

November 18, 2025

Financial Results Briefing Session for the Six Months

Ended September 30, 2025

Q&A (Summary)

(Q1) (Page 4/Page 8) Regarding operating profit and loss on a real basis, excluding the impact of inventory write-downs, please explain the background of the change from the first half to the second half.

(A1) As stated in the financial results, we expect to record a write-down of inventories in the first half due to an increase in inventory compared to the end of the previous fiscal year, and a reversal in the second half due to a decrease in inventory compared to the end of the previous fiscal year.

Please refer to page 4. Regarding the profit and loss situation, the operating loss for the period ended September 2025 is 4.0 billion yen. Since the write-down of book value due to inventory valuation is 0.4 billion yen, the operating loss excluding inventory valuation is 3.6 billion yen.

Although we anticipate a reversal in the second half, the trend of operating profit and loss excluding inventory valuation is not expected to change significantly compared to the first half.

The outlook when inventory valuation is included is as explained in the full-year forecast on page 8.

(Q2) The downward trend in ferronickel sales volume is continuing. Please share your views on the medium- to long-term outlook.

- (A2) Regarding ferronickel for stainless steel raw materials, although demand is supported by consumption in China, which continues to maintain record-high stainless steel production volume, supply and demand have not tightened because the production volume of NPI in Indonesia continues to expand even more than Chinese consumption. Given these circumstances, Indonesia has implemented measures such as limiting ore production volumes and introducing certain price indices as countermeasures against price stagnation due to NPI overproduction and for resource protection. While some producers have cut production or suspended operations were seen among some producers, major producers seem to be maintaining high levels of production unchanged.

Additionally, according to global nickel supply and demand data published by international organizations, oversupply of several hundred thousand tons continued in 2024, following 2022 and 2023, and the surplus margin is expanding by the year.

Amid this ongoing uncertain situation, sales under our Medium to Long-term Strategy are expected to be in the 3,000-ton range for both FY2026 and FY2027, similar to the current level. We plan to adjust volumes flexibly depending on the environment.

(Q3) (Page 13) With the metal smelting business, is the transition to the business for matte raw materials progressing smoothly?

- (A3) We are coordinating closely with prospective sales candidates. As for the timing of monetization, we must refrain from providing a detailed answer at this time due to the circumstances of our prospective sales candidates, but we aim to achieve monetization between 2027 and 2028.

(Q4) (Page 13) If the business for matte raw materials becomes profitable in FY2027, will you withdraw from the ferronickel business and focus solely on the business for matte raw materials?

- (A4) Under the Medium to Long-term Strategy, we plan to conduct an in-depth review regarding the timing of scaling down or withdrawing from the FeNi business when the business for matte raw materials starts to drive a recovery in performance.

(Q5) (Page 13) To what extent will profitability improve by transitioning to the business for matte raw materials? Is this related to the significant compression of the operating loss in the fiscal year ending March 31, 2027?

(A5) As described on page 13, although it depends on the balance of the final composition, we will utilize a large amount of recycled resources for matte raw materials compared to ferronickel production. We expect that losses will tend to be suppressed because nickel ore will be replaced to a certain extent by relatively cheaper recycled resources, and because the desulfurization process will become unnecessary. In addition, in FY2027, inventory valuation issues and other issues will be resolved by scaling down the ferronickel business, and as a result, the operating loss is expected to be compressed significantly.

(Q6) (Page 13) From the fiscal year ending March 31, 2030 onwards, the polymetallic nodule contract smelting business will become the main focus. What is the outlook for the establishment of international rules toward commercialization?

(A6) Discussions on establishing mining rules were held at the 30th Session of the International Seabed Authority through July 2025. Although there was some progress, the outlook for rule establishment remains unclear. It is a fact that rulemaking by the International Seabed Authority (ISA) has been prolonged, and we hope for the prompt establishment of rules.

The Company will monitor the situation closely, deeming the launch of the business through an internationally trusted route to be the most important issue. We are proceeding according to the schedule assumed in this strategy so that we can start the business promptly as soon as the rules are established.

(Q7) (Page 15/Page 16) How do you envision the revenue model for the beryllium business?

(A7) Within the period of the Medium to Long-term Strategy, we are looking at whether the business will be launched in the final year.

At present, our thinking is based on return on investment and income gains. With MiRESSO, we will closely discuss what form the business can be developed into beyond the Medium to Long-term Strategy period.

(Q8) (Page 4/Page 6) Please explain why equity-method investment income from the two Philippine mining companies is currently strong.

(A8) The Indonesian government seems to be trying to suppress domestic ore production to a volume lower than demand for purposes such as recovering NPI prices, which has made demand for Philippine nickel ore robust. Since nickel prices also remain high, the two companies are continuing solid mine operations.

(Q9) (Page 18) Will the dividend policy of a DOE of 4% be maintained during the Medium to Long-term Strategy period?

(A9) The Company's business environment is easily influenced by external factors, and there has been a long period during which shareholder returns were not stable. The Tokyo Stock Exchange has requested management that is conscious of the cost of capital, so we recognize this to be a major issue. As a result, we decided to review shareholder returns concurrently with our review of existing businesses and promotion of new businesses.

We intend to maintain the dividend policy to the extent possible. We aim to make decisions by considering the balance between growth investment and shareholder returns as our earning power grows.

(Q10) (Page 13) Regarding polymetallic nodule smelting, deep-sea resources within the Minamitorishima EEZ also seem to be attracting attention. Is there a possibility that the Company will smelt these resources? Please tell us how this relates.

(A10) Regarding deep-sea resources in Minamitorishima, these are resources procurable domestically. For Japan, which relies on overseas sources for critical minerals, we believe there is a strong possibility for smelting depending on future movements.

Last year, the University of Tokyo and The Nippon Foundation conducted test mining of polymetallic nodules from deposits off Minamitorishima within Japan's EEZ (Exclusive Economic Zone). These polymetallic nodules are deposited on top of rare earth deposits. Therefore, to mine the rare earth, one must either harvest the polymetallic nodules first before mining the rare earth, or mine both the polymetallic nodules and rare earth together.

For our company, which is considering the smelting of polymetallic nodules, this is naturally a project of interest. We are exchanging opinions with the University of Tokyo regarding smelting technology. We believe it is technically possible to smelt polymetallic nodules from Minamitorishima, and that this can contribute to building a supply chain for critical minerals in Japan.

However, the content of metal components such as Ni, Cu, and Mn in polymetallic nodules off Minamitorishima is approximately half that of polymetallic nodules existing in the Pacific Ocean, respectively. If we mine them together with expensive rare earths, rather than mining and smelting only polymetallic nodules, the polymetallic nodules can possibly be provided at a very low price as raw material. Therefore, we are also keeping the smelting business of polymetallic nodules mined within Japan in view for the future.

As part of this effort, we are participating in research regarding the smelting of polymetallic nodules off Minamitorishima, which is being conducted by the University of Tokyo and others with a grant from the Tokyo Metropolitan Government.

Plans for commercial mining of polymetallic nodules off Minamitorishima are undecided, and even if realized, it is thought to be after 2030. However, we hope that progress will accelerate depending on the degree of effort put in by the government.

(Q11) Regarding the policy of controlling ferronickel sales volume, is it currently unprofitable? Will it be difficult to continue the ferronickel business in the future?

(A11) As stated in the financial results released on November 11, we are currently not achieving profitability. This is largely due to the impact of Chinese-capital-produced NPI, which is causing sales revenue to drop compared to manufacturing costs. We have examined continuing the business, but since there are no signs that the ferronickel business environment will recover, we are proceeding with new business development.

(Q12)(Page 6) In the ordinary profit and loss analysis, the sales volume factor shows minus 3.2 billion yen (negative effect on net sales) and plus 4.9 billion yen (positive effect on cost of sales). What does this mean?

(A12) Sales revenue is being suppressed due to the impact of NPI, and we are unable to recover manufacturing costs. Since we are not achieving profitability, we are suppressing sales volume with the aim of reducing losses. Because the range of decrease in the cost of sales is larger than the range of decrease in net sales, suppressing volume results in a larger cost reduction.

(Q13)(Page 13) What level of annual processing volume do you project for the polymetallic nodule contract smelting business?

(A13) We project 1.3 million tons per year. This is a volume we estimate can be reliably processed based on the processing capacity of the facilities.