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Consolidated Financial Results for the Nine Months Ended December 31, 2024 [Japanese GAAP]



February 7, 2025

Company name: PACIFIC METALS CO., LTD.

Stock exchange listing: Tokyo Stock Exchange

Code number: 5541

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

Representative: Masayuki Aoyama, President and Representative Director

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Scheduled date to commence dividend payments: –

Preparation of supplementary material on financial results: None

Holding of financial results briefing: None

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2024 (April 1, 2024 – December 31, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2024	10,709	(10.2)	(6,320)	–	(2,071)	–	(1,761)	–
December 31, 2023	11,926	(56.7)	(8,236)	–	(3,095)	–	(1,964)	–

(Note) Comprehensive income: Nine months ended December 31, 2024: ¥(2,002) million [–%]

Nine months ended December 31, 2023: ¥(2,590) million [–%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2024	(90.34)	–
December 31, 2023	(100.75)	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2024	71,564	67,057	93.3
As of March 31, 2024	73,790	69,060	93.2

(Reference) Equity: As of December 31, 2024: ¥66,803 million

As of March 31, 2024: ¥68,785 million

2. Dividends

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

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

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

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	13,437	(13.4)	(7,623)	—	(2,732)	—	(2,538)	—	(130.15)

(Note) Revision from the latest released financial results forecast: Yes

*** Notes:**

(1) Significant changes in the scope of consolidation during the period: None

Newly included: – (), Excluded: – ()

(2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(4) Total number of shares issued and outstanding (common stock)

1) Total number of shares issued and outstanding at the end of the period (including treasury shares):

December 31, 2024: 19,577,071 shares

March 31, 2024: 19,577,071 shares

2) Total number of treasury shares at the end of the period:

December 31, 2024: 75,768 shares

March 31, 2024: 75,605 shares

3) Average number of shares during the period:

Nine months ended December 31, 2024: 19,501,408 shares

Nine months ended December 31, 2023: 19,501,868 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

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

(Cautionary statement regarding forward-looking statements)

The forward-looking statements including the financial results forecast contained herein are based on information currently available to the Company, as well as certain assumptions deemed reasonable by the Company. As such, the Company does not intend to guarantee the achievement of these forecasts. In addition, actual results may differ significantly from these forecasts due to various factors. For preconditions for the financial results forecast and precautions when using the financial results forecast, please see “(3) Forward-looking Statements Including Consolidated Financial Results Forecast” under “1. Overview of Operating Results, etc.” on page 5.

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1. Overview of Operating Results, etc.

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

During the nine months ended December 31, 2024 (the “period under review”), although the uncertainty over prices was high, raising concerns about its impact on economic activities, the Japanese economy showed a gradual recovery trend amid remaining standstills in some aspects, as the employment situation, corporate earnings, and other factors generally improved.

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

Under these circumstances, in the stainless steel industry, the primary source of demand for the nickel business that accounts for the majority of the Group’s net sales and profit and loss, is experiencing continued high production levels mainly due to a decline in construction demand resulting from the stagnant real estate market in China. Moreover, excess inventory is being exported overseas, affecting domestic markets in each country, and the capacity utilization rates of production facilities generally remained varied and lacked momentum.

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

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

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

In this situation, the Company’s ferronickel sales volume decreased by 1.1% year on year, as the Company continued its policy with the objective of strategically controlling volume so as to secure a certain level of profitability, since the price of nickel pig iron, which has a price advantage mentioned above, is also affecting the selling price of the Company’s products.

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

Regarding the selling price of ferronickel products, the LME nickel price applicable to the Company declined by 23.2% year on year, while the average exchange rate of the Japanese yen against the U.S. dollar applicable to the Company was 6.3% weaker year on year. Moreover, in addition to the market prices applicable to the Company, the Company also partly referred to the price of nickel pig iron, resulting in the lowering of the selling price of ferronickel products. Therefore, the selling environment continued to be challenging, with stagnant revenue growth due to lower selling prices compared to previous levels.

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

As a result, net sales for the period under review decreased by 10.2% year on year to ¥10,709 million. On the profit front, the Company posted an operating loss of ¥6,320 million (compared with an operating loss of ¥8,236 million for the same period of the previous fiscal year), owing to the significant impact of decreased sales despite a decrease in cost of sales resulting from the reversal of the write-down of inventories. Ordinary loss was ¥2,071 million (compared with an ordinary loss of ¥3,095 million for the same period of the previous fiscal year), including the recording of ¥3,762 million in share of profit of entities accounted for using equity method under non-operating income. Loss attributable to owners of parent was ¥1,761 million (compared with loss attributable to owners of parent of ¥1,964 million for the same period of the previous fiscal year).

Operating results by business segment are as follows.

(i) Nickel business

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

As a result, net sales in this segment decreased by 10.6% year on year to ¥10,105 million with an operating loss of ¥6,289 million (compared with an operating loss of ¥8,196 million for the same period of the previous fiscal year).

(ii) Gas business

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

As a result, net sales in this segment decreased by 9.1% year on year to ¥569 million with an operating loss of ¥36 million (compared with an operating loss of ¥24 million for the same period of the previous fiscal year).

(iii) Other

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

As a result, net sales in this segment increased by 52.0% year on year to ¥92 million with an operating loss of ¥1 million (compared with an operating loss of ¥22 million for the same period of the previous fiscal year).

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

Assets, liabilities, and net assets of the Group as of December 31, 2024 are as follows.

Total assets decreased by ¥2,225 million from the end of the previous fiscal year to ¥71,564 million.

Current assets decreased by ¥2,081 million from the end of the previous fiscal year, mainly due to a decrease in merchandise and finished goods resulting from decreased inventory volume and a decrease in raw materials and supplies, as well as other factors.

Non-current assets decreased by ¥143 million from the end of the previous fiscal year, mainly due to a decrease in investment securities resulting from the sale of shares, decline in some market prices, and other factors. Investment securities held by the Company amounting to ¥23,575 million consisted mainly of ¥19,447 million in the amount reflected in the consolidated balance sheet of shares of entities accounted for using equity method, ¥2,316 million in shares of subsidiaries and associates, and ¥1,407 million in shares of Nickel Asia Corporation, a holding company of the Company's equity-method affiliates listed on the Philippine Stock Exchange.

Total liabilities decreased by ¥222 million from the end of the previous fiscal year to ¥4,507 million.

Current liabilities decreased by ¥30 million from the end of the previous fiscal year primarily owing to a decrease in accounts payable - facilities, which is included in other, due to the settlement, and other factors, despite an increase in notes and accounts payable - trade mainly due to the impact of settlement.

Non-current liabilities decreased by ¥191 million from the end of the previous fiscal year mainly due to a decrease in deferred tax liabilities resulting from the impact of valuation difference on investment securities, and other factors.

Total net assets decreased by ¥2,003 million from the end of the previous fiscal year to ¥67,057 million.

Shareholders' equity decreased by ¥1,732 million resulting from the recording of loss, and other factors. Accumulated other comprehensive income decreased by ¥250 million resulting from a decrease in valuation difference on available-for-sale securities. Non-controlling interests decreased by ¥20 million.

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

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

On the volume front of the Company's ferronickel products, the Company expects a decrease from the previously announced forecast, since the environment has remained largely unchanged, and the Company has been continuing with the policy of volume control from a profitability perspective.

In terms of profit and loss, on the selling price front of ferronickel products, the Company also partly refers to the price of nickel pig iron in addition to the market prices applicable to the Company, so the revenue is restrained to a certain extent. On the procurement front, the prices of nickel ore, the primary raw material, and those of raw materials, fuel, and electricity remain high and are expected to significantly impact procurement prices.

Although the circumstances remain severe, response measures to address the business environment are consistent with activities to be undertaken under the basic policies set forth in the Group's Medium-term Management Plan, and the Company will continue to strongly push forward with these measures.

Based on the above, the Company revised its consolidated financial results forecast announced on October 30, 2024 as follows and also reviewed underlying assumptions.

<Reference>

[Revisions to financial results forecast]

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

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share
Previously announced forecast (A) (Announced on October 30, 2024)	Million yen 14,096	Million yen (7,858)	Million yen (3,619)	Million yen (3,394)	Yen (174.04)
Revised forecast (B)	13,437	(7,623)	(2,732)	(2,538)	(130.15)
Change (B–A)	(659)	235	887	856	
Change (%)	(4.7)	—	—	—	
(Reference) Actual results for the previous fiscal year ended March 31, 2024	15,521	(9,114)	(2,119)	(1,074)	(55.10)

[Revisions to underlying assumptions]

	Sales volume (t)			Production volume (t)		
	1st half	2nd half	Full year	1st half	2nd half	Full year
Previously announced forecast (Announced on October 30, 2024)	3,284	2,769	6,053	2,010	1,950	3,960
Revised forecast	3,284	2,346	5,630	2,010	1,842	3,852
(Reference) Actual results for the previous fiscal year ended March 31, 2024	3,052	2,973	6,025	3,210	2,825	6,035

	Applicable LME nickel price (\$/lb)			Applicable exchange rate (¥/\$)		
	1st half	2nd half	Full year	1st half	2nd half	Full year
Previously announced forecast (Announced on October 30, 2024)	8.05	7.70	7.89	153.32	139.33	146.92
Revised forecast	8.05	7.32	7.74	153.32	145.33	149.99
(Reference) Actual results for the previous fiscal year ended March 31, 2024	10.78	8.42	9.62	140.18	148.85	144.46

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	21,758	23,120
Accounts receivable - trade	5,001	4,820
Securities	2,199	2,399
Merchandise and finished goods	7,303	4,170
Work in process	257	231
Raw materials and supplies	3,521	3,376
Other	1,773	1,615
Allowance for doubtful accounts	(1)	(1)
Total current assets	41,814	39,733
Non-current assets		
Property, plant and equipment	7,388	7,395
Intangible assets	285	11
Investments and other assets		
Investment securities	23,687	23,575
Retirement benefit asset	476	512
Other	142	341
Allowance for doubtful accounts	(5)	(5)
Total investments and other assets	24,301	24,424
Total non-current assets	31,975	31,831
Total assets	73,790	71,564

(Million yen)

	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	234	462
Accrued expenses	892	855
Income taxes payable	47	24
Provision for bonuses	117	32
Provision of restoration cost	5	-
Other	376	268
Total current liabilities	1,674	1,643
Non-current liabilities		
Retirement benefit liability	59	65
Deferred tax liabilities	1,135	953
Deferred tax liabilities for land revaluation	547	534
Provision for environmental measures	2	2
Provision for loss contract	1,273	1,273
Provision of restoration cost	14	14
Other	23	20
Total non-current liabilities	3,055	2,863
Total liabilities	4,729	4,507
Net assets		
Shareholders' equity		
Share capital	13,922	13,922
Capital surplus	3,481	3,481
Retained earnings	49,658	47,926
Treasury shares	(452)	(452)
Total shareholders' equity	66,609	64,876
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,183	919
Revaluation reserve for land	400	371
Foreign currency translation adjustment	179	229
Remeasurements of defined benefit plans	412	406
Total accumulated other comprehensive income	2,176	1,926
Non-controlling interests	274	254
Total net assets	69,060	67,057
Total liabilities and net assets	73,790	71,564

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income Nine Months Ended December 31

(Million yen)

	For the Nine months ended December 31, 2023	For the Nine months ended December 31, 2024
Net sales	11,926	10,709
Cost of sales	18,708	15,373
Gross loss	(6,781)	(4,664)
Selling, general and administrative expenses		
Selling expenses	260	253
General and administrative expenses	1,193	1,402
Total selling, general and administrative expenses	1,454	1,656
Operating loss	(8,236)	(6,320)
Non-operating income		
Interest income	16	28
Dividend income	228	78
Rental income from real estate	80	83
Share of profit of entities accounted for using equity method	4,546	3,762
Foreign exchange gains	328	315
Other	45	35
Total non-operating income	5,245	4,302
Non-operating expenses		
Interest expenses	0	0
Rental expenses on facilities	10	10
Loss on disposal of inventories	31	2
Commitment fees	21	21
Foreign withholding tax	33	10
Other	8	8
Total non-operating expenses	104	53
Ordinary loss	(3,095)	(2,071)
Extraordinary income		
Gain on sale of non-current assets	7	0
Gain on sale of investment securities	1,538	128
Insurance claim income	-	459
Total extraordinary income	1,546	588
Extraordinary losses		
Loss on retirement of non-current assets	13	33
Loss on sale of investment securities	-	2
Total extraordinary losses	13	36
Loss before income taxes	(1,563)	(1,518)
Income taxes - current	386	351
Income taxes - deferred	29	(87)
Total income taxes	415	264
Loss	(1,978)	(1,782)
Loss attributable to non-controlling interests	(13)	(20)
Loss attributable to owners of parent	(1,964)	(1,761)

Quarterly Consolidated Statements of Comprehensive Income
Nine Months Ended December 31

(Million yen)

	For the Nine months ended December 31, 2023	For the Nine months ended December 31, 2024
Loss	(1,978)	(1,782)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,539)	(265)
Remeasurements of defined benefit plans, net of tax	(22)	(9)
Share of other comprehensive income of entities accounted for using equity method	949	54
Total other comprehensive income	(612)	(220)
Comprehensive income	(2,590)	(2,002)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(2,576)	(1,982)
Comprehensive income attributable to non-controlling interests	(13)	(20)

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on segment information, etc.)

I For the Nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

1. Information on net sales and profit or loss by reportable segment

(Million yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Quarterly Consolidated Statements of Income (Note 3)
	Nickel business	Gas business	Total				
Net sales							
Net sales to outside customers	11,301	564	11,865	61	11,926	—	11,926
Intersegment sales or transfer	0	62	62	—	62	(62)	—
Total	11,301	626	11,927	61	11,988	(62)	11,926
Segment loss	(8,196)	(24)	(8,220)	(22)	(8,243)	6	(8,236)

- Notes: 1. “Other” corresponds to the real estate business not included in the reportable segments.
2. Adjustment to segment loss of ¥6 million includes intersegment elimination of ¥6 million and other adjustments of ¥0 million.
3. Segment loss is adjusted with operating loss in the quarterly consolidated statements of income.

2. Information on impairment losses of non-current assets or goodwill by reportable segment

Not applicable.

II For the Nine months ended December 31, 2024 (from April 1, 2024 to December 31, 2024)

1. Information on net sales and profit or loss by reportable segment

(Million yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Quarterly Consolidated Statements of Income (Note 3)
	Nickel business	Gas business	Total				
Net sales							
Net sales to outside customers	10,105	511	10,617	92	10,709	—	10,709
Intersegment sales or transfer	0	58	58	—	58	(58)	—
Total	10,105	569	10,675	92	10,768	(58)	10,709
Segment loss	(6,289)	(36)	(6,325)	(1)	(6,327)	6	(6,320)

- Notes: 1. “Other” corresponds to the real estate business not included in the reportable segments.
2. Adjustment to segment loss of ¥6 million includes intersegment elimination of ¥6 million and other adjustments of ¥0 million.
3. Segment loss is adjusted with operating loss in the quarterly consolidated statements of income.

2. Information on impairment losses of non-current assets or goodwill by reportable segment

Not applicable.

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

Not applicable.

(Notes on going concern assumption)

Not applicable.

(Notes on statements of cash flows)

The Company has not prepared quarterly consolidated statements of cash flows for the period under review. The depreciation and amortization (including amortization of intangible assets) for the period under review is as follows:

	(Million yen)	
	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Depreciation and amortization	261	261