

Support management taking on new business challenges and help strengthen businesses, organizations, and human resources

Amid ongoing uncertainty in the business environment, governance is now needed to support sound and appropriate management decisions, and to strengthen businesses, organizations, and human resources.

As a company with an Audit and Supervisory Committee, the Company currently has 5 Outside Directors, including 3 Audit and Supervisory Committee Members.

The Outside Directors, who make up half of the Board of Directors, possess diverse experiences and skills and contribute significantly to improving the Company's governance functions and the quality of the Board of Directors.

The 5 Outside Directors discuss a variety of topics, including the Company's governance, the Board of Directors, and future business and management.



Akio Kobayashi

Outside Director, Audit and
Supervisory Committee
Member

Kimiharu Okura

Outside Director

Yasuhiko Ikubo

Outside Director

Naomi Harada

Outside Director, Audit and
Supervisory Committee
Member

Shigeko Senzaki

Outside Director, Audit and
Supervisory Committee
Member

*Ms. Shigeko Senzaki passed away on August 18, 2025, and retired as Director concurrently serving as Audit and Supervisory Committee Member on the same day. We express our deepest gratitude for her contributions during her lifetime and pray for her soul.

Effectiveness of governance and the Board of Directors



Ikubo: The role of governance for companies has traditionally focused on monitoring management to prevent misconduct. However, in recent years, the emphasis has shifted toward encouraging bold decision-making and sound risk-taking by management, with an eye toward enhancing corporate value. The role of the Board of Directors follows the same principle. In recent years, given the low profitability and capital efficiency of Japanese companies from a global perspective, there is a growing expectation that Board of Directors should play a role in encouraging risk-taking to enhance corporate value. That being said, it would be inappropriate for the role of the Board of Directors to suddenly shift in that direction. Fundamentally, these 2 roles should be seen not as “or” but as “and.” In that respect, the Company’s Board of Directors has a good balance of the 2 and functions effectively on both fronts. As an Outside Director, I strive to speak up by first pointing out issues from a risk management perspective, while encouraging appropriate risk-taking.

Okura: As Mr. Ikubo says, I believe the role that corporate governance should play changes with the times. The manner of providing advice as an Outside Director also varies depending on the specific case—whether it involves forward-looking investment projects or internal company projects—making it difficult to summarize in a single phrase. In any case, it is crucial to carefully offer advice on each individual case that contributes to strengthening governance, while constantly questioning whether it will lead to the company’s development. For those in charge

of business execution, I first ensure that they define the goals for their business or project, then create a roadmap. I check whether they understand their current position and are revising the roadmap based on changes in the business environment and risks.

Senzaki: I believe that the Company’s Board of Directors fosters an environment where opinions are freely and openly expressed. The risk-taking mentioned in Mr. Ikubo’s remarks is a crucial concept. For projects deliberated by the Board of Directors, it is essential to deepen discussions on where the risks lie and whether the project is worth pursuing despite those risks. I believe that presenting such criteria for judgment and offering advice is one of the roles of an Outside Director. President Yamao serves as the chairperson of board meetings, and he listens to the opinions of us Outside Directors with an open mind. I find it truly admirable that he demonstrates a willingness to incorporate ideas after calmly considering a wide range of opinions.



Okura: President Yamao is indeed a steadfast leader who believes in taking on as many challenges as possible without compromising the Company’s foundation, aiming to establish new pillars of revenue. I think he listens carefully to the opinions of us Outside Directors and makes decisions based on flexible considerations.

Harada: Indeed, in recent times, proposals concerning management strategy are frequently brought before the Board of Directors, and President Yamao’s facilitation plays a crucial role in enhancing the quality of discussions. Since the president himself actively seeks input from Outside

Directors, we find ourselves in an environment where it is easy to voice diverse opinions. This, I believe, contributes to the Board of Director’s increased vitality. Regarding business, I am not in a position to comment on every individual action taken on the operational front line. With that said, I do review strategies and plans developed at the operational level to ensure that they have undergone thorough enough discussion, align with the Company’s overall direction and objectives, and are sound in terms of profitability and capital efficiency. If I feel that something is not quite right, I will question it.

Kobayashi: The Board of Directors is composed of members with diverse expertise, and very active discussions take place. Given the nature of the Company’s business, global geopolitical risks cannot be overlooked. In an increasingly uncertain business environment, it is extremely important for the Company’s Board of Directors to think prospectively from a variety of angles and engage in exhaustive discussions. Furthermore, as everyone has pointed out regarding President Yamao’s management stance, maintaining unwavering principles is of utmost importance. I believe one role of an Outside Director is to oversee management so that it remains steadfast, avoiding short-termism that overlooks the Company’s purpose and strengths.

Challenges to strengthen governance and the Board of Directors

Ikubo: In an uncertain business environment, one might say that managers are forced to make decisions while shrouded in fog, unable to see ahead. In such circumstances, while blindly taking excessive risks must be avoided, it is crucial to summon the courage to take action. To use a golf analogy: if you are too afraid of failure to even take your tee shot, you will never take that first step toward growth. The courage of managers making decisions in such circumstances deserves respect. At the same time, our role as Outside Directors is also to ensure that the Company does not take on excessive risks. Therefore, I always strive to keep this in mind and speak up accordingly.

Kobayashi: I think that significant improvements have been made in the prior distribution of materials and prior explanations, which have long been pointed out as an issue for board meetings. From a governance perspective, one point that requires careful explanation is the issue of parent-subsidiary listings. In March 2025, our parent company, JX Advanced Metals Corporation, was listed on the Prime

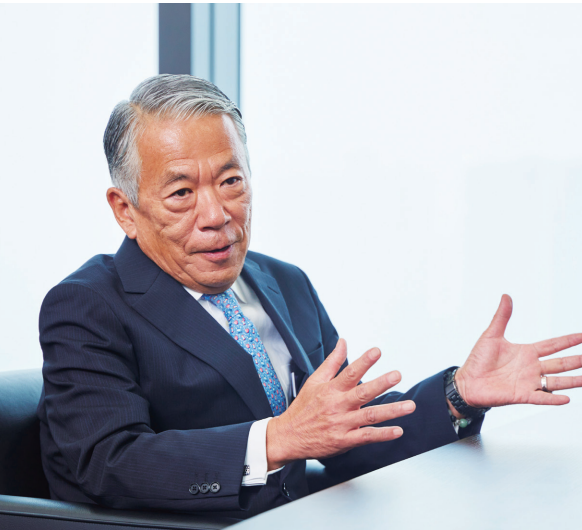
Market of the Tokyo Stock Exchange. This heightened our accountability for safeguarding minority shareholders’ interests. First of all, we recognize that transactions with the parent company generally contribute to enhancing the Company’s corporate value. For future transactions, the Group Company Supervisory Committee for Conflicts of Interest, consisting mainly of Outside Directors, has been established to review the appropriateness of such transactions. I will continue to fulfill my role as an Outside Director by being aware of all stakeholders, including shareholders, and exercising my supervisory function.



Harada: I expect we will have more opportunities to discuss the next Medium-term Management Plan (next MMP) going forward, but I believe there is room for improvement in making discussions about management plans more dynamic. In the past, it has happened that a version of the management plan that was close to final was only finally submitted to the Board of Directors for deliberation. I think it would be easier to have substantive discussions if you could bring in draft plans at an earlier stage—when they are still somewhat unpolished and internal discussions have not been fully exhausted. Of course, the secretariat is also aware of the need for improvement in this area. I believe the Board of Directors should allocate more time to discussions concerning corporate value enhancement and growth strategies than to routine reporting matters.

Okura: Regarding the balance between risk and opportunity discussed earlier, I strive to provide advice that achieves the optimal balance. Specifically, rather than advising “you should not do it because there is risk,” I advise “there are these risks, so you should keep them in mind when making your decision.” When starting a

business, we usually assume “base-case,” “best-case,” and “worst-case” scenarios. Those in charge of business execution often feel compelled to present the best case at the board meeting, but the Board of Directors should make its decisions on the base case. By making decisions based on the base case, the risks associated with the worst case can also be identified at that stage. As Outside Directors, we should encourage rational decision-making by presenting those in charge of business execution with a lot of information they may be unaware of.



Strengthening organizational capabilities and developing human resources for the next generation

Ikubo: I believe we need more measures that cut across organizational boundaries. The Company has 3 core businesses: Titanium, Chemicals, and Catalyst. However, including new business initiatives, they do not appear to work very closely with each other. Of course, the fundamental principle is for each business to pursue its objectives responsibly. However, we must become an entity in which all organizational managers, after thoroughly reviewing the entire structure of the Company, can reach a consensus on which business to funnel management capital into. With the buds of new businesses starting to grow and the issues facing each business starting to emerge, it may be time to reconsider our organizational structure.

Okura: As is often the case in the manufacturing sector, if the walls between business divisions are too thick, it becomes difficult to cut across organizational boundaries. In such cases, personnel changes like reassigning business

division heads can sometimes result in a complete collapse of the organization. Of course, management should make decisions with an overview of all businesses. However, in companies where business divisions hold significant power, personnel changes at the top of a business division often trigger the materialization of risks. In this sense, personnel decisions must be made cautiously. It is crucial to invest time in developing talent before implementing rotational assignments.

Senzaki: Indeed, in that regard, I believe the Company has historically avoided large-scale personnel rotations spanning businesses, including transfers of business division heads. With new business developments, such as the commercialization of WEBTi®, coming into sight, we must seriously address how to cultivate personnel, including engineers, capable of thinking holistically, and how to implement personnel rotations based on that foundation.

Okura: New ideas for future human resource development may be difficult to come up with by simply applying past rules of thumb. It may be a good idea to set up a discussion forum or to hold an internal competition that involves young employees and engineers with flexible thinking across organizational boundaries. I hope that they will come up with solutions that even Outside Directors like us can appreciate and that will satisfy all employees. To borrow Mr. Ikubo’s golf analogy, in human resources too, it is crucial to muster the courage, identify the target hole, and take that tee shot. But before hitting that tee shot on the course, start by practicing your swing at the driving range.

Senzaki: In this era of accelerating workforce mobility, it is becoming increasingly common for individuals to step outside their companies, gain diverse experiences, and then return. Unless someone has accumulated diverse experiences from a young age, they will not develop into the kind of talent capable of breaking through organizational barriers. As a societal trend, we are entering an era where cultivating such talent is possible, and this will also serve as a tailwind.

Business and management issues for the next MMP

Okura: I believe there are three key points to consider when discussing the Company’s future. The first is our internal structure, the second is the direction of our existing businesses, and the third is the form our future business operations should take. Regarding internal structure, as

the specialization of our businesses increases, we need a department responsible for oversight and control. For existing businesses, it is crucial to clarify the path forward for those whose ultimate goals remain unclear. Building on that, we must undertake a future-oriented restructuring of our businesses and a review of our business portfolio. For this review, efficiently allocating limited management capital is also vital. Rather than seeking answers solely within the extension of existing businesses, we should initiate discussions about where viable paths lie, considering all the technologies that the Company possesses.

Harada: I believe that discussions on the next MMP will begin in earnest. When it comes to management plans, external perspectives tend to focus almost exclusively on numerical targets, often leading to evaluations that are overly biased toward progress and achievement of the quantitative targets. While striving to meet quantitative targets is certainly a fundamental requirement, it is equally important to clarify the directions that management intends to take. Management must anticipate future changes in industry structure and competitive dynamics, clearly define which markets to pursue, determine the desired position within those markets, and outline the specific approaches to achieve that position.



Senzaki: The Company is now at a stage where we are challenging ourselves to enter new business fields. Considering the future development of our business, reviewing our business portfolio is indeed becoming extremely important. I think it is important now to deepen discussions by bringing together various opinions about what the Company aims to achieve and what kind of

business it should pursue to achieve that goal.

Kobayashi: From a management perspective focused on capital costs and stock prices, we still have a lot to do. Currently, the Company is working to visualize its operations and improve the efficiency of production management through DX. I believe that these efforts will contribute to enhancing corporate value over the medium to long term. At the same time, it is important to appropriately distribute the profits generated to shareholders and stakeholders while securing the necessary funds for future growth investment. I intend to carefully monitor the balance between securing funds for strategic investments and ensuring returns, while giving full consideration to capital efficiency.

Ikubo: As a materials manufacturer, the Company must continue to deliver unique added value by incorporating proprietary technologies into its products and developing distinctive production technologies while giving consideration to both the raw materials suppliers and the customers to whom it sells its products. Naturally, this cannot be achieved overnight. However, it is vital that every employee maintains a strong awareness that possessing this capability is essential for the Company’s survival. As an Outside Director, I am committed to supporting the Company’s efforts to become a corporate group that consistently wins, backed by its technological prowess.