



## Outside Directors Roundtable Discussion

We held a roundtable discussion on July 31, 2023, to discuss governance, challenges for future growth, and sustainability initiatives at the JX Metals Group.

### **A** Outside Director (Audit & Supervisory Committee Member) Sakuma Soichiro

Joined the predecessor to the current Nippon Steel Corporation in 1978. Served as representative director and executive vice president of Nippon Steel Corporation. In addition to serving currently as an executive advisor of NS Solutions Corporation, Mr. Sakuma also performs other duties as chair of the Public Interest Commission of the Cabinet Office of Japan, president of the Japan International Dispute Resolution Center, president of the Global Industrial and Social Progress Research Institute, and vice-chair of the OECD-BIAC Investment and Responsible Business Committee. He became an outside director with JX Metals Corporation in June 2022.

### **B** Outside Director Itoh Motoshige

Awarded a Ph.D. in economics from the University of Rochester in 1979. After serving as a professor in the Graduate School of Economics at the University of Tokyo, chair of the Nippon Institute for Research Advancement, and professor in the Faculty of International Social Science at Gakushuin University, he assumed his current post as professor emeritus at the University of Tokyo in June 2016. Mr. Itoh served as a member of the Council on Economic and Fiscal Policy for six years beginning in 2013. He has been an outside director of the Company since April 2022.

### **C** Outside Director Tokoro Chiharu

In 2004, Ms. Tokoro was named assistant professor at Waseda University, School of Science and Engineering. Named professor, Faculty of Science and Engineering, Waseda University, in 2015 (to present). In 2016, she became a project professor at the University of Tokyo, Institute of Industrial Science (to present). In

2021, she was named professor at the University of Tokyo, Graduate School of Engineering (to present). She has been an outside director of the Company since April 2021. In September 2022, she was appointed associate director of the Waseda Institute for Advanced Study and associate director of the Waseda Center for a Carbon Neutral Society (to present).

### **D** Representative Director and Chairman, JX Metals Corporation Murayama Seiichi

### **E** Outside Director (Audit & Supervisory Committee Member) Kawaguchi Rika

Registered as an attorney in 1997. Member of the Dai-Ichi Tokyo Bar Association Committee for Labor Laws (to present). Vice president of the Dai-Ichi Tokyo Bar Association, executive director of the Kanto Federation of Bar Associations, and other posts. In 2021, Ms. Kawaguchi became a family mediator of the Tokyo Family Court, vice president of the Dai-Ichi Tokyo Bar Association Promotion for Gender Equality Headquarters, member of the Japan Federation of Bar Associations Promotion for Gender Equality Headquarters, and controller of the Japan Philanthropic Association (to present). She became an outside director with JX Metals Corporation in June 2023.

### **F** Outside Director (Audit & Supervisory Committee Member) Futamiya Masaya

Joined Sompo Japan Insurance Inc. in 1974. Named president and chief executive officer of Nippon Koa Insurance Co., Ltd. and chair of Sompo Japan Nipponkoa Insurance Inc. (currently Sompo Holdings, Inc.). Named chair of the Japan Network for Public Interest Activities in 2018 (to present). Named senior advisor, Sompo Holdings, Inc. in 2022 (to present). Mr. Futamiya became an outside director with the JX Metals Corporation in June 2023.

### On the role of outside director and assessments of the Company's governance structure

**Murayama Seiichi:** In May 2023, we announced preparations to list our shares, and we are working to strengthen our governance structure in a manner appropriate for a listed company. We expect outside directors to make recommendations based on their respective experiences and expertise.

**Futamiya Masaya:** I am a newcomer to the board, but I plan to offer my input freely in the form of questions and proposals regarding risk management and compliance from the perspective of a corporate manager, as well as how to communicate medium- to long-term growth scenarios to audiences in Japan and overseas. I will also be happy to share my experience in the area of sustainability, including initiatives for biodiversity and human rights.

**Kawaguchi Rika:** I hope to help the Company build a strong governance structure based on my experience as an outside member of the Audit & Supervisory Committee, work in human resources and labor relations, and expertise as a lawyer. My life's work is in promoting gender equality, so I want to contribute to an awareness of true diversity in the Company in terms of making it easier for employees to work.

**Itoh Motoshige:** From an outside perspective as a researcher, I want to offer insights on economic trends. Recently, government councils have been discussing the SDGs and other topics. I believe I can offer advice on connecting government policy and business, as well as how public-private partnerships can work effectively.

**Sakuma Soichiro:** My background is in the metals industry. Despite the differences between ferrous and nonferrous metals, I think there are many similar management issues. I also have experience creating governance systems for government councils and at the Japan Business Federation (Keidanren). I think the Company has already formed a solid framework for an initial public offering by establishing itself as a company with an Audit & Supervisory Committee and full-time members of the Audit & Supervisory Committee.

**Tokoro Chiharu:** As a technology specialist, I am well aware of the high technological capabilities and future-oriented development activities of the Company. Joining the Board of Directors has provided a solid understanding of the situation backed by evidence. I think one of my roles is to provide advice to ensure that these wonderful technologies are evaluated properly.

**Itoh:** Society is changing rapidly, so discussing how to follow or anticipate the changes is important. It is also very important to discuss directions and mechanisms at length within the Company. As outside directors, we want to participate in these discussions actively.

**Sakuma:** For having a traditional background, the Company has a flat and open culture. This culture may be due to the fact that the business is orienting toward more advanced semiconductor and ICT materials. I think the Board of Directors mirrors this corporate atmosphere, which is conducive to discussion.

**Murayama:** Under a new structure beginning this fiscal year, we have five outside directors, including Mr. Futamiya and Ms. Kawaguchi as new outside directors. We want to move forward while strengthening our governance structure by drawing on the wide-ranging expertise of our outside directors in managing a corporate board.

### Challenges in the run-up to an IPO and future growth strategy

**Itoh:** The Company has highly competitive products in new fields such as semiconductor and ICT materials. With the increasing focus on decarbonization and resource recycling, I believe the Company has become a key player in the market. So, in preparation for the IPO, it will be important to first communicate the long-term strategy and investments in growth to the outside world. At the same time, the background to the Company's strength in advanced materials is the accumulation of technology and experience over a long history. Therefore, JX Metals must act with a sense of speed in deciding how to reaffirm that value.

**Sakuma:** The most important issue in moving toward an IPO is to achieve steady growth. The Company has already established a vision with goals to raise operating profit from the current level of 100 billion yen to 250 billion yen by the year 2040. To do that will require a third pillar that is not part of the current product mix.

**Futamiya:** It's a very positive move that the Company has established a vision for 2040. The year 2030 is the year of the SDGs, while 2050 is the target year for decarbonization. I think that by 2040, which lies between these two milestones, the Company will have a history of successes, and the target of focused efforts will become clearer. I believe the Company's growth will be guided by its position as a technology-based company responding to needs for advanced materials, which are indispensable for the transformation to solve global issues.

**Tokoro:** As you say, the foundation of the Company is its technology-based approach. It will be important for future growth to foster basic capabilities applicable to any needs that may arise. Environmental issues and other societal demands are changing at a pace faster than we could have imagined. This change is an opportunity, but also a risk if misjudged. It will be important to seize upon the opportunities without fail.

**Futamiya:** To establish a correct understanding of the significance of the Company's role and expectations for the future, the Company must tailor communication not only to institutional investors, but also to NPOs and civil society. Both sides must have a correct understanding and expectations for the Company to receive support from well-educated shareholders.

**Kawaguchi:** One approach to gaining the understanding of civil society is through dialogue and collaboration. This area is a weakness for Japanese companies. It would benefit the Company to increase access to public interest foundations and NPOs, offering the abilities and skills of employees directly to

where there is a need. More initiatives to respond employees who want to be of service to society.

**Tokoro:** In my role as a university faculty member, I have regular opportunities to be in laboratory classes for elementary and junior high school students led by Company employees. Recently, I observed how the Company is revitalizing a local community by sponsoring a local soccer club. It is important that the Company continues activities contributing to the well-being of community residents and employees to deepen its value offering and earn the trust of civil society.

**Murayama:** In 2019, we formulated our first long-term vision, which defined us as a technology-based company responding to the expectations of our stakeholders through advanced materials. As you pointed out, we believe that we must change our corporate structure to one that takes on challenges routinely in a rapidly changing world. Only after we achieve this formation will we be able to become a company talked about in terms of growth potential.

### ESG and sustainability

**Tokoro:** The Company established its Sustainable Copper Vision for fiscal 2022. The world still considers copper, steel, and plastics as a single material in terms of recycling. Each material has its own direction for sustainability, so it's important to communicate this in a way that is easy to understand, domestically and internationally. The Sustainable Copper Vision shows the direction for copper materials to be sustainable and what role the Company plays in that direction. The Company needs to emphasize this vision in communications.

**Futamiya:** The general belief is that thermal recycling, which accounts for more than half of the recycling in Japan, emits a large amount of CO<sub>2</sub>. I was surprised to learn that the Company's Green Hybrid Smelting process reduces CO<sub>2</sub> significantly. I was also surprised to hear that the Company is quantifying and producing more accurate data regarding not only Scope 1 and 2, but also Scope 3 figures. This gives me the impression that the Company is addressing this issue in a very deep and technical way.

**Sakuma:** Copper is dominant within the metals industry, but in a completely different position from iron or aluminum. There are three reasons for this difference. The first is that copper, with its high electrical conductivity, will play a leading role in green and digital transformation. Second, as Mr. Futamiya mentioned, smelting is done in flash furnaces, which basically eliminates the

need for fossil fuels. Third is that the use of urban mines is economically viable. The Sustainable Copper Vision, based on these points, is both rational and praiseworthy. But I think the Company will need to work more in terms of how to communicate this vision to the world.

**Tokoro:** Last year, the Company began dialogues with various industries and companies involved in the use and production of copper. We understand that the ideas presented in the Sustainable Copper Vision and the related measures have been received very favorably by those whom the Company has met. JX Metals has also partnered with several companies and universities to promote resource recycling and decarbonization. It will be important to continue this kind of direct dialogue through the media and other channels to communicate the message widely throughout the world.

**Itoh:** When I look at the Company and other companies, stakeholders ask questions about sustainability, which is an important issue. But the questions differ entirely depending on the characteristics of the industry or history of the company in question. This isn't a bad thing, necessarily, but the ability to communicate these differences is what makes the true distinction. As a company that handles copper, the Company must encourage every employee to consider seriously what emphasis the Company should place on sustainability and the type of values to emphasize in everyday tasks.

**Futamiya:** I have always believed that a company cannot grow without the growth of its employees. It's important to create an environment in which everyone enjoys equal opportunities to learn, regardless of the type of job or specialty. Chairman Murayama mentioned changing the corporate structure. To do so will require eliminating vertical divisions and fostering cross-organizational understanding. In that sense, I think it would be effective to create opportunities for employees and executives to interact, such as an online corporate university.

**Kawaguchi:** I understand that historically, the Company has been divided into vertical sections, such as the division between resources and smelting. I also understand that the Company recently began to transfer key personnel from one section to another. In this sense, I think this is a period of trial and error in formulating a human resources strategy. But introducing new ideas by having people of different fields interact and take on new assignments within the Company will also foster change.

**Sakuma:** I think as far as being a traditional Company, JX Metals has been paying particular attention to the issue of human capital. I am not sure if this is sufficient, however. Generally speak-

ing, the best way to attract people is to offer a strong compensation package. But ESG and sustainability initiatives should also be an important element in evaluating a company and an attractive factor for students and mid-career hires. I hope the Company continues to make solid efforts to become a company of choice among employees.

**Itoh:** When I talk to young students and graduates today, they are all quick to consider changing jobs. The reason isn't necessarily that they want to change companies, but more that they want to expand their own possibilities. To attract and retain excellent people may require more than considerations of preserving the Company's organization. For example, serious considerations about the best means to grow employees.

**Kawaguchi:** Human resources are essential for future growth. Where we are today is that potential employees have the luxury of choosing their employer. I believe JX Metals offers a good benefits package and working environment. But the Company needs to go one step further and think about becoming a preferred company of choice by employees. Fail to do so, and the human capital information disclosed in annual securities reports, etc., will be form only, rather than truly meaningful. It would be very powerful if JX Metals Corporation can become a company offering a clear career and life plan to women in STEM.

**Tokoro:** The Company needs to communicate its values and contributions to society to attract female students and other human resources. At the same time, the Company must understand the needs of the individual and have the capability to engage in two-way communications. And to advance further will require appealing to the other party's values to elicit change, which can be tricky.

**Murayama:** You have made a number of points regarding external communications. Having an internal industry perspective, we have taken the content of the Sustainable Copper Vision for granted, failing to make a strong appeal to the public. We want to continue expanding our activities in the future by involving various stakeholders, even in more mundane activities.

### Expectations of the JX Metals Group

**Sakuma:** JX Metals has the potential to achieve both carbon neutrality and economic efficiency in a smooth manner. I hope to see the Company realize this potential reflected in corporate value. The Company is a very important part of the supply chain, as it manufactures about 400,000 tons of copper materials here in Japan. We have high expectations for JX Metals as a com-

pany that plays a role in Japan's economic security.

**Itoh:** Supply chain is an important keyword. When you look at the industrial structure overall, the value of providing materials and intermediate materials is extremely high. Once a seemingly behind-the-scenes field is in fact the lifeblood of an industry or an economy. The products the Company deals in are symbolic of this factor. At the same time, it is unrealistic to expect expansion solely under the traditional value model of making better products at lower prices. For example, the world now expects the ability to offer sustainability and other diverse values. It is a world of great risk. But I expect JX Metals will be up to the new challenges ahead.

**Kawaguchi:** The JX Metals history of taking on various challenges is one reason it is a technology-based company. While there have naturally been failures, I think the company has a history of success for the very reason that failures are allowed. I hope the Company retains this spirit as it aims to go public, continuing to be a company where employees work with vitality and enthusiasm.

**Futamiya:** I was impressed by the presentations on the Company's business activities, particularly its efforts to address the issue of abandoned mines. My understanding had been that a closed mine is a negative legacy that incurs ongoing costs and no positive results. But that understanding results in a lack of respect for the past. The Company uses the term *positive legacy*, and I have been impressed by the attitude of pursuing modern values while respecting past efforts. When we talk about environmental issues today, we tend to focus on climate change. We lag behind when it comes to biodiversity, but I have high expectations for the Company's efforts to utilize its positive legacy to transform itself into green infrastructure.

**Tokoro:** Society increasingly demands that the materials industry fulfill its expected role, and I feel this is a great opportunity for the Company. I hope to see JX metals become more and more visible in the public eye as a leading company in the materials industry. While there may be some hesitation in standing out due to unexpected consequences, I hope the Company sees the opportunity of stepping up and becoming a globally influential company.

**Murayama:** Thank you all for your valuable comments today. It is always our policy to welcome frank opinions at Board meetings, and I believe this is the most effective way to manage the board. Thank you for your continued support.

