



JX Metals Corporation
President & Representative Director
Hayashi Yoichi

Message From the President

Aiming to leap forward as a global leader in semiconductor and ICT materials through strategic investments to accelerate the growth of our Focus Businesses, structural reform in our Base Businesses, and social value creation

[Assuming Office as President]

**Fully confident in our vision, even amid significant environmental changes
Overcoming the challenges at hand and doing what it takes to advance steadily forward**

In 2019, the JX Metals Group announced the *JX Metals Group Long-Term Vision 2040*, which declared our transformation into a technology-based company. I was involved in creating this vision, and I believe this vision is an important guidepost for the future of the Group.

Surveying the landscape of future world trends reveals that resource-rich countries are prioritizing their internal resources holdings, due in part to rising resource nationalism. We expect that Japan will face challenges in securing a stable supply of resources in the future. It is also easy to imagine that the demand for advanced materials will accelerate as our data-driven society progresses even further. While the population of Japan has begun to decline, worldwide consumption will expand with growing global populations, economies, and the middle class in Asia. Three important perspectives come to mind: Avoiding resource depletion, utilizing advanced materials, and creating sustainable societies.

Given such a world, in what direction will the JX Metals Group journey? For one, in addition to mining mineral resources, as we have done since our founding, we will secure resources by focusing on recycling in the future. Second, we have built a foundation for technological development in advanced materials, which will become a growth driver. In terms of sustainability, resource recycling is a given. At the same time, we expect advanced materials will stimulate technological innovation, which in turn will contribute to the sustainability of societies with growing populations.

These perceptions form our basic direction. We have composed a picture in which we produce advanced materials and conduct materials development as our Focus Businesses, while our Base Businesses supply sustainable materials to our Focus Businesses in support.

These trends, which we first acknowledged about five years ago, have only become more acute over time. The issue of climate change has emerged with torrential rains, floods, and tornadoes in many parts of the world, while the resulting human suffering and economic loss have ballooned. Differences in ideas among nations have become an even greater risk than expect-

ed. For example, frictions have emerged between China and Russia, not to mention other countries and democracies. These frictions increase the risk of supply chain confusion and disruptions. Maintaining supply chains under dysfunctional global procurement is an urgent issue for manufacturers around the world. Our Base Businesses are increasingly important in terms of securing raw materials to support our Focus Businesses, which are the driver of JX Metals Group growth. At the same time, recycling is also rising in importance.

I took the opportunity of my appointment to president to reexamine our long-term vision. I reaffirmed the critical nature of this vision in light of the latest social trends and the management resources we possess. Under the current market conditions, we have seen that in the latter half of fiscal 2022, semiconductor and ICT materials entered an adjustment period from which they have yet to emerge. Meanwhile, our Base Businesses face intense competition for recycling collection and weakening smelting margins due to the construction of new smelters in Asia. To put it simply, my appointment as president is off to a challenging start. However, we are fully confident in our chosen direction. My current state of mind is to do what we must to make our long-term vision a reality.

[Reviewing the Previous Medium-Term Management Plan and FY2022 Results]

**Operating income of 305 billion yen over the three years of the medium-term management plan
Proof of portfolio reform and competence heading into the future**

We view the medium-term management plan covering the three-year period beginning fiscal 2020 as a period for sowing seeds toward our vision. From this perspective, I believe we achieved a certain degree of success. One example is our decision to increase existing capacity for semiconductor and ICT materials, which we have designated as growth areas. One of our most significant achievements was our decision to build new plants in Hitachinaka City, Ibaraki Prefecture, Japan, and in Arizona of the United States. We made these decisions after detailed internal discussions to determine the direction of the projects.

Meanwhile, our Base Businesses faced a challenging business environment as expected. Even in this environment, however, we addressed issues that included improving capital effi-

ciency and reducing interest-bearing debt. We also conducted a review of our business portfolio to improve profitability with an eye to the future. We concluded the sale of a portion of our interest in the Caserones Copper Mine, and we continued a review of our copper smelting structure that began two management plans prior, including the sale of our stake in LS-Nikko.

In terms of building a stronger foundation for ESG management, former president Murayama declared the Group's stance on decarbonization and began our shift to CO₂-free electricity, starting with the Caserones Copper Mine and major locations in Japan. In August 2022, we organized the Group's approach to the sustainable supply of copper, putting it into action in the form of the *Sustainable Copper Vision*. While Europe is the leading region in communicating concepts and regulations that emphasize social value, few examples exist in Japan. We are proud of the real progress we have made in communicating the Group's philosophy internally and externally.

We are no different than most Japanese companies in our disposition to be inward-looking regarding technology development, having a strong tendency to do everything in-house. That being said, we endeavored under the previous medium-term plan to adopt new mechanisms, including corporate venture capital and investments in domestic and overseas startups. At the same time, we began to reform our personnel system with an *Idea Seed Bank*, which serves as a platform for ideation within the company. We also pursued human resources development appropriate for a technology-based company. Although these efforts are not yet quantifiable, I believe we have planted seeds for the future.

In terms of business performance, JX Metals Group operating profit for fiscal 2022 was 68.7 billion yen, a decrease of 89.5 billion yen compared with the previous fiscal year. One contributing factor was a valuation loss of 75.3 billion yen resulting from the sale of a portion of our interest in the Caserones Copper Mine. Another factor was a decrease of 12.3 billion yen in profit due to the sale of our shares in LS-Nikko, a smelting business company in South Korea. A detailed analysis reveals various factors contributing to the change in profit, but semiconductor and ICT materials, which had been strong until fiscal 2021, declined in the latter half of fiscal 2022. This decrease was offset in part by improved sales prices for certain products, including sulfuric acid in our Base Businesses. Excluding the losses due to special factors, we view operating profit at around 140 billion yen.

Including portfolio realignment, over the three years of the medium-term management plan through fiscal 2022, we generated a cumulative operating profit of 305 billion yen. Considering these results, including the impairment loss recorded for

the Caserones Copper Mine, to be a strength, we see evidence of growth and competence, particularly in our Focus Businesses. At the same time, we conducted growth investments of 300 billion yen over the past three years, which means our financial position remains challenging.

[Medium-Term Management Plan for Fiscal 2023 to 2025]

Our new medium-term management plan will be a phase to mark out footprints for growth through the steady execution of growth strategies

Recently, we announced a new three-year medium-term management plan beginning fiscal 2023. Under the basic philosophy of this plan, we aim to leap forward as a global leader in semiconductor and ICT materials through strategic investments to accelerate the growth of our Focus Businesses, structural reform in our Base Businesses, and social value creation. When we announced this new plan, we also announced that the Group would prepare for a public share listing. We also changed the composition of our business segments under the new plan in our hope to provide a clearer understanding to stakeholders of the Group's growth strategy, helping stakeholders evaluate the results of our efforts more efficiently. Under our Focus Businesses, we changed the former Functional Materials Division and Thin Film Materials Division segment to the Semiconductor Materials and ICT Materials segments. In line with this change, we changed the name of our Base Businesses to Basic Materials. We believe these new classifications will make visualizing our businesses and markets easier.

If the previous medium-term business plan was a phase for sowing seeds, then our new plan is a phase to mark out footprints for growth through the steady execution of our growth strategy. No matter how aggressive our medium- to long-term vision may be, we cannot secure the belief of our stakeholders without a tangible footprint. The new plan is very important as a means to accumulate objective evidence and provide numerical support toward our long-term vision. Our target for cumulative operating profit over the three-year period is 309.2 billion yen. While this may seem like a minor modification of the 305 billion yen target in our previous medium-term plan, this target is actually an aggressive one when considering the sale of interests in the Caserones Copper Mine and LS-Nikko. This target assumes 1.6-times growth in our Focus Businesses.

Our 2040 Long-Term Vision provides an annual operating

profit target of 250 billion yen. This target reflects our expectation that Base Businesses will remain flat at around 50 billion yen, while Focus Businesses will grow to 200 billion yen, four times the current size. To reach this goal, our first order of business is to achieve the next three-year target and then chart a more solid path forward.

Our reason for listing on the stock market is to accelerate our growth strategy by speeding up decision-making and optimizing capital structure, measures that will lead to a transition. We will communicate the JX Metals Group goals to the outside world, including the stock market, in a manner easy to understand. Our focus will be on groupwide efforts to make JX Metals a recognized global leader in semiconductor and ITC materials by the time we finish our medium-term plan in fiscal 2025.

To this end, we must first ensure that the capital investments and new plant projects under our Focus Businesses take concrete shape and that our stakeholders recognize the growth potential of our group. Meanwhile, our Base Businesses encompass a major issue in terms of profit margins relative to invested capital. From the perspective of resource recycling, which I mentioned earlier, the smelting business represents an advantage, and we hope to improve capital efficiency as soon as possible.

It goes without saying that we will take a more detailed approach to the people and technologies that support future growth. We are already accelerating the growth of compound semiconductors to create a new product line that will become our next global niche product in addition to sputtering targets for semiconductors and rolled copper foil. We are determined to pave the way for crystal materials to become the next product line that supports profits during the span of this medium-term management plan.

While this growth strategy requires significant capital, at the same time, having made the decision to list shares, we must also solidify our financial position. Therefore, we launched a project for structural reforms to ensure investments for growth and financial soundness. As part of this project, we launched a fundamental review of our businesses with the cooperation of everyone across the Group. These reforms will be from a zero-base perspective in all aspects, including cost structure, financial condition, investment plans, and business portfolio.



[Sustainable Copper Vision]

Accelerating resource recycling and decarbonization efforts with like-minded partners for the evolution and wider adoption of sustainable copper

In recent years, society has become increasingly aware of the need to decarbonize and recycle resources. We, ourselves, felt compelled to take action toward making the decarbonization resource of copper more sustainable. Given these considerations, we announced the Sustainable Copper Vision, demonstrating our commitment to further measures for decarbonization, resource recycling, and responsible procurement. Over the past year or so, we have seen steady results from our efforts. In fact, we became the first Japanese company to obtain third-party certification for the calculation of the carbon footprint (CFP) of electrolytic copper. We were also the first Japanese company to receive The Copper Mark certification, a framework for assuring responsible copper production.

In addition to our own internal activities, we pursue communication with companies involved in the production and use of copper. Through these dialogues, we have come to understand that many people share the same ideas and direction as our Sustainable Copper Vision. We have also begun to identify the needs that exist in the supply chain for the production and use of sustainable copper. Green Enabling Partnerships are one way we work with companies and universities that share our goals

Section 1 Vision & Values

Message From the President

and agree to work in concert to implement these initiatives. We have already established partnerships with a number of entities from arterial to venous. We issued public announcements together with Intel Corporation, BHP, and Waseda University.

We will continue to pursue appropriate technological development, capital investment, and product design based on the wide-ranging needs of all parties involved in copper production and use. The Group will also cooperate with other companies and universities with which we have established partnerships to co-create efficient resource recycling systems, decarbonize supply chains, and offer products with higher environmental value and traceability to the world.

[The Keys to Change]

To shift from an equipment-oriented industry to a technology-oriented one, the most important change is a change in mindset

The JX Metals Group is shifting from an equipment-oriented company to a technology-oriented company, aiming for global growth through advanced materials. This change, however, is not as easy as it sounds. First, we must attract people who have ideas about product development and manufacturing for advanced materials. At the same time, no matter how superior the technology, nothing will be brought to the market when hampered by a fear of failure. It takes energy and fearless determination to engage in business development with an eye for the future. That energy is the unwavering desire to make it happen because the task is simply too important. The most crucial factor in shifting from an equipment-industry orientation to a technology orientation is changing the mindset of our people.

A technology-based company must have new ideas, logic, and discussions that transcend the status quo. A technology-based company must have a culture that values the process of creating new technologies, whether they result in success or failure. New developments are most likely to come from new ideas. Therefore, we must first nurture ideas. We must train our technical staff and administrative staff to embrace new ideas and challenges. Managers and systems must be in place to evaluate our employees in this light. Our companies must be attractive workplaces that hire, train, and elicit maximum performance, including a personnel evaluation system, job rotations, and other measures. I recognize that these efforts related to human resources and workplace environments represent high

hurdles.

But as we develop these ideas further, we must eventually ask ourselves whether our production sites are acceptable as they are today. For example, issues related to work styles are likely to emerge, including whether equipment and machinery can be monitored remotely. There are concerns that manufacturing will become unviable in 10 years without process innovation and labor savings. One major issue is developing human resources who think about on-site reform and have an objective view of the future.

During the previous medium-term management plan, we implemented a complete revision of our human resources system. Our objectives included evaluating and compensating key on-site support employees appropriately, recruiting and developing employees capable of growing our businesses, and providing environments in which every employee feels confident in taking on challenges. We also introduced flexible job rotations, such as transferring employees from business divisions to lead corporate divisions. People tend to think of things based on their own experiences. We want to take on reforms from fresh perspectives and ideas, respecting the opinions all manner of individuals, even those who have little experience or widely different experiences.

[Materialities]

Contribute tangible results to society for social issues suited particularly to JX Metals

The JX Metals Group has identified six materialities for priority action to realize our 2040 Long-Term Vision. Each materiality includes KPIs.

We consider contributing to environmental conservation our highest priority, not only through carbon-neutral initiatives, but through what we do as a non-ferrous metals producer, as described in the Sustainable Copper Vision. Because we are in the mineral resources and smelting business, we are in a unique position to ensure traceability from the mining stages. We believe we can provide indispensable materials to the world in a transparent and environmentally friendly manner.

We provide advanced materials that support lives and lifestyles. Here, the copper, minor metals, and precious metals we produce are indispensable for building sustainable and prosperous societies. Our products are critical for semiconductors, ICT, and renewable energy infrastructure. We understand that sup-

plying these materials is equally linked to contributing to lives and lifestyles.

Coexistence and co-prosperity with local communities is a concept we inherited from the company policies traced back to our original founding. For my own part, I want to take a broader view of the term local communities, contributing to the nation of Japan. Recently, we have seen more discussions on the importance of economic security. Japan supplies a significant portion of materials to the global semiconductor industry, even though Japan's share of chip manufacturing itself is minimal. Beyond semiconductors, raw materials will become increasingly important in industrial innovation. When that happens, we want to contribute to coexistence and co-prosperity with regions and countries, understanding where we can offer our strengths. We have seen a dramatic increase in the risk of supply chain disruptions in areas such as minerals and energy. Japanese manufacturers that possess superior materials must consider how to hedge risk with their own systems in place to avoid bottlenecks at the origins of where resources are located. This perspective is very meaningful. To coexist and co-prosper with the Japanese nation, industries, and other companies, we must add to our own strengths by ourselves.

To strengthen governance, we changed our legal structure to a company with an Audit Committee, effective June 28, 2023. We also added two independent outside directors, bringing the total number of independent outside directors to five. More than 10 years have passed since we removed our shares from the public market. During that time, we have had limited opportunities to experience external evaluations directly, including assessments related to the stock market. Corporate governance has changed dramatically over the past decade or so. This change is why we selected highly expert individuals willing to evaluate our governance from a strict perspective. Under this new structure, we will improve the effectiveness of the Board of Directors and strengthen governance to enhance corporate value.

[Message to Stakeholders]

JX Metals aspires to be a well-loved group with a well-known vision

We want investors to understand first that we are moving toward the long-term vision we have set for ourselves. The key phrase of this vision is to be the global leader in semiconductor and ITC materials. At the same time, we want you to understand that even as various issues in the supply chain emerge, we—with our resources and smelting business—are a group that solves

social issues with transparency and traceability. With such upstream and downstream management resources, the JX Metals Group is capable of producing advanced materials in a stable manner, controlling capital efficiency, and pursuing sustainability from an ESG perspective.

We are determined to achieve the corporate image we envision for ourselves. We also want to become a widely recognized company capable of communicating just who JX Metals is to all parties, whether it be our shareholders, investors, business partners, or employees and their families. And we are confident that your direct support will bring us closer to the vision we strive to achieve.

