Corporate Governance Report

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The corporate governance of PACIFIC METALS CO., LTD. (the "Company") is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

The Company has established the following company policy based on its company philosophy: "Leverage the power of people to deliver the earth's resources in more useful forms and contribute to the happiness of humankind."

1. Integrate the management strategies of the entire Group to maximize the synergy effects of each Group company.
2. Focus on the development and quality improvement of world-class smelting technology, and establish the world-leading platform for management efficiency and competitiveness.
3. Promote compliance.
4. Secure appropriate profits through fair, transparent and free competition.
5. Actively tackle all environmental problems to protect the irreplaceable earth.
6. To develop the individuality of employees and fully demonstrate their creativity, pursue a sense of comfort and affluence both physically and mentally, and realize a rewarding workplace.
7. Promote wide-ranging exchanges with society and actively disclose fair corporate information.

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

(1) The Company shall respect the rights of all shareholders and ensure equality.
(2) The Company shall collaborate with all stakeholders, including shareholders, consumers, business partners, employees, and local communities, sincerely and appropriately, considering their interests.
(3) 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.
(4) 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).
(5) The Company shall engage in constructive dialogue with shareholders to achieve sustainable growth and maximum medium- to long-term corporate value.

The Company has formulated the "basic policies on corporate governance" and posted them on its website: https://www.pacific-metals.co.jp/en/ir/governance.php

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The following description is based on the Corporate Governance Code revised in June 2021.

[Supplementary Principle 2.4.1: Ensuring diversity, including active participation of women]

The Company has been striving to ensure diversity in the workplace, including promoting the active participation of women. However, at present, the Company has yet to set any voluntary and measurable goals. In addition, the Company has yet to codify its policies for human resource development and internal environment development to ensure diversity. Therefore, the Company continues to work on these issues.

[Disclosure Based on the Principles of the Corporate Governance Code] UPDATED

The following description is based on the Corporate Governance Code revised in June 2021.

[Principle 1.4: Cross-shareholdings]

The Company holds shares of other companies as cross-shareholdings to maintain or strengthen business relationships and enhance the medium- to long-term corporate value of investee companies and the Company. In addition, the purpose and rationale for holding each individual cross-shareholding are periodically verified and explained at the Board of Directors' meetings.

Based on the results of the above verification and other factors, the Company is considering the reduction of its cross-shareholdings in a phased manner. Since the fiscal year 2018, the Company has completed the reduction of the number of stocks by 14 (13 listed stocks) out of 25 stocks (14 listed stocks) that fall into "Investment shares held for purposes other than pure investment" disclosed in the Annual Securities Report.

The Company exercises voting rights as to its cross-shareholdings after considering the business relationships and the return 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.

[Principle 1.7: Related party transactions]

In the case where the Company conducts related party transactions with Directors, subsidiaries, or other related parties, the Company obtains the prior approval of the Board of Directors to ensure that such transactions do not harm the interests of the Company and the common interests of its shareholders. If the Company enters into such transactions, their details are regularly reported at the Board of Directors' meetings.

[Principle 2.6: Roles of corporate pension funds as asset owners]

The Company manages corporate pension funds under a defined benefit pension plan. Although the pension fund management is outsourced to an external fund manager, a person in the Personnel & Labor Relation Dept. of the Company receives reports from the fund manager regularly and has established a system that enables timely and close coordination with the manager. Based on this system, the Company appropriately manages conflicts of interest that could arise between pension fund beneficiaries and the Company.

[Principle 3.1: Full disclosure]

The Company proactively discloses information on the following matters:

(1) Company objectives, business strategies and business plans
The company philosophy and company policy are described in Basic Views at the beginning of this report.

(2) Basic views and policies on corporate governance
The Company has formulated the "basic policies on corporate governance," which are posted on the Company's website:
https://www.pacific-metals.co.jp/en/ir/governance.php

(3) Board of Directors' policies and procedures in determining the compensation
The "basic policies on corporate governance" of the Company describe the policies and procedures in determining the compensation at the Company's Board of Directors.

(4) Board of Directors' Policies and procedures in appointing and dismissing the senior management and nominating candidates for Directors and Auditors
The "basic policies on corporate governance" of the Company describe the policies and procedures in

appointing and dismissing the senior management and nominating candidates for Directors and Auditors at the Company's Board of Directors.

(5) Explanation with respect to the individual appointments/dismissals and nominations when the Board of Directors appoints or dismisses the senior management and nominates candidates for Directors and Auditors
Reasons for the appointment and nomination of individual candidates for Directors and Auditors are stated in the Notice of Convocation of the Annual General Shareholders Meeting. The same applies to the dismissal of the senior management.

[Supplementary Principle 3.1.3: Initiatives on sustainability, investment in human capital and intellectual property, etc.]

(1) Initiatives on sustainability
The Company discloses the basic policies and initiatives on sustainability in the Integrated Report and on the Company's website. The Company also discloses information based on the TCFD recommendations or an equivalent framework in the Sustainability section of its website.
(URL: https://www.pacific-metals.co.jp/en/sustainability/tcfd.html)

(2) Investment in human capital, etc.
The Company believes that investment in human capital is important for enhancing corporate value. To realize a safe and comfortable working environment for employees, the Company is promoting initiatives for investment in human capital, including the elimination of occupational accidents, promotion of the active participation of women, promotion of diversity that shows respect for different values and ideas, and enhancement of education and training according to level. The Company believes that by pursuing these goals, it can improve employees' sense of job satisfaction and create new value.

(3) Intellectual property
The Company recognizes that intellectual property is a source of value creation and increased competitiveness. Regarding R&D activities, which are at the heart of such a source, the Company established the Resources & Technology Development Project Department in July 2019 to execute intellectual property investment and to make appropriate use of relevant rights. The R&D activities that create intellectual property are described in the R&D Activities section of the Annual Securities Report.

[Supplementary Principle 4.1.1: Determination of the scope and content of the matters delegated to the management]

The "basic policies on corporate governance" of the Company describe the scope and content of the matters delegated to the management at the Board of Directors.

[Principle 4.8 Effective use of Independent Outside Directors]

In order to create a system that will enable decisions to be made more strategically and flexibly, the Company appointed six Director (two Independent Outside Directors) at the Annual General Shareholders Meeting held in June 2025.

[Principle 4.9 Independence standards of Independent Outside Directors]

The Company discloses the independence standards of Independent Outside Directors in the Notice of Convocation of the Annual General Shareholders Meeting, Annual Securities Reports, and "Matters relating to independent officers" in this report.

[Supplementary Principle 4.10.1 Use of optional approach]

The Company discloses the objectives of establishment, roles, and other matters of the Nomination and Compensation Committee in the "basic policies on corporate governance" of the Company. The Company stipulates that a majority of the members of the Committee shall be Independent Outside Directors as filed with the Tokyo Stock Exchange and that the chairperson shall be an Independent Outside Director.

[Supplementary Principle 4.11.1 Views on the diversity of the Board of Directors as a whole]

The Company has set forth its views regarding the balance of knowledge, experience, and abilities of the Board of Directors as a whole, as well as its diversity and scale, in its "basic policies on corporate governance." It also discloses a skills matrix presenting the knowledge, experience, abilities, and other attributes of individual Directors on its Notice of Convocation of the Annual General Shareholders Meeting, beginning with the meeting held in June 2022.

[Supplementary Principle 4.11.2 Disclosure of concurrent holding of positions by Directors and Auditors]

The Company assists Directors and Auditors in executing their duties with sufficient time spent for the Company, and discloses their significant concurrent positions in its Business Reports every year.

[Supplementary Principle 4.11.3 Self-evaluations of each Director, and evaluation of the effectiveness of the Board of Directors as a whole]

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 2026, the Company implemented the evaluation for the fiscal year 2025 by means of a questionnaire survey, targeting all Directors and Auditors (including Outside Directors and Outside Auditors).

The survey responses indicate that the company has received positive evaluations regarding the status of discussions on appropriate capital structure within the Board of Directors and the progress made in establishing a framework for constructive dialogue with shareholders. Accordingly, the Company shared the recognition that the Board of Directors has generally maintained a certain level of effectiveness. On the other hand, the Company also shared issues such as the need to follow up on the state of progress of management plans and to set KPIs for sustainable growth.

Based on the results of the evaluation of the 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.

[Supplementary Principle 4.14.2 Training policy for Directors and Auditors]

The Company discloses the training policy for Directors and Auditors in the "basic policies on corporate governance of the Company."

[Principle 5.1 Constructive dialogue with shareholders]

The Company enhances a system to promote constructive dialogue with all shareholders by establishing the IR Committee led by the Director in charge of investor relations. Details are disclosed in the "basic policies on corporate governance of the Company." The implementation status and related information are described in "III. Implementation of Measures for Shareholders and Other Stakeholders, 2. IR Activities" in this report.

Dialogue with shareholders in the fiscal year 2025 is as follows.

○ Primary persons engaged in dialogue with shareholders: 1) President and Representative Director, 2) Officer in charge of IR, and 3) Person in charge of IR

○ Outline of shareholders for whom dialogue was conducted: analysts and institutional investors
  1) Financial results briefing sessions: 22 participants (held twice in November and May)
  2) Shareholder relations (SR) individual interviews: 9 times
  3) IR individual interviews: 41 times

○ Main themes of dialogue, etc.
  • Outlook for the Ferronickel Business
  • Progress on the Medium to Long-term Strategy
  • Capital policy

Opinions of shareholders grasped during the dialogues are fed back to the Officer in charge of IR with reports and other documents from time to time. Also, the status of the activities are reported at the Board of Directors' meetings.

[Response to Realize Management That Is Conscious of Cost of Capital and Stock Price]

Content of Disclosure	Disclosure of Initiatives (Update)
Availability of English Disclosure	Available
Update Date	May 19, 2026.

Explanation of Actions

The Company announced its response to realize management that is conscious of cost of capital and stock price at the financial results briefing session for the fiscal year ended March 31, 2026. Details are provided in "Financial Results Briefing Session for the Fiscal Year Ended March 31, 2026" (pp. 17). (URL:https://www.pacific-metals.co.jp/file/news/260519_1099_2026%E5%B9%B43%E6%9C%88%E6%9C%9F_%E6%9C%9F%E6%9C%AB%E6%B1%BA%E7%AE%97%E8%AA%AC%E6%98%8E%E4%BC%9A%E8%B3%87%E6%96%99.pdf)

2. Capital Structure

Foreign Shareholding Ratio UPDATED	Less than 10%

[Status of Major Shareholders] **UPDATED**

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (trust account)	1,862,800	10.71
Custody Bank of Japan, Ltd. (trust account)	1,284,000	7.38
Nihonkisetsu Co., Ltd.	882,900	5.08
Hisayuki Tsutsumi	334,100	1.92
Business Partners' Shareholding Association, PACIFIC METALS CO., LTD.	276,602	1.59
GOVERNMENT OF NORWAY (standing proxy: Custody Operations Department, Citibank, N.A., Tokyo Branch)	273,700	1.57
The Tokyo Tanshi Co., Ltd.	230,000	1.32
Custody Bank of Japan, Ltd. (trust account B)	225,000	1.29
Haruhisa Adachi	196,900	1.13
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT (standing proxy: Custody Operations Department, Citibank, N.A., Tokyo Branch)	157,126	0.90

Controlling Shareholder (except for Parent Company)	—
Parent Company	None

Supplementary Explanation

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3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime Market
Fiscal Year-End	March
Type of Business	Iron & Steel
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	From 100 to less than 500
Sales (consolidated) as of the End of the Previous Fiscal Year	From 10 billion yen to less than 100 billion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Less than 10

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with a Board of Auditors

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board of Directors	President
Number of Directors	6
Appointment of Outside Directors	Appointed
Number of Outside Directors	2
Number of Outside Directors designated as Independent Officer	2

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Yukari Sakai	From another company											
Masahito Amano	Attorney at law											

* Categories for "Relationship with the Company"

* "○" when the Director presently falls or has recently fallen under the category;
"△" when the Director fell under the category in the past

* "●" when a close relative of the Director presently falls or has recently fallen under the category;
"▲" when a close relative of the Director fell under the category in the past

a. An executive of the Company or its subsidiaries
b. An executive or a non-executive director of a parent company of the Company
c. An executive of a fellow subsidiary company of the Company
d. A party whose major business partner is the Company or an executive of such a party
e. A major business partner of the Company or an executive of such a business partner
f. A consultant, an accountant or a legal professional who receives a large amount of monetary consideration or other property from the Company besides officer's compensation
g. A major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
h. An executive of a business partner of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
i. An executive of a company, between which and the Company outside directors/auditors are mutually appointed (the director himself/herself only)
j. An executive of a company or organization receiving a donation from the Company (the director himself/herself only)
k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons of Appointment
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. Therefore, the Company appointed her as Outside Director. 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. Although she had worked for Nomura Securities Co., Ltd, the lead managing underwriter of the Company, the Company believes that there is no issue to affect her independence, because more than 20 years have passed since her resignation from the company, and she does not hold any business relationship and other relationships with the company. She is neither the Company's major business partner, major shareholder, nor from these parties, and she has not received a large amount of monetary consideration or other property from the Company. Accordingly, the Company has determined that she is unlikely to have any conflict of interest with general shareholders, and appointed her as Independent Officer.
Masahito Amano	○	—	The Company determined that Masahito Amano is capable of properly performing his duties as Outside Director based on his professional perspective as an attorney and extensive experience as a corporate manager. Therefore, the Company appointed him as Outside Director. The Company expects him to promote the enhancement of compliance and corporate governance, leveraging the above-mentioned perspective and insight. He is neither the Company's major business partner, major shareholder, nor from these parties, and he has not received a large amount of monetary consideration or other property from the Company besides the Director's compensation. Also, his main profession is an attorney at law, and he is not in the same position as the management team of the Company. Accordingly, the Company has determined that he is unlikely to have any conflict of interest with general shareholders, and appointed him as Independent Officer.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Compensation Committee	Established

Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Compensation Committee
Committee's Name	Nomination and Compensation Committee	Nomination and Compensation Committee
All Committee Members	3	3
Full-time Members	0	0
Inside Directors	1	1
Outside Directors	2	2
Outside Experts	0	0
Other	0	0
Chairperson	Outside Director	Outside Director

Supplementary Explanation

The Company established the Nomination and Compensation Committee on May 20, 2021, 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. The Nomination and Compensation Committee consists of at least three and no more than five members with a majority of Independent Outside Directors, and is chaired by an Independent Outside Director as filed with the Tokyo Stock Exchange.

[Auditors]

Establishment of the Board of Auditors	Established
Maximum Number of Auditors Stipulated in Articles of Incorporation	5
Number of Auditors	4

Cooperation among Auditors, Accounting Auditors and Internal Audit Departments

Regarding internal audits, the Company has established the Internal Audit Dept. (consisting of two persons) to implement organizational and system audits, operational audits, and accounting audits, as well as the "evaluation of internal control concerning financial reports" of the overall Group, among other activities. Regarding auditor's audits, four Auditors led by one full-time Auditor prepare an annual audit plan and conduct audits based on the plan.

Regarding mutual collaboration among Auditors, the Internal Audit Dept., and the Accounting Auditor, the Company holds audit report meetings four times a year to promote collaboration among them. In order to promote mutual collaboration between Auditors and the Internal Audit Dept., the Company has established occasions for information exchange as needed, enabling them to check the progress of the audit plan and make proper adjustment. In addition, evaluation results of internal audits are regularly reported to the Board of Directors' meetings.

Appointment of Outside Auditors	Appointed
Number of Outside Auditors	3
Number of Outside Auditors Designated as Independent Officer	3

Outside Auditor's Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Yutaka Iimura	From another company										△			
Kyosuke Miyazaki	From another company										△			
Hiroshi Hashizume	From another company										△			

* Categories for "Relationship with the Company"

* "○" when the auditor presently falls or has recently fallen under the category;
"△" when the auditor fell under the category in the past

* "●" when a close relative of the auditor presently falls or has recently fallen under the category;
"▲"when a close relative of the auditor fell under the category in the past

a. An executive of the Company or its subsidiary
b. A non-executive director or an accounting advisor of the Company or its subsidiaries
c. An executive or a non-executive director of a parent company of the Company
d. An auditor of a parent company of the Company
e. An executive of a fellow subsidiary company of the Company
f. A party whose major business partner is the Company or an executive of such a party
g. A major partner of the Company or an executive of such a business partner
h. A consultant, an accountant or a legal professional who receives a large amount of monetary consideration or other property from the Company besides officer's compensation
i. A major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
j. An executive of a business partner of the Company (which does not correspond to any of f, g, or h) (the auditor himself/herself only)
k. An executive of a company, between which and the Company outside directors/auditors are mutually appointed (the auditor himself/herself only)
l. An executive of a company or organization receiving a donation from the Company (the auditor himself/herself only)
m. Others

Outside Auditor's Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons of Appointment
Yutaka Iimura	○	He is from a main financing bank of the Company.	The Company determined that Yutaka Iimura is capable of properly performing his duties as Auditor based on his broad insight and wealth of knowledge and experience as a director at other companies. Therefore, the Company appointed him as Outside Auditor in June 2023. Although he had worked for Development Bank of Japan Inc., one of our main financing banks, more than nine years have passed since his resignation from the bank, and he is not in a position to be influenced by the intention of the bank. The Company has no loans from the bank, and also deals with other multiple banks. Accordingly, the Company has determined that his service at the bank in the past will not affect the management of the Company, and he is unlikely to have any conflict of interest with general shareholders. Thus, the Company appointed him as Independent Officer.
Kyosuke Miyazaki	○	He is from a main financing bank of the Company.	The Company determined that Kyosuke Miyazaki is capable of properly performing his duties as Auditor based on his broad insight and wealth of knowledge and experience as a director and an auditor at other companies. Therefore, the Company appointed him as Outside Auditor in June 2024. Although he had worked for Mizuho Bank, Ltd., one of our main financing banks, more than ten years have passed since his resignation from the bank, and he is not in a position to be influenced by the intention of the bank. The Company has no loans from the bank, and also deals with other multiple banks. Accordingly, the Company has determined that his service at the bank in the past will not affect the management of the Company, and he is unlikely to have any conflict of interest with general shareholders. Thus, the Company appointed him as Independent Officer.
Hiroshi Hashizume	○	He is from a main financing bank of the Company.	The Company determined that Hiroshi Hashizume is capable of properly performing his duties as Auditor based on his broad insight and wealth of knowledge and experience as an auditor at other companies. Therefore, the Company appointed him as Outside Auditor. Although he had worked for Resona Bank, Limited., one of our main financing banks, more than eight years have passed since his resignation from the bank, and he is not in a position to be influenced by the intention of the bank. The Company has no loans from the bank, and also deals with other multiple banks. Accordingly, the Company has determined that his service at the bank in the past will not affect the management of the Company, and he is unlikely to have any conflict of interest with general shareholders. Thus, the Company appointed him as Independent Officer.

[Independent Officers]

Number of Independent Officers	5

Matters relating to Independent Officers

The Company has established the criteria for determining independence of its independent officers as follows.

1. An independent officer shall be an Outside Director or an Outside Auditor with no risk of conflict of interest with general shareholders.
2. An independent officer shall not be a major business partner (supplier or buyer) of the Company, or a director, executive, or auditor thereof.
3. An independent officer shall not be a consultant, an attorney, certified public accountant, or certified tax accountant, etc. to whom the Company pays annual compensation amounting to one million yen or more other than officer's compensation.
4. An independent officer shall not be a shareholder of the Company.
5. An independent officer shall not be a friend of a Director or Auditor of the Company.
6. An independent officer shall not formerly or currently be:
   (1) A director, executive, auditor, or accounting advisor of the Company or the Company's subsidiaries, etc.;
   (2) A shareholder who holds 5% or more of the Company's shares or a director, executive, auditor of an institutional shareholder who holds 5% or more of the Company's shares;
   (3) A director, executive or auditor of the parent company of the shareholder referred to in paragraph (2) above;
   (4) A member of a corporation organized by a consultant, attorney, certified public accountant, certified tax accountant, etc. to whom the Company pays annual compensation amounting to one million yen or more other than officer's compensation;
   (5) A major business partner (supplier or buyer) of the Company, or a former member of such client other than director, executive, or auditor thereof;
   (6) A shareholder who holds 5% or more of the Company's shares, or a former member of an institutional shareholder who holds 5% or more of the Company's shares other than a director, executive, auditor thereof;
   (7) A former member of the parent company of the shareholder referred to in paragraph (6) above other than a director, executive, or auditor of such parent company;
   (8) A member of a company whose relationship with the Company involves having outside officers from both parties;
   (9) A recipient of donations from the Company or a former member thereof; or
   (10) A relative within the third degree of kinship to any of the aforementioned persons.

[Incentives]

Incentive Policies for Directors	Performance-linked Compensation

Supplementary Explanation

The details of performance-linked compensation are described in "Disclosure of Policy on Determining Compensation Amounts and Calculation Methods" of "Director's Compensation" hereunder.

Recipients of Stock Options	

Supplementary Explanation

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[Directors' Compensation]

Disclosure of Individual Director's Compensation	No Individual Disclosure

Supplementary Explanation

The total compensation amounts for Directors is 153 million yen.

(Of this amount, 9 million yen consists of restricted stock awards as non-monetary compensation, etc., for directors (excluding outside directors).)

The amounts of Directors' compensation do not include the portion of employee salary for Directors who concurrently serve as employees.

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

Policy on Determining Compensation Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Compensation Amounts and Calculation Methods

1) Matters concerning the Company's determination policy on details of individual compensation and other related matters for Directors and Auditors
The Company, through the Nomination and Compensation Committee, has decided the following 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.

2) Summary of the determination policy
   i. Basic policy
   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 (monetary/stock)" as fixed compensation, and "bonuses for officers (monetary)" as performance-linked compensation. Regarding Outside Directors, who assume the responsibility of oversight, only "basic compensation for officers (monetary)" is paid in light of their duties.

   ii. Policy concerning the determination of the amounts of individual Directors' basic compensation, etc. (monetary/stock) (including the policy concerning the determination of the timing and conditions for the payment of compensation, etc.)
   Basic compensation for Directors of the Company is fixed monthly monetary compensation and annual stock compensation, and the amount and the number of shares are deliberated and determined by the Nomination and Compensation Committee.

   iii. Policy concerning the determination of the details and amount or method used to calculate the quantity of performance-linked compensation (including the policy concerning the determination of the timing and conditions for the payment of compensation, etc.)
   The benchmark for the payment of performance-linked compensation is the ability of the Company to pay dividends, which are calculated based on separately-established allocation standards for profit, using profit as the source of funds. The performance benchmark is

selected to raise awareness of the performance improvement for each fiscal year, contribute to the improvement of corporate value, and share benefits with all stakeholders. Performance-linked compensation is paid as a bonus at a predesignated time each year, in an amount calculated in accordance with performance for each fiscal year.

iv. Policy on the determination of the proportional amounts of fixed compensation and performance-linked compensation for individual Directors

a. Fixed compensation

◇ Basic compensation for officers (monetary)

· An amount of monthly basic compensation based on position, corresponding to the level of duties

◇ Basic compensation for officers (stock)

· For stock compensation, restricted stock will be granted according to the position of Directors (excluding Outside Directors), and the transfer restrictions will be lifted at the time of their retirement from the position of Director.

b. Performance-linked compensation

◇ Bonuses for officers (monetary)

· Performance-linked monetary compensation based on single fiscal year performance, etc. as a short-term incentive

· Limited to a maximum of the sum of individual monthly basic compensation for five months

· Compensation is paid after the Company's results, etc. have been determined in each fiscal year

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.

v. Matters concerning the determination of details of Directors' compensation, etc.

Proposals for monthly basic monetary compensation and annual basic stock 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 basic compensation for each position.

3) Matters concerning resolutions by the General Shareholders Meeting on compensation, etc. for Directors and Auditors

The date of the resolution of the General Shareholders Meeting concerning compensation of Company officers is June 29, 2006; the resolution stipulated that the amount of monetary compensation for Directors of the Company shall be up to 350 million yen per year. The amount of monetary compensation for Auditors of the Company shall be up to 60 million yen per year. In addition, the Company resolved at the Board of Directors meeting held on May 14, 2025 to introduce a restricted stock compensation plan (hereinafter, the "Plan") as a new compensation plan for Directors of the Company (excluding Outside Directors; hereinafter, "Eligible Directors") in order to provide them with an incentive to pursue the sustainable improvement of the Company's corporate value, and to promote their further sharing of value with shareholders. It was resolved at the 99th Annual General Shareholders Meeting held on June 25, 2025 that, among other decisions, the Eligible Directors shall be paid monetary claims of up to 70 million yen per year as compensation intended to be used as contributions for acquiring restricted stock under the Plan (hereinafter, "Restricted Stock Compensation"), the number of shares of common stock of the Company to be issued or disposed for this shall be up to 45,000 shares, and the transfer restriction

period for the restricted stock shall be 50 years.
Regarding the amounts of compensation, etc. for individual Directors of the Company, the maximum amount was resolved at the General Shareholders Meeting, and proposals for the aggregate amounts of compensation for each period is deliberated based on the policy on Directors' compensation separately established by the Nomination and Compensation Committee, delegated authority by the Board of Directors. The President and Representative Director submits the results of this deliberation to the Board of Directors, which decides the amounts of compensation.

4) Matters concerning the delegation of decisions on compensation, etc. for individual Directors
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.
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.
For the fiscal year 2025, the Nomination and Compensation Committee (Chairperson: Outside Director Yukari Sakai; Members: Outside Director Masahito Amano, President and Representative Director Kazuo Iwadate) 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).

[Supporting System for Outside Directors or Auditors]

Although there are no dedicated sections or persons to support Outside Directors or Outside Auditors, the administrative office of the Board of Directors announces the scheduled dates of all Board of Directors' meetings; sends a convocation notice which describes matters to be resolved and matters to be reported in detail within a predetermined period of time; ensures the attendance of all Directors to the meetings; and promptly issues the copies of the minutes of the Board of Directors' meetings.

[Retired President and Representative Director holding advisory positions]

Information on retired President and Representative Director holding advisory positions UPDATED

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as President ended	Term
—	—	—	—	—	—

Number of President and Representative Directors holding advisory positions (*sodanyaku*, *komon*, etc.) UPDATED	0

Others UPDATED

- The Company may appoint persons as Advisors, Senior Advisors, etc., as deemed necessary by the Company, by the resolution of the Board of Directors.
- The Company has laid out internal rules regarding Advisors and Senior Advisors.
- Please note that, at the time of submission of this report, there are no relevant parties.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Compensation Decisions (Overview of Current Corporate Governance System) UPDATED

(1) Overview of current corporate governance system of the Company and reasons for the adoption of the said system

The basic policy of the Company is to enhance the corporate governance centering around a director and auditor system, and to establish a fair and transparent management organization.

(2) Board of Directors

The Board of Directors consists of six Directors (including two 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.

The frequency of the meetings and the attendance of individual Directors are described in the Notice of Convocation of the Annual General Shareholders Meeting.

(3) 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.

(4) 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.

(5) 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.

(6) 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. In the event of the risk occurrence of a critical situation or the rise of the possibility of that, the Company will establish the Crisis Management Headquarters to implement emergency measures.

(7) Internal audit system and collaboration with Auditors and an audit firm

Regarding internal audits, the Company has established the Internal Audit Dept. (consisting of two persons) to implement organizational and system audits, operational audits, and accounting audits, as well as the "evaluation of internal control concerning financial reports" of the overall Group, among other activities.

Regarding auditor's audits, four Auditors led by one full-time Auditor prepare an annual audit plan and conduct audits based on the plan.

Regarding mutual collaboration among Auditors, the Internal Audit Dept., and the Accounting Auditor, the Company holds audit report meetings four times a year to promote collaboration among them. In

order to promote mutual collaboration between Auditors and the Internal Audit Dept., the Company has established occasions for information exchange as needed, enabling them to check the progress of the audit plan and make proper adjustment. The evaluation results of internal audits are regularly reported to the Board of Directors' meetings.
The Internal Audit Dept. reports the status of audits to Outside Directors through the Board of Directors.

(8) Accounting audits, etc.
Name of audit firm: KPMG AZSA LLC
Certified public accountants who executed duties: Yasuhisa Yajima, Yoichi Ueno
Composition of assistants of audit works: The assistants engaged in audit works for the Company are eleven certified public accountants, six persons who have passed the certified public accountant exam, and seventeen other persons belonging to the firm.

3. Reasons for Adoption of Current Corporate Governance System

The Company has adopted an auditor system in light of the scale of the organization. The Company has adopted the current corporate governance system, aiming to ensure that internal control works properly through introducing an executive officer system to separate the functions of decision-making and business execution, and through appointing Outside Directors to strengthen the oversight function of business execution.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholders Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholders Meeting	The Company mails the convocation notice approximately three weeks prior to the date of the General Shareholders Meeting. The Company takes measures for electronic provision of information contained in the reference documents for the General Shareholders Meeting and posts the information on the Company's website or the website of the Tokyo Stock Exchange in advance of mailing the convocation notice.
Scheduling of the General Shareholders Meeting on a Non-Peak Day	The General Shareholders Meeting is held on a non-peak day.
Allowing Electronic Exercise of Voting Rights	The electronic exercise of voting rights (such as via the internet) has been made available.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	The Company has participated in the platform for the electronic exercise of voting rights operated by ICJ, Inc.
Providing Convocation Notice in English	The convocation notice is translated into English and posted on the Company's website or the website of the Tokyo Stock Exchange with the information contained in the reference documents for the General Shareholders Meeting.

2. IR Activities

	Supplementary Explanations	Explanation by Representative
Regular Investor Briefings for Analysts and Institutional Investors	The Company plans to hold regular briefings twice a year, and plant tour (Hachinohe Works) once a year.	Yes
Posting of IR Materials on Website	Consolidated financial results, timely disclosure materials, results presentations for securities analysts and institutional investors (https://www.pacific-metals.co.jp/en/ir/index.html)	
Establishment of Department and/or Person in Charge of IR	Name: IR Committee (Chair: Executive Officer in charge of investor relations; Committee Members: Corporate Planning & Coordination Dept., General Administration Dept., and Finance & Accounting Dept.)	
Other	• Conducting IR individual interviews with analysts and institutional investors • Promoting constructive dialogue with shareholders in accordance with the "basic policies on corporate governance" • Holding a financial results briefing session twice a year and conducting individual interviews • Improving quarterly disclosure and IR materials, including disclosure in English • Renovating the Company's website and IR site as well as translating the sites • Feeding back the status and results of IR activities to the Board of Directors	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Company has set internal rules in the "basic policies on corporate governance" and the Corporate Code of Conduct.
Implementation of Environmental Activities, CSR Activities, etc.	The Company acquired the accreditation of ISO14001 in March 2009, and has been working actively on the reduction of environmental burdens. The Company has also prepared the Integrated Report and posted it on the Company's website. (https://www.pacific-metals.co.jp/en/sustainability/report.php)

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

Status of development of internal control system and risk management system

(i) System of retention and management of information concerning the execution of duties of the Directors of the Company

- Reports related to the execution of duties of Directors are posted in writing or in electronic media.
- The information concerning the execution of duties of Directors is retained and managed according to the document control procedures and other internal rules of the Company.

(ii) Rules and other systems concerning the management of risk of loss of the Company

- In order to cope with major accidents, disasters, and scandals, the Company has set the Risk Management Committee which takes measures at normal times, and the Crisis Management Manual which prescribes our basic response in emergency situations.
- Business management risks are presented to the Board of Directors to determine countermeasures.
- Daily operational risks are managed through creating management rules and business execution

manuals, etc.

(iii) System to secure the efficient execution of duties of the Directors of the Company and its subsidiaries

- The Company has introduced an executive officer system to vitalize the Board of Directors through clarifying that the role of the Board of Directors is to determine the overall corporate management policies and supervise business execution. The Company works to accelerate decision-making and enhance the business execution function at the practical level through clarifying the roles and responsibilities of persons responsible for business execution.
- In the business management of the Company, the Management Planning Committee consisting of Directors and the General Manager of the department in charge formulates operation policy and management plan. The Board of Directors discusses and determines the said policy and plan, and the Company executes business systematically and organizationally based on them. Executive Officers in charge regularly report the progress of business execution to the Board of Directors for verification.
- The Company has set basic rules and other things concerning IT control in order to secure the efficiency of the business execution of the Company and its subsidiaries.
- The Company has formulated rules and introduced a web conference system between the Hachinohe Head Office and the Tokyo Head Office in order to enable the participation of Outside Directors to all the Board of Directors' meetings for decision-making.

(iv) System to secure the execution of duties of Directors and employees of the Company in compliance with laws and regulations and the articles of incorporation of the Company.

- The Board of Directors has set the Management Policy, the Corporate Code of Ethics, and the Standard of Corporate Conduct, among others.
- The Company works to enhance compliance through establishing the Internal Control Committee as a structure to secure the execution of duties of the Directors and employees in compliance with laws and regulations and the articles of incorporation of the Company.
- The Company eliminates any relationship with anti-social forces and other similar groups that threaten the order and safety of civic society, and rejects any requests from them. The Company has established a contact point, centrally managed information, and always collaborated with the police, the Tokyo Metropolitan Police Department's Special Violence Prevention Countermeasures Association (*Tokubouren*), and external expert institutions.
- The Company has introduced a web conference system between the Hachinohe Head Office and the Tokyo Head Office in order to enable the participation of Outside Directors to all the Board of Directors' meetings for decision-making.
- The Company has established the Internal Audit Dept. under the direct control of the Board of Directors to implement "organizational and system audits," "operational audits," "accounting audits," and "daily monitoring" in collaboration with Auditors.
- The Company has established a whistle-blowing system (internal and external contact points) based on the Rules of Whistle-blowing System. 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.

(v) System to secure the appropriateness of duties at the Group

- The Company has established a system to secure the appropriateness of duties of subsidiaries through deploying persons in charge of internal control and crisis management at its subsidiaries under the guidance of the Company and making the persons attend the Internal Control Committee and the Risk Management Committee.
- The Internal Audit Dept. of the Company implements audits in order to secure the appropriateness of duties at consolidated subsidiaries.
- Directors of each consolidated subsidiary regularly report the operating conditions of the consolidated subsidiary to the Board of Directors.
- The Company has established a whistle-blowing system (internal and external contact points) based on the Rules of Whistle-blowing System. Whistle-blowing reports are submitted to the Board of Auditors, and specific cases are reported to the Board of Directors.
  The whistle-blowing system covers matters concerning subsidiaries, affiliated companies, and business partners, and other related entities. The Company prohibits disadvantageous treatment of whistle-blowers in association with such internal reporting.

(vi) System of employees to support the duties of Auditors of the Company

- At the requests of Auditors, the Company may appoint employees belonging to the Internal Audit Dept. as persons to support the duties of Auditors, in order to strengthen the collaboration between Auditors

and the Internal Audit Dept., and cause the employees to support Auditors to the degree that it does not negatively affect their primary duties. The Board of Directors exchanges opinions with the Board of Auditors as needed.

(vii) System for Directors and employees of the Company to report to Auditors of the Company

- Directors of the Company immediately report to Auditors in accordance with laws and regulations, when they identify facts which may cause substantial damage to the Company.
- Directors of the Company allow Auditors to attend the Board of Directors' meetings and other important meetings. Directors follow the instruction of Auditors with regard to the inspection of Auditors' important documents and the investigation into the business and assets of the Company.
- As regards whistle-blowing reports to Auditors, employees, etc. of the Company; directors, auditors, and employees, etc. of its subsidiaries; and those who have received reports from them are not treated disadvantageously.
- The Company promptly processes the prepayment and redemption of expenses incurred in connection with the execution of duties of Auditors, expenses for the execution of the said duties, and debt disposal.
- For the fair execution of duties of Directors of the Company, the Company enables all of the four Auditors (of which three are Outside Auditors) including part-time Auditors to attend all Board of Directors' meetings.

(viii) System to secure the reliability of financial reports of the Company

- In order to secure the reliability of financial reports of the Group, the Company sets various related rules; identifies and manages the risks of causing fraud or error in financial reports; designs, operates and evaluates prevention and monitoring functions; and correct deficiencies, if any.

2. Basic Views on Eliminating Anti-Social Forces

The Company eliminates any relationship with anti-social forces and other similar groups that threaten the order and safety of civic society, and rejects any requests from them. The Company has established a contact point, centralized management of information, and always collaborated with the police, *Tokubouren*, and external expert institutions.

V. Other

1. Adoption of Takeover Response Policies

Adoption of Takeover Response Policies	Not Adopted

Supplementary Explanation

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2. Other Matters Concerning Corporate Governance System

Overview of timely disclosure system

(1) Regarding information on decisions made by the Company (including information on subsidiaries), respective divisions in the Company prepare materials and the Director in charge reports the contents to the General Administration Dept. The General Administration Dept. decides whether the information requires disclosure in consultation with the Finance and Accounting Dept. and the person in charge of information handling; prepares materials to submit to the Board of Directors based on the decision; submits to the Board of Directors materials with the opinion on the necessity of disclosure; obtains approval of the Board of Directors including the necessity of disclosure; and files the timely disclosure materials with the Tokyo Stock Exchange when disclosure is necessary.

(2) Regarding information on facts which may affect the investment decisions of investors (including information on subsidiaries), the Director in charge reports to the General Administration Dept. The General Administration Dept. decides whether the information requires disclosure in consultation with the Finance and Accounting Dept. and the person in charge of information handling; prepares materials to submit to the Board of Directors based on the decision; submits to the Board of Directors materials with the opinion on the necessity of the disclosure; obtains approval of the Board of Directors including the necessity of disclosure; and files the timely disclosure materials with the Tokyo Stock Exchange when disclosure is necessary.

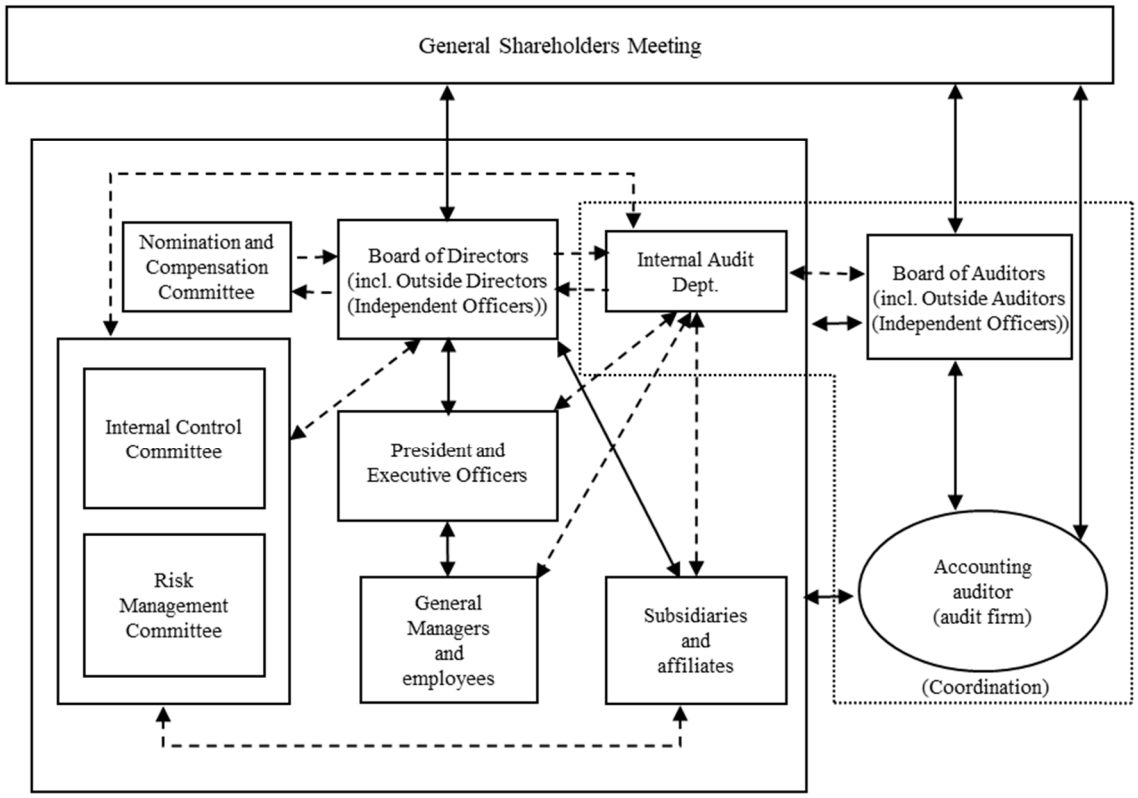
(3) Regarding information on financial results, the Finance and Accounting Dept. prepares materials and decides whether the information requires disclosure in consultation with the General Administration Dept. and the person in charge of information handling; submits to the Board of Directors materials with the opinion on the necessity of disclosure; and obtains approval of the Board of Directors including the necessity of disclosure. The General Administration Dept. files the timely disclosure materials with the Tokyo Stock Exchange when disclosure is necessary.

Attachment

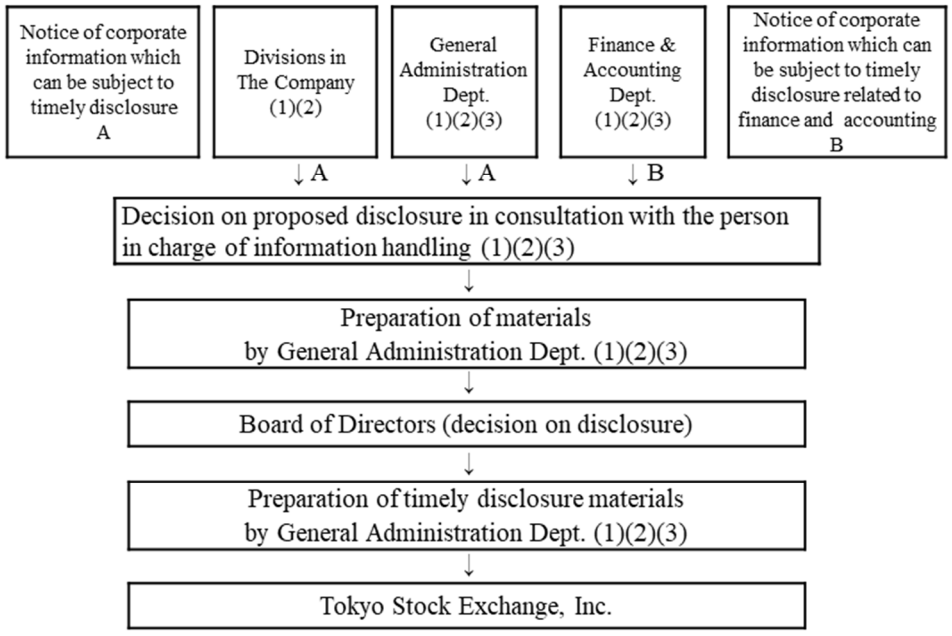
Schematic Diagram of the Company's Organs and Internal Control

(→ Conventional operation flow)

(- - - →Reporting, instructions, audits and appointments, etc. concerning internal control)



Schematic Diagram of Timely Disclosure System



(1) Information concerning decisions made by the Company (including information concerning subsidiaries)
(2) Information concerning facts which may affect the investment decisions of investors (including information concerning subsidiaries)
(3) Information concerning financial results