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October 29, 2026

To whom it may concern,

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Notice Concerning Recording of Cost of Sales (Write-down of Inventories), Recording of Non-operating Income (Share of Profit of Entities Accounted for Using Equity Method), and Revisions to Financial Results Forecast

PACIFIC METALS CO., LTD. (the "Company") hereby announces that it has recorded a write-down of inventories under cost of sales and share of profit of entities accounted for using equity method under non-operating income for the six months ended September 30, 2026 (April 1, 2026 through September 30, 2026). The Company also announces that, in light of the most recent performance trend, it has decided to revise the consolidated financial results forecast for the six months ended September 30, 2026 (April 1, 2026 through September 30, 2026) and for the fiscal year ending March 31, 2027 (April 1, 2026 through March 31, 2027) announced on August 6, 2026. The details are described below.

● Details of cost of sales (write-down of inventories)

In the three months ended June 30, 2026, the Company recorded a reversal of write-down of inventories amounting to 393 million yen (decrease in cost of sales) under cost of sales, mainly in the nickel business. However, due to a recognized decline in the profitability of inventories (merchandise and finished goods, work in process, raw materials and supplies), in the six months ended September 30, 2026, the Company expects to record a write-down of inventories amounting to 1,701 million yen (increase in cost of sales) under cost of sales. As a result, the Company expects to record a write-down of inventories amounting to 1,308 million yen for the six months ended September 30, 2026.

● Details of non-operating income (share of profit of entities accounted for using equity method)

The Company expects to record share of profit of entities accounted for using equity method of 3,670 million yen for the six months ended September 30, 2026, in addition to the 1,002 million yen already recorded for the three months ended June 30, 2026, due mainly to strong performance of entities accounted for using equity method in the Philippines, supported by strong demand. As a result, for the six months ended September 30, 2026, the Company expects to record share of profit of entities accounted for using equity method of 4,672 million yen.

● Revisions to financial results forecast

1. Revisions to consolidated financial results forecast for six months ended September 30, 2026 (April 1, 2026 through September 30, 2026)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share
Previously announced forecast (A) (Announced on August 6, 2026)	Million yen 5,356	Million yen (3,983)	Million yen (754)	Million yen (958)	Yen (55.10)
Revised forecast (B)	5,449	(4,009)	957	645	37.13
Change (B-A)	93	(26)	1,711	1,603	
Change (%)	1.7	―	―	―	
(Reference) Actual results for the six months ended September 30, 2026	4,463	(4,042)	(1,086)	(1,095)	(59.91)

2. Revisions to consolidated financial results forecast for fiscal year ending March 31, 2027 (April 1, 2026 through March 31, 2027)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share
Previously announced forecast (A) (Announced on August 6, 2026)	Million yen 10,618	Million yen (6,185)	Million yen 698	Million yen 134	Yen 7.71
Revised forecast (B)	11,188	(6,035)	1,831	1,321	75.94
Change (B-A)	570	150	1,133	1,187	
Change (%)	5.4	―	162.3	885.8	
(Reference) Actual results for the fiscal year ended March 31, 2026	9,414	(4,971)	3,323	2,610	146.04

3. Reasons for revisions

With regard to the consolidated financial results forecast, the global economic outlook remains highly uncertain due to the effects associated with multiple factors including a slump in domestic demand in China, developments in the financial and capital markets, and continued high geopolitical risks.

On the volume front of the Company's ferronickel products, the environment in which the Company operates has remained largely unchanged. Although the Company has continued with the policy of volume control from a profitability perspective, upon consideration of the impact on inventories and profits and other factors, it expects some increases from the previously announced forecast.

On the selling price front of ferronickel products, the Company also partly refers to the price of nickel pig iron in addition to the market prices applicable to the Company, so revenue is restrained to a certain extent. On the procurement front, the prices of nickel ore, the primary raw material, other raw materials, fuel, and electricity remain high and are expected to significantly impact profits.

In other areas, regarding the effects of write-downs of inventories, additional write-downs of inventories are expected to be recorded for the first half of the fiscal year, and reversals are expected in the second half as the amount of the write-downs decreases. As in the previously announced forecasts, profit trends are expected to differ between the first half and second half of the fiscal year. In addition, the share of profit of entities accounted for using equity method is expected to affect non-operating income, as described in "Details of non-operating income (share of profit of entities accounted for using equity method)".

Furthermore, significant fluctuations in crude oil prices due to the situation in the Middle East have driven up energy-related prices, which is affecting costs. Although such impacts are spreading across economic activity as a whole, making quantitative forecasts difficult, the Company will pursue rigorous cost management, including the establishment of a flexible procurement structure, and strive to strengthen its earnings base.

Although the situation remains challenging, response measures against such a business environment are consistent with activities to be undertaken under the basic policies set forth by the Company in the "Medium to Long-term Strategy PAMCOvision 2031," and the Company will continue to strongly push forward with these measures. Accordingly, the consolidated financial results forecast has been revised as described above. For the underlying assumptions, please refer to "(Reference) Revisions to underlying assumptions" below.

(Note) The forward-looking statements including the financial results forecast contained herein are based on information currently available to the Company, as well as certain assumptions deemed reasonable by the Company. Actual results may differ significantly from these forecasts due to various factors.

(Reference) Revisions to underlying assumptions

	Sales volume (t)			Production volume (t)			Applicable LME nickel price ($/lb)			Applicable exchange rate (¥/$)		
	1st half	2nd half	Full year	1st half	2nd half	Full year	1st half	2nd half	Full year	1st half	2nd half	Full year
Previously announced forecast (Announced on August 6, 2026)	1,810	1,790	3,600	1,616	1,499	3,115	8.10	8.00	8.05	159.30	156.00	157.66
Revised forecast	1,844	1,956	3,800	1,763	1,643	3,406	8.09	7.53	7.80	159.51	157.94	158.70
(Reference) Actual results for the previous fiscal year ended March 31, 2026	1,890	2,072	3,962	1,787	1,828	3,615	6.95	6.88	6.91	147.83	153.62	150.87