May 14, 2025

Financial Results Briefing for Fiscal Year Ended March 31, 2025
Q&A (Summary)

(Q1) (Page 13) Why are net sales and operating profit set to improve from the fiscal year ending March 31, 2026 through the fiscal year ending March 31, 2028?

(A1) Our current Medium to Long-term Strategy projects that we will reduce or withdraw from the ferronickel business by the fiscal year ending March 31, 2027. As a result, we plan to virtually exhaust our inventory by the fiscal year ending March 31, 2027. Until now, we have reported inventory valuations in advance. However, inventory includes previous inventory valuations, and the sale of inventory results in the reversal of inventory write-downs, which ultimately drives down costs. Therefore, we expect that losses will be reduced in the fiscal year ending March 31, 2027.

We expect to reduce or withdraw from the ferronickel business and increase the ratio of the matte raw material business during the fiscal year ending March 31, 2028. High-grade nickel is required for matte raw materials. By using a “source of recycled nickel”—which is a type of urban mining, contains relatively high levels of nickel, and is less expensive than nickel ore—the cost of the primary raw material can be reduced. Furthermore, limits on our impurity treatments during the production of matte raw materials will be relaxed, enabling the treatment of impurities in our customers’ matte production processes.

We expect these cost-reducing factors will limit losses more than ferronickel products.

(Q2) (Page 13) Why are net sales and operating profit set to improve from the fiscal year ending March 31, 2029 through the fiscal year ending March 31, 2030?

(A2) In the fiscal year ending March 31, 2030, we plan to commence full-scale operations for contracted smelting of polymetallic nodules. This is contracted smelting, and we expect profit levels to improve further.

(Q3) (Page 20) Why did you set the dividend policy at a DOE of 4%? Also, how long do you expect it to continue?

(A3) Our business environment is susceptible to external factors, and shareholder returns have been unstable for a protracted period. With the Tokyo Stock Exchange calling for

management that is conscious of capital costs, we consider this to be a serious issue and, after careful review, have decided to revise our shareholder return policy along with reviewing our existing businesses and promoting new businesses.

For the time being, we intend to maintain our current dividend policy. However, as our profitability strengthens over the Medium to Long-term Strategy, when determining future dividends, we will strive to strike a balance between growth investment and shareholder returns.

(Q4) (Page 22) Please explain your projected cash flows (particularly cash inflows) for the fiscal year ending March 31, 2032.

(A4) Cash inflows are based on the ordinary profits listed on page 13 and the profits of each segment, which include profits both within and outside the business segments and the share of profits from the rights to exploit and operate mines. We apologize for not providing a more detailed breakdown.

(Q5) Please explain in detail the profit model for new businesses with the aim of shifting away from the ferronickel business.

(A5) First, we will aim to improve profits and losses by shifting to raw materials for battery materials and refined nickel applications while reducing and rationally withdrawing from the ferronickel business to minimize losses.

We will build a business portfolio that ensures stable profits by sequentially launching new businesses, namely: a business for contracted smelting of polymetallic nodules that leverages our existing ferronickel production facilities, a retail electricity business for high-voltage and extra-high-voltage clients, a beryllium business that is expected to see significant market growth with the implementation of nuclear fusion power generation, and a calcium aluminate manufacturing and sales business that enhances the added value of raw materials. We are aiming to diversify our business from ferronickel; as a metal smelting business, we plan to commence the production of matte raw materials from the fiscal year ending March 31, 2028. We will shift our business quickly and strive to generate profits.

(Q6) (Page 14) How will Pacific Metals excel in terms of supplying matte raw materials? Also, is there any potential for collaboration with other companies?

(A6) The business for matte raw materials will leverage our existing ferronickel production lines. There is almost no initial investment burden because we can carry out production without any major additional investment. With regard to our manufacturing processes, there is little room for collaboration with other companies. With regard to procurement, we plan to solicit cooperation from companies with whom we have dealings involving the collection of source of recycled nickel. Therefore, we have no plans for a framework that could be deemed collaboration.

(Q7) (Page 14) How much will shifting to matte raw materials reduce production costs?

(A7) We cannot share specific cost reduction figures, but we expect to reduce production costs by 10% through process reductions and other measures as well as to improve marginal profits by utilizing recycled nickel in raw materials, thereby returning to our original production scale.

(Q8) (Page 14) Explain more about the purpose of entering the polymetallic nodules business. Also, explain how this relates to your active efforts to extract deep-sea resources in the exclusive economic zone (EEZ) around Minamitorishima Island.

(A8) We formulated our Medium-term Business Plan PAMCO-2024 (FY2022 to FY2024) and have been working to implement it. This plan presented our vision of becoming “a comprehensive materials company that co-creates a sustainable, recycling-oriented society.” During the medium-term period covered by the plan, the ferronickel business suffered a decline in profit due to a sharp downturn in market conditions and the soaring costs of raw materials and energy, forcing us to substantially reduce production. On the other hand, this curtailment of production enabled us to concentrate on pilot studies by leveraging personnel and existing facilities to bring new business opportunities to fruition. Consequently, while we could not launch the business within the period of PAMCO-2024, we were able to establish prospects for the commercialization of contracted smelting of polymetallic nodules and beryllium-related businesses.

Among these, concerning the business for contracted smelting of polymetallic nodules, we have been involved in the government-funded Metal Mining Agency of Japan (now

part of Japan Organization for Metals and Energy Security (JOGMEC)) surveys of deep-sea resources (polymetallic nodules) since the 1970s.

Nevertheless, we previously considered deep-sea extraction of nodules to be technically unfeasible, but the Metals Company (TMC) approached us with a proposal for collaboration in smelting polymetallic nodules, and we examined their survey data, including video footage of nodule extraction techniques and the potential for marine pollution. Moreover, TMC has already successfully extracted approximately 3,000 tons of nodules.

Various countries have explored smelting polymetallic nodules using methods such as the dry method utilizing electric arc furnaces and the hydrometallurgy method utilizing chemical agents. However, TMC and we share the view that smelting with kilns and electric arc furnaces can lower capital investment and has the potential for profitable commercialization. We have completed a Pre-FS and are currently undertaking an F/S, which we expect to conclude in June 2025.

We have three aims for engaging in contracted smelting of polymetallic nodules:

(1) To lower capital investment costs by partially modifying and supplementing our current ferronickel production facilities, instead of installing entirely new ones. Furthermore, our existing workforce can handle the personnel requirements for the production process, enabling efficient use of current equipment, human resources, and ferronickel production expertise.

(2) To ensure a consistent level of profit during the contract term, thereby greatly contributing to improved profitability, by establishing a contracted smelting agreement.

(3) To help offset the scarcity of land-based resources by developing our smelting capabilities for deep-sea resources and facilitating their effective utilization, given the growing international trend of resource nationalism and the urgent need for securing natural resources.

The rare metal and polymetallic nodule resources in the vicinity of Japan's Minamitorishima Island are attracting significant attention. However, the Ni, Cu, and Mn metal content of such polymetallic nodules is about half the amount found in the polymetallic nodules that TMC is targeting for contracted smelting. Polymetallic nodules could be offered as a very inexpensive raw material if they are extracted alongside valuable rare earth elements, rather than being extracted and smelted in

isolation, so we are considering a future business of smelting polymetallic nodules extracted within Japan. As part of this initiative, and with subsidies from the Tokyo Metropolitan Government, we are involved in research on the smelting of polymetallic nodules found off the coast of Minamitorishima Island, which is a project being undertaken by the University of Tokyo and other institutions.

We anticipate that the commercialization of these ventures, which also encompass the beryllium business, will align with our vision of becoming “a comprehensive materials company that co-creates a sustainable, recycling-oriented society.”

(Q9) (Page 14) The timeline for launching the business for contracted smelting of polymetallic nodules has been pushed back compared to previous plans. What are the chances that international regulations will be issued? Furthermore, how certain is the timeline for launching the business?

(A9) The 30th Session of the International Seabed Authority was held in March 2025, where there were discussions regarding the establishment of extraction rules. However, the prospects for finalizing these rules remain unclear. The rule-making process of the International Seabed Authority (ISA) has become drawn out, and we hope that the rules will be finalized promptly.

Meanwhile, TMC, which is our Canadian joint development partner, has filed an application with the National Oceanic and Atmospheric Administration for an exploration license and a commercial recovery permit under the U.S. Deep Seabed Hard Mineral Resources Act.

We are carefully discussing the matter with TMC and consider the establishment of the business via a route that has earned international credibility to be a material issue. Aiming to achieve the timeline outlined in our current strategy, we will continue to make progress so that we can swiftly launch operations once the international rules are finalized.

(Q10) (Page 14) Given that the business for contracted smelting of polymetallic nodules is projected to represent 80% of total company revenue in the future, what do you anticipate to be the primary risks associated with this business?

(A10) We consider the primary risks to be elements in the contracted smelting process beyond our control. Specifically, obtaining a polymetallic nodule extraction permit has

been complicated by the delayed establishment of extraction rules at the ISA and TMC's application under the U.S. Deep Seabed Hard Mineral Resources Act. This makes it challenging to ascertain the optimal investment timing; consequently, uncertainty regarding when the business will be launched represents the primary risk. We will closely communicate with TMC and carefully monitor these trends to steadily advance the commercialization of the business.