

May 19, 2026

Financial Results Briefing for Fiscal Year Ended March 31, 2026
Q&A (Summary)

(Q1) Please provide an update on the progress of measures aimed at achieving a positive operating profit.

(A1) Given that the conditions of our core ferronickel business remain uncertain, we will proceed with the restructuring of our business portfolio.

As described on page 13 and onward, we will first expand applications from stainless steel raw materials to matte raw materials with a view to business transformation, and will aim for a significant improvement in segment profit (loss). We are currently in discussions with prospective customers regarding terms such as quality, quantity, time, and price, with the aim of reaching an agreement. We aim to begin production in FY2027. Regarding polymetallic nodules, while the feasibility study and pilot smelting have been mostly completed, regulations governing the mining of seabed resources are still under discussion. Therefore, we are preparing to make a decision regarding investment in smelting facility upgrades as soon as these regulations are finalized.

We have been sequentially launching our retail electricity and calcium aluminate businesses, and are aiming to expand these operations.

For the beryllium business, we have entered into a capital and business alliance with MiRESSO Co., Ltd. and have subscribed to its newly issued shares through a third-party allotment. Under MiRESSO's leadership, a pilot plant is currently being constructed on the grounds of our facility.

Regarding the major initiatives I just mentioned, we are making steady progress on schedule, although we will make minor adjustments to the timeline. Should we identify any significant discrepancy with our medium to long-term strategy in the future, we will provide updates as appropriate.

(Q2) (Page 8) Please explain the reasons behind the forecast that earnings will improve from the first half to the second half of the fiscal year ending March 31, 2027.

(A2) The primary reason behind this is the impact of inventory valuation, rather than the business environment.

In the fiscal year ended March 31, 2026, we reduced our inventory of products, raw materials, and other items. Due to this, and because we still are purchasing a certain amount of raw materials and other items in the first half of the fiscal year ending March 31, 2027, inventory is expected to increase temporarily during this period. As a result, valuation losses on inventory are also expected to increase, leading to a temporary rise in losses.

On the other hand, inventories are expected to decrease in the second half of the fiscal year ending March 31, 2027. Accordingly, valuation losses on inventory will decrease, and losses will also decrease.

(Q3) (Page 8) Please explain the factors driving net sales growth in the full-year financial results forecast for the fiscal year ending March 31, 2027. Is this due to contributions from new businesses?

(A3) In the Fe-Ni business, the selling price improved compared to the previous fiscal year due to factors such as an increase in the LME prices used by the Company and the depreciation of the yen in the exchange rates applied by the Company.

(Q4) (Page 8) Please explain the reasons behind the deterioration in profit (loss) for the fiscal year ending March 31, 2027.

(A4) This is because we anticipate that costs will remain high due to the impact of higher energy costs resulting from the soaring raw material and fuel prices caused by the deteriorating situation in the Middle East, as well as the impact of ore prices resulting from the reduction of the Indonesian government's Work Plans and Budgets (RKAB) for minerals and coal.

(Q5) (Page 12) The materials for the financial results briefing session indicate that the discrepancy between the plan and full-year forecast for the fiscal year ending March 31, 2027 is due to a significant reduction in inventory levels. Will this not occur in the fiscal year ending March 31, 2028 and beyond?

(A5) Due to the deteriorating business environment, we are currently curbing production volumes and have reduced ferronickel production volumes to the absolute minimum. Given a combination of factors, including the recent macroeconomic environment and conditions specific to the nickel industry, further reductions would not allow us to operate efficiently and could potentially worsen our profitability. To ensure a smooth transition to the matte raw materials business, we are flexibly reviewing our operational structure.

As a result of our review and the fact that we are maintaining production during the fiscal year ending March 31, 2027 at a certain level, we expect that we will be able to curb the declines in inventories. We expect this impact to carry over into the fiscal year ending March 31, 2028.

(Q6) (Page 12) You expect operating profit (loss) to reach a breakeven point in the fiscal year ending March 31, 2028. How confident are you in this forecast?

(A6) Due to rising prices of various raw materials and fuels caused by the situation in the Middle East, there have been discrepancies with our initial assumptions. We will continue to work toward achieving the goals set forth in our medium to long-term strategy.

(Q7) (Page 4) Although the company recorded an ordinary profit for the fiscal year ended March 31, 2026, how do you view the fact that the structure, where loss from the core business is offset by share of profit of entities accounted for using the equity method, remains unchanged?

(A7) As part of our medium to long-term strategy, we will proceed with the restructuring of our business portfolio with the aim of achieving an operating profit as soon as possible. The majority of profits from investments accounted for using the equity method come from our affiliated mining company in the Philippines. Due to its strong performance, these profits from investments accounted for using the equity method have also increased significantly.

We also procure nickel ore from these mining companies. While the cost of the nickel ore we procure is recorded as “cost of sales” in our statements of income, the mining company’s profits are recognized as “share of profit of entities accounted for using equity method,” which is classified as non-operating income.

As I mentioned, building connections and cooperative relationships with resource-rich countries is a top priority for a company like us that handles resources. We will continue to foster these amicable relationships while advancing our medium to long-term strategy to secure profits in our core business as a manufacturing company, even in today’s highly uncertain environment. We are committed to striving to become “a comprehensive materials company that co-creates a sustainable, recycling-oriented society.”

(Q8) (Page 13) You described a shift toward the matte raw materials business. Does this mean you will eventually scale back or withdraw from the ferronickel business? Also, is it the case that the matte raw materials business will not continue forever?

(A8) Under our strategy, we plan to shift our focus to matte raw materials first. We intend to scale down our ferronickel business and, depending on circumstances, may even consider withdrawing from it in the future. Regarding the matte raw materials business, we are still in discussions with the relevant parties, and we will carefully evaluate the situation, taking into account the breakeven point required for this to become a core part of our operations. Strategically, this business may be pursued in parallel with the contracted smelting of polymetallic nodules business that we plan to launch in the future.

(Q9) (Page 17) Although dividends are expected to decrease for the fiscal year ending March 31, 2027 (130 yen annually), how long do you expect to maintain the DOE of 4% stated in your dividend policy?

(A9) We currently aim to maintain a DOE of 4% for the time being. This policy has remained unchanged since the announcement of our medium to long-term strategy.

(Q10) (Page 8) You referred to a strategic production volume reduction policy. What is the lower limit for production volume?

(A10) Production volume for the fiscal year ending March 31, 2027 is essentially at the lower limit. We intend to maintain this level because further reductions would compromise operational stability and hinder a smooth shift to the business for matte raw materials in the future.

(Q11) (Page 8) Is the increase in operating loss for the fiscal year ending March 31, 2027 primarily due to the fact that the impact of rising costs outweighs the effect of higher selling prices?

(A11) We anticipate significant impacts on costs, including rising prices for nickel ore, for our primary raw material due to supply concerns resulting from the reduction of the Indonesian government's Work Plans and Budgets, as well as rising energy costs caused by the deteriorating situation in the Middle East. Consequently, inventory valuations may deteriorate, and the pace of reduction in inventory valuation loss is expected to decelerate. Meanwhile, production at nickel-smelting plants using the high-pressure sulfuric acid leaching process will be affected by supply shortages and soaring prices of sulfur resulting from the deteriorating situation in the Middle East. This will lead to concerns about a nickel supply shortage, which could drive up LME prices. In such a scenario, we anticipate a positive impact on our selling prices. However, based on our plan for the fiscal year ending March 31, 2027, we expect the impact on costs to be more significant.

(Q12) (Page 12) There is a discrepancy between the plan and full-year forecast for the fiscal year ending March 31, 2027. What is your view on the effectiveness of your strategy?

(A12) We are currently working to achieve the plan and will therefore maintain close communication with all relevant parties.

(Q13) (Page 13) Is there a possibility that ferronickel production will increase in the future? Are there any conditions for such a production increase?

(A13) While we cannot rule out the possibility of increasing production if the current situation changes, as long as this situation persists, we have no choice but to consider downsizing or withdrawing from the ferronickel business, as outlined in our medium to long-term strategy.

(Q14) (Page 17) You have acquired treasury stock during the fiscal year ended March 31, 2026. Is this a one-time measure, or do you plan to continue doing this in the future?

(A14) We have no plans to acquire treasury stock at present, but we will consider doing this in the future, depending on the circumstances.

(Q15) (Page 17) Maintenance and renewal of aging infrastructure and new business investment totaled only 200 million yen for the fiscal year ending March 31, 2027. Could you please provide a breakdown of this? Will the 16 billion yen of investments outlined in the medium to long-term strategy be implemented starting next fiscal year? Do you have a rough schedule in place?

(A15) The amount planned for the current fiscal year is 200 million yen, which will be spent almost entirely on maintenance and renewal of aging infrastructure. The majority of the 16 billion yen will be required for new business investments, and the majority of that will be for polymetallic nodules. We will make the final investment decision based on developments in international regulations.