition, we comply with internationally unified safety regulations for the sea transportation of cargo, and take safety measures and environmental considerations into account.

Regarding quality, in addition to product inspection before shipment, we thoroughly control the quality of manufacturing processes such as acceptance inspections of raw materials. We also contribute to the reliability of product quality in analyzing the chemical composition of ferronickel products. For slag products, we regularly conduct tests based on the Soil Contamination Countermeasures Act to confirm that our products meet the required standards.

Overview diagram of the PACIFIC METALS supply chain



Occupational Health and Safety

We have been promoting voluntary work accident prevention activities under the slogan “Be Safety!” and working to prevent workplace accidents by raising safety awareness. We are also promoting health management activities so that employees can maintain a safe and healthy work environment.

Basic views

Health and safety policy : Eliminating accidents and continuing zero occupational illness

Occupational safety management

- Health and safety policy : Eliminating accidents and continuing zero occupational illness
- Specific activities
- (1) Promoting various safety activities through small group (team) activities
 - (2) Strengthening risk reduction activities
 - ① Enhancing early response to abnormalities in one-person operations by introducing a safety monitoring system
 - ② Reducing electric shock risk through modification of defects of the welding power supply panels and applying the countermeasures to other power supply panels
 - ③ Reducing risk of being caught or entangled during maintenance and periodic repair work by introducing lockout
 - (3) Raising safety awareness by conducting various training
 - ① Strengthening follow-up on health and safety education for new employees and contractors
 - ② Deepening understanding of laws and regulations through in-house training of the Company's internal safety and health standards
 - (4) Raising safety awareness through continued initiatives for safety focus campaigns

Occupational health management

- Priority goal : Continuing zero occupational illness
- Specific activities
- (1) Reducing health issue discovery rates through personalized, voluntary health management activities
 - ① Setting and working toward personal goals to develop a healthy body
 - ② Recommendations from occupational physicians to use the health guidance system for those with health checkup findings and individual consultations for those who have not yet received a secondary health checkup
 - (2) Reducing mental health illnesses by properly carrying out stress checks and mental health training
 - (3) Improving the workplace environment by continuing to measure the working environment

Safety management

● Introduction of safety monitoring system

By having personnel wear a dedicated smartwatch when performing solo tasks such as site inspections, abnormal situations such as sudden illness or falls will be detected, an alert will be sent promptly to the site control room or other location, and the person's location data will be obtained, in an effort to prevent the situation becoming worse by providing emergency life-saving and first-aid measures. In addition, rescue drills are held jointly by manufacturing departments on a regular basis.



If a fall alert is sent, employees will check location data.



If a person requiring aid is discovered, workers will check the person's condition.

● Near-miss & concern activities/serious near-miss reports

Through prompt reporting of information about near misses and company-wide sharing of that information, we take swift measures in response. Situations of extremely high risk are treated as serious near misses. Measures to prevent the recurrence of such situations are reported to and discussed by the Health and Safety Committee.

Health management

● Pacific Metals receives Silver accreditation as a company with outstanding health-oriented management

Since the President's declaration of a health-oriented company in May 2023, we have been engaged in health improvement initiatives to raise employees' health awareness. As a result, on July 2, 2024, the Company was certified as a company with outstanding health-oriented management and given “Silver Accreditation” (Accreditation No. Kengin-3036) by the Tokyo Federation of the National Federation of Health Insurance Societies .

Main initiatives

- Individual health goals activities: Employees are encouraged to set their own individual health goals and to undertake self-directed activities. They are also encouraged to receive a check-up under the health guidance system.
- Mental health care: Mental health seminars are held regularly, and occupational physicians hold individual consultations.
- Activities for improvement of working environment of the workplace: Health Supervisors make rounds of workplaces and undertake regular measurements of working environments.



Disaster prevention activities

During the annual Comprehensive Disaster Prevention Training, employees are trained to evacuate and confirm damage situation and safety under the assumption that large earthquakes with a seismic intensity of upper 5 occur. It also involves teaching new employees how to fight fires using fire extinguishers, and water discharge training using trucks carrying transportable pumps, thereby providing understanding of the importance of extinguishing fires quickly.



Firefighting training



Tsunami evacuation drill

In March, a tsunami evacuation drill was conducted to prepare for a major earthquake along the Japan Trench and the Chishima Trench, which is expected to occur in the future. The drill assumed that a large tsunami warning with an expected height of over 10 meters had been issued. The drill aimed to confirm personnel and damage status and evacuate to the on-site tsunami evacuation site with a secured height, enabling quick and reliable personnel confirmation and evacuation to the tsunami evacuation site in a limited time, leading to an improvement in disaster prevention awareness. In addition, we conduct training based on a scenario of a large earthquake with a seismic intensity of lower 6 having occurred at night or on holidays, and assuming that a tsunami alert has been issued. In the training, personnel use a mobile application to share information quickly and smoothly.

Communicating With the Local Community

We value the connection with the local community, carry out clean-up activities, and endeavor to revitalize the community by sponsoring local organizations and participating in local events. We strive to communicate with all of our stakeholders through local initiatives.

Cleanup activities on factory premises and in the region

In September 2024, 30 employees of the Company and Taiheiyō Kosan took part in a cleanup activity conducted along the walking paths of Hachinohe City's Kawaragi No. 2 Wharf Ryokuchi Park as part of Zero Marine Waste Week, a joint initiative of The Nippon Foundation and the Ministry of the Environment. Our Tokyo Head Office also participates in joint patrols and cleanup activities of the area around Tokyo Station organized by the Ote-Marunouchi Federation of Neighborhood Associations . Five employees of the Company took part in these activities in December 2023.



Sponsorship of the local soccer club

We started loaning the artificial turf “PAMCO Field” soccer field, prepared on a final disposal site where we used to bury ferronickel slag, to the local “Vanraure Hachinohe” soccer club in July 2019. In FY2023, we signed an official partner agreement (pitch advertising boards at home games and posting of company name on club website) with the Vanraure Hachinohe soccer club and a ground naming rights agreement for the Shimamori artificial turf field. In addition, at the PAMCO Cup, a league competition for Under-10s held every year, we co-sponsor the competition's operating expenses, as well as providing the green lanterns and green flags displayed on the field. We also sponsor ad hoc events.



Contributing to local communities through various organizations

- In March 2024, we made a donation to Nationwide Children's Cafeteria Support Center, Musubie.
- In October 2024, we conducted tours of the Company's plants for junior high schools in Hachinohe through the Regional revitalization Educational support Network.
- In 2023, we donated funds for the installation of security cameras through the City of Hachinohe.

Donations to disaster-stricken areas in Japan

- In January 2024, we made a donation to 2024 Noto Peninsula Earthquake disaster relief through the Japanese Red Cross Society.

Human Resources

We are working to realize our Company Philosophy of “Leverage the power of people to deliver the earth’s resources in more useful forms and contribute to the happiness of humankind.” To this end, we are developing a work environment and education system that allows a diverse workforce to thrive.

Personnel education to ensure diversity

Initiatives for diversity

To realize diversity, we will continue conducting training and other programs aimed at self-development. We strive to reform awareness and build a supportive corporate culture by actively implementing efforts to resolve any issues as they arise. We will also continue our initiatives for improving productivity and work-life balance.

In addition, we are raising the retirement age to 65 years old for employees who will turn 60 years old in FY2022. We will work to create a system that takes employees’ health into consideration while allowing them to continue to perform as well as ever.

● Establishment of environment to ensure diversity and expansion of human capital investment

We conducted human capital management training and ESG training for managers in August 2024, expecting managers to leverage the knowledge given by the training for management and human resources strategies. Also, as part of efforts for diversity and human capital investment in line with improvements in language skills and cross-cultural exchanges, we conducted an overseas language study program for female employees in October 2024.

● Diversity management training

We carried out training in which participants learned about the concept of diversity and diversity management with the aim of gaining the ability to develop and promote the advancement of diverse human resources required for management positions, including women. In this training, which we will continue based on the selection of appropriate themes, we aim to create a less stressful workplace and improve employee motivation. In addition, one element of the diversity training that we implemented was “foreign culture understanding in preparation for overseas assignments,” which aimed to achieve an understanding of how to communicate to be receptive to different cultures and smoothly conduct business with overseas people.

● Harassment prevention training

In FY2023, we held two training sessions, one in June and one in October, conducted by invited external lecturers. A total of 30 employees participated in these training sessions. Each participant prepared an action plan based on their understanding of the kinds of behavior that constitutes power harassment and implemented the goals for each group of trainees and individual targets in individual workplaces. We have continued to conduct this training in FY2024 as well.

Human resources education, development of environment, etc. to ensure diversity, including promoting active participation of women

Promoting active participation of women

We will always strive to create a comfortable work environment that balances work and home life, including support for childbirth, childcare, and nursing care, etc. We will also provide training for female employees to support their career development, in an effort to reform awareness. We will work to improve the environment in terms of both the work environment and the facility environment to promote the active involvement of women in the workforce. In October 2024, we conducted an overseas language study program for female employees for them to improve their skills. In the same month, we recruited female technical personnel.



Seminar on supporting active participation of women

● Seminar on supporting active participation of women

We will continue to conduct a training program that encourages participants to think proactively about how to continue contributing to the organization through the way they work, and how to live happily with being themselves by utilizing their value in order to realize a society in which women can fully demonstrate their individuality and abilities in a social environment where women are expected to play an active role.

Male employee childcare leave system

We take measures under our systems that support employees’ work-life balance as stipulated in the Child Care and Family Care Leave Act, and make efforts to inform employees of the various systems and encourage them to take childcare leave. With regard to instilling the systems and structures, we set up an opportunity for providing eligible employees with further briefings on an individual basis, encouraging them to take full advantage of such leave. We are working to collect internal information on whether a satisfactory system is in place to facilitate an environment where it is easy to take leave, and to put in place a desirable system.

In FY2023, the rate of childcare leave taken by eligible employees was 27.3%.

Human rights awareness activities

Based on our stance of respect for human rights, we respect the human rights of all people involved in our business activities. We strive to ensure that no violations of human rights occur and engage in human rights education activities.

Basic views

1 Basic policy for respecting human rights

We will promote initiatives for respecting human rights, in accordance with international norms and standards as a guideline for fulfilling our responsibilities. Our Corporate Code of Ethics established based on our Company Philosophy and Company Policy states that we will create a work environment where employees can work together and express themselves. In keeping with this, we believe that creating a vibrant workplace whose human resources are diverse in terms of nationality, gender, and age, where we understand each other’s values, individuality, and circumstances, and where each individual can fully demonstrate his or her abilities, will lead to higher productivity.

2 Concept for respecting human rights

We will do our utmost not to violate the human rights of all those affected by our business activities. We will work to correct and remedy any situations that have negative impacts on human rights in the event that they occur. We also engage with our stakeholders, and we encourage them not to violate human rights if they have caused any negative impacts.

3 Scope of application

The scope of this policy applies to all employees and officers of the Group. We will promote respect for human rights in cooperation with our business partners with whom we have close relationships.

4 Education

We will promote appropriate education.

5 Human rights due diligence

We will refer to the Guiding Principles on Business and Human Rights, as well as guidelines and other information on the respect for human rights, and establish the necessary human rights due diligence system for the Company to identify, prevent or reduce negative impact on human rights.

6 Governance system

We will discuss our approach to respect for human rights at the Sustainability Promotion Council.

Human rights due diligence

To identify and assess the negative impact on human rights related to the business activities of the Company and the Group and to prevent and mitigate such impact, we are working on the development of a mechanism for human rights due diligence, which we will implement on an ongoing basis.

We have divided our existing supply chain into “the Company and its Group companies,” “upstream,” including the procurement of raw materials, and “downstream,” including the sale and disposal of products. With priority on the Company and Group companies in Japan and overseas, we conduct written surveys or desktop surveys to verify the status of initiatives related to human rights, labor, and health and safety and assess the risks involved, as part of our corporate social responsibility (CSR).

● CSR surveys

To identify human rights risks, we have conducted CSR surveys of the following business partners.

Scope of survey	FY2023
The Company and Group companies	10 companies

Two mining companies located in the Philippines from which we procure our main raw materials are included in the Group companies.

● Risks and assessment

We analyzed the survey results for each company and conducted additional surveys regarding certain matters of concern. From these surveys, we found that each of the survey items were being appropriately managed through means such as the establishments of systems, both in Japan and overseas, and that there were no actual cases of human rights violations. We will continue to monitor any potential risks as necessary and strive to prevent and mitigate risks.

Risk Management

We have established and operate a risk management system for dealing with various risks in a timely and appropriate manner.

Basic views

Basic policy

The Company aims to maximize corporate value by generating profits through the use of management resources and assets entrusted to it by shareholders. In making management decisions, the Board of Directors thoroughly scrutinizes and analyzes the risks associated with business and investment activities, and makes decisions based on appropriate procedures in light of the profits to be generated by such activities. In making such possible assumptions on management risks, the Company allows an appropriate level of risks in light of the corresponding business and investment returns. However, risks that affect permanent business continuity are diversifying and increasing as the business and natural environment changes. Depending on how these are handled, it may become extremely difficult to achieve the business plan, and the very survival of the business could come into jeopardy. To maintain a state in which appropriate management decisions can be made, the Company correctly understands the risks that may arise, reduces the possibility of occurrence, and devises measures to reduce probable losses before they occur. To this end, the organization and rules for dealing with each risk are clarified in the Risk Management Regulations. We have established a risk management system to thoroughly manage crises should they occur, minimizing damage and taking responsible measures for early recovery. We continuously implement this system under the following philosophy, basic objectives, and action guidelines. In the event the risk of a critical situation occurs or the possibility of occurrence rises, the Company responds in accordance with the Crisis Management Manual.

Philosophy

(1) Fulfilling the Company's corporate social responsibility
(2) Ensuring the Company's social credibility

Basic objectives

(1) Permanent business continuity	(2) Responding to climate change risk
(3) Securing the trust and interest of stakeholders	(4) Ensuring the safety of employees and their families
(5) Preserving company assets	(6) Enhancing corporate value

Action guidelines

(1) Improve risk response capabilities through continuous risk management activities
(2) Share information on potential risks
(3) Act in a manner that does not jeopardize the safety, health or interests of stakeholders
(4) Minimize the damage caused by the occurrence of a business crisis and take responsible actions for early recovery.

Management system

The Company will establish a risk management system by preparing the Risk Management System List that describes the risks to be managed, the departments and organizations responsible for those risks, and the rules and regulations governing those bodies.

Risk identification and assessment process

The Risk Management Committee will implement the following matters under its jurisdiction.

(1) Understanding, analyzing and evaluating risks	(2) Considering countermeasures for evaluated risks
(3) Matters related to crisis management	(4) Report to the Board of Directors
(5) Report to the Sustainability Promotion Council	(6) Other necessary matters related to risk

● Crisis Management Manual

The manual outlines the normal situation response in the “Normal situation crisis management policy” and the “Emergency response policy” (specific measures to be taken in the event of a serious crisis or the possibility of a serious crisis occurring).

Classification of major risks

The Company classifies and identifies major risks based on the basic objectives of the Risk Management Regulations.

<p>1. Management risks</p> <p>(1) Financial (i) Stock price fluctuation (hostile takeover) (ii) Insufficient funds (iii) Accounting fraud (2) Market (i) LME fluctuation (ii) Exchange rate fluctuation (iii) Demand decline (price competition) (3) Procurement (i) Electricity (price fluctuation, securing procurement volume) (ii) Ore (price fluctuation, securing procurement volume) (iii) Coal and oil (price fluctuation, securing procurement volume) (iv) Other materials (4) Investment (i) New business (ii) Capital investment (iii) Research and development (iv) Acquisition and merger absorption (v) Overseas investment</p> <p>2. Labor risks</p> <p>(1) Fraud or misconduct by officers (2) Fraud or misconduct by employees (3) Labor disputes and strikes (4) Harassment (5) Leakage of personal information</p> <p>3. Social risks</p> <p>(1) Crime syndicates, Sokaia (racketeers that disrupt shareholder meetings), and intimidation (2) Media attacks, criticism, and slander (3) Compliance violations</p> <p>4. Climate change risks</p> <p>(1) Global warming caused by GHG emissions</p>	<p>5. Risks of disasters, accidents, etc.</p> <p>(1) Natural disasters (i) Typhoons/storm surges (ii) Earthquakes/tsunami (iii) Water disasters/floods (iv) Tornadoes/wind disasters (2) Accidents (i) Fires, explosions, and high-heat leaks (hot water leaks, etc.) (ii) Chemical substance leaks (iii) Electrical and mechanical accidents (iv) Facilities accidents (v) Traffic accidents (vi) Industrial accidents (vii) Accidents during transportation and shipping (viii) Theft (ix) Trespassing (3) Hygiene (i) Infectious and contagious diseases</p> <p>6. Risks in the production and sales process</p> <p>(1) Products (i) Product defect warranty (ii) Product liability (PL law) (iii) Defective products (iv) System failure (production, sales management operations, etc.) (2) Environment (i) Oil pollution accident (ii) Liability for environmental pollution (iii) Violation of environmental regulations (iv) Tighter environmental regulations</p> <p>7. Network risks</p> <p>(1) Cyberattacks, etc. (2) Network failure</p>
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Compliance

We believe that compliance is essential to supporting the foundation of our corporate activities and avoiding various risks, and take strengthening measures.

Basic views

Our Board of Directors has established “Company Policy,” a “Corporate Code of Ethics,” and a “Corporate Code of Conduct,” etc., and advocates compliance with laws and regulations.

To ensure business is conducted based on these policies and norms, we have established an Internal Controls Committee to strengthen compliance. We list the following with respect to compliance and adherence to social norms, and all officers and employees, including directors, carry out their duties with an awareness thereof.

1 Conduct corporate activities in accordance with compliance, social norms, and social decency.

2 Conduct sound company activities by remaining insulated from antisocial forces that threaten social order and security.

3 Comply with international rules and local laws, and respect local cultures and customs when conducting international business activities. Conduct company activities that contribute to the development of each country.

Providing education on internal controls

We conduct the following internal control-related training and educational activities to instill compliance in our employees and to achieve adherence.

- Conducting compliance awareness questionnaires
- Compliance training
 - (1) Compliance education for new employees
 - (2) Circulation of the Company's “Rules of Whistle-blowing” and “Whistle-blowing Processing System” Target: employees, affiliates and business partners
 - (3) Compliance awareness activities Target: officers, managers, entire Company
 - (4) Compliance magazine regular distribution Target: entire Company
 - (5) External seminar for Internal Control Committee Secretariat (correspondence course)

Whistleblowing

- The Company has established a whistle-blowing system (internal and external contact points) based on the Whistle-blowing Rules. Whistle-blowing reports are submitted to the Board of Auditors, and specific cases are reported to the Board of Directors. Disadvantageous treatment of whistle-blowers is prohibited.

Corporate Governance

Aiming to improve corporate value, we strive to strengthen and enhance corporate governance through rapid decision making and management efficiency, and through ensuring transparency and soundness of management by strengthening supervisory functions.

Basic views

Based on the company philosophy and policy established by the Group, the Company will enhance its corporate governance as described below to achieve sustainable growth and increase its medium- to long-term corporate value.

- The Company shall respect the rights of all shareholders and ensure equality.
- The Company shall collaborate with all stakeholders, including shareholders, consumers, business partners, employees, and local communities, sincerely and appropriately, considering their interests.
- The Company shall proactively disclose information that could serve as a basis for investment decisions, in addition to disclosing information appropriately in compliance with relevant laws and regulations.
- The Company's Board of Directors shall be responsible for achieving sustainable growth and maximizing medium- to long-term corporate value based on its fiduciary responsibility to shareholders. To this end, the Company shall establish a fair and transparent management structure by introducing an executive officer system to separate decision-making and business execution functions and by strengthening the business execution supervisory function through the appointment of outside officers (outside directors and outside auditors).
- The Company shall engage in constructive dialogue with shareholders to achieve sustainable growth and maximum medium- to long-term corporate value.

Board of Directors

The Board of Directors consists of nine Directors (including three Outside Directors). In addition to monthly Board of Directors' meetings, Directors hold meetings as needed for prompt handling of matters, efficient execution of duties, and monitoring of the execution of duties among Directors.

Board of Auditors

The Company has adopted an auditor system, and three persons out of four Auditors comprising the Board of Auditors are Outside Auditors. In order to ensure the fair execution of duties by Directors, the Company enables all Auditors including part-time Auditors to attend all Board of Directors' meetings.

Nomination and Compensation Committee

The Company has established the Nomination and Compensation Committee, aiming at enhancing the fairness, transparency, and objectivity of procedures for the nomination and compensation of Directors and Executive Officers, as well as at further improving corporate governance. In response to inquiries from the Board of Directors, the Nomination and Compensation Committee primarily deliberates on matters related to the appointment and dismissal of Directors and other officers, the compensation of Directors, and matters approved by other committees regarding the nomination and compensation of Directors.

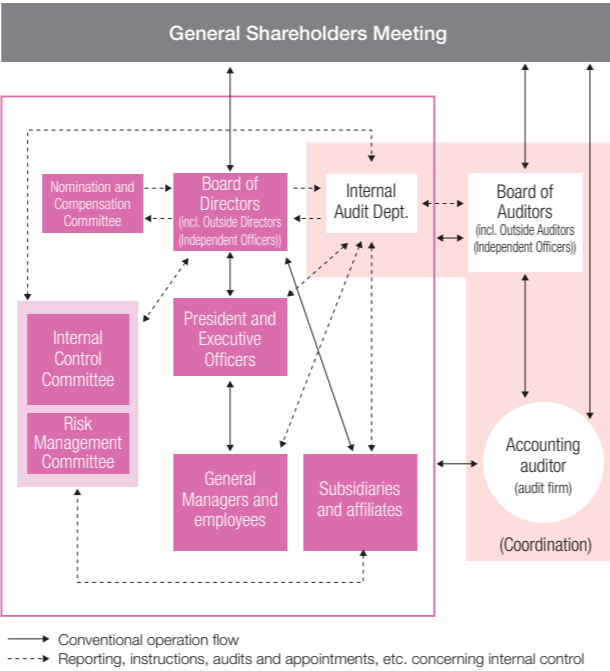
Internal Control Committee

The Company has established the Internal Control Committee as an advisory body to the Board of Directors to ensure "compliance with laws and regulations in corporate activities," "securing the reliability of financial reports," and "securing the effectiveness of duties" of the Group. The Internal Control Committee reports on its activities to the Board of Directors twice or more per year.

Risk Management Committee

The Company has established the Risk Management Committee, aiming at enhancing and continuously implementing the risk management system in order to correctly understand all possible risks, lower the possibility of their occurrence, devise measures to reduce probable losses before they occur, and when they occur, perform thorough crisis management, minimize the damage, and take responsible measures for early recovery.

Company governance system diagram



Reasons of appointment as Outside Directors and status of activities

Name	Reasons of Appointment	Attendance at Board of Directors' meetings
Shinya Matsumoto	The Company determined that Shinya Matsumoto is capable of properly performing his duties as Outside Director based on his professional perspective and broad insight as an attorney. The Company expects him to promote the enhancement of compliance and corporate governance, leveraging the above-mentioned perspective and insight.	22out of 22 meetings (100%)
Hikari Imai	The Company determined that Hikari Imai is capable of properly performing his duties as Outside Director based on his extensive experience as a corporate manager over many years. The Company expects him to promote the improvement of corporate governance and the enhancement of the foundation of corporate management at the Company by leveraging the above-mentioned experience.	21out of 22 meetings (95.5%)
Yukari Sakai	The Company determined that Yukari Sakai is capable of properly performing her duties as Outside Director based on her extensive experience as a corporate manager in a wide range of business fields. The Company expects her to promote the enhancement and reinforcement of corporate governance based on a variety of perspectives from the viewpoint of diversity, leveraging the above-mentioned experience.	22out of 22 meetings (100%)

Evaluation of the effectiveness of the Board of Directors

The Company analyses and evaluates the effectiveness of the Board of Directors as a whole to enhance the functions of the Board of Directors and ultimately the corporate value. In March 2024, the Company implemented the evaluation for FY2023 by means of a questionnaire survey performed by an outside institution, targeting all Directors and Auditors (including Outside Directors and Outside Auditors).

In FY2023, the Nomination and Compensation Committee was proactively involved in the formulation of succession plans. Going forward, the Committee will supervise the development of successor candidates to ensure that it is conducted in a systematic manner with sufficient time and resources allocated, and it will share progress with the Board of Directors. It also shares other issues with the Board, such as the need for further discussions concerning the appropriateness of incentives for senior management and full discussion on profitability, capital efficiency and other items in the management strategy and business plans. Based on the results of the evaluation of effectiveness, the Board of Directors of the Company aims to further enhance the functions of the Board of Directors by thoroughly examining the policy of addressing these issues in the future.

Identified issues

Issues	Measures
1 Formulation and documentation of successor development plans	● Formulated President's succession plan in 2023 and began successor candidate development, etc. in 2024 based on the plan's roadmap and successor candidate development policy outline
2 Establishment of environment to ensure diversity and expansion of human capital investment	● Conducted human capital management training and ESG training for managers ● Implemented overseas language study program for female employees for skills improvement

Compensation, etc. for officers, etc.

The Company, through the Nomination and Compensation Committee, has decided the determination policy on the details of individual Directors' compensation, etc. This policy has been established by the Board of Directors in the Officers' Compensation Rules. The Company's determination policy on the details of individual Auditors' compensation, etc. has also been established by the Board of Directors in the Officers' Compensation Rules. Compensation for individual Auditors is determined through discussion between Auditors, within the total compensation limit resolved by the General Shareholders Meeting. The basic policy for Director's compensation is to link the compensation system with the benefits of shareholders in order to make the system fully functional as an incentive to pursue the sustainable improvement of corporate value, and to determine the individual Director's compensation at an appropriate level according to his/her responsibilities.

Specifically, Directors' compensation consists of "basic compensation for officers" as fixed compensation, and "bonuses for officers (monetary/stock)" as performance-linked compensation. Regarding Outside Directors, who assume the responsibility of oversight, only "basic compensation for

officers" is paid in light of their duties. The basic compensation for officers is an amount of fixed compensation based on position, corresponding to the level of duties. Bonuses for officers (monetary) are performance-linked monetary compensation based on single fiscal year performance, etc. as a short-term incentive, which is limited to a maximum of the sum of individual monthly fixed compensation for five months. Compensation is paid after the Company's results, etc. have been determined in each fiscal year. Bonuses for officers (stock) are performance-linked stock compensation based on points awarded, while in office, for the delivery of shares, to promote the sharing of benefits and risks with shareholders from a medium- to long-term perspective. Shares are delivered to Directors upon retirement. Regarding the ratio by compensation type, the ratio of fixed compensation to performance-linked compensation is in the range between 10:0 and 7:3.

Basic compensation for Directors of the Company is fixed monthly compensation, in an amount deliberated by the Nomination and Compensation Committee and determined by the Board of Directors.

Proposals for monthly compensation for individual Directors are submitted to the Nomination and Compensation Committee by the President and Representative Director, based on careful evaluation of the roles expected of each Director by the Company. The Nomination and Compensation Committee, upon deliberation, determines compensation for individual Directors, and the President and Representative Director submits a proposal for the payment of the aggregate amount to the Board of Directors, which decides it.

The aggregate amounts of bonuses for officers, which are performance-linked compensation, are determined in accordance with the allocation standards. The President and Representative Director submits a proposal for the payment of the aggregate amount to the Board of Directors, which decides it. The amounts allocated to individual Directors are determined in proportion to the monthly fixed compensation for each position.

The Board of Directors has measures in place to ensure that the Nomination and Compensation Committee appropriately exercises this authority, with the President and Representative Director submitting the results of the Committee's deliberation to the Board of Directors for decision. Because the amounts of individual Directors' compensation are determined according to these procedures, the Board of Directors believes that they are in line with the determination policy.

The resolution of the Annual General Shareholders Meeting pertaining to officers' compensation was passed on June 29, 2006, which stipulates that the amount of monetary compensation for Directors of the Company shall be up to 350 million yen per year (excluding the portion of employee salary of Directors who concurrently serve as employees). In addition, it was also resolved that the amount of monetary compensation for Auditors of the Company shall be up to 60 million yen per year.

Regarding the amounts of compensation, etc. for individual Directors of the Company, the Nomination and Compensation Committee, delegated authority by the Board of Directors,

deliberates on proposals for the aggregate amounts of compensation for each period, based on the separately-established policy on Directors' compensation. The President and Representative Director submits the results of this deliberation to the Board of Directors, which decides the amounts of compensation, within the total compensation limit resolved by the General Shareholders Meeting.

Authority is delegated to the Nomination and Compensation Committee, a non-statutory advisory body of the Board of Directors composed of a majority of Outside Directors, to ensure the fairness, transparency, and objectivity of processes related to the determination of compensation, etc.

For the current fiscal year, the Nomination and Compensation Committee (Chairperson: Outside Director Shinya Matsumoto; Members: President and Representative Director Masayuki Aoyama, Outside Director Hikari Imai, Outside Director Yukari Sakai) has determined the details of compensation, etc. for individual Directors. The scope of this authority is stipulated under the Committee Regulations as the compensation system basic policy, proposals for compensation limits (including calculation methods), and specific individual compensation amounts (including calculation methods). The Board of Directors and the Nomination and Compensation Committee carried out the following activities in the process of determining the amount of compensation for officers of the Company during the fiscal year under review. The Committee evaluated the current compensation for Directors and organized its concept, conducted a general review of the composition of monthly compensation and performance-linked compensation, and discussed the ideal form of total amount of compensation and individual compensation. As a result, a new policy on Directors' compensation was formulated and the Officers' Compensation Rules was revised by the Board of Directors, adding an objective evaluation of each individual as well as his or her position, responsibilities, and years in office.

Total amount of compensation, etc. for each officer category, total amount by type of compensation, etc., and number of eligible officers

Officer category	Total amount of compensation, etc. (million yen)	Total amount of compensation, etc. by type (million yen)				Number of eligible officers (persons)
		Fixed compensation	Performance-linked compensation, etc.	Retirement benefits	Of which, non-monetary compensation, etc.	
Directors (excluding Outside Directors)	166	166	-	-	-	6
Auditors (excluding Outside Auditors)	21	21	-	-	-	1
Outside officers	37	37	-	-	-	7

(Notes) 1 The total amount of compensation, etc. for Directors do not include the portion of employee salary for Directors who concurrently serve as employees.
2 The Board of Directors' meeting, held on May 22, 2006, resolved to abolish the retirement benefits system for officers, and the 80th Annual General Shareholders Meeting, held on June 29, 2006, resolved to grant final payments in conjunction with the abolishment of the retirement benefits system. Total amounts of the final payments in the future as of the end of this fiscal year is as follows. A total of 6 million yen for one Auditor.
3 Outside officers do not receive officers' compensation, etc. from subsidiaries.

Shareholding status

Methods for assessing shareholding policies and rationality of holdings, and details of verification by the Board of Directors, etc. regarding the appropriateness of holding individual issues

The Company holds shares of other companies as cross-shareholdings, with the aim of maintaining or strengthening business relationships and enhancing the medium- to long-term corporate value of investee companies and the Company. In addition, the Company exercises voting rights as to its cross-shareholdings after taking into account the business relationships and the return, etc. from the shareholdings, as well as whether or not the proposed agenda will help improve the corporate value of the investee company and the Company.

The Board of Directors regularly explains the purpose and rationality of shares held by the Company as cross-shareholdings. This is done after comprehensively determining the appropriateness of continuing to hold, based on a quantitative assessment of changes in the stock price and market capitalization, changes in the amount of dividends received and the dividend yield, and changes in ROE over the past five years, as well as qualitative assessment of the medium- to long-term economic rationality and future prospects.

Number of issues and balance sheet amount

	Number of issues	Total amount on balance sheet (million yen)
Unlisted stocks	11	190
Stocks other than unlisted stocks	5	2,015

Officers

Directors



Masayuki Aoyama

President and Representative Director

April 1975 Joined the Company
April 2009 General Manager, Utility & Maintenance Dept., Production Div.
May 2010 Director, Pacific Energy Center Co., Ltd.
June 2011 Executive Officer, the Company
June 2014 Director, Rio Tuba Nickel Mining Corporation
June 2014 Director, Taganito Mining Corporation
June 2014 Director, the Company
June 2014 Senior Executive Officer
June 2014 General Manager, Production Div.
May 2017 President & Representative Director, Pacific Gas Center Co., Ltd.
June 2018 Managing Executive Officer, the Company
July 2019 In charge of Business Process Reengineering, Production and Recycling Business
June 2020 President and Representative Director (to present)
May 2021 Member of Nomination and Compensation Committee (to present)



Yoshiharu Inomata

Director & Senior Managing Executive Officer

April 1975 Joined the Company
June 2014 Senior Executive Officer
June 2014 General Manager, Quality Control Dept. and General Manager, Environmental Management Dept.
July 2016 General Manager, Quality Control & Environmental Management Dept.
September 2016 General Manager, Quality Control & Environmental Management Dept., General Manager, Technical Research & Development Dept. and Manager, Pyrometallurgy Development Sec.
June 2017 Director (to present)
June 2017 In charge of Safety & Health Management, Quality Control & Environmental Management
June 2017 General Manager, Technical Research & Development Dept.
July 2019 In charge of Safety & Health Management and Resources & Technology Development Project
July 2019 General Manager, Quality Control & Environmental Management Dept.
June 2020 Managing Executive Officer
June 2020 In charge of Corporate Planning, Safety & Health Management, Quality Control & Environmental Management
June 2021 Senior Managing Executive Officer (to present)
June 2021 Assistant to President (to present)
June 2021 In charge of Recycling Business
April 2023 In charge of Recycling Business & Technology Development Dept.
July 2024 General Manager, Recycling Business & Technology Development Dept. (to present)



Kenichi Hara

Director & Managing Executive Officer

April 1988 Joined the Company
June 2014 Executive Officer
June 2014 General Manager, Ferro Nickel Sales Dept.
June 2017 Senior Executive Officer
March 2018 Director, Pacific Sowa Corporation (to present)
June 2018 Director, the Company (to present)
June 2018 In charge of Sales
July 2019 General Manager, Sales & Marketing Dept. (to present)
June 2020 In charge of Procurement (to present)
June 2021 Managing Executive Officer (to present)



Terunobu Matsuyama

Director & Managing Executive Officer

April 1988 Joined the Company
May 2014 Auditor, Pacific Gas Center Co., Ltd.
June 2014 General Manager, Finance & Accounting Dept., the Company
June 2017 Executive Officer
June 2018 Director (to present)
June 2018 Senior Executive Officer
June 2020 In charge of IR (to present)
May 2021 Director, Taiheiyō Kōsan Co., Ltd. (to present)
June 2021 Managing Executive Officer, the Company (to present)
June 2021 In charge of Internal Control (to present)
June 2021 In charge of General Administration (to present)
June 2021 In charge of Finance & Accounting (to present)
June 2021 General Manager of Personnel & Labor Relation Dept. (to present)



Hiroaki Ichianagi

Director & Senior Executive Officer

April 2003 Joined the Company
June 2014 Executive Officer
June 2014 General Manager, Ore Purchasing & Mining Engineering Dept.
June 2017 Senior Executive Officer (to present)
June 2018 Director, Rio Tuba Nickel Mining Corporation (to present)
June 2018 Director, Taganito Mining Corporation (to present)
July 2019 General Manager, Resources & Technology Development Project Dept., the Company (to present)
June 2020 Director (to present)
June 2021 In charge of Quality Control & Environmental Management (to present)



Kazuo Iwadate

Director & Senior Executive Officer

April 1985 Joined the Company
December 2012 General Manager, Production Dept., Production Div.
November 2015 General Manager, Production Dept. and General Manager, Environmental Business Dept., Production Div.
June 2017 Executive Officer
June 2017 Assistant General Manager, Production Div., General Manager, Utility & Maintenance Dept. and General Manager, Environmental Business Dept.
July 2019 General Manager, Business Process Reengineering Dept. (to present)
May 2020 President & Representative Director, Pacific Gas Center Co., Ltd. (to present)
June 2020 Director, the Company (to present)
June 2020 Senior Executive Officer (to present)
June 2020 In charge of Utility & Maintenance and Production (to present)
June 2021 In charge of Safety & Health Management (to present)



Shinya Matsumoto
Outside Director

April 1987 Registered as attorney, joined Marunouchi Sogo Law Office
July 1996 Partner and attorney
June 2001 Outside Corporate Auditor, Impress Corporation (now Impress Holdings, Inc.) (to present)
June 2006 Member of Special Committee, the Company
June 2007 Outside Director, The Shibusawa Warehouse Co., Ltd. (to present)
October 2011 Partner and Representative Attorney, Marunouchi Sogo Law Office (to present)
June 2013 Outside Director, the Company (to present)
May 2021 Chairperson of Nomination and Compensation Committee (to present)



Hikari Imai
Outside Director

April 1974 Joined Yamaichi Securities Co., Ltd.
January 1986 Joined Morgan Stanley Japan Securities Co., Ltd.
April 1993 Joined Merrill Lynch Japan Incorporated
January 1999 Deputy Chairman, and Chairman, Investment Banking Division, Merrill Lynch Japan Securities Co., Ltd.
November 2007 Vice-President and Director, RECOF Corporation
April 2008 President
July 2010 Advisor, Ebara Foods Industry, Inc.
April 2012 Outside Director, Olympus Corporation
June 2015 Outside Director, CYBERDYNE Inc. (to present)
June 2016 Outside Director, the Company (to present)
November 2019 Outside Director, SHIMACHU CO., LTD.
May 2021 Member of Nomination and Compensation Committee, the Company (to present)
December 2022 Outside Director, FUJI SOFT INCORPORATED (to present)



Yukari Sakai
Outside Director

April 1991 Joined Nomura Securities Co., Ltd.
January 2005 Director of Corporate Tune Co., Ltd.
June 2005 Standing Outside Audit and Supervisory Board Member of UNITED ARROWS LTD.
June 2008 Outside Auditor of REPROCELL Inc.
September 2013 Outside Auditor of Beauty Kadan Co., Ltd.
June 2016 Outside Director (Standing Audit and Supervisory Committee Member) of UNITED ARROWS LTD.
October 2017 Outside Director (Audit and Supervisory Committee Member) of Tea Life Co., Ltd.
March 2019 External Director (Audit & Supervisory Board Member) of Uzabase, Inc.
June 2021 Outside Director, the Company (to present)
June 2022 Member of Nomination and Compensation Committee (to present)
June 2022 Outside Director, TOYO KANETSU K.K. (to present)

Auditors



Kiichi Tatsunaka
Full-time Auditor

April 1963 Joined the Company
December 1995 Assistant General Manager, Administration Dept., Hachinohe Plant and Manager, Finance & Accounting Dept.
July 1999 Assistant General Manager, Finance & Accounting Dept. and Manager, Finance & Planning Dept.
April 2003 General Manager, Finance & Accounting Dept.
June 2003 Auditor
June 2005 Full-time Auditor (to present)



Ken Yasuda
Outside Auditor

April 1976 Joined The Kyowa Bank, Ltd.
April 1995 Manager of Kawachi Chiyoda Branch, The Asahi Bank, Ltd.
April 1997 Manager of Kosaka Branch, The Asahi Bank, Ltd.
June 1999 Manager of Kudan Branch, The Asahi Bank, Ltd.
April 2001 Manager of Tokyo Chuo Branch and General Manager of Branch Sales Dept. No.1, The Asahi Bank, Ltd.
July 2001 General Manager of Tokyo Chuo Region Sales Dept. and General Manager of Regional Sales Dept. No.1, The Asahi Bank, Ltd.
January 2003 Manager of Tokyo Chuo Branch, The Asahi Bank, Ltd.
June 2003 Executive Officer, General Manager of Tokyo Sales Administration Dept. and In Charge of Tokyo Real Estate Dept., Resona Bank, Limited
October 2003 Executive Officer and General Manager of Tokyo Sales Dept., Resona Bank, Limited
June 2006 General Manager of General Affairs Dept., JCB Co., Ltd.
June 2007 Standing Corporate Auditor, Hibiya Engineering, Ltd.
June 2016 External Auditor, NIHON PLAST CO., LTD.
June 2018 Outside Auditor, the Company (to present)



Yutaka Iimura
Outside Auditor

April 1985 Joined Hokkaido-Tohoku Development Finance Public Corporation
June 2009 Senior Manager in charge of credit determination, Credit Analysis Department, Development Bank of Japan Inc.
June 2010 Representative Director and Senior Managing Director, Shin-Mutsu-Ogawara Inc.
June 2012 Senior Manager in charge of credit appraisal, Credit Analysis Department, Development Bank of Japan Inc.
June 2014 General Manager, Planning & Research Dept., Tomakomai Port Development Co., Ltd.
June 2015 Director, General Manager, Ferry Terminal Business; General Manager, Planning & Research Dept.
June 2019 Managing Director, General Manager, Ferry Terminal Business; General Manager, Planning & Research Dept.
June 2021 Senior Executive Director, Hokkaido-Tohoku Regional Economic Research Institute
April 2023 Senior Research Director, Public Service Design Division, Japan Economic Research Institute Inc. (to present)
June 2023 Outside Auditor, the Company (to present)



Kyosuke Miyazaki
Outside Auditor

April 1983 Joined The Fuji Bank, Ltd.
October 2005 Credit Assessor, Credit Supervision Division I, Mizuho Bank, Ltd.
January 2008 Deputy General Manager, Corporate Credit Department No. 1, Mizuho Bank, Ltd.
May 2011 Executive Officer, Division Chief, Mizuho Real Estate Services Co., Ltd.
April 2018 Executive Officer, The Shonai Bank, Ltd.
April 2020 Director and Executive Officer, The Shonai Bank, Ltd.
April 2021 Director and Executive Officer, General Manager, Corporate Management Dept., The Shonai Bank, Ltd.
June 2023 Outside Auditor, J-WAVE Inc. (to present)
June 2024 Outside Auditor, the Company (to present)

Skills matrix

	Name	①	②	③	④	⑤	⑥	⑦	⑧	⑨	⑩	⑪
		Corporate management	Finance/Accounting	Marketing	Manufacturing	Research/Development/IT	Law	Risk management	Personnel and labor relations	Global management	ESG and sustainability	Audit
Directors	Masayuki Aoyama	●			●			●			○	
	Yoshiharu Inomata	○			○	○		●	○		●	
	Kenichi Hara	○		●	○			○		○	○	
	Terunobu Matsuyama	○	●		○	○	●	●	●		○	
	Hiroaki Ichiyanagi	○		○	○	●		○		○	○	
	Kazuo Iwadate	○			●	●		○			○	
	Shinya Matsumoto	Outside Independent	○				●	○				
	Hikari Imai	Outside Independent	●	○				○		●		
	Yukari Sakai	Outside Independent	○	●				○	○			
	Kiichi Tatsunaka		○				○					○
Auditors	Ken Yasuda	Outside Independent	○				○					○
	Yutaka Iimura	Outside Independent		○			○					○
	Kyosuke Miyazaki	Outside Independent		○			○					○

(Note) The skills matrix classifies knowledge and experience considered to be important for the Company and indicates the fields in which the Directors and Auditors have appropriate expertise (○) and the fields for which the Company has high expectations (●) of the Directors and Auditors.

Guidelines for fulfilling each item in the skills matrix

① Corporate management	● Experience as president or a director of a company, etc. ● Knowledge, experience, and track record in all aspects of corporate management to develop and implement the Company's medium- to long-term business plans
② Finance/Accounting	● Experience as a director in charge or general manager of a department related to accounting ● Experience as a director in charge or general manager of a department related to financial management or fund procurement ● Experience at a financial institution, etc.
③ Marketing	● Experience as a director in charge or general manager of corporate planning and coordination ● Experience as a director in charge or general manager of a department related to sales ● Experience as president or a director of a related company ● Experience as a director in charge or general manager of business investment, etc.
④ Manufacturing	● Knowledge related to the Company's business
⑤ Research/Development/IT	● Experience as a director in charge or general manager of a department related to R&D ● Experience as a director in charge or general manager of a department related to manufacturing technology or production facilities ● Experience as a director in charge or general manager of a department related to IT or information systems
⑥ Law	● Experience as a director in charge or general manager of legal affairs or compliance promotion ● Experience as an attorney-at-law
⑦ Risk management	● Experience as a director in charge or general manager of risk management
⑧ Personnel and labor relations	● Experience as a director in charge or general manager of a department related to HR (diversity promotion) or labor ● Experience as a member of another company's nomination or compensation committee
⑨ Global management	● Experience of overseas posting ● Officer experience or business experience at an overseas subsidiary
⑩ ESG and sustainability	● Experience as a director in charge or general manager of a department related to ESG/CSR ● Experience as a director in charge or general manager of a department related to sustainability

Roundtable Discussion By Outside Directors

We will discuss issues faced by management openly and support reforms for restoration

To improve the efficiency of its management and enhance its competitiveness, the Company has separated the executive and supervisory functions of management through the appointment of outside officers, thus maintaining a fair and transparent management structure. We asked our three Outside Directors about corporate governance and the progress of the Company's business plans.



Yukari Sakai
Outside Director

Shinya Matsumoto
Outside Director

Hikari Imai
Outside Director

Structural reform while continuing to strengthen governance is an urgent issue

Matsumoto: I became an Outside Director of the Company in June 2013. The significance of Outside Directors' participation in the Board of Directors is to enhance the transparency and objectivity of the decision-making process. When I look back on the ten years or so since my appointment, the Company has steadily strengthened its corporate governance systems, such as the establishment of the Nomination and Compensation Committee in 2021, which is chaired by an Outside Director.

Imai: The Company now has three Outside Directors and three Outside Auditors, with the outside officers forming the majority. This structure allows the Board of Directors to function as a monitoring board. I became an Outside Director in June 2016. There is no doubt that the Company's senior management has been working on the improvement of corporate governance through trial and error in line with the directions for corporate governance reform promoted by the Financial Services Agency and the Tokyo Stock Exchange. This includes the establishment of the Nomination and Compensation Committee mentioned by Mr. Matsumoto.

Sakai: Exactly three years have passed since I became an Outside Director in June 2021. The Company is a materials manufacturer, and when I was first appointed, I would repeatedly ask more than a few basic questions to aid my understanding of the details of the business and the Company's technical strengths. Despite my barrage of questions, I was always be given serious responses. My impression is that this is an extremely sincere company.

Imai: I mentioned earlier that the Company is seeing progress in corporate governance reforms. The improvement of management efficiency is a key theme that the Japanese government is also requesting of companies. Its urging of management with a price-to-book ratio (PBR) of 1 or more from the perspective of capital efficiency is part of that request. The fact remains that the Company needs to have further discussions about the improvement of management efficiency. The Company has always had a high equity ratio to address business volatility risks. Unfortunately, however, the current situation, in which the Company has been unable to keep up with the rapid changes in the industry, lies behind its recent poor performance. It is working hard on structural reforms, but the market structure is changing at a pace that exceeds those efforts.

Matsumoto: The core business of the Group is the production and sale of ferronickel. In the conventional market structure, the price on the London Metal Exchange was the index, and profits would rise and fall in accordance with the movement of the LME price. However, cheap nickel pig iron (NPI) produced by Chinese companies in Indonesia and other countries has rapidly entered the market in large quantities, and market prices are now being determined by NPI price trends, separately from the LME. The urgent challenge is how to break free from this situation where



performance is heavily influenced by the business environment and to establish new businesses that will become a new pillar of earnings, in which Pacific Metals can hold pricing power.

The Company is promoting new metal smelting projects that take advantage of the technological capabilities it has cultivated to date. The Board of Directors is monitoring the progress of those projects.

Sakai: There is a shared recognition among senior management that breaking away from what one could term the "singled-legged" business of production and sale of ferronickel is a challenge of the greatest urgency. As Mr. Matsumoto pointed out, at the monthly Board of Directors meetings, we monitor the progress of initiatives to discover and grow new businesses in which the Company can hold pricing power. One of those initiatives is a new metal smelting business from seabed resources. Feasibility studies, including smelting tests using polymetallic nodules, are currently underway. However, as was pointed out earlier, the external environment is changing rapidly, and the outcomes of the Group's initiatives are not keeping up with the speed required by the capital markets. This is proving a challenge for the Company.

In order to obtain a certain level of recognition from capital markets, I feel that we need to disclose information about management initiatives in ways that are easy to understand. Although the medium-term business plan and other information have been disclosed honestly at financial results briefing sessions, I do feel the need to show a willingness to engage in dialogue with capital markets, while at the same time adopting a careful approach, sometimes outlining timelines while avoiding misunderstandings or confusion.

Imai: As an Outside Director, I endeavor to deepen discussions with senior management while leveraging the knowledge that I have cultivated as a corporate executive myself. My own view is that the issue that the Group should address with top priority is investment for transformation of



the business model, and that the Group should be more proactive in making investments that take on sound risks. For the past several years, the Company has been working on new metal smelting projects, but my sense is that it has been a little too conservative in its approach. Some projects have disappeared partway through, and the reasons why those projects did not go well have not always been made

To foster the next generation and revitalize the Company

Matsumoto: Earlier, Mr. Imai pointed out the importance of human resources. As the chairperson of the Nomination and Compensation Committee, I have endeavored to establish a system for succession planning. The Company's business itself is at a turning point, and the selection of the next generation of human resources to lead its transformation is a key challenge. Part-time Outside Directors are not inherently knowledgeable enough to involve themselves deeply in senior management-level personnel matters. That is why I have focused on clarifying the meaning of Outside Directors' involvement, namely, to bring transparency and objectivity to the processes by which the current top executives have nominated their next successors without putting it into formal writing. In addition, as a new experiment related to personnel matters, individual interviews were held last year between the Outside Directors and Executive Officers, who are part of senior management. This allowed us to sense that each of these officers is addressing management issues seriously. Many of these officers are originally from Hachinohe in Aomori, where the Company is based, or other parts of the surrounding Tohoku region. They are extremely serious and patient individuals who have a thorough understanding of the company's situation and challenges. On the other hand, it is also true that, in order for Pacific Metals to change, it will need people who have different perspectives and ideas in addition to that shared quality of seriousness.

clear. If I may put it bluntly, one factor appears to have been an over-reliance on business partners. I feel that the Company needs to search more widely for investment projects and take the initiative in realizing them, to be more proactive in advancing projects boldly. Human resources will be key to achieving this, and the recruitment of personnel from outside the Company is also an important theme.

Matsumoto: As an attorney myself, rather than voicing opinions about business strategies, I basically express my views from the perspective of whether or not the Company's management decisions are in conflict with the law. For example, as an Outside Director of another company, I once opposed an overseas M&A project at a Board of Directors meeting. In actual management, it is not always easy to draw a line as to whether laws are being violated or not, and grey areas do exist. Moreover, all businesses come with risks. For my part, as well as the legal perspective, I aim to assess calmly whether investment and other management decisions will truly contribute to corporate profits and to support the Company in taking on sound risks.

Sakai: Regarding that shared quality that Mr. Matsumoto mentioned, generally speaking, in corporate management, there is a positive form of such shared qualities, or homogeneity, such as employees working toward a common goal in line with the Company's management philosophy. However, there are also concerns that such homogeneity may lead to a corporate culture where individuals find it difficult to express differing opinions or where new ideas are less likely to emerge. That is why diversity is so important in a company. Although the launch of earnings pillars is a high priority for the Group, I believe that senior management does have ample will to invest in human resources. While there is a need for further discussion about diversity, generalities such as simply increasing the number of women may not necessarily be suitable for the frontline work of the Group.

I would like to propose a revitalization project to cultivate young leaders, regardless of gender. Based on my past experiences of involvement in these areas at other companies, I will encourage young employees to discuss the company's future and their dreams about what kind of company they want to see in 10 or 20 years' time and to incorporate their opinions in the formulation of medium-term visions and measures, thus promoting the revitalization of the company as a whole. Pacific Metals has a very serious and sincere corporate culture, and for that very reason, I hope to support the revitalization of the Company for the sake of the "change and challenge" that it needs now.

Imai: Regarding what I said earlier about business investment, as Ms. Sakai says, I also believe that one way of breaking through the current situation is to encourage revitalization, with younger employees at the center, and have them take the lead in driving the Company as a whole forward. Using external advisors to promote new business is a common and necessary approach, but in the circumstances to date where operating losses have continued, I think that there would be some difficulty in hiring people from outside and paying them high remuneration.

Matsumoto: Incentives for senior management has been a topic of discussion in the Nomination and Compensation Committee, but given the harsh circumstances of the business environment surrounding the Company, the majority opinion is that there is no need to rush the introduction of such a scheme. There has also been some discussion that we should prioritize incentive schemes such as stock options for employees over those for senior management. However, under current circumstances, this is an issue on which we will naturally need to exercise caution before reaching any conclusions.

Expectations of transformation and the role of Outside Directors

Imai: Personally, in terms of my role as an Outside Director, I want to leverage my knowledge of corporate management that I mentioned at the beginning to support new business development. I want to encourage proactive investment using liquidity on hand, and my role as an Outside Director is to examine the process by which quality investment projects are identified and appropriate investments are made.

At the same time, I would like to see a sense of crisis brought more fully to the fore, so that each and every employee can sense in their own skin that launching new business pillars is a challenge of personal urgency. I am constantly thinking about what words I should use and what actions I should take as an Outside Director.

Matsumoto: I feel that the next one to two years will be critical for making a success of new core businesses and securing stable employment. Pacific Metals' strength is undoubtedly its seriousness, but on the other hand, there is also a tendency not to express emotions outwardly, perhaps due to the characteristic patience of people from the Tohoku region. Overcoming crises will require the clear expression of passion and enthusiasm for rebuilding this company and the energy to involve not only the people inside the company but also external parties in those efforts. The main players are senior management and the employees inside the Company, and there is truly a limit to what we Outside Directors can do. I would love to see the executives and employees achieve the renewed growth of Pacific Metals by dedicating themselves to new businesses with such passion that they almost forget to sleep and eat.

Sakai: It is true that there is a limit to what part-time Outside Directors can do, given that we basically attend Board of Directors meetings held once a month. On the other hand, in the three years since my appointment, I have sensed a significant change in the atmosphere in the Board meetings. For example, Outside Directors actively speaking up has led to the reinvigoration of discussions between inside Directors.

My view of the strength of Pacific Metals, alongside the seriousness that Mr. Matsumoto mentioned, is the smelting

technologies that it has cultivated since its inception. The fact that external parties have come to Pacific Metals with business investments is, I believe, due to their recognition of the Company's smelting technologies. The key for the future will be how well it makes the most of those investment opportunities. In connection with the example of an internal revitalization project that I mentioned earlier, it is in times of crisis for a company that there is potential for new strengths to emerge. I hope that cross-departmental technology projects that embrace the challenge of the future will emerge from younger employees and that the combination of their youthful energy and the technological capabilities that they have cultivated will create new value. I also hope that my words and actions as an Outside Director will serve as an opportunity for the transformation of the Company.

Matsumoto: While inside Directors and Executive Officers may find it difficult to speak up when it is just themselves, I believe that Outside Directors speaking up frankly at Board of Directors meetings has created an atmosphere in which those internal Directors and Executive Officers will also feel more comfortable expressing their opinions. As Outside Directors, let's endeavor to ensure the transparency and objectivity of management by expressing our opinions from external perspectives, while at the same time encouraging openness within the Company, to increase momentum for reform.

