

Special Feature

Roundtable Discussion of Outside Directors



Supporting Nippon Steel's Challenges and Corporate Value Enhancement







How do you view the challenge to become the world's number one steelmaker?

—— A bold vision and the management's commitment to making it a reality

Hiramatsu After joining this Board of Directors, I realized that Nippon Steel is a company that takes on significant challenges and makes bold decisions. Nippon Steel is not merely outlining large figures like the "100 Million Tons, 1 Trillion Yen" target in the 2030 Medium- to Long-term Management Plan. Given the organization's size, the Company must set clear, inspiring goals so every employee can move in the same direction. In this sense, I believe this vision is highly significant. Furthermore, I find it particularly meaningful that even amid growing global uncertainty, the Company continues to take on new challenges without losing sight of the long-term perspective. Given geopolitical risks and shifts in the international competitive landscape, maintaining the status quo poses the greatest risk of all. That is precisely why I believe setting ambitious goals and clearly demonstrating a commitment to growth is so valuable.

Sawada I agree with Mr. Hiramatsu. I believe that management begins with envisioning "what we want to achieve in the future." To move closer to that vision, we must create systems, inspire people, and make investments. Through my experience managing large corporations for many years, I have found that organizations, if left alone, tend to settle into the status quo. We always hear employees say, "Since things are going well right now, there is no need to change anything." However, management has a responsibility to make decisions with the next five or ten years in mind. I have always said, "If we do not change now, we will face hardship in the future." I perceive that same forward-looking spirit in Nippon Steel's challenges. What impresses me most is that the Company is not only strengthening its existing businesses but also pursuing future growth opportunities. I believe that the goal of becoming the world's number one steelmaker is not merely about expanding in scale, but is also a question of what kind of value it will create for the next generation.



Koezuka In my previous job in the retail industry, I repeatedly learned that for a company to keep growing, it must first have a system to generate profits. No matter how hard employees work, sustainable growth is impossible without a profit-generating system. In that sense, I have high expectations for Nippon Steel, as it aims to become "the world's number one" and is taking the necessary steps to make it happen. Furthermore, I believe one of the Company's strengths lies in its proactive approach to research and development and capital investment with an eye toward the future. Corporate value is not built overnight. It will grow by steadily building up assets such as technology, human resources, brands, and on-site capabilities. I believe that management sharing this long-term perspective is a major strength.

Sekine As an accountant, I have observed many companies, and Nippon Steel's decision-making stands out for its balance of boldness and meticulousness. The company's challenges seem huge from the outside, but it conducts astonishingly thorough analysis behind the scenes. That is precisely why outside directors need to raise questions from a different perspective. While my role involves analyzing numbers, I consider the context behind them even more important. For example, the 2030 Medium- to Long-term Management Plan does not simply set numerical targets, but carefully builds the specific measures and preconditions needed to achieve them. That is precisely why we are approaching our discussions with the question, "Are we sure we have not missed anything?"

Takeuchi I think so, too. Take GX Investment, for example: we cannot make decisions based solely on the company's technical feasibility. How will society accept that value? Will a market form where consumers are willing to pay for that value? Unless we include these perspectives in our discussions, we cannot truly enhance corporate value. In my role working on environmental and energy policy, I place great emphasis on balancing social and economic values. Nippon Steel's challenges are not merely initiatives aimed at corporate growth but are also deeply intertwined with the future of Japan's industries and society as a whole. That is precisely why I believe it is important to move forward while maintaining a balanced consideration of three perspectives: technology, business, and social acceptability.

What is the role of outside directors?

—— The Board of Directors does not exist for rubber-stamping

Sawada As an outside director, what I value most is a clear definition of my role. The executive team has its own roles to play. On the other hand, outside directors have a supervisory role. If the boundary between the two sides blurs, it can lead to negative consequences for the Company.



That said, it does not make sense to rubber-stamp whatever the executive team says. To maximize corporate value, outside directors sometimes need to support the executive side, hit the brakes, or deliver tough messages. I think that the balance is important.

Koezuka I think so, too. Because they are not employees, outside directors do not fully understand day-to-day on-site operations. For this reason, I need to digest the information provided, think it through myself, and express my opinions.

I always keep in mind whether the Company can continue to grow in the future. We are no longer in an era where growth is possible only in the Japanese market. We need M&As and global expansion depending on the situation. Outside directors should consistently assess whether any particular action will increase corporate value.

Sekine As an accountant, people tend to see me as someone who looks at numbers. But in reality, we cannot understand a company by looking at the numbers alone. The flow of money results from people's activities.

For this reason, I ask simple questions as much as possible during the Board of Directors. For example, even when discussing a given contract, I check "what will happen as a result of entering into this contract" and "how that outcome relates to other initiatives." I am sure people on the company side know the answers, but it does not make sense if I am not convinced. And I believe that bringing in these different perspectives is what makes outside directors valuable.

I also believe that the role of outside directors on the Board of Directors is not limited to assessing the executive team's decisions later. The management team engages with day-to-day businesses and makes decisions based on a wealth of information. On the other hand, because the management team has been in long, ongoing discussions, the team may have developed unauthorized assumptions or treated certain points as inter-company common knowledge. In such situations, asking questions like "Why do you think that way in the first place?" or "Isn't there another way to look at this?" can sometimes bring a new perspective to the discussion.

I am aware that questions and answers during the Board of Directors not only deepen my understanding but also make the discussion more multifaceted.

Nippon Steel always makes decisions after thorough deliberation. For this reason, I believe the Company expects outside directors to examine matters from multiple perspectives and ask questions as needed, drawing on their expertise and experience. This cumulative effort ultimately improves decision-making quality and increases corporate value.

How did the outside directors view the acquisition of U. S. Steel?

—— What did the outside directors check, and what questions did they keep asking?

Hiramatsu I believed from the beginning that acquiring U. S. Steel was an extremely sound strategic decision. If Nippon Steel is to establish a foothold in the U.S. market, it must establish a local manufacturing system. As protectionist trends gain momentum, the mindset of "Make in America to Sell in America" will become increasingly important. In that sense, I believed the acquisition of U. S. Steel was highly significant. That said, this project requires a huge investment and bears significant political implications. Based on my experience in diplomacy, I viewed this situation through the perspectives of U.S. domestic politics, U.S.-Japan relations, and geopolitical risk.

Sekine I strongly supported the acquisition's overall direction, too. However, as an outside director, I always asked myself, "Will this ultimately lead to an increase in corporate value?" Each time the acquisition conditions changed, the market wondered, "Is Nippon Steel making concessions?" or "Will profitability deteriorate?" As an accountant, I was naturally concerned about the outlook for investment recovery and the risk of future impairment. From time to time, I checked how profitability would be affected if the preconditions changed and whether this increased burden fell within the expected range.

Takeuchi I viewed the situation from a slightly different perspective. Negotiation is a clash between our reasoning and the other party's reasoning. Even if it makes sense from our perspective, the other party's perception is a different matter. I was wondering about "How does the other party see us?" At the Board of Directors, I asked questions like, "How do we appear from the other party's perspective?" and "Why are they reacting that way?" Because this project was closely tied to U.S. domestic politics, many aspects could not be explained solely by economic rationality. That was exactly why I needed to be mindful of the other party's perspective and how we appear to them.



During my involvement in this project, I was reminded once again that a large-scale M&A is not merely a transaction between companies but is built on relationships with a wide range of stakeholders, including society, local communities, and employees. Even if a decision seems reasonable from the company's perspective, the recipient may interpret it differently. Notably, because U. S. Steel symbolizes American industrial history, the U.S. side may have emotions, expectations, and anxieties that hard numbers alone cannot explain. Under these circumstances, Nippon Steel made a careful effort to understand the other party's perspective and background, which I believe helped keep the negotiations rolling.

Hiramatsu What I ultimately considered most important was whether Nippon Steel's intentions would be reflected in U. S. Steel's structure after the acquisition. Our objective was not the acquisition itself but value creation after the acquisition. How will we leverage Nippon Steel's management philosophy, technology, and manufacturing culture? This is the point I checked very carefully.

Sekine An acquisition does not end once the process is completed. The post-acquisition activities are more important. Communication with on-site staff and governance are crucial to acquiring overseas companies. In this sense, I appreciate the Company's important initiative to immediately deploy many human resources after the acquisition and move forward with post-merger integration (PMI), including the 100-Day Plan. We need to instill the head office's perspective in the American company while understanding the on-site situation. If we achieve both, it will produce significant results.

Takeuchi Through this project, I sensed a kind of obsession on Nippon Steel's part. Despite some very difficult moments during the negotiations, the management team never wavered. I had the impression that the more cornered the management team became, the more they thought about "what to do next." I was impressed by their attitude, even though they still had many challenges ahead.

What kind of human resources does a global company need?

—— The central theme is “people”

Takeuchi As with U. S. Steel and India operations, people make a business successful. Nippon Steel boasts world-leading manufacturing capabilities. Expanding strength globally hinges on developing our human resources. While there is no universal answer for human resources development, it is important to create an environment that inspires people to take on challenges and make them feel a sense of fulfillment.

Sekine I believe that human resources are key to success, too. However, we must be careful not to let the term “global talent” take on a life of its own. What I consider important is not linguistic ability but expertise. Even if you are fluent in English, it is meaningless if you have no substance. Conversely, if you have the necessary technical skills and expertise, you can acquire the linguistic ability later. I have extensive experience with overseas audits, and I was ultimately evaluated based on my expertise. I think the same applies to Nippon Steel. It is important to determine how to develop engineers and business professionals who can compete globally.



Like U. S. Steel and India operations, Nippon Steel is entering a stage where we operate locally and create value through collaboration with local talent and customers, rather than simply exporting products. The human resources we need at this point are not those who only understand the technology, but those who can communicate that technology and the ideas behind it to others, drive the organization forward, and build relationships of trust across different cultures and values. I believe systematically developing these human resources may directly drive Nippon Steel’s future competitiveness.

Hiramatsu To put it more bluntly, we are currently short of human resources. Our human resources are insufficient quantitatively and qualitatively. If Nippon Steel is to become a company that generates half its profits from overseas operations in the future, we must increase its human resources to meet this challenging goal. As early as the hiring stage, we must recruit new employees, assuming they will play a key role on the global battlefield. I also think our human resources should gain experience abroad while they are still young. Diplomats are trained to gain on-the-field experience. They cannot learn from reading manuals. They negotiate, make mistakes, and learn on the field. Repeating this cycle eventually grows them as diplomatic experts.

From my long experience in diplomacy, I believe human resources are more likely to experience dramatic growth when they face unexpected challenges and difficulties in the field than in classrooms or training sessions. Because of this, it is important to send our employees overseas to work in the field while they are still young, so they can gain experience thinking on their own, making decisions, and taking action. Especially in growing markets like India, our employees will face a sense of urgency and a set of values very different from those in Japan.
I believe that increasing our human resources through this experience will become a major driver of the company’s global management in the future.

Another important issue is how to accept foreign talent. As Nippon Steel continues to grow and expand its operations worldwide, it cannot achieve everything by relying solely on Japanese employees.

As our overseas operations expand, it becomes increasingly important to determine how to hire, develop, and promote local talent into key management positions. I want to see human resources from all over the world actively and naturally working at our head office and plants in the future. When it becomes a reality, Nippon Steel will become a truly global enterprise.



Takeuchi I totally agree with Mr. Hiramatsu. When it comes to human resources development, we often talk about a personnel management system and the like, but nothing beats experience. Based on my experience across industries, people who have been through tough situations are the strongest. This is especially true for global operations.

Sekine Collaborating with international human resources is not merely a way to offset labor shortages. It also brings perspectives and values that Japanese people alone might not see into the organization. In that sense, globalization is the same as our human resources strategy.

To further enhance the effectiveness of the Board of Directors

—— toward higher-quality discussions. Evolving Board of Directors

Hiramatsu To enhance the effectiveness of the Board of Directors, I want to have more opportunities for exchanging opinions. In my experience as a diplomat, new insights often arise from opinions that differ from my own. In that sense, it is important to discuss several broader themes from multiple perspectives among outside directors and the executive team. These themes include future corporate value enhancement, medium- to long-term strategies, content centered on the themes of the future, particularly what kind of growth the Company envisions beyond the "100 Million Tons, 1 Trillion Yen" milestone, and themes such as what role Nippon Steel should play as the global industrial structure changes.

Sekine I feel the same way. The Company meticulously prepares meeting materials and runs the Board of Directors professionally, clearly laying out the background and key points for each agenda item. That is why the Board of Directors can focus on substantive discussions. On the other hand, creating more opportunities for discussion earlier on themes involving broad strategic directions for the future could lead to new perspectives and options. Of course, I do not mean we should now change the way we are doing things. By broadening our discussions while building on our current strengths, I think we can further enhance the value of the Board of Directors.

Takeuchi During the Board of Directors, I am particularly impressed by the executive team's high-quality preparation. I feel that preparations are carried out with great sincerity, not only for the agenda items brought before the Board of Directors but also during the preceding consultations and information-sharing. Some time ago, I had a chance to exchange views with the person responsible for GX. The meeting date was rescheduled because the person said, "I would like to do it a little later, after refining my presentation." At that time, I did not mind if it was just a free-form discussion. In hindsight, the organization's attitude of explaining matters clearly to others and taking responsibility for those explanations is deeply rooted.

I sometimes want a more casual conversation as an outside director. On the flip side, however, the Company has a culture of high-level discussion. I regard this attention to detail and dedication as one of Nippon Steel's strengths. Because of this, it is important for us outside directors to bring different perspectives to those earnest discussions and help drive better decision-making.

Hiramatsu I earlier said we need more opportunities for broader discussions. It does not mean that the current Board of Directors is lacking something. On the contrary, thanks to professionally crafted agendas and meticulous planning and preparation, we can further increase the value we create. In fact, only a few companies review proposals as thoroughly as we do before submitting them to the Board of Directors. Building on these strengths, I hope we can further deepen our discussions about the future.

Sekine I agree with Mr. Hiramatsu. As an outside director, I feel that the management team takes the agenda items very seriously. This is why we want to offer new perspectives drawn from our diverse expertise and experience, rather than simply weighing the pros and cons. I believe the Board of Directors does not aim for a completed form but for a place that continues to evolve, like a company.

Takeuchi An outside director's role is not to criticize management but to bring diverse perspectives to the table in pursuit of the shared goal of enhancing corporate value. If discussions generate new ideas and options and lead to higher-quality management decisions, that is precisely why outside directors exist. Nippon Steel is currently in the process of a major challenge to become the world's number one steelmaker. To help Nippon Steel achieve the goal, we, as members of the Board of Directors, will continue to hold more productive discussions.

