

To Our Shareholders

We would like to take this opportunity to express our heartfelt appreciation to you for your continued support of PACIFIC METALS CO., LTD.

We hereby report the overview of the Group's business for the 98th fiscal year (from April 1, 2023 to March 31, 2024).

May 2024

Masayuki Aoyama

President & Representative Director

Company Philosophy

Leverage the power of people to deliver the earth's resources in more useful forms and contribute to the happiness of humankind

Company Policy

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.

Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

(Securities Code 5541)
May 31, 2024

To Shareholders with Voting Rights:

Masayuki Aoyama
President & Representative Director
PACIFIC METALS CO., LTD.
6-1, Otemachi 1-Chome, Chiyoda-ku,
Tokyo, Japan

**NOTICE OF CONVOCATION OF
THE 98TH ANNUAL GENERAL SHAREHOLDERS MEETING**

We would like to express our appreciation for your continued support and patronage.

Please be informed that the 98th Annual General Shareholders Meeting of PACIFIC METALS CO., LTD. (the “Company”) will be held for the purposes as described below.

In convening this year’s Annual General Shareholders Meeting, the Company has taken measures for electronic provision of information contained in the reference documents for the General Shareholders Meeting and posted the information on the Company’s website below. Please access the website below and refer to the notice. In addition to the Company’s website, the notice is also posted on the website of the Tokyo Stock Exchange (TSE) and the Portal of Shareholders’ Meeting provided by Sumitomo Mitsui Trust Bank.

No.	Website and URL	Access method
1	The Company’s website https://www.pacific-metals.co.jp/en/ir/else.php	Click “Notice of Convocation of the 98th Annual General Shareholders Meeting” under the headline “THE 98TH.”
2	Listed Company Search (Tokyo Stock Exchange) https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show	Enter “Pacific Metals” in the “Issue name (company name)” field or the Company’s securities code “5541” in the “Code” field and click “Search,” select “Basic information,” then “Documents for public inspection/PR information,” and select the Notice.
3	The Portal of Shareholders’ Meeting (Sumitomo Mitsui Trust Bank) https://www.soukai-portal.net (in Japanese)	Scan the QR code on the enclosed Voting Form, or enter your ID and initial password that are also printed on the enclosed Voting Form.

If you do not attend the meeting, you may exercise your voting rights via the Internet, etc. or in writing. Please review the Reference Documents for the General Shareholders Meeting (contained in the electronically provided information) and, following the instructions stated in the Guide to Exercising Voting Rights below (Japanese original), exercise your voting rights by 5:30 p.m. Japan time on Thursday, June 20, 2024.

- 1. Date and Time:** Friday, June 21, 2024 at 10:00 a.m. Japan time
- 2. Place:** Iidabashi Rainbow Building (7F) located at
11 Ichigayafunagawaramachi, Shinjuku-ku, Tokyo
- 3. Meeting Agenda:**
- Matters to be reported:**
1. The Business Report, Consolidated Financial Statements for the Company's 98th Fiscal Year (April 1, 2023 - March 31, 2024) and results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Board of Auditors
 2. Non-consolidated Financial Statements for the Company's 98th Fiscal Year (April 1, 2023 - March 31, 2024)

Proposals to be resolved:

Proposal 1: Partial amendments to the Articles of Incorporation
To respond to the future diversification of the Company's business, an addition will be made to the purposes of the Company in Article 2 (Purpose) of the current Articles of Incorporation.

Proposal 2: Election of nine (9) Directors
Proposal for the election of the following nine (9) Directors:

- | | |
|-----------------------|----------------------|
| 1. Masayuki Aoyama | <u>Reappointment</u> |
| 2. Yoshiharu Inomata | <u>Reappointment</u> |
| 3. Kenichi Hara | <u>Reappointment</u> |
| 4. Terunobu Matsuyama | <u>Reappointment</u> |
| 5. Hiroaki Ichiyangi | <u>Reappointment</u> |
| 6. Kazuo Iwadate | <u>Reappointment</u> |
| 7. Shinya Matsumoto | <u>Reappointment</u> |
| 8. Hikari Imai | <u>Reappointment</u> |
| 9. Yukari Sakai | <u>Reappointment</u> |

Proposal 3: Election of one (1) Auditor
Proposal for the election of the following one (1) Auditor:
Kyosuke Miyazaki New candidate

- 4. Matters determined for convocation**
- (1) If you exercise your voting rights by proxy, the proxy must submit your Voting Rights Exercise Form and the letter of attorney. You may appoint only one proxy.
 - (2) If neither a vote for nor against a proposal is indicated on the Voting Rights Exercise Form, it shall be deemed a vote for.
 - (3) If you exercise your voting rights in duplicate via the Internet, etc. and in writing, the vote that arrives at the Company later shall be deemed valid. However, if both of them arrive on the same day, the voting rights exercised via the Internet, etc. shall be deemed valid. If you exercise your voting rights more than once via the Internet, etc., the last vote exercised shall be deemed as valid.
- The reception desk at the venue is scheduled to open at 9:00 a.m. When attending the meeting, please submit the enclosed Voting Rights Exercise Form to the reception desk
 - The documents sent to shareholders who requested the paper copy do not include Consolidated Statement of Changes in Equity, Notes to Consolidated Financial Statements, Non-consolidated Statement of Changes in Equity and Notes to Non-consolidated Financial Statements in accordance with provisions of laws and regulations as well as Article 17 of the Company's Articles of Incorporation. Therefore, the said documents are part of the documents audited by Auditors and the Accounting Auditor when they prepared their respective audit reports.
 - If there are any revisions in the matters provided electronically, the matters before revision and the matters after the revision will be posted on the Company's website, the TSE website, and the Shareholders' Meeting web portal (Japanese only).
 - Please note that any of these websites may be temporarily inaccessible due to scheduled maintenance or other reasons. If you are unable to access one of the websites indicated, please access a different website or wait for a while and try again.

Reference Documents for the General Shareholders Meeting

Proposals and References

Proposal 1: Partial amendments to the Articles of Incorporation

1. Reason for amendment

To respond to the future diversification of the Company’s business, an addition will be made to the purposes of the Company in Article 2 (Purpose) of the current Articles of Incorporation.

2. Details of amendment

The details of the amendment are as follows. (Amended parts are underlined.)

Current Articles of Incorporation	Proposed Amendment
(Purpose)	(Purpose)
Article 2	Article 2
The purposes of the Company shall be to engage in the following businesses:	(Unchanged)
1. – 10. (Omitted)	1. – 10. (Unchanged)
(Newly established)	<u>11. Sale, purchase, procurement, and supply of electricity</u>
<u>11.</u> – <u>13.</u> (Omitted)	<u>12.</u> – <u>14.</u> (Unchanged)

Proposal 2: Election of nine (9) Directors

The terms of office of all nine (9) Directors will expire at the conclusion of this year's Annual General Shareholders Meeting. Accordingly, the election of nine (9) Directors is proposed. The candidates are as follows.

Details about each candidate such as career summary, reason for nomination and other information are stated on pages 6-11.

No.	Name	Gender	Term of office	Position	Responsibilities	Attendance at Board of Directors meeting
1	Masayuki Aoyama Reappointment	Male	10 years	President Director	Representative Director Member of Nomination and Compensation Committee	22 out of 22 meetings (100.0%)
2	Yoshiharu Inomata Reappointment	Male	7 years	Director & Senior Managing Executive Officer	Assistant to the President, In charge of Corporate Planning, Recycling Business & Technology Development	22 out of 22 meetings (100.0%)
3	Kenichi Hara Reappointment	Male	6 years	Director & Managing Executive Officer	In charge of Procurement, General Manager of Sales & Marketing Dept.	22 out of 22 meetings (100.0%)
4	Terunobu Matsuyama Reappointment	Male	6 years	Director & Managing Executive Officer	In charge of Internal Control, IR, General Administration, Finance & Accounting, General Manager of Personnel & Labor Relation Dept.	22 out of 22 meetings (100.0%)
5	Hiroaki Ichiyonagi Reappointment	Male	4 years	Director & Senior Executive Officer	In charge of Quality Control & Environmental Management, General Manager, Resources & Technology Development Project Dept.	22 out of 22 meetings (100.0%)
6	Kazuo Iwadata Reappointment	Male	4 years	Director & Senior Executive Officer	In charge of Safety & Health Management, Utility & Maintenance and Production, General Manager of Business Process Reengineering Dept.	22 out of 22 meetings (100.0%)
7	Shinya Matsumoto Reappointment Outside Independent	Male	11 years	Outside Director	Chairperson of Nomination and Compensation Committee	22 out of 22 meetings (100.0%)
8	Hikari Imai Reappointment Outside Independent	Male	8 years	Outside Director	Member of Nomination and Compensation Committee	21 out of 22 meetings (95.5%)
9	Yukari Sakai Reappointment Outside Independent	Female	3 years	Outside Director	Member of Nomination and Compensation Committee	22 out of 22 meetings (100.0%)

Note: Term of office, position and responsibilities are as at the time of this Annual General Shareholders Meeting.

Reappointment: Candidate for Director to be reappointed

Outside: Candidate for Outside Director

Independent: Independent Director

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
1	Masayuki Aoyama (December 7, 1954)	<p>April 1975 Joined the Company</p> <p>December 2004 Deputy General Manager, Utility & Maintenance Dept., Production Div. and Manager, Electric Power Sec.</p> <p>December 2008 Associate General Manager, Utility & Maintenance Dept., Production Div.</p> <p>April 2009 General Manager, Utility & Maintenance Dept., Production Div.</p> <p>May 2010 Director, Pacific Energy Center Co., Ltd.</p> <p>June 2011 Executive Officer</p> <p>June 2014 Director, Rio Tuba Nickel Mining Corporation</p> <p>June 2014 Director, Taganito Mining Corporation</p> <p>June 2014 Director</p> <p>June 2014 Senior Executive Officer</p> <p>June 2014 General Manager, Production Div.</p> <p>May 2017 President & Representative Director, Pacific Gas Center Co., Ltd.</p> <p>June 2018 Managing Executive Officer</p> <p>July 2019 In charge of Business Process Reengineering, Production and Recycling Business</p> <p>June 2020 President & Representative Director (to present)</p> <p>May 2021 Member of Nomination and Compensation Committee (to present)</p>	5,900
	Reason for nomination as candidate for Director	The Company nominated Masayuki Aoyama as a candidate for Director because he has experience in engaging in the creation of new ferronickel manufacturing technologies/facilities and maintenance of existing ones and dealing in electric power facilities, etc., and is also involved in the management of affiliates in Japan and overseas, and we determined that he has the experience and abilities suited to a chief executive officer of the Company by leveraging such experience and track record.	

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
2	Yoshiharu Inomata (June 6, 1954)	<p>April 1975 Joined the Company</p> <p>December 2004 Deputy General Manager, Quality Control Dept., Production Div. and Manager, Analysis Sec.</p> <p>December 2006 Deputy General Manager, Quality Control Dept., Production Div., Manager, Quality Assurance Sec. and Manager, Analysis Sec.</p> <p>December 2007 Associate General Manager, Quality Control Dept., Production Div., Manager, Quality Assurance Sec. and Manager, Analysis Sec.</p> <p>July 2008 General Manager, Quality Control Dept., Production Div., Manager, Quality Assurance Sec. and Manager, Analysis Sec.</p> <p>April 2009 General Manager, Quality Control Dept. and Manager, Quality Assurance Sec.</p> <p>June 2012 Executive Officer and General Manager, Quality Control Dept.</p> <p>June 2014 Senior Executive Officer</p> <p>June 2014 General Manager, Quality Control Dept. and General Manager, Environmental Management Dept.</p> <p>July 2016 General Manager, Quality Control & Environmental Management Dept.</p> <p>September 2016 General Manager, Quality Control & Environmental Management Dept., General Manager, Technical Research & Development Dept. and Manager, Pyrometallurgy Development Sec.</p> <p>June 2017 Director (to present)</p> <p>June 2017 In charge of Safety & Health Management, Quality Control & Environmental Management</p> <p>June 2017 General Manager, Technical Research & Development Dept.</p> <p>July 2019 In charge of Safety & Health Management and Resources & Technology Development Project</p> <p>July 2019 General Manager, Quality Control & Environmental Management Dept.</p> <p>June 2020 Managing Executive Officer</p> <p>June 2020 In charge of Corporate Planning, Safety & Health Management, Quality Control & Environmental Management</p> <p>June 2021 Senior Managing Executive Officer (to present)</p> <p>June 2021 Assistant to President (to present)</p> <p>June 2021 In charge of Corporate Planning, Recycling Business</p> <p>April 2023 In charge of Corporate Planning, Recycling Business & Technology Development (to present)</p>	7,827
	Reason for nomination as candidate for Director	The Company nominated Yoshiharu Inomata as a candidate for Director because he has extensive experience in quality control, environmental management fields and technical research & development, and we determined that he has the experience and abilities suited to a Director who can take charge of the management of the Company by leveraging such experience and track record.	

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
3	Kenichi Hara (May 20, 1964)	<p>April 1988 Joined the Company</p> <p>October 2010 Assistant General Manager, Environment & Recycle Business Dept.</p> <p>December 2011 Assistant General Manager, Ferro Nickel Sales Dept.</p> <p>December 2012 Associate General Manager, Ferro Nickel Sales Dept.</p> <p>June 2014 Executive Officer</p> <p>June 2014 General Manager, Ferro Nickel Sales Dept.</p> <p>June 2017 Senior Executive Officer</p> <p>March 2018 Director, Pacific Sowa Corporation (to present)</p> <p>June 2018 Director (to present)</p> <p>June 2018 In charge of Sales</p> <p>July 2019 General Manager, Sales & Marketing Dept. (to present)</p> <p>June 2020 In charge of Procurement (to present)</p> <p>June 2021 Managing Executive Officer (to present)</p>	4,300
	Reason for nomination as candidate for Director	The Company nominated Kenichi Hara as a candidate for Director because he has extensive experience in the sales field, and we determined that he has the experience and abilities suited to a Director who can take charge of the management of the Company by leveraging his past experience and track record.	
4	Terunobu Matsuyama (December 16, 1969)	<p>April 1988 Joined the Company</p> <p>December 2010 Assistant General Manager, Finance & Accounting Dept.</p> <p>December 2013 Associate General Manager, Finance & Accounting Dept.</p> <p>May 2014 Auditor, Pacific Gas Center Co., Ltd.</p> <p>June 2014 General Manager, Finance & Accounting Dept., the Company</p> <p>June 2017 Executive Officer</p> <p>June 2018 Director (to present)</p> <p>June 2018 Senior Executive Officer</p> <p>June 2020 In charge of IR (to present)</p> <p>May 2021 Director, Taiheiyo Kosan Co., Ltd. (to present)</p> <p>June 2021 Managing Executive Officer, the Company (to present)</p> <p>June 2021 In charge of Internal Control (to present)</p> <p>June 2021 In charge of General Administration (to present)</p> <p>June 2021 In charge of Finance & Accounting (to present)</p> <p>June 2021 General Manager of Personnel & Labor Relation Dept. (to present)</p>	6,443
	Reason for nomination as candidate for Director	The Company nominated Terunobu Matsuyama as a candidate for Director because he has a wealth of knowledge in the accounting/financial fields, and we determined that he has the experience and abilities suited to a Director who can take charge of the management of the Company by leveraging such experience and track record.	

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
5	Hiroaki Ichiyonagi (April 24, 1960)	<p>April 2003 Joined the Company</p> <p>December 2009 Deputy General Manager, Ore Purchasing & Mining Engineering Dept.</p> <p>December 2012 Associate General Manager, Ore Purchasing & Mining Engineering Dept.</p> <p>June 2014 Executive Officer</p> <p>June 2014 General Manager, Ore Purchasing & Mining Engineering Dept.</p> <p>June 2017 Senior Executive Officer (to present)</p> <p>June 2018 Director, Rio Tuba Nickel Mining Corporation (to present)</p> <p>June 2018 Director, Taganito Mining Corporation (to present)</p> <p>July 2019 General Manager, Resources & Technology Development Project Dept., the Company (to present)</p> <p>June 2020 Director (to present)</p> <p>June 2021 In charge of Quality Control & Environmental Management (to present)</p>	2,200
	Reason for nomination as candidate for Director	The Company nominated Hiroaki Ichiyonagi as a candidate for Director because he has a wealth of knowledge in the ore procurement and overseas resources development fields, and is also involved in the management of overseas affiliates, and we determined that he has the experience and abilities suited to a Director who can take charge of the management of the Company by leveraging such experience and track record.	
6	Kazuo Iwadata (January 14, 1967)	<p>April 1985 Joined the Company</p> <p>December 2009 Deputy General Manager, Production Dept., Production Div.</p> <p>December 2012 General Manager, Production Dept., Production Div.</p> <p>November 2015 General Manager, Production Dept. and General Manager, Environmental Business Dept., Production Div.</p> <p>June 2017 Executive Officer</p> <p>June 2017 Assistant General Manager, Production Div., General Manager, Utility & Maintenance Dept. and General Manager, Environmental Business Dept.</p> <p>July 2019 General Manager, Business Process Reengineering Dept. (to present)</p> <p>May 2020 President & Representative Director, Pacific Gas Center Co., Ltd. (to present)</p> <p>June 2020 Director (to present)</p> <p>June 2020 Senior Executive Officer (to present)</p> <p>June 2020 In charge of Utility & Maintenance and Production (to present)</p> <p>June 2021 In charge of Safety & Health Management (to present)</p>	2,051
	Reason for nomination as candidate for Director	The Company nominated Kazuo Iwadata as a candidate for Director because he has extensive experience in the production and maintenance fields, and we determined that he has the experience and abilities suited to a Director who can take charge of the management of the Company by leveraging his past experience and track record.	

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
7	[Candidate for Outside Director] Shinya Matsumoto (August 12, 1959)	<p>April 1987 Registered as attorney, joined Marunouchi Sogo Law Office</p> <p>July 1996 Partner and attorney, Marunouchi Sogo Law Office</p> <p>June 2001 Outside Corporate Auditor, Impress Corporation (now Impress Holdings, Inc.) (to present)</p> <p>June 2006 Member of Special Committee, the Company</p> <p>June 2007 Outside Director, The Shibusawa Warehouse Co., Ltd. (to present)</p> <p>October 2011 Partner and Representative Attorney, Marunouchi Sogo Law Office (to present)</p> <p>June 2013 Outside Director, the Company (to present)</p> <p>May 2021 Chairperson of Nomination and Compensation Committee, the Company (to present)</p>	0
	Reason for nomination as candidate for Outside Director and expected roles	The Company nominated Shinya Matsumoto as a candidate for Outside Director because we determined that he is capable of properly performing his duties as Outside Director based on his professional perspective and broad insight as an attorney. We expect him to promote the enhancement of compliance and improvement of corporate governance at the Company by leveraging the above-mentioned perspective and insight.	
8	[Candidate for Outside Director] Hikari Imai (July 23, 1949)	<p>April 1974 Joined Yamaichi Securities Co., Ltd.</p> <p>January 1986 Joined Morgan Stanley Japan Securities Co., Ltd.</p> <p>April 1993 Joined Merrill Lynch Japan Incorporated</p> <p>January 1999 Deputy Chairman, and Chairman, Investment Banking Division, Merrill Lynch Japan Securities Co., Ltd</p> <p>November 2007 Vice-President and Director, RECOF Corporation</p> <p>April 2008 President, RECOF Corporation</p> <p>July 2010 Advisor, Ebara Foods Industry, Inc.</p> <p>April 2012 Outside Director, Olympus Corporation</p> <p>June 2015 Outside Director, CYBERDYNE Inc.</p> <p>June 2016 Outside Director, the Company (to present)</p> <p>November 2019 Outside Director, SHIMACHU CO., LTD.</p> <p>May 2021 Member of Nomination and Compensation Committee, the Company (to present)</p> <p>December 2022 Outside Director, FUJI SOFT INCORPORATED (to present)</p>	0
	Reason for nomination as candidate for Outside Director and expected roles	The Company nominated Hikari Imai as a candidate for Outside Director because we determined that he is capable of properly performing his duties as Outside Director based on his extensive experience as a corporate manager over many years. We expect him to promote the improvement of corporate governance and the enhancement of the foundation of corporate management at the Company by leveraging the above-mentioned experience.	

No.	Name (Date of birth)	Career summary, positions, responsibilities and significant concurrent positions	Number of shares of the Company held
9	[Candidate for Outside Director] Yukari Sakai (June 23, 1968)	<p>April 1991 Joined Nomura Securities Co., Ltd.</p> <p>January 2005 Director of Corporate Tune Co., Ltd.</p> <p>June 2005 Standing Outside Audit and Supervisory Board Member of UNITED ARROWS LTD.</p> <p>June 2008 Outside Auditor of REPROCELL Inc.</p> <p>September 2013 Outside Auditor of Beauty Kadan Co., Ltd.</p> <p>June 2016 Outside Director (Standing Audit and Supervisory Committee Member) of UNITED ARROWS LTD. (to present)</p> <p>October 2017 Outside Director (Audit and Supervisory Committee Member) of Tea Life Co., Ltd.</p> <p>March 2019 External Director (Audit & Supervisory Board Member) of Uzabase, Inc.</p> <p>June 2021 Outside Director, the Company (to present)</p> <p>June 2022 Member of Nomination and Compensation Committee, the Company (to present)</p> <p>June 2022 Outside Director, TOYO KANETSU K.K. (to present)</p>	0
	Reason for nomination as candidate for Outside Director and expected roles	The Company nominated Yukari Sakai as a candidate for Outside Director because we determined that she 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. We expect her to promote the enhancement and reinforcement of corporate governance at the Company based on a variety of perspectives from the viewpoint of diversity, by leveraging the above-mentioned experience.	

- Notes:
1. There are no special interests between each candidate and the Company.
 2. Contract for limited liability with Directors
The Company has entered into a contract for limited liability with each of the candidates for Directors Mr. Shinya Matsumoto, Mr. Hikari Imai, and Ms. Yukari Sakai pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act and Article 30 of the Articles of Incorporation, and plans to continue the said contract subject to the approval of their reappointment.
The gist of the said contract for limited liability is that the liability referred to in Article 423, Paragraph 1 of the Companies Act shall be limited to the amount provided for in laws and regulations when the three Directors have acted in good faith and without gross negligence in performing their duties as Directors.
 3. Directors and officers liability insurance contract with Directors
The Company has entered into a directors and officers liability insurance contract with an insurance company to cover damages and litigation expenses to be borne by the insureds, in the event of a claim for damages arising from the insured's conduct (including omissions) in the course of their duties as directors and officers of the Company. The candidates for Director will be insured under the relevant insurance contract. The contract is scheduled to be renewed with the same terms and conditions at the next renewal.
 4. Matters concerning Outside Directors are as follows.
 - (1) Candidates Mr. Shinya Matsumoto, Mr. Hikari Imai, and Ms. Yukari Sakai are candidates for Outside Directors provided for in Article 2, Paragraph 3 (vii) of the Ordinance for Enforcement of the Companies Act.
The Company has designated Mr. Shinya Matsumoto, Mr. Hikari Imai, and Ms. Yukari Sakai as Independent Directors pursuant to the regulations set forth by the Tokyo Stock Exchange and submitted a notification of their designation to the said exchange.
 - (2) Number of years served as Outside Directors by candidates for Outside Directors since their appointment
 - (i) Mr. Shinya Matsumoto will have served as Outside Director of the Company for eleven years at the conclusion of this Annual General Shareholders Meeting.
 - (ii) Mr. Hikari Imai will have served as Outside Director of the Company for eight years at the conclusion of this Annual General Shareholders Meeting.
 - (iii) Ms. Yukari Sakai will have served as Outside Director of the Company for three years at the conclusion of this Annual General Shareholders Meeting.
 - (3) Candidates Mr. Shinya Matsumoto, Mr. Hikari Imai, and Ms. Yukari Sakai have never been Executives or Officers (excluding those who are Executives) of a Specified Associated Service Provider (Article 2, Paragraph 3 (xix) of the Ordinance for Enforcement of the Companies Act) of the Company over the past ten years.
 - (4) Candidates Mr. Shinya Matsumoto, Mr. Hikari Imai, and Ms. Yukari Sakai each have held office as a director of other stock companies over the past five years, and there are no circumstances indicating unfair execution of business during their terms of office at these companies.

Proposal 3: Election of one (1) Auditor

The terms of office of one (1) Auditor will expire at the conclusion of this year's Annual General Shareholders Meeting. Accordingly, the election of one (1) Auditor is proposed. The candidate is as follows. This proposal has prior consent of the Board of Auditors.

[New candidate] [Candidate for Outside Auditor] Kyosuke Miyazaki (August 18, 1960)	April 1983	Joined The Fuji Bank, Ltd.	0
	October 2005	Credit Assessor, Credit Supervision Division I, Mizuho Bank, Ltd.	
	January 2008	Deputy General Manager, Corporate Credit Department No. 1, Mizuho Bank, Ltd.	
	May 2011	Executive Officer, Division Chief, Mizuho Real Estate Services Co., Ltd.	
	April 2018	Executive Officer, The Shonai Bank, Ltd.	
	April 2020	Director and Executive Officer, The Shonai Bank, Ltd.	
	April 2021	Director and Executive Officer, General Manager, Corporate Management Dept., The Shonai Bank, Ltd.	
June 2023	Outside Auditor, J-WAVE Inc. (to present)		
Reason for nomination as candidate for Outside Auditor	The Company nominated Kyosuke Miyazaki as a candidate for Outside Auditor because we determined that he is capable of properly performing his duties as Auditor based on his broad insight and wealth of knowledge and experience as director and auditor at other companies.		

- Notes:
1. Mr. Kyosuke Miyazaki is a new candidate for Auditor.
 2. There are no special interests between Mr. Kyosuke Miyazaki and the Company.
 3. Contract for limited liability with Auditors
If the candidate for Auditor Mr. Kyosuke Miyazaki is elected at this Annual General Shareholders Meeting, the Company plans to enter into a contract with him that limits liability for damages under Article 423, Paragraph 1 of the Companies Act, in accordance with the provisions of Article 423, Paragraph 1 of the Companies Act and Article 39 of the Articles of Incorporation, pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act. The gist of the said contract for limited liability is that the liability referred to in Article 423, Paragraph 1 of the Companies Act shall be limited to the amount provided for in laws and regulations when they have acted in good faith and without gross negligence in performing their duties as Auditors.
 4. Matters concerning the candidate for Outside Auditor is as follows.
 - (1) Candidate Mr. Kyosuke Miyazaki is a candidate for Outside Auditor provided for in Article 2, Paragraph 3 (viii) of the Ordinance for Enforcement of the Companies Act.
The Company plans to designate Mr. Kyosuke Miyazaki as Independent Auditor pursuant to the regulations set forth by the Tokyo Stock Exchange and submit a notification of his designation to the said exchange, if he is elected as Outside Auditor of the Company.
 - (2) Candidate Mr. Kyosuke Miyazaki has never been an Executive or Officer (excluding those who are Executives) of a Specified Associated Service Provider (Article 2, Paragraph 3 (xix) of the Ordinance for Enforcement of the Companies Act) of the Company over the past ten years.

(Reference)

Skills matrix for Directors and Auditors

	Name		1) Corporate management	2) Finance/ accounting	3) Marketing	4) Manufacturing	5) Research/ development/IT	6) Law	7) Risk management	8) Personnel and labor relations	9) Global management	10) ESG and sustainability	11) Audit
Directors	Masayuki Aoyama	Reappointment	●			●			●			○	
	Yoshiharu Inomata	Reappointment	○			○	○		●	○		●	
	Kenichi Hara	Reappointment	○		●	○			○		○	○	
	Terunobu Matsuyama	Reappointment	○	●		○	○	●	●	●		○	
	Hiroaki Ichiyonagi	Reappointment	○		○	○	●		○		○	○	
	Kazuo Iwadate	Reappointment	○			●	●		○			○	
	Shinya Matsumoto	Reappointment Outside Independent	○					●	○				
	Hikari Imai	Reappointment Outside Independent	●	○					○		●		
	Yukari Sakai	Reappointment Outside Independent	○	●					○	○			
Auditors	Kiichi Tatsunaka			○				○					○
	Ken Yasuda	Outside Independent		○				○					○
	Yutaka Iimura	Outside Independent		○				○					○
	Kyosuke Miyazaki	New candidate Outside Independent		○				○					○

Note: The skills matrix classifies knowledge and experience considered to be important for the Company and indicates the fields in which the Directors and Auditors have appropriate expertise (○) and the fields for which the Company has high expectations (●) of the Directors and Auditors.

The table above shows the skills matrix after the General Shareholders Meeting should Proposals 2 and 3 be approved as proposed.

Guidelines for fulfilling each item in the skills matrix

1) Corporate management	<ul style="list-style-type: none"> • Experience as president or a director of a company, etc. • Knowledge, experience, and track record in all aspects of corporate management to develop and implement the Company's medium- to long-term business plans
2) Finance/accounting	<ul style="list-style-type: none"> • Experience as a director in charge or general manager of a department related to accounting • Experience as a director in charge or general manager of a department related to financial management or fund procurement • Experience at a financial institution, etc.
3) Marketing	<ul style="list-style-type: none"> • Experience as a director in charge or general manager of corporate planning and coordination • Experience as a director in charge or general manager of a department related to sales • Experience as president or a director of a related company • Experience as a director in charge or general manager of business investment, etc.
4) Manufacturing	<ul style="list-style-type: none"> • Knowledge related to the Company's business
5) Research/development/IT	<ul style="list-style-type: none"> • Experience as a director in charge or general manager of a department related to R&D • Experience as a director in charge or general manager of a department related to manufacturing technology or production facilities • Experience as a director in charge or general manager of a department related to IT or information systems
6) Law	<ul style="list-style-type: none"> • Experience as a director in charge or general manager of legal affairs or compliance promotion • Experience as an attorney-at-law
7) Risk management	<ul style="list-style-type: none"> • Experience as a director in charge or general manager of risk management
8) Personnel and labor relations	<ul style="list-style-type: none"> • Experience as a director in charge or general manager of a department related to HR (diversity promotion) or labor • Experience as a member of another company's nomination or compensation committee
9) Global management	<ul style="list-style-type: none"> • Experience of overseas posting • Officer experience or business experience at an overseas subsidiary
10) ESG and sustainability	<ul style="list-style-type: none"> • Experience as a director in charge or general manager of a department related to ESG/CSR • Experience as a director in charge or general manager of a department related to sustainability

●Criteria for determining independence of 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 arising 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, 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.
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 or 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 director, executive or auditor thereof;
 - (7) A former member of the parent company of the shareholder referred to in paragraph (6) above other than 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 third degree of kinship to any of the aforementioned persons.

[End of document]

Business Report

(April 1, 2023 - March 31, 2024)

1. Overview of the Corporate Group

(1) Business Progress and Results

During the fiscal year ended March 31, 2024, although the simultaneous occurrence of the high resource prices and the appreciation of the U.S. dollar led to price hikes, and concerns about the impact on economic activities and uncertainty remained, corporate earnings remained steady, and there was a moderate recovery of the Japanese economy despite signs of standstill.

As for overseas economies, weaknesses were seen in some regions due to concerns about the effects of severe real estate market conditions in China, global monetary tightening, the increasing volatility of the situations in the Middle East and Ukraine, and the still high inflation rate. While the employment and income environment remained steady, the pace of economic recovery seemed to have slowed down somewhat.

Under these circumstances, in the stainless steel industry, the primary source of demand for the nickel business that accounts for the majority of the Group's sales and profit and loss, despite the high capacity utilization rate in China, the expectations preceded the weak movement of actual demand, and high inventory levels have been piling up. Moreover, intermittent adjustments were evident in some areas, and the capacity utilization rates of production facilities generally remained varied and lacked momentum.

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

On the procurement front, prices of nickel ore, the primary raw material for ferronickel products, have been high against the backdrop of a robust demand for nickel ore. Moreover, although there was some sign of global prices of various raw materials and fuel settling down from their previous extremely high levels, they remained elevated, which also kept production costs up.

Nickel prices on the London Metal Exchange (LME) remained slightly weaker due to complex factors, including the slowdown of the Chinese economy, fluctuations in foreign exchange rates and financial and capital markets, and the increasingly volatile situations in the Middle East and Ukraine.

In this situation, the Company's ferronickel sales volume decreased by 51.4% year on year as a whole due to a decrease in both domestic and overseas sales. The Company continued its policy with the objective of strategically controlling volume so as to secure a certain level of profitability, since the price of nickel pig iron, which has a price advantage mentioned above, is also affecting the selling price of the Company's products.

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

Regarding the selling price of ferronickel products, the LME nickel price applicable to the Company declined by 16.9% year on year, while the average exchange rate of the Japanese yen against the U.S. dollar applicable to the Company was 6.8% weaker year on year. Moreover, in addition to the market prices applicable to the Company, as mentioned previously, the selling price level of the Company's ferronickel products also partly referred to the price of nickel pig iron, resulting in the lowering of the selling price. Therefore, the selling environment continued to be challenging, with stagnant revenue growth due to lower selling prices compared to before.

Despite this harsh business environment, the Company is striving to thoroughly focus on the profitability of orders, thereby building a flexible production and sales system. Furthermore, the Company continues its efforts to improve business performance and stabilize earnings through measures such as the early realization of overseas business development and new business development, initiatives to reduce GHG emissions to achieve carbon neutrality, and reinforcement of operational efficiency improvement measures to pursue cost minimization.

As a result, consolidated net sales for the fiscal year under review decreased by 55.5% year on year to

¥15,521 million. On the profit front, the Company posted an operating loss of ¥9,114 million (compared with the operating loss of ¥12,588 million for the same period of the previous fiscal year), owing to an increase in cost of sales due to an inventory write-down following a downturn in profitability, on top of the decrease in net sales, and ordinary loss was ¥2,119 million (compared with the ordinary loss of ¥4,960 million for the same period of the previous fiscal year), reflecting the recording of ¥6,053 million in share of profit of entities accounted for using the equity method under non-operating income. Loss attributable to owners of parent was ¥1,074 million (compared with the loss attributable to owners of parent of ¥5,026 million for the same period of the previous fiscal year), including ¥2,638 million of gain on sale of investment securities included in extraordinary income and ¥977 million of impairment losses included in extraordinary losses.

Operating results by business segment are as follows.

(i) Nickel business

The operating results of the nickel business are described above.

As a result, net sales in this segment decreased by 56.9% year on year to ¥14,727 million with an operating loss of ¥9,082 million (compared with the operating loss of ¥12,441 million for the previous fiscal year).

(ii) Gas business

In the gas business, the recording of costs associated with facility repair resulted in recording a loss despite stable operations.

As a result, net sales in this segment increased by 4.7% year on year to ¥811 million with an operating loss of ¥14 million (compared with the operating profit of ¥4 million for the previous fiscal year).

(iii) Other

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

As a result, net sales in this segment increased by 57.2% year on year to ¥61 million with an operating loss of ¥26 million (compared with the operating loss of ¥160 million for the previous fiscal year).

Net sales by business segment

Segment	97th Term		98th Term		Change	
	Year ended March 31, 2023		Year ended March 31, 2024		Amount (Million yen)	Share %
	Amount (Million yen)	Share %	Amount (Million yen)	Share %		
Nickel business	34,135	97.9	14,727	94.9	(19,408)	(56.9)
Gas business	774	2.2	811	5.2	36	4.7
Other	38	0.1	61	0.4	22	57.2
Inter-segment eliminations	(97)	(0.2)	(78)	(0.5)	18	—
Total	34,852	100.0	15,521	100.0	(19,331)	(55.5)

Operating profit (loss) by business segment

Segment	97th Term		98th Term		Change	
	Year ended March 31, 2023		Year ended March 31, 2024		Amount (Million yen)	Share %
	Amount (Million yen)	Share %	Amount (Million yen)	Share %		
Nickel business	(12,441)	98.8	(9,082)	99.6	3,358	—
Gas business	4	(0.0)	(14)	0.2	(18)	—
Other	(160)	1.3	(26)	0.3	133	—
Inter-segment eliminations	9	(0.1)	9	(0.1)	0	0.3
Total	(12,588)	100.0	(9,114)	100.0	3,473	—

(2) Issues to Be Addressed

1) Future Outlook

With regard to the consolidated financial forecast, the economic outlook has become even more uncertain as the domestic and overseas economies continue to be affected by concerns of a downturn against the backdrop of the problems in China's real estate market conditions, the increasing volatility of the situations in the Middle East and Ukraine, and the cumulative impact of monetary tightening in Europe, the United States, and elsewhere.

In terms of volumes of the Company's ferronickel products, our forecast is for a harsh environment, as there have been no major changes. As such, following on from the previous fiscal year, the Company will continue to implement its policy of controlling volumes from the perspective of profitability.

Regarding profit and loss, in terms of the selling price of ferronickel products, the forecast is for a price level that partially refers to the price of nickel pig iron, which has a price advantage, in addition to the market price applicable to the Company. On the procurement price front, the price of nickel ore, the primary raw material for ferronickel products, and the prices of other raw materials, fuel, and electricity are expected to remain at high levels. Accordingly, a significant impact on the price front is expected.

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

2) Medium-term Business Plan "PAMCO-2024" (formulated in May 2022)

In order to establish a management platform capable of responding to changes in the business environment and to achieve continuous growth, we established the long-term vision, "Become a world-class ferronickel manufacturer with comprehensive power," and endeavored to achieve this long-term vision. However, the business environment surrounding the Company has become increasingly severe due to the materialization of resource nationalism in the nickel ore-producing countries, changes in the market structure of mainstay products, and other factors. The situation is unpredictable due to soaring resource and energy prices, etc., caused by the tense situation in Ukraine.

In this business environment, having positioned further strengthening of the platform, contributing to the SDGs, and becoming carbon neutral as important issues for the Company, we aim to evolve as a sustainable company by building and developing a business structure based on problem-solving.

Based on the above, we have set forth a new long-term vision, "A comprehensive materials company that co-creates a sustainable, recycling-oriented society," and have formulated a medium-term business plan covering the period from FY2022 to FY2024 (hereinafter, PAMCO-2024) to realize this vision.

Positioning of Medium-term Management Plan

Positioning of Medium-term Management Plan

Review of long-term vision

“A comprehensive materials company that co-creates a sustainable, recycling-oriented society”

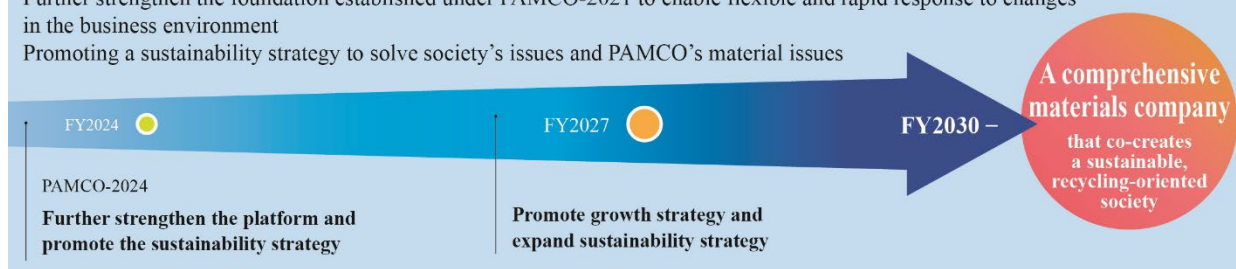
We aim to be a comprehensive material (nickel and other metals, recycled materials, etc.) company that promotes the efficient use and recycling of finite resources and continues to create a sustainable, recycling-oriented society together with its stakeholders

Theme of New Medium-term Business Plan “PAMCO-2024”




“Further strengthen the platform and promote the sustainability strategy”




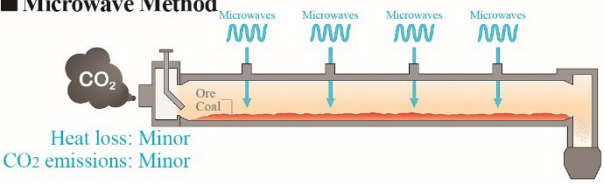
Further strengthen the foundation established under PAMCO-2021 to enable flexible and rapid response to changes in the business environment

Promoting a sustainability strategy to solve society’s issues and PAMCO’s material issues



Priority Measures and State of Progress

<p>Restructuring of ferronickel production and sales systems with emphasis on profitability</p> 	<p>Establishment of optimal production system by reviewing production strategy</p> <ul style="list-style-type: none"> Establish optimal production system to further strengthen the platform. <p>Strengthening of cost competitiveness by reviewing procurement strategy</p> <ul style="list-style-type: none"> Review and strengthen procurement strategies for fuels and other raw materials, according to the highest priority to cost competitiveness.
<p>Acceleration of consideration of expansion into overseas smelting business</p> 	<p>Promotion of overseas smelting projects and start-up of production</p> <ul style="list-style-type: none"> Establish optimal ferronickel production and sales system by combining domestic and overseas smelting operations. <p>➤ Restarted project after obtaining permits from local national government</p>
<p>Creation of new businesses that contribute to society</p> 	<p>Promotion of production and sales of raw materials for LIB materials</p> <ul style="list-style-type: none"> Create a business to manufacture and sell raw materials for LIB materials by utilizing hydrometallurgical technologies. <p><u>Realization of production and sales of raw materials for LIB materials</u></p> <ul style="list-style-type: none"> Established cobalt sulfate manufacturing process (applied for patent) and studied commercialization with LIB-related business operator, but decided to postpone Continued development of rare metal manufacturing process for LIB applications from different raw materials <p><u>Development of LIB recycling technology</u></p> <ul style="list-style-type: none"> Completed joint technological development with Emulsion Flow Technologies Ltd. for extracting rare metals from black mass for LIB applications and moved project up to demonstration phase <p>Promotion of new metal smelting project</p>

	<ul style="list-style-type: none"> • Leverage the smelting technology cultivated in various ferroalloy manufacturing businesses since our foundation to venture into metal smelting business using new resources. ➢ Feasibility study of new metal smelting business from seabed resources <ul style="list-style-type: none"> - Build smelting process that accommodates the characteristics of polymetallic nodule - Currently estimating equipment design and capital investment - Currently obtaining technical and equipment data concerning polymetallic nodule through pilot demonstration trials - Plan to estimate economic feasibility * Promoting project with primary consideration of environment and society, while monitoring and respecting developments in various organizations
<p>Diversification of business in Japan to contribute to a recycling-oriented society</p> 	<p>Restructuring of recycling business</p> <ul style="list-style-type: none"> • Promote restructuring of our recycling business through collaboration with other companies, etc. <p><u>Production and sale businesses of raw materials for steelmaking and raw materials for battery materials</u></p> <ul style="list-style-type: none"> ➢ Continued marketing of production and sale businesses of raw materials for steelmaking and raw materials for battery materials
<p>Enhancement of corporate value by addressing sustainability issues</p> 	<p>Reduction of GHG emissions</p> <ul style="list-style-type: none"> • To achieve carbon neutrality by FY2050, implement measures with clear targets, including use of carbon-free energy and introduction of new technologies. <p>Reference: <u>Succeeded in calcination of nickel ore in microwave bench test with Microwave Chemical Co., Ltd.</u></p> <ul style="list-style-type: none"> ➢ Confirmed removal of crystalline water within nickel ore ➢ Confirmed nickel ore reduction reaction and obtained results comparable to conventional method ➢ Obtained data from continuous feed tests, and currently identifying challenges for scaling up to commercial deployment and performing economic feasibility studies <p>Reference <u>Diagram comparing conventional method and microwave method</u></p> <p>■ Conventional Method</p>  <p>■ Microwave Method</p> 

Comparison between conventional method and microwave method		
	Conventional method	Microwave method
Energy consumption	Major	Minor
CO ₂ emissions	Major	Minor

Sustainability Promotion Council

- Positioning the response to climate change and the realization of a sustainable society as the most important management issue, promote specific measures across PAMCO, including discussions on medium- to long-term initiatives and directions concerning material sustainability issues.

Climate change initiatives

- Responded to Task Force on Climate-related Financial Disclosures (TCFD) Recommendations
 - * Please refer to the “Sustainability” section of the Company’s website for details.

Human rights initiatives

- Promoted initiatives for respecting human rights based on international norms and standards
 - * Please refer to the “Sustainability” section of the Company’s website for details.

Diversity initiatives

- Held diversity management training to raise awareness
- Lifted the retirement age to 65 years in FY2022 and developed a framework in which employees can demonstrate the same performance while being considerate of their health

Promotion of active participation of women

- Held seminar on supporting active participation of women
- Worked to improve environment from dual facets of tasks and facilities to promote the active participation of women

Disclosure of financial and non-financial information

- Integrated Report (published annually)
 - * Please refer to the “Sustainability” section of the Company’s website for details.

Promotion of symbiosis by contributing to the development of regions and resource-rich countries

- Promote symbiosis through activities that contribute to the development of the region and resource-rich countries.

State of social contribution activities

- Assistance to regional educational activities; assistance to Kids Cafés nationwide; donated to disaster relief for Noto Peninsula Earthquake through Red Cross Japan

Promotion of constructive dialogue with stakeholders

- Disclose operating and financial conditions in a timely, appropriate, and fair manner, and actively communicate and promote constructive dialogue on the market environment and our unique strengths.

Reduction of cross-shareholdings

- Reduced a portion of holdings of one stock in FY2023

	<p><u>State of dialogue with shareholders (FY2023)</u></p> <p>➤ Financial results briefing sessions; individual shareholder relations meetings; individual investor relations meetings</p>
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For details, please also refer to our website

- Medium-term Management Plan: <https://www.pacific-metals.co.jp/en/ir/term.php>
- Sustainability: <https://www.pacific-metals.co.jp/en/sustainability/>

We would like to ask for the continued support and encouragement of our shareholders.

- (3) Capital Expenditures, Etc. and Financing
The total amount of capital expenditures conducted in the fiscal year under review was ¥331 million.
The Company did not conduct any financing at the end of the fiscal year under review.
- (4) Transfer, Absorption-type Split or Incorporation-type Split of Businesses
Not applicable.
- (5) Acquisition of Business from Other Companies
Not applicable.
- (6) Succession of Rights and Obligations regarding Businesses of Other Corporations via Absorption-type Merger or Absorption-type Split
Not applicable.
- (7) Acquisition or Disposition of Shares and Other Equity or Share Acquisition Rights of Other Corporations
Not applicable.
- (8) Trends in Assets and Profit (Loss)

Item	(Million yen)			
	95th Term Year ended March 31, 2021	96th Term Year ended March 31, 2022	97th Term Year ended March 31, 2023	98th Term Year ended March 31, 2024 (Fiscal year under review)
Net sales	32,217	57,129	34,852	15,521
Ordinary profit (loss)	3,344	12,999	(4,960)	(2,119)
Profit (loss) attributable to owners of parent	1,162	11,368	(5,026)	(1,074)
Basic earnings per share (yen)	59.61 yen	582.93 yen	(257.75) yen	(55.10) yen
Total assets	75,484	89,852	78,825	73,790
Net assets	67,014	80,153	72,034	69,060
Net assets per share (yen)	3,421.84 yen	4,095.12 yen	3,678.90 yen	3,527.21 yen

Note: Basic earnings (loss) per share is calculated based on the average number of shares issued and outstanding during the fiscal year, while net assets per share are calculated based on the number of shares issued and outstanding at the end of the fiscal year. Treasury shares are excluded from the total number of shares issued and outstanding.

(9) Significant Subsidiaries

Company name	Capital	The Company's share of voting rights	Major business lines
Taiheiyo Kosan Co., Ltd.	(Thousand yen) 50,000	% 74.00	Transportation and contracting, real estate-related business, etc.
Pacific Gas Center Co., Ltd.	100,000	50.00	Manufacture and sale of gases

- Notes: 1. The Company has two (2) consolidated subsidiaries and seven (7) associates accounted for using the equity method.
2. An overview of their business results for the fiscal year under review is stated above in "(1) Business Progress and Results" (Pages 16-17).

(10) Principal Business (as of March 31, 2024)

Business segment	Major business lines
Nickel business	Manufacture and sale of ferronickel and slag products
Gas business	Manufacture and sale of gases
Other	Transportation and contracting, real estate-related business, etc.

(11) Principal Business Locations (as of March 31, 2024)

1) The Company

Business location name	Location
Head Office	Chiyoda-ku, Tokyo
Hachinohe Head Office	Hachinohe City, Aomori

2) Significant subsidiaries

Business location name	Location
Taiheiyo Kosan Co., Ltd.	Hachinohe City, Aomori
Pacific Gas Center Co., Ltd.	Hachinohe City, Aomori

(12) Employees (as of March 31, 2024)

Number of employees	Year-on-year increase (decrease)
459	(9)

(13) Major Lenders (as of March 31, 2024)

Not applicable.

2. Shares of the Company (as of March 31, 2024)

- (1) Total number of shares authorized to be issued 50,000,000 shares
- (2) Total number of shares issued and outstanding 19,501,466 shares
(excluding 75,605 treasury shares)
- (3) Number of shareholders 17,871 persons (up 1,556 from the end of the previous fiscal year)

(4) Major shareholders (top ten shareholders)

Shareholder's name	Number of shares held	Percentage of shareholding
	Thousand shares	%
The Master Trust Bank of Japan, Ltd. (Trust account)	2,999	15.38
NIPPON STEEL Stainless Steel Corporation	2,049	10.51
Custody Bank of Japan, Ltd. (Trust account)	917	4.70
Tachibana Securities Co., Ltd.	647	3.32
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SEGR ACCT	300	1.54
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	253	1.30
AVI JAPAN OPPORTUNITY TRUST PLC	249	1.28
Business Partners' Shareholding Association, PACIFIC METALS CO., LTD.	237	1.22
JP JPMSE LUX RE NOMURA INT PLC 1 EQ CO	232	1.19
Nihon Kiseitsu K.K.	228	1.17

- Notes: 1. Numbers of shares held have been rounded down to the nearest thousand.
2. Percentage of shareholding has been calculated based on the number of shares (19,501,466 shares) obtained by subtracting treasury shares from the total number of shares issued and outstanding.

- (5) Other important matters concerning shares
Not applicable.

3. Share Acquisition Rights, etc., of the Company (as of March 31, 2024)

- (1) Status of share acquisition rights, etc. held by the officers of the Company that are issued as remuneration for the execution of duties
Not applicable.
- (2) Status of share acquisition rights, etc. issued to employees of the Company as remuneration for the execution of duties during the fiscal year under review
Not applicable.
- (3) Other significant matters concerning share acquisition rights, etc.
Not applicable.

4. Company Officers

(1) Directors and Auditors (as of March 31, 2024)

Position	Name	Responsibilities and significant concurrent positions
President	Masayuki Aoyama	Representative Director, Member of Nomination and Compensation Committee
Director & Senior Managing Executive Officer	Yoshiharu Inomata	Assistant to the President, In charge of Corporate Planning, Recycling Business & Technology Development
Director & Managing Executive Officer	Kenichi Hara	In charge of Procurement, General Manager of Sales & Marketing Dept. Director, Pacific Sowa Corporation
Director & Managing Executive Officer	Terunobu Matsuyama	In charge of Internal Control, IR, General Administration, Finance & Accounting, General Manager of Personnel & Labor Relation Dept. Director, Taiheiyo Kosan Co., Ltd.
Director & Senior Executive Officer	Hiroaki Ichiyanagi	In charge of Quality Control & Environmental Management, General Manager, Resources & Technology Development Project Dept. Director, Rio Tuba Nickel Mining Corporation Director, Taganito Mining Corporation
Director & Senior Executive Officer	Kazuo Iwadate	In charge of Safety & Health Management, Utility & Maintenance and Production; General Manager of Business Process Reengineering Dept. President & Representative Director, Pacific Gas Center Co., Ltd.
Director	Shinya Matsumoto	Chairperson of Nomination and Compensation Committee Outside Auditor, Impress Holdings, Inc. Outside Director, The Shibusawa Warehouse Co., Ltd. Partner and Representative Attorney, Marunouchi Sogo Law Office
Director	Hikari Imai	Member of Nomination and Compensation Committee Outside Director, FUJI SOFT INCORPORATED
Director	Yukari Sakai	Member of Nomination and Compensation Committee Outside Director (Standing Audit and Supervisory Committee Member), UNITED ARROWS LTD. Outside Director, TOYO KANETSU K.K.
Full-time Auditor	Kiichi Tatsunaka	
Auditor	Ken Yasuda	
Auditor	Shuzo Ikeda	External Auditor, NIHON PLAST CO., LTD.
Auditor	Yutaka Iimura	

- Notes: 1. Mr. Hideki Ogata, Auditor, retired from his position at the end of his term of office at the conclusion of the Annual General Shareholders Meeting held on June 27, 2023.
2. Mr. Yutaka Iimura was newly elected as and assumed the position of Auditor at the Annual General Shareholders Meeting held on June 27, 2023.
3. Mr. Shinya Matsumoto, Mr. Hikari Imai, and Ms. Yukari Sakai are Outside Directors as set forth in Article 2, Item 15 of the Companies Act. Furthermore, the Company has designated Mr. Shinya Matsumoto, Mr. Hikari Imai, and Ms. Yukari Sakai as Independent Directors pursuant to the regulations set forth by the Tokyo Stock

- Exchange and submitted a notification of their designation to the said exchange.
4. Mr. Ken Yasuda, Mr. Shuzo Ikeda, and Mr. Yutaka Imura are Outside Auditors as set forth in Article 2, Paragraph 16 and Article 335, Paragraph 3 of the Companies Act. Furthermore, the Company has designated Auditors Mr. Ken Yasuda, Mr. Shuzo Ikeda, and Mr. Yutaka Imura as Independent Auditors pursuant to the regulations set forth by the Tokyo Stock Exchange and submitted a notification of their designation to the said exchange.
 5. Prior to his assumption of office as Auditor, Permanent Auditor Mr. Kiichi Tatsunaka belonged to the Finance & Accounting Department of the Company, and he possesses considerable knowledge in the finance and accounting fields.
 6. Auditors Mr. Ken Yasuda, Mr. Shuzo Ikeda, and Mr. Yutaka Imura all hail from financial institutions and possess considerable knowledge in the finance and accounting fields and also as auditors.

Reference: The other Executive Officers are as follows. (As of March 31, 2024)

Position	Names
Senior Executive Officers	Chitaru Okamura, Satoshi Kawabata
Executive Officers	Tomoyuki Matsumura, Tetsuji Kimura

- (2) Summary of Agreement on Limitation of Liability
The Company and three (3) Outside Directors and three (3) Outside Auditors have entered into contracts to limit liability for damages pursuant to the respective provisions of Article 427, Paragraph 1 of the Companies Act, Article 30 of the Articles of Incorporation, which stipulates the contract to limit liability of Outside Directors, and Article 39 of the Articles of Incorporation, which stipulates the contract to limit liability of Outside Auditors. The limit of liability for damages under the said contracts shall be the amount provided for by laws and regulations.
- (3) Summary of Directors and Officers Liability Insurance Contract
The Company has entered into a directors and officers liability insurance contract stipulated in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. Directors, Auditors, Executive Officers, and managerial employees of the Company are within the scope of the insured under the said insurance contract, and the insured do not bear the premiums. The said insurance contract covers legal expenses and damages for claims brought against the insured during the insurance period.
However, in order to ensure that the insured's execution of their duties is not impaired, there are certain exemptions, such as coverage not being provided for damages arising from an act committed by the insured with knowledge that the act was in violation of the law.
- (4) Remuneration, etc. of Directors and Auditors in the Fiscal Year Under Review
 - 1) Matters regarding the policy for determining the content of remuneration for individual Directors and Auditors
The Company's Nomination and Compensation Committee has established the policy described below for determining the content of remuneration for individual Directors. This basic policy has been decided by the Company's Board of Directors as the Officers' Remuneration Rules.
The Company's policy for determining the content of remuneration for individual Auditors has also been decided by the Company's Board of Directors as the Officers' Remuneration Rules, and the maximum amount was resolved at the General Shareholders Meeting and the details are determined through mutual consultation among the Auditors.
 - 2) Summary of the determination policy
 - i) Basic policy
The basic policy for Director's remuneration is to link the remuneration 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 remuneration at an appropriate level according to his/her responsibilities.
Specifically, Directors' remuneration consists of "basic remuneration for officers" as fixed remuneration and "bonuses for officers (cash and shares)" as performance-linked remuneration. Regarding Outside Directors who assume the responsibility of oversight, only "basic remuneration for officers" is paid in light of their duties.
 - ii) Policy for determining the amounts of basic remuneration (monetary compensation) for individual Directors (including policy regarding the determination of the timing or conditions of granting

remuneration)

Basic remuneration for Directors of the Company is fixed monthly remuneration and its amount is deliberated and determined by the Nomination and Compensation Committee.

iii) Policy for determining the contents and the amount or quantity of performance-linked remuneration (including policy regarding the determination of the timing or conditions of granting remuneration)

Regarding performance benchmark, performance-linked remuneration is payable when dividends are paid. Using net income as the source of funds, performance-linked remuneration is calculated based on the distribution standard according to the level of net income determined separately. 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.

The payment is made at a fixed time each year in an amount calculated based on the performance for each fiscal year as a bonus.

iv) Policy for determining the amount of monetary remuneration and the amount of performance-linked remuneration as percentages of the amount of remuneration for individual Directors

a. Fixed monthly remuneration

◇ Basic remuneration for officers

- Fixed remuneration in cash according to the position based on the degree of responsibilities

b. Performance-linked remuneration

◇ Bonuses for officers (cash)

- Performance-linked remuneration as a short-term incentive, which fluctuates based on the Company's business performance during a fiscal year.
- Up to the amounts of individual monthly fixed remuneration for five months
- The payment of remuneration shall be made annually after the determination of the Company's performance and other items for each fiscal year.

◇ Bonuses for officers (shares)

- As performance-linked stock remuneration, points will be granted for delivery of shares during the term of office in order to promote the sharing of benefits and risks with shareholders from a medium- to long-term perspective.
- Shares, etc. will be issued to Directors at the time of their retirement.

Regarding the ratio by remuneration type, the ratio of fixed remuneration to performance-linked remuneration is in the range between 10:0 and 7:3.

v) Matters relating to the determination of the content of remuneration for Directors

In determining a draft proposal on monthly individual Directors' remuneration, the President Director carefully evaluates the role expected of each Director by the Company, submits the draft proposal to the Nomination and Compensation Committee, which deliberates and determines remuneration for individual Directors, and then the President Director submits the proposal on the total amount to the Board of Directors, which makes a decision.

The total amount of bonuses for Directors, which are performance-linked remuneration, is determined in accordance with the distribution standards, and the President Director submits a proposal on the total amount to be paid to the Board of Directors, which makes a decision. Distribution to individuals is done proportionally based on the amount of fixed monthly remuneration according to position.

3) Matters regarding the resolution of the General Shareholders Meeting concerning remuneration of Directors and Auditors

The 80th Annual General Shareholders Meeting on June 29, 2006 passed a resolution to stipulate that the amount of monetary remuneration for Directors shall be up to 350 million yen per year (excluding the portion of employee salary of Directors who concurrently serve as employees). There were ten (10) directors (including one (1) Outside Director) at the time of the conclusion of the said Annual General Shareholders Meeting.

The 80th Annual General Shareholders Meeting on June 29, 2006 passed a resolution to stipulate that the amount of monetary remuneration for Auditors shall be up to 60 million yen per year. There were four (4) auditors at the time of the conclusion of the said Annual General Shareholders Meeting.

4) Matters regarding the entrustment of the determination of remuneration, etc. for individual Directors

Regarding the amount of each individual Director's remuneration, the maximum amount was resolved at the General Shareholders Meeting, and the Nomination and Compensation Committee, entrusted by the Board of Directors, deliberates on the total amount of remuneration to be paid to Directors for the applicable period based on the Directors'

Remuneration Policy established separately, and the President submits the proposal reflecting results of its deliberations to the Board of Directors, which makes a decision.

The reason for delegating authority to the Nomination and Compensation Committee is to ensure the fairness, transparency, and objectivity of the procedures for determining remuneration since the Nomination and Compensation Committee, of which a majority of members are Outside Directors, is a voluntary advisory body to the Board of Directors of the Company.

The Board of Directors has taken measures to ensure that such authority is properly exercised by the Nomination and Compensation Committee, which deliberates on the matter, and based on its report, the President Director submits the matter to the Board of Directors for decision. Since the amount of individual Director's remuneration is determined through such procedures, the Board of Directors believes that the content of such remuneration is in line with the determination policy.

Regarding the details pertaining to the fiscal year under review, the Nomination and Compensation Committee (Chairperson: Outside Director Mr. Shinya Matsumoto; Members: Outside Director Mr. Hikaru Imai, Outside Director Yukari Sakai, President Director Mr. Masayuki Aoyama) determined the details of remuneration for individual Directors. The content of its authority is defined by the Committee's Regulations and covers formulation of the basic policy regarding the remuneration system, proposals on the remuneration framework (including the calculation method), and specific amounts of remuneration for individual Directors (including the calculation method).

5) Total amount of remuneration, etc. of Directors and Auditors

Officer Category	Total amount of remuneration, etc. (million yen)	Total amount by remuneration type (million yen)			Number of eligible officers
		Basic (fixed) remuneration	Performance-linked remuneration, etc.	Non-monetary remuneration, etc.	
Directors (of which, Outside Directors)	186	186 (19)	— (—)	— (—)	9 (3)
Auditors (of which, Outside Auditors)	39	39 (18)	— (—)	— (—)	5 (4)

- Notes: 1. The amount of remuneration for Auditors includes that for one Auditor who retired at the conclusion of the 97th Annual General Shareholders Meeting held on June 27, 2023.
2. The indicator for performance-linked remuneration for the fiscal year under review is the payment of dividends with a consolidated payout ratio of 30%. Since the actual result was a loss attributable to owners of parent of 1,074 million yen, the Company decided not to pay dividends from surplus. As a result, the Company decided not to pay bonuses for officers to six (6) Directors (excluding Outside Directors) in accordance with the Directors' Remuneration Policy.
3. 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. The total amount of the final payments in the future as of the end of the fiscal year under review is as follows.
A total of 6 million yen for one Auditor
4. Outside Directors and Auditors do not receive officers' remuneration, etc., from subsidiaries.-

(5) Outside Directors and Auditors

1) Status of Activities at the Board of Directors During the Fiscal Year Under Review

Name	Position at the Company	Significant concurrent positions	Main activities and summary of duties performed with respect to the role expected of Outside Directors
Shinya Matsumoto	Director Independent Officer	Outside Auditor, Impress Holdings, Inc. Outside Director, The Shibusawa Warehouse Co., Ltd. Partner and Representative Attorney, Marunouchi Sogo Law Office	Mr. Matsumoto attended 22 of the 22 Board of Directors meetings held during the fiscal year under review, expressing opinions from the perspective of compliance with laws and regulations based on his professional perspective and broad insight as an attorney. (Board of Directors attendance rate: 100.0%) In addition, by leveraging the above-mentioned perspective and insight, he serves as the chairperson of the Nomination and Compensation Committee of the Company and is playing an appropriate role in enhancing the fairness and transparency of the Company's Board of Directors.
Hikari Imai	Director Independent Officer	Outside Director, FUJI SOFT INCORPORATED	Mr. Imai attended 21 of the 22 Board of Directors meetings held during the fiscal year under review, expressing opinions from the perspective of enhancing and strengthening corporate management, based on his extensive experience as a corporate manager over many years. (Board of Directors attendance rate: 95.5%) In addition, by leveraging the above-mentioned experience, he serves as a member of the Nomination and Compensation Committee of the Company and is playing an appropriate role in enhancing the fairness and transparency of the Company's Board of Directors.
Yukari Sakai	Director Independent Officer	Outside Director (Standing Audit and Supervisory Committee Member), UNITED ARROWS LTD. Outside Director, TOYO KANETSU K.K.	Ms. Sakai attended 22 of the 22 Board of Directors meetings held during the fiscal year under review, expressing opinions from the perspective of enhancing and strengthening corporate management, based on her extensive experience as a corporate manager over many years. (Board of Directors attendance rate: 100.0%) In addition, by leveraging the above-mentioned experience, she is providing advice, as appropriate, on various issues related to the Company's corporate management based on a variety of perspectives from the viewpoint of diversity and is playing an appropriate role in enhancing the effectiveness of the Company's Board of Directors.

2) Status of Activities at the Board of Auditors During the Fiscal Year Under Review

Name	Position at the Company	Significant concurrent positions	Main activities
Ken Yasuda	Auditor Independent Officer		Mr. Yasuda attended 22 of the 22 Board of Directors meetings and 15 of the 15 Board of Auditors meetings held during the fiscal year under review, expressing opinions from the perspective of appropriate auditing, based on his operational experience. (Board of Directors attendance rate: 100.0%; Board of Auditors attendance rate: 100.0%)
Shuzo Ikeda	Auditor Independent Officer	External Auditor, NIHON PLAST CO., LTD.	Mr. Ikeda attended 22 of the 22 Board of Directors meetings and 15 of the 15 Board of Auditors meetings held during the fiscal year under review, expressing opinions from the perspective of appropriate auditing, based on his operational experience. (Board of Directors attendance rate: 100.0%; Board of Auditors attendance rate: 100.0%)
Yutaka Iimura	Auditor Independent Officer		Mr. Iimura attended 16 of the 16 Board of Directors meetings and 8 of the 8 Board of Auditors meetings held during the fiscal year under review, expressing opinions from the perspective of appropriate auditing, based on his operational experience. (Board of Directors attendance rate: 100.0%; Board of Auditors attendance rate: 100.0%)

- Notes:
1. There are no transactional relationship or special interests between Directors Mr. Shinya Matsumoto, Mr. Hikari Imai, and Ms. Yukari Sakai and Auditors Mr. Ken Yasuda, Mr. Shuzo Ikeda, and Mr. Yutaka Iimura and the Company.
 2. There are no special interests between the corporations, etc., where Directors Mr. Shinya Matsumoto, Mr. Hikari Imai, and Ms. Yukari Sakai and Auditor Mr. Shuzo Ikeda serve in concurrent positions and the Company.
 3. Auditor Mr. Yutaka Iimura's attendance at meetings is for Board of Directors meetings and Board of Auditors meetings held after he assumed his position on June 27, 2023.

5. Accounting Auditor

(1) Accounting Auditor's Name
KPMG AZSA LLC

(2) Amount of accounting auditor's remuneration, etc. and reasons for the Board of Auditors to have agreed on accounting auditor's remuneration, etc. for the fiscal year under review

Category	Amount paid (Million yen)
Remuneration for the year ended March 31, 2024	41
Total amount of cash and other property interest payable by the Company or its subsidiaries to Accounting Auditor	41

Notes: 1. The audit agreement between the Company and the accounting auditor does not differentiate the amount of accounting auditor's remuneration, etc. under the Companies Act from the amount of remuneration for the audit under the Financial Instruments and Exchange Act. And as such differentiation is practically impossible, the amount of remuneration, etc. is presented as the total of these amounts.

2. No certified public accountant or audit firm other than the Company's accounting auditor conducts audits of the financial statements of the Company's consolidated subsidiaries.

3. Description of non-audit services

The Company has concluded a Procedural Work Contract Pursuant to Article 21, Paragraph 2, Item 3 of the Enforcement Regulation of the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities (Ministry of Economy, Trade and Industry Ordinance No. 46) (October 2023), and pays ¥0 million as remuneration for the said contract.

4. Based on the Practical Guidelines for Collaboration with Accounting Auditors published by Japan Audit & Supervisory Board Members Association, the Board of Auditors has given consent to the remuneration, etc. to be paid to the Accounting Auditor pursuant to Article 399, Paragraph 1 of the Companies Act as a result of confirming actual audit hours per audit item and grade in the auditing schedules of past years, trends in remuneration amounts, and the status of the execution of duties by the accounting auditor and examining the validity of auditing schedule and the remuneration amount for the fiscal year under review.

(3) Policy on Determination of Dismissal or Non-reappointment of Accounting Auditor

The Company's Board of Auditors shall dismiss the Accounting Auditor with the unanimous consent of all Auditors if it is judged that the Accounting Auditor falls under any of the items set forth in Article 340, Paragraph 1 of the Companies Act. In such an event, an Auditor selected by the Board of Auditors shall report the dismissal of the Accounting Auditor and the reasons for that dismissal at the first General Shareholders Meeting convened after the dismissal.

The Board of Auditors shall decide on the reappointment or non-reappointment of the Accounting Auditor taking into account factors such as the number of years of continuous provision of audits by the Accounting Auditor.

6. Systems to Ensure the Appropriateness of the Company's Business Operations and the State of Their Implementation

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

1) Reports related to the execution of duties of Directors are made in writing or in electronic media.

2) Information concerning the execution of duties of Directors is retained and managed according to the document control rules and other internal rules of the Company.

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

1) In order to cope with major accidents, disasters, and corporate scandals, the Company has established the Risk Management Committee, which takes measures at normal times, and the Crisis Management Manual in which basic responses to be taken in emergency situations are described.

2) Business management risks are presented to the Board of Directors to determine countermeasures.

3) Daily operational risks are handled by documenting management rules and business execution manuals, etc.

(3) System to ensure the efficient execution of duties of the Directors of the Company and its subsidiaries

1) 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.
- 2) In the business operation of the Company, the Management Planning Committee, consisting of Directors and the General Manager of the department in charge, formulates operation policy and management plans. The Board of Directors discusses and determines the said policy and plans, and systematic and organizational execution of business is conducted based on the policy and plans. Executive Officers in charge regularly report the progress of business execution to the Board of Directors for verification.
 - 3) The Company has set basic rules and other matters concerning IT control in order to ensure the efficiency of the business execution of the Company and its subsidiaries.
 - 4) The Company has formulated rules and introduced a teleconference system between the Hachinohe Head Office and the Tokyo Head Office in order to enable the participation of Outside Directors in all the Board of Directors meetings for decision-making.
- (4) System to ensure 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
- 1) The Board of Directors has set the Management Policy, the Corporate Code of Ethics, and the Standard of Corporate Conduct, among others.
 - 2) The Company works to enhance compliance through establishing the Internal Control Committee as a structure to ensure the execution of duties of the Directors and employees in compliance with laws and regulations and the Articles of Incorporation of the Company.
 - 3) The Company eliminates any relationship with anti-social forces and other similar groups that threaten the order and safety of civic society, and resolutely rejects any requests from them. The Company has already established a contact point, and centrally manages information and always collaborates with the police, the Tokyo Metropolitan Police Department's Special Violence Prevention Measures Association (Tokubouren), and external expert institutions.
 - 4) The Company has introduced a teleconference system between the Hachinohe Head Office and the Tokyo Head Office in order to enable the participation of Outside Directors in all the Board of Directors meetings for decision-making.
 - 5) The Company has established the Internal Audit Dept. under the direct control of the Board of Directors, and the department implements "organizational and system audits," "operational audits," "accounting audits," and "daily monitoring" in collaboration with Auditors.
 - 6) 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 as a result of whistle-blowing is prohibited.
- (5) System to ensure the appropriateness of duties at the Group
- 1) The Company has established a system to ensure the appropriateness of duties of subsidiaries through assigning 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 at the Company as necessary.
 - 2) The Internal Audit Dept. of the Company implements audits in order to ensure the appropriateness of duties at consolidated subsidiaries.
 - 3) Directors of each consolidated subsidiary regularly report the operating conditions of the consolidated subsidiary to the Board of Directors.
 - 4) 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, associates, and business partners, and other related entities. The Company ensures that the whistleblowers will not receive disadvantageous treatment in association with such

internal reporting and prohibits such disadvantageous treatment.

- (6) 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 have the employees support Auditors to the extent that it does not negatively affect their primary duties. The Board of Directors exchanges opinions with the Board of Auditors as needed.
- (7) System for Directors and employees of the Company to report to Auditors of the Company
- 1) Directors of the Company immediately report to Auditors in accordance with laws and regulations when they identify facts which may potentially cause substantial damage to the Company.
 - 2) Directors of the Company allow Auditors to attend the Board of Directors meetings and other important meetings. Directors shall 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.
 - 3) 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 shall not be treated disadvantageously.
 - 4) The Company shall promptly process 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.
 - 5) 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.
- (8) System to ensure the reliability of financial reports of the Company
In order to ensure the reliability of financial reports of the Company and its subsidiaries, 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 corrects deficiencies, if any.
- (9) Overview of the status of implementation of systems to ensure the appropriateness of the Company's business operations
- 1) The Board of Directors met 22 times to decide on matters stipulated by laws and regulations, etc. and important matters concerning management. Communication among the Directors is encouraged, and the Directors oversee the execution of each other's duties.
 - 2) The Board of Auditors met 15 times to discuss and decide audit policies and schedules and to audit the Directors' execution of their duties and the status of compliance with laws and regulations, the Articles of Incorporation, etc.
 - 3) The Risk Management Committee met 4 times to confirm the status of management of risks concerning the Company as a whole and activity policies for the following year, deal with accidents, and conduct tsunami evacuation plans and training. The Committee has also established a Crisis Management Manual for situations that are anticipated to cause a material impact on management and is making efforts to establish measures for dealing with such events and preventing them from happening.
 - 4) The Internal Control Committee met three times to evaluate the establishment of internal control systems and the status of their implementation. It is also working to strengthen compliance through regular confirmation of the status of compliance with laws and regulations and through education.
 - 5) Auditors and the internal audit division held four information exchange meetings and they exchange information when necessary regarding internal audit results, etc. Outside Directors also take part in these information exchanges.
 - 6) Whistle-blowing contact points have been established within and outside the Company for reporting breaches of laws and regulations and internal rules, etc. They provide thorough protection of whistleblowers and strive for the early detection and remediation of breaches, etc.

7. Policy Concerning Decisions on Distribution of Surplus, etc.

(1) Dividend Policy

The Company considers the return of profits to shareholders to be an important management issue and distributes dividends with the aim of a consolidated payout ratio of 30%, while working to enhance and strengthen the corporate structure.

The Company also positions internal reserves as a fund for responding functionally to changes in the management environment and will use them for various purposes, including securing resources, the development of new technologies, capital expenditure, and the acquisition of treasury shares as part of the Company's capital policy.

(2) Distribution of Surplus

The Company's basic policy is to pay dividends twice a year, an interim dividend and a year-end dividend, and the Articles of Incorporation stipulate that the Company may pay dividends from surplus by resolution of the Board of Directors, pursuant to Article 459, Paragraph 1 of the Companies Act.

With regard to dividends for the fiscal year under review, in accordance with the Company's dividend policy, we regret to inform you that we will forego payment of year-end dividends following interim dividends, as the Company recorded a loss attributable to owners of parent for the full fiscal year in the extremely severe business environment.

The amounts shown in this Business Report and the figures for the number of shares are rounded to the unit used for presentation.

Consolidated Balance Sheets

(Million yen)

Description	(Reference) As of March 31, 2023	As of March 31, 2024	Description	(Reference) As of March 31, 2023	As of March 31, 2024
Assets			Liabilities		
Current assets	44,247	41,814	Current liabilities	2,539	1,674
Cash and deposits	16,848	21,758	Notes and accounts payable - trade	760	234
Accounts receivable - trade	6,593	5,001	Accrued expenses	1,018	892
Securities	1,500	2,199	Income taxes payable	7	47
Merchandise and finished goods	8,204	7,303	Provision for bonuses	95	117
Work in process	361	257	Provision for restoration cost	-	5
Raw materials and supplies	5,836	3,521	Other	657	376
Other	4,904	1,773	Non-current liabilities	4,252	3,055
Allowance for doubtful accounts	(1)	(1)	Retirement benefit liability	50	59
Non-current assets	34,577	31,975	Deferred tax liabilities	2,087	1,135
Property, plant and equipment	8,383	7,388	Deferred tax liabilities for land revaluation	631	547
Buildings and structures	2,424	2,059	Provision for environmental measures	11	2
Machinery, equipment and vehicles	852	945	Provision for loss contract	1,273	1,273
Land	4,777	4,304	Provision for restoration cost	187	14
Other	329	77	Other	10	23
Intangible assets	239	285	Total liabilities	6,791	4,729
Investments and other assets	25,954	24,301	Net assets		
Investment securities	25,518	23,687	Shareholders' equity	67,491	66,609
Retirement benefit asset	198	476	Share capital	13,922	13,922
Other	243	142	Capital surplus	3,481	3,481
Allowance for doubtful accounts	(5)	(5)	Retained earnings	50,540	49,658
Total assets	78,825	73,790	Treasury shares	(452)	(452)
			Accumulated other comprehensive income	4,254	2,176
			Valuation difference on available-for-sale securities	3,831	1,183
			Revaluation reserve for land	593	400
			Foreign currency translation adjustment	(510)	179
			Remeasurement of defined benefit plans	340	412
			Non-controlling interests	287	274
			Total net assets	72,034	69,060
			Total liabilities and net assets	78,825	73,790

Consolidated Statements of Income

(Million yen)

Description	(Reference) From April 1, 2022 to March 31, 2023	From April 1, 2023 to March 31, 2024
Net sales	34,852	15,521
Cost of sales	45,144	22,637
Gross loss	(10,292)	(7,115)
Selling, general and administrative expenses	2,296	1,998
Selling expenses	852	344
General and administrative expenses	1,443	1,653
Operating loss	(12,588)	(9,114)
Non-operating income	7,803	7,183
Interest income	13	24
Dividend income	459	229
Rental income from real estate	103	107
Share of profit of entities accounted for using equity method	7,066	6,053
Foreign exchange gains	–	696
Other	160	73
Non-operating expenses	175	188
Interest expenses	0	0
Foreign exchange losses	4	–
Rental expenses on facilities	18	15
Commitment fees	26	27
Commission for syndicated loans	4	53
Loss on disposal of inventories	–	31
Foreign withholding tax	64	33
Provision for environmental measures	34	13
Other	22	13
Ordinary profit (loss)	(4,960)	(2,119)
Extraordinary income	1,241	2,646
Gain on sale of non-current assets	0	7
Gain on sale of investment securities	386	2,638
Received incentive	854	–
Extraordinary losses	567	1,137
Impairment losses	–	977
Loss on retirement of non-current assets	115	160
Loss on retirement of inventories	34	–
Restoration expenses on facilities	418	–
Profit (loss) before income taxes	(4,287)	(611)
Income taxes - current	501	390
Income taxes - deferred	237	85
Profit (loss)	(5,026)	(1,087)
Profit attributable to non-controlling interests	0	(13)
Profit (loss) attributable to owners of parent	(5,026)	(1,074)

Non-Consolidated Balance Sheets

(Million yen)

Description	(Reference) As of March 31, 2023	As of March 31, 2024	Description	(Reference) As of March 31, 2023	As of March 31, 2024
Assets			Liabilities		
Current assets	43,733	41,344	Current liabilities	2,458	1,624
Cash and deposits	16,315	21,298	Accounts payable - trade	768	237
Accounts receivable - trade	6,528	4,928	Accounts payable - other	525	255
Securities	1,500	2,199	Accrued expenses	976	886
Merchandise	417	301	Provision for bonuses	74	102
Finished goods	7,883	7,090	Provision for restoration cost	–	5
Raw materials	4,890	2,697	Other	113	138
Work in process	365	260	Non-current liabilities	3,819	2,276
Supplies	885	752	Provision for retirement benefits	68	–
Advance payments to suppliers	1,302	1,273	Deferred tax liabilities	1,637	426
Other	3,645	541	Deferred tax liabilities for land revaluation	631	547
Allowance for doubtful accounts	(0)	(0)	Provision for environmental measures	11	2
Non-current assets	17,956	12,238	Provision for loss contract	1,273	1,273
Property, plant and equipment	8,197	7,213	Provision for restoration cost	187	14
Buildings	2,262	1,822	Other	10	12
Land	4,777	4,304	Total liabilities	6,278	3,901
Other	1,156	1,086	Net assets		
Intangible assets	239	285	Shareholders' equity	51,066	48,257
Investments and other assets	9,519	4,739	Share capital	13,922	13,922
Investment securities	6,908	2,206	Capital surplus	3,481	3,481
Shares of subsidiaries and associates	2,378	2,378	Legal capital surplus	3,481	3,481
Prepaid pension costs	–	20	Retained earnings	34,116	31,307
Other	238	138	Legal retained earnings	382	382
Allowance for doubtful accounts	(5)	(5)	Other retained earnings	33,734	30,925
Total assets	61,689	53,582	General reserve	10,300	10,300
			Retained earnings brought forward	23,434	20,625
			Treasury shares	(452)	(452)
			Valuation and translation adjustments	4,344	1,423
			Valuation difference on available-for-sale securities	3,751	1,022
			Revaluation reserve for land	593	400
			Total net assets	55,411	49,681
			Total liabilities and net assets	61,689	53,582

Non-Consolidated Statements of Income

(Million yen)

Description	(Reference) From April 1, 2022 to March 31, 2023	From April 1, 2023 to March 31, 2024
Net sales	34,095	14,752
Cost of sales	44,427	21,868
Gross profit	(10,331)	(7,116)
Selling, general and administrative expenses	2,232	1,935
Selling expenses	882	360
General and administrative expenses	1,350	1,575
Operating profit (loss)	(12,564)	(9,051)
Non-operating income	5,470	5,008
Interest income	13	24
Dividend income	5,214	4,126
Rental income from real estate	113	114
Foreign exchange gains	–	696
Other	129	46
Non-operating expenses	167	188
Interest expenses	0	0
Rental expenses on facilities	18	15
Commitment fees	26	27
Commission for syndicated loans	4	53
Foreign withholding tax	64	33
Provision for environmental measures	34	13
Loss on disposal of inventories	–	31
Other	18	13
Ordinary profit (loss)	(7,261)	(4,231)
Extraordinary income	1,238	2,646
Gain on sale of non-current assets	–	7
Gain on sale of investment securities	386	2,638
Received incentive	852	–
Extraordinary losses	567	1,124
Impairment losses	–	963
Loss on retirement of non-current assets	115	160
Loss on retirement of inventories	34	–
Facility restoration expenses	418	–
Profit (loss) before income taxes	(6,590)	(2,709)
Income taxes - current	491	387
Income taxes - deferred	17	(95)
Profit (loss)	(7,098)	(3,000)