

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 97th fiscal year (from April 1, 2022 to March 31, 2023).

Masayuki Aoyama
President Director & 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)

June 6, 2023

To Shareholders with Voting Rights:

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

**NOTICE OF CONVOCAION OF
 THE 97TH ANNUAL GENERAL SHAREHOLDERS MEETING**

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

Please be informed that the 97th 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 as “Notice of Convocation of the 97th Annual General Shareholders Meeting” 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 web portal for shareholders meetings 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 97th Annual General Shareholders Meeting” under the headline “THE 97TH.”
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	Shareholders’ Meeting web portal (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 and, following the instructions stated in the Guide to Exercising Voting Rights on page 4 (Japanese original), exercise your voting rights by 5:30 p.m. Japan time on Monday, June 26, 2023.

- 1. Date and Time:** Tuesday, June 27, 2023 at 10:00 a.m. Japan time
- 2. Place:** Iidabashi Rainbow Building (7F) located at
11 Ichigayafunagawaramachi, Shinjuku-ku, Tokyo
(For the location of the venue, please refer to the map of the venue of the General Shareholders Meeting at the end of this document.)
- 3. Meeting Agenda:**
- Matters to be reported:**
1. The Business Report, Consolidated Financial Statements for the Company's 97th Fiscal Year (April 1, 2022 - March 31, 2023) 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 97th Fiscal Year (April 1, 2022 - March 31, 2023)
- Proposals to be resolved:**
- Proposal 1:** Election of nine (9) Directors
- Proposal 2:** Election of three (3) Auditors
- 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: 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 to 11.

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

Board of Directors Skills Matrix											
No.	Name	①Corporate management	②Finance / Accounting	③Marketing	④Manufacturing	⑤Research / Development / IT	⑥Law	⑦Risk management	⑧Personnel and labor relations	⑨Global management	⑩ESG and sustainability
1	Masayuki Aoyama	◎			◎			◎			○
2	Yoshiharu Inomata	○			○	○		◎	○		◎
3	Kenichi Hara	○		◎	○			○		○	○
4	Terunobu Matsuyama	○	◎		○	○	◎	◎	◎		○
5	Hiroaki Ichiyanagi	○		○	○	◎		○		○	○
6	Kazuo Iwadate	○			◎	◎		○			○
7	Shinya Matsumoto	○					◎	○			
8	Hikari Imai	◎	○					○		◎	
9	Yukari Sakai	○	◎					○	○		

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

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 Director & Representative Director (to present)</p> <p>May 2021 Member of Nomination and Compensation Committee (to present)</p>	4,700
	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>	5,527
	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>	3,700
	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>	4,343
	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 Ichiyanagi (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>	1,800
	Reason for nomination as candidate for Director	The Company nominated Hiroaki Ichiyanagi 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 Iwadate (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>	1,551
	Reason for nomination as candidate for Director	The Company nominated Kazuo Iwadate 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	<p>[Candidate for Outside Director] Shinya Matsumoto (August 12, 1959)</p>	<p>April 1987 Registered as attorney, joined Marunouchi Sogo Law Office July 1996 Partner and attorney, Marunouchi Sogo Law Office June 2001 Outside Corporate Auditor, Impress Corporation (now Impress Holdings, Inc.) (to present) June 2006 Member of Special Committee, the Company June 2007 Outside Director, The Shibusawa Warehouse Co., Ltd. (to present) October 2011 Partner and Representative Attorney, Marunouchi Sogo Law Office (to present) June 2013 Outside Director, the Company (to present) 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	<p>[Candidate for Outside Director] Hikari Imai (July 23, 1949)</p>	<p>April 1974 Joined Yamaichi Securities Co., Ltd. January 1986 Joined Morgan Stanley Japan Securities Co., Ltd. April 1993 Joined Merrill Lynch Japan Incorporated January 1999 Deputy Chairman, and Chairman, Investment Banking Division, Merrill Lynch Japan Securities Co., Ltd November 2007 Vice-President and Director, RECOF Corporation April 2008 President, RECOF Corporation July 2010 Advisor, Ebara Foods Industry, Inc. April 2012 Outside Director, Olympus Corporation June 2015 Outside Director, CYBERDYNE Inc. (to present) June 2016 Outside Director, the Company (to present) November 2019 Outside Director, SHIMACHU CO., LTD. May 2021 Member of Nomination and Compensation Committee, the Company (to present) 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 ten years at the conclusion of this Annual General Shareholders Meeting.
 - (ii) Mr. Hikari Imai will have served as Outside Director of the Company for seven years at the conclusion of this Annual General Shareholders Meeting.
 - (iii) Ms. Yukari Sakai will have served as Outside Director of the Company for two 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 2: Election of three (3) Auditors

The terms of office of three (3) Auditors will expire at the conclusion of this year's Annual General Shareholders Meeting. Accordingly, the election of three (3) Auditors is proposed. The candidates are as follows.

This proposal has prior consent of the Board of Auditors.

No.	Name (Date of birth)	Career summary, positions, and significant concurrent positions	Number of shares of the Company held
1	Kiichi Tatsunaka (June 26, 1944)	<p>April 1963 Joined the Company</p> <p>December 1995 Assistant General Manager, Administration Dept., Hachinohe Plant and Manager, Finance & Accounting Dept.</p> <p>July 1999 Assistant General Manager, Finance & Accounting Dept. and Manager, Finance & Planning Dept.</p> <p>April 2003 General Manager, Finance & Accounting Dept.</p> <p>June 2003 Auditor</p> <p>June 2005 Permanent Auditor (to present)</p>	10,700
	Reason for nomination as candidate for Auditor	The Company nominated Kiichi Tatsunaka as a candidate for Auditor because we determined that he is capable of properly performing his duties as Auditor based on his appropriate knowledge in finance and accounting due to his previous positions in the Company's Finance & Accounting Dept.	
2	[Candidate for Outside Auditor] Ken Yasuda (May 24, 1953)	<p>April 1976 Joined The Kyowa Bank, Ltd.</p> <p>April 1995 Manager of Kawachi Chiyoda Branch, The Asahi Bank, Ltd.</p> <p>April 1997 Manager of Kosaka Branch, The Asahi Bank, Ltd.</p> <p>June 1999 Manager of Kudan Branch, The Asahi Bank, Ltd.</p> <p>April 2001 Manager of Tokyo Chuo Branch and General Manager of Branch Sales Dept. No.1, The Asahi Bank, Ltd.</p> <p>July 2001 General Manager of Tokyo Chuo Region Sales Dept. and General Manager of Regional Sales Dept. No.1, The Asahi Bank, Ltd.</p> <p>January 2003 Manager of Tokyo Chuo Branch, The Asahi Bank, Ltd.</p> <p>June 2003 Executive Officer, General Manager of Tokyo Sales Administration Dept. and In Charge of Tokyo Real Estate Dept., Resona Bank, Limited</p> <p>October 2003 Executive Officer and General Manager of Tokyo Sales Dept., Resona Bank, Limited</p> <p>June 2006 General Manager of General Affairs Dept., JCB Co., Ltd.</p> <p>June 2007 Standing Corporate Auditor, Hibiya Engineering, Ltd.</p> <p>June 2016 External Auditor, Nihon Plast Co., Ltd.</p> <p>June 2018 Auditor, the Company (to present)</p>	0
	Reason for nomination as candidate for Outside Auditor	The Company nominated Ken Yasuda as a candidate for 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 auditor at other companies.	

No.	Name (Date of birth)	Career summary, positions, and significant concurrent positions	Number of shares of the Company held
3	[New candidate] [Candidate for Outside Auditor] Yutaka Iimura (June 26, 1962)	<p>April 1985 Joined Hokkaido-Tohoku Development Finance Public Corporation</p> <p>June 2009 Senior Manager in charge of credit determination, Credit Analysis Department, Development Bank of Japan Inc.</p> <p>June 2010 Representative Director and Senior Managing Director, Shin-Mutsu-Ogawara Inc.</p> <p>June 2012 Senior Manager in charge of credit appraisal, Credit Analysis Department, Development Bank of Japan Inc.</p> <p>June 2014 General Manager, Planning & Research Dept., Tomakomai Port Development Co, Ltd.</p> <p>June 2015 Director, General Manager, Ferry Terminal Business; General Manager, Planning & Research Dept.</p> <p>June 2019 Managing Director, General Manager, Ferry Terminal Business; General Manager, Planning & Research Dept.</p> <p>June 2021 Senior Executive Director, Hokkaido-Tohoku Regional Economic Research Institute (to present)</p> <p>April 2023 Senior Research Director, Japan Economic Research Institute Inc. (to present)</p>	0
	Reason for nomination as candidate for Outside Auditor	The Company nominated Yutaka Iimura 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 at other companies.	

- Notes:
1. Mr. Yutaka Iimura is a new candidate for Auditor.
 2. There are no special interests between each candidate and the Company.
 3. Contract for limited liability with Auditors
The Company has entered into a contract for limited liability with candidate for Auditor Mr. Ken Yasuda pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act and Article 39 of the Articles of Incorporation, and plans to continue the said contract subject to the approval of his reappointment.
Furthermore, if the candidate for Auditor Mr. Yutaka Iimura 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 Outside Auditors are as follows.
 - (1) Candidates Mr. Ken Yasuda and Mr. Yutaka Iimura are candidates for Outside Auditors provided for in Article 2, Paragraph 3 (viii) of the Ordinance for Enforcement of the Companies Act.
The Company has designated Mr. Ken Yasuda as Independent Auditor pursuant to the regulations set forth by the Tokyo Stock Exchange and submitted a notification of his designation to the said exchange.
Furthermore, the Company plans to designate Mr. Yutaka Iimura 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) Mr. Ken Yasuda will have served as Outside Auditor of the Company for five years at the conclusion of this Annual General Shareholders Meeting.
 - (3) Candidates Mr. Ken Yasuda and Mr. Yutaka Iimura 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.

<Reference>

●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, 2022 - March 31, 2023)

1. Overview of the Corporate Group

(1) Business Progress and Results

During the fiscal year ended March 31, 2023, the Japanese economy saw a pickup in corporate earnings, personal consumption, and other factors, though it was influenced by the trend in COVID-19. There was a recovery trend with weakness seen in the Japanese economy, as the simultaneous occurrence of the high resource prices and the appreciation of the U.S. dollar affected business activities etc.

As for overseas economies, although there was steady performance in the employment and income environment in general, certain areas of the economic recovery appear to have come to something of a standstill due primarily to the impact of concerns about financial and capital market fluctuations, the prolonged situation in Ukraine, and concerns about economic slowdown driven by accelerating inflation.

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, demand trended to recover in line with trends towards the normalization of economic activities. In China, although there is an expectation for a recovery in demand for stainless steel, the signs of such a recovery have not yet manifested. This, along with the impact of China's COVID policy, the sluggish real estate market in China, concerns about the prolonged situation in Ukraine, and other factors meant that there was increasing uncertainty in the market condition, with capacity utilization rates of production facilities starting to vary.

As a result, the demand for ferronickel showed slowdown.

On the procurement front, prices of nickel ore, the primary raw material for ferronickel products, have remained high against the backdrop primarily of the impact of Indonesia's unprocessed ore export ban and a robust demand for nickel ore. Moreover, prices of raw materials and fuel as well as of electricity rose sharply due to the steep rise in resource prices globally, resulting in acceleration of the rate of the increase in production costs.

Nickel prices on the London Metal Exchange (LME) were at a relatively high level. However, in addition to the impact of financial and capital market fluctuations, complex factors related to the situation in Ukraine, and unstable prices of crude oil and other commodities, there were also concerns about an economic slowdown due to accelerating inflation, and prices remained directionless.

In this situation, the Company's ferronickel sales volume was planned modestly due to the impact of production decrease caused by the electric furnace molten material leakage incident that occurred in one of the three furnaces in the ferronickel manufacturing facilities just before the end of the previous fiscal year. In addition, the Company changed its policy with the objective of strategically controlling volume to a certain level so as not to impair profitability, in view of the easing of the nickel supply-demand balance and because overseas producers of stainless steel are shifting some of their procurement to nickel pig iron, which has a price advantage, even including with respect to production costs, and the price of nickel pig iron is also affecting the selling price of the Company's products. As a result, the ferronickel sales volume decreased by 54.2% year on year as a whole due to a decrease in both domestic and overseas sales.

The ferronickel production volume decreased year on year due to the impact of the electric furnace molten material leakage incident. Regarding the affected unit of the production facilities, its restoration and planned resumption of operations is expected to be in the next fiscal year; however, the Company will resume operation of the said electric furnace only once the volume control policy is lifted while also keeping a close eye on the business environment

The selling price of ferronickel products increased compared to the previous fiscal year as the LME nickel price applicable to the Company increased by 32.2% year on year and the average exchange rate of Japanese yen against U.S. dollar applicable to the Company was 21.1% weaker year on year. On the other hand, as mentioned previously, the Company also refers to the price of nickel pig iron in addition to the applicable LME nickel price and the applicable exchange rate when setting the selling price of the Company's products,

and thus the selling environment has rapidly changed into a difficult one with stagnant revenue growth.

Despite the rapidly evolving business environment and expectations that the COVID-19 pandemic and the situation in Ukraine will continue as mentioned above, the Company continues to implement measures in response to the highly uncertain business environment. To further strengthen its earnings base, 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 mine development as well as reinforcement of operational efficiency improvement measures to pursue cost minimization.

As a result, consolidated net sales for the fiscal year under review decreased by 39.0% year on year to ¥34,852 million. On the profit front, the Company posted operating loss of ¥12,588 million (compared with operating profit of ¥4,806 million for 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 ¥4,960 million (compared with ordinary profit of ¥12,999 million for the previous fiscal year), reflecting the recording of ¥7,066 million in share of profit of entities accounted for using equity method under non-operating income. Loss attributable to owners of parent was ¥5,026 million (compared with profit attributable to owners of parent of ¥11,368 million for the previous fiscal year) following the recording of a bonus incentive reward for reducing power consumption through participation in a winter-time power-saving campaign of our power supplier under extraordinary income and the costs for restoration after the electric furnace molten material leakage incident under extraordinary loss.

Operating results by business segment are as follows.

(Nickel business)

The operating results of the nickel business are as described above.

As a result, net sales in this segment decreased by 34.9% year on year to ¥34,135 million with operating loss of ¥12,441 million (compared with operating profit of ¥4,950 million for the previous fiscal year).

(Gas business)

In the gas business, despite the recording of costs associated with facility repair, the Company maintained a stable operation, with this segment recording a profit.

As a result, net sales in this segment increased by 34.4% year on year to ¥774 million with operating profit of ¥4 million (compared with operating loss of ¥10 million for the previous fiscal year).

(Other)

The segment of other businesses recorded a loss. The real estate business had few sales, and the waste recycling business's order-taking was sluggish.

As a result, net sales in this segment decreased by 88.0% year on year to ¥38 million with operating loss of ¥160 million (compared with operating loss of ¥142 million for the previous fiscal year).

Further, we have withdrawn from the waste recycling business as we did not expect that it would become profitable in future. Moving forward, we will consider a business in which new recycled resources are used as raw materials through use of the manufacturing equipment from said waste recycling business.

Net sales by business segment

Segment	96th Term Year ended March 31, 2022		97th Term Year ended March 31, 2023		Change	
	Amount	Share	Amount	Share	Amount	Share
	(Million yen)	%	(Million yen)	%	(Million yen)	%
Nickel business	56,338	98.6	34,135	97.9	(22,202)	(39.4)
Gas business	576	1.0	774	2.2	198	34.4
Other	324	0.6	38	0.1	(285)	(88.0)
Inter-segment eliminations	(109)	(0.2)	(97)	(0.2)	12	—
Total	57,129	100.0	34,852	100.0	(22,277)	(39.0)

Operating profit (loss) by business segment

Segment	96th Term Year ended March 31, 2022		97th Term Year ended March 31, 2023		Change	
	Amount	Share	Amount	Share	Amount	Share
	(Million yen)	%	(Million yen)	%	(Million yen)	%
Nickel business	4,950	103.0	(12,441)	98.8	(17,392)	—
Gas business	(10)	(0.2)	4	(0.0)	14	—
Other	(142)	(3.0)	(160)	1.3	(17)	—
Inter-segment eliminations	9	0.2	9	(0.1)	0	0.0
Total	4,806	100.0	(12,588)	100.0	(17,395)	—

(2) Issues to Be Addressed

1) Future Outlook

With regard to the consolidated financial forecast, the economic outlook remains highly uncertain as global inflation, the situation regarding the financial and capital market, COVID-19 and the situation in Ukraine continue to affect the domestic and overseas economies.

On the volume front, in view of the easing of the nickel supply-demand balance and with producers of stainless steel shifting some of their procurement to nickel pig iron, which has a price advantage, even including with respect to production costs, and with the price of nickel pig iron also affecting the selling price of the Company's products, our forecast is for a harsh environment. Continuing on from the previous year, we expect to implement a strategic volume control policy, with which achieving a certain degree of profitability should not be hampered.

In terms of losses on the selling price front and as described earlier, the Company refers to the price of nickel pig iron in addition to the applicable LME nickel price and the applicable exchange rate when setting the selling price of the Company's products. On the procurement price front, the prices of raw materials and fuel as well as of electricity are at high levels owing to the high price of nickel ore, the primary raw material for ferronickel products, and the steep rise in resource prices globally. Accordingly, a significant impact on the price front is expected.

Although the impacts of COVID-19 and the situation in Ukraine are expected to continue in the next fiscal year, response measures to address such 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) New Medium-Term Business Plan "PAMCO-2024"

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 new medium-term business plan covering the period from FY2022 to FY2024 (hereinafter, PAMCO-2024) to realize this vision.

- (1) Long-term vision: “A comprehensive materials company that co-creates a sustainable, recycling-oriented society”
- (2) Theme of PAMCO-2024: “Further strengthen the platform and promote the sustainability strategy”
- (3) Materiality and Priority Measures (1) to 9))
 - Contribute to the achievement of the SDGs through the resolution of material issues—
 - Restructuring of ferronickel production and sales systems with emphasis on profitability
 - 1) Establishment of optimal production system by reviewing production strategy
 - 2) Strengthening of cost competitiveness by reviewing procurement strategy
 - Acceleration of consideration of expansion into overseas smelting business
 - 3) Promotion of overseas smelting projects and start-up of production
 - Creation of new businesses that contribute to society
 - 4) Promotion of production and sales of raw materials for LIB materials
 - Diversification of business in Japan to contribute to a recycling-oriented society
 - 5) Restructuring of recycling business
 - Enhancement of corporate value by addressing sustainability issues
 - 6) Sustainability Promotion Council
 - Promotion of medium- and long-term initiatives related to material sustainability issues—
 - 7) Reduction of GHG emissions
 - 8) Promotion of symbiosis by contributing to the development of regions and resource-rich countries
 - 9) Promotion of constructive dialogue with stakeholders

For details, please also refer to our website (Medium-term Management Plan).

(<https://www.pacific-metals.co.jp/ir/term.php>)

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 ¥1,202 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)

(Million yen)

Item	94th Term Year ended March 31, 2020	95th Term Year ended March 31, 2021	96th Term Year ended March 31, 2022	97th Term Year ended March 31, 2023 (Fiscal year under review)
Net sales	44,133	32,217	57,129	34,852
Ordinary profit (loss)	972	3,344	12,999	(4,960)
Profit (loss) attributable to owners of parent	625	1,162	11,368	(5,026)
Basic earnings per share (yen)	32.06 yen	59.61 yen	582.93 yen	(257.75) yen
Total assets	69,960	75,484	89,852	78,825
Net assets	63,506	67,014	80,153	72,034
Net assets per share (yen)	3,242.70 yen	3,421.84 yen	4,095.12 yen	3,678.90 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
	(Thousand yen)	%	
Taiheiyo Kosan Co., Ltd.	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 15-17).

(10) Principal Business (as of March 31, 2023)

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

(11) Principal Business Locations (as of March 31, 2023)

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
Taiheiyō Kosan Co., Ltd.	Hachinohe City, Aomori
Pacific Gas Center Co., Ltd.	Hachinohe City, Aomori

(12) Employees (as of March 31, 2023)

Number of employees	Year-on-year increase (decrease)
468	8

(13) Major Lenders (as of March 31, 2023)

Not applicable.

2. Shares of the Company (as of March 31, 2023)

- (1) Total number of shares authorized to be issued 50,000,000 shares
- (2) Total number of shares issued and outstanding 19,502,036 shares
(excluding 75,035 treasury shares)
- (3) Number of shareholders 16,315 persons (up 1,893 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)	3,257	16.70
NIPPON STEEL Stainless Steel Corporation	2,049	10.51
Custody Bank of Japan, Ltd. (Trust account)	1,373	7.04
STATE STREET BANK AND TRUST COMPANY 505103	1,240	6.36
BBH FOR FIDELITY PURITAN TR: FIDELITY SR INTRINSIC OPPORTUNITIES FUND	712	3.65
Tachibana Securities Co., Ltd.	685	3.52
JP MORGAN CHASE BANK 385781	439	2.25
J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SEGR ACCT	430	2.21
GOVERNMENT OF NORWAY	376	1.93
Business Partners' Shareholding Association, PACIFIC METALS CO., LTD.	217	1.12

- 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 (19,502,036 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, 2023)

- (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, 2023)

Position	Name	Responsibilities and significant concurrent positions
President Director	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
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, CYBERDYNE Inc. 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	Hideki Ogata	
Auditor	Shuzo Ikeda	External Auditor, NIHON PLAST CO., LTD.

- Notes: 1. Messrs. Shinya Matsumoto and 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 Messrs. Shinya Matsumoto and 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. Messrs. Ken Yasuda, Hideki Ogata, and Shuzo Ikeda 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 Messrs. Ken Yasuda, Hideki Ogata, and Shuzo Ikeda 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.
3. 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.
 4. Auditors Messrs. Ken Yasuda, Hideki Ogata, and Shuzo Ikeda 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, 2023)

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 Meeting of Shareholders 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)	177	177 (19)	— (—)	— (—)	9 (3)
Auditors (of which, Outside Auditors)	38	38 (18)	— (—)	— (—)	4 (3)

- Notes: 1. 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 parent of the owners of 5,026 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 Directors (excluding Outside Directors) in accordance with the Directors' Remuneration Policy.
2. 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
3. Outside Directors and Auditors do not receive officers' remuneration, etc., from subsidiaries.

(4) 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 21 of the 21 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, CYBERDYNE Inc. Outside Director, FUJI SOFT INCORPORATED	Mr. Imai attended 21 of the 21 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: 100.0%) 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 21 of the 21 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 21 of the 21 Board of Directors meetings and 16 of the 16 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%)
Hideki Ogata	Auditor Independent Officer		Mr. Ogata attended 21 of the 21 Board of Directors meetings and 16 of the 16 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 21 of the 21 Board of Directors meetings and 16 of the 16 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 Messrs. Shinya Matsumoto and Hikari Imai and Ms. Yukari Sakai and Auditors Messrs. Ken Yasuda, Hideki Ogata, and Shuzo Ikeda and the Company.
2. There are no special interests between the corporations, etc. where Directors Messrs. Shinya Matsumoto and Hikari Imai and Ms. Yukari Sakai and Auditor Mr. Shuzo Ikeda serve in concurrent positions and the Company.

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, 2023	40
Total amount of cash and other property interest payable by the Company or its subsidiaries to Accounting Auditor	40

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 2022), 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 Meeting of Shareholders 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 (former Crisis Response 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 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 21 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 16 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 (former Crisis Response Committee) met 11 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 two 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, 2022	As of March 31, 2023	Description	(Reference) As of March 31, 2022	As of March 31, 2023
Assets			Liabilities		
Current assets	57,882	44,247	Current liabilities	5,508	2,539
Cash and deposits	26,332	16,848	Notes and accounts payable - trade	1,341	760
Notes and accounts receivable - trade	13,994	6,593	Accrued expenses	1,761	1,018
Securities	2,999	1,500	Income taxes payable	1,026	7
Merchandise and finished goods	5,649	8,204	Provision for bonuses	444	95
Work in process	453	361	Other	935	657
Raw materials and supplies	5,587	5,836	Non-current liabilities	4,190	4,252
Other	2,867	4,904	Retirement benefit liability	122	50
Allowance for doubtful accounts	(2)	(1)	Deferred tax liabilities	2,077	2,087
Non-current assets	31,970	34,577	Deferred tax liabilities for land revaluation	631	631
Property, plant and equipment	7,734	8,383	Provision for environmental measures	5	11
Buildings and structures	2,592	2,424	Provision for loss on litigation	34	-
Machinery, equipment and vehicles	115	852	Provision for loss contract	1,306	1,273
Land	4,777	4,777	Provision for restoration cost	-	187
Other	248	329	Other	11	10
Intangible assets	1	239	Total liabilities	9,699	6,791
Investments and other assets	24,234	25,954	Net assets		
Investment securities	23,903	25,518	Shareholders' equity	75,542	67,491
Retirement benefit asset	-	198	Share capital	13,922	13,922
Other	336	243	Capital surplus	3,481	3,481
Allowance for doubtful accounts	(5)	(5)	Retained earnings	58,590	50,540
Total assets	89,852	78,825	Treasury shares	(450)	(452)
			Accumulated other comprehensive income	4,323	4,254
			Valuation difference on available-for-sale securities	4,603	3,831
			Revaluation reserve for land	593	593
			Foreign currency translation adjustment	(969)	(510)
			Remeasurement of defined benefit plans	95	340
			Non-controlling interests	287	287
			Total net assets	80,153	72,034
			Total liabilities and net assets	89,852	78,825

Consolidated Statements of Income

(Million yen)

Description	(Reference) From April 1, 2021 to March 31, 2022	From April 1, 2022 to March 31, 2023
Net sales	57,129	34,852
Cost of sales	48,962	45,144
Gross profit	8,167	(10,292)
Selling, general and administrative expenses	3,360	2,296
Selling expenses	1,665	852
General and administrative expenses	1,694	1,443
Operating profit (loss)	4,806	(12,588)
Non-operating income	8,461	7,803
Interest income	8	13
Dividend income	418	459
Rental income from real estate	103	103
Share of profit of entities accounted for using equity method	6,483	7,066
Foreign exchange gains	1,311	-
Other	135	160
Non-operating expenses	268	175
Interest expenses	0	0
Foreign exchange losses	-	4
Rental expenses on facilities	20	18
Commitment fees	27	26
Commission for syndicated loans	90	4
Foreign withholding tax	58	64
Provision for environmental measures	-	34
Other	70	22
Ordinary profit (loss)	12,999	(4,960)
Extraordinary income	192	1,241
Gain on sale of non-current assets	0	0
Gain on sale of investment securities	192	386
Received incentive	-	854
Extraordinary losses	396	567
Impairment losses	317	-
Loss on retirement of non-current assets	78	115
Loss on retirement of inventories	-	34
Facility restoration expenses	-	418
Profit (loss) before income taxes	12,795	(4,287)
Income taxes - current	1,462	501
Income taxes - deferred	(46)	237
Profit (loss)	11,379	(5,026)
Profit attributable to non-controlling interests	10	0
Profit (loss) attributable to owners of parent	11,368	(5,026)

Non-Consolidated Balance Sheets

(Million yen)

Description	(Reference) As of March 31, 2022	As of March 31, 2023	Description	(Reference) As of March 31, 2022	As of March 31, 2023
Assets			Liabilities		
Current assets	57,413	43,733	Current liabilities	5,390	2,458
Cash and deposits	25,759	16,315	Accounts payable - trade	1,350	768
Accounts receivable - trade	13,931	6,528	Accounts payable - other	487	525
Securities	2,999	1,500	Accrued expenses	1,734	976
Merchandise	442	417	Income taxes payable	1,011	–
Finished goods	5,329	7,883	Provision for bonuses	412	74
Raw materials	4,542	4,890	Other	395	113
Work in process	462	365	Non-current liabilities	4,080	3,819
Supplies	1,045	885	Provision for retirement benefits	180	68
Advance payments to suppliers	1,914	1,302	Deferred tax liabilities	1,909	1,637
Other	986	3,645	Deferred tax liabilities for land revaluation	631	631
Allowance for doubtful accounts	(0)	(0)	Provision for environmental measures	5	11
Non-current assets	18,383	17,956	Provision for loss on litigation	34	–
Property, plant and equipment	7,547	8,197	Provision for loss contract	1,306	1,273
Buildings	2,450	2,262	Provision for restoration cost	–	187
Land	4,777	4,777	Other	11	10
Other	318	1,156	Total liabilities	9,471	6,278
Intangible assets	0	239	Net assets		
Investments and other assets	10,835	9,519	Shareholders' equity	61,190	51,066
Investment securities	8,130	6,908	Share capital	13,922	13,922
Shares of subsidiaries and associates	2,378	2,378	Capital surplus	3,481	3,481
Other	332	238	Legal capital surplus	3,481	3,481
Allowance for doubtful accounts	(5)	(5)	Retained earnings	44,237	34,116
Total assets	75,797	61,689	Legal retained earnings	382	382
			Other retained earnings	43,855	33,734
			General reserve	10,300	10,300
			Retained earnings brought forward	33,555	23,434
			Treasury shares	(450)	(452)
			Valuation and translation adjustments	5,135	4,344
			Valuation difference on available-for-sale securities	4,542	3,751
			Revaluation reserve for land	593	593
			Total net assets	66,325	55,411
			Total liabilities and net assets	75,797	61,689

Non-Consolidated Statements of Income

(Million yen)

Description	(Reference) From April 1, 2021 to March 31, 2022	From April 1, 2022 to March 31, 2023
Net sales	56,527	34,095
Cost of sales	48,416	44,427
Gross profit	8,110	(10,331)
Selling, general and administrative expenses	3,333	2,232
Selling expenses	1,734	882
General and administrative expenses	1,599	1,350
Operating profit (loss)	4,776	(12,564)
Non-operating income	8,275	5,470
Interest income	8	13
Dividend income	6,734	5,214
Rental income from real estate	113	113
Foreign exchange gains	1,311	-
Other	106	129
Non-operating expenses	268	167
Interest expenses	0	0
Rental expenses on facilities	20	18
Commitment fees	27	26
Commission for syndicated loans	90	4
Foreign withholding tax	58	64
Settlement on contract	20	-
Provision for environmental measures	-	34
Other	50	18
Ordinary profit (loss)	12,783	(7,261)
Extraordinary income	192	1,238
Gain on sale of non-current assets	0	-
Gain on sale of investment securities	192	386
Received incentive	-	852
Extraordinary losses	396	567
Impairment losses	317	-
Loss on retirement of non-current assets	78	115
Loss on retirement of inventories	-	34
Facility restoration expenses	-	418
Profit (loss) before income taxes	12,579	(6,590)
Income taxes - current	1,442	491
Income taxes - deferred	(22)	17
Profit (loss)	11,159	(7,098)