

Roundtable Discussion among Outside Directors

The Strengths and Direction of Evolution of a 100-Year-Old Company, as Told by Outside Directors



speak up without hesitation when something catches my attention, even if it seems trivial. Although I sometimes find myself puzzled by the technical terms of the manufacturing industry, I believe that such candid, unfiltered perspectives can actually spark new and meaningful discussions.

Tani: I was involved in domestic and international factory operations at Ajinomoto for many years, and after retiring, I assumed the role of an outside director at this company. Although I had no prior knowledge of the industry, I found that the essence of manufacturing is universal, so I was able to engage in the role without feeling out of place. At the Board of Directors meetings, I try to focus on fundamental issues from a medium- to long-term perspective and make candid observations without slipping into micromanagement. Another important point for me is not just to offer critiques, but to contribute my own proposed solutions to deepen the discussion. At times, I intentionally raise certain topics to stimulate discussion. I believe in the principle: "if something feels off, I clearly say it's off," and I aim to energize the Board of Directors meeting through the exchange of candid opinions.

Ono: At Shin-Nippon Seitetsu, I was involved in finance and planning divisions, as well as in the management of group companies and equity affiliates. Later, I served as a director at other listed companies, and from this term, I have taken on the role of full-time outside director at this company. When I was on the executive side, I remember being encouraged by the advice of outside directors who brought diverse perspectives. I believe that execution and auditing are two sides of the same coin, and the auditing side, pointing out mistakes or shortcomings, ultimately serves to support the executive function. Since it is not realistic to fully grasp problems through just a few audit meetings per year, I aim to actively engage in continuous dialogue with the executive team in my capacity as a full-



time Audit & Supervisory Committee member. At the same time, I intend to share insights with part-time Audit & Supervisory Committee members to ensure a balanced and well-rounded approach.

Suemura: As a certified public accountant, I have been involved in auditing for about 30 years, and in 2023, I assumed the role of an Audit & Supervisory Committee member at this company. While I am still struggling to learn the culture and customs of the steel industry, I approach the Board of Directors meetings with a continuous learning mindset. What I keep in mind is that outside directors are not only advisors, but also have the role of independently ensuring that executive operations are being conducted appropriately. In addition, due to the capital relationship with Nippon Steel, there is a possibility that external scrutiny will be directed toward the company's independence. That is why I believe the participation of outside directors with no conflicting interests in the Board of Directors meetings is highly meaningful. I place great importance on fulfilling the monitoring function from a fair and autonomous perspective.

Perspective and Stance as an Outside Director

Ohmi: As an outside director, I believe it is important to maintain a certain distance from the management while offering opinions from an external perspective of shareholders and society at large. In doing so, I place value not only on short-term viewpoints, but also on making proposals from a medium- to long-term perspective. Personally, I worked at Mitsubishi Corporation for about 30 years, 20 of which were spent handling ferroalloys. I have been visiting this company since I was young, and on-site experience is one of my strengths. Later in my career, I served as president of four companies, including publicly listed companies. Drawing on that past management experience, I strive to provide insights that reflect my own perspective.

Itami: Precisely because we live in a time of rapid change and uncertainty, I make a conscious effort to constantly question my own knowledge and experience and to maintain a mindset of continuous learning. Originally, I spent 32 years at Shin-Nippon Seitetsu (now Nippon Steel Corporation), where I was mainly involved in human resources and labor relations, as well as general affairs

and the management of subcontractors. I was responsible for designing systems and leading organizational reforms both at steel plants and at the head office. I also experienced the merger with Sumitomo Metal Industries and the integration of group companies, and I worked hard on business restructuring and building organizational and personnel systems from a position in which I understand both the front lines and the headquarters. Having consistently examined the role of corporations within society throughout these experiences, I now strive, as an outside director, to share my own views while further honing my expertise and deepening my understanding.

Nakano: I have spent over 30 years in the financial sector, primarily involved in currency dealing and trading in financial markets. I became an outside director of this company in 2021, and I found its open and transparent atmosphere, where one can speak freely, very appealing. There are two things I consciously keep in mind. One is my strong desire, as someone from a financial background, to help "raise stock price." The other is to

The Characteristics of the Governance Structure, the Composition of the Board of Directors, and its Effectiveness

Ohmi: It is essential to maintain an environment within the Board of Directors that fosters open and candid discussions. I believe that many corporate scandals stem from outside directors not fully fulfilling their roles. At our company, outside directors are composed of members with diverse backgrounds, including manufacturing, trading, finance, and accounting. I view it as a strength which enables active discussions from a wide range of perspectives based on diversity of career experiences.

Itami: I believe that the role of outside directors is inseparably linked to independence and diversity. I previously worked at Nippon Steel, and I value thinking, speaking, and acting from the standpoint of an independent individual, free from constraints by past affiliations. To maintain sound governance, it is important not to be overly bound by one's role, but to approach discussions with a responsible attitude as a member of society. At the Board of Directors meetings of our

company, I actively ask questions and speak up even on matters I am not deeply familiar with. I feel that the Board



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of Directors is highly dynamic, with directors from diverse backgrounds exchanging frank and honest opinions.

Nakano: Outside directors each offer their perspectives at Board of Directors meetings, and at times, these opinions can be quite strict. Discussions in the Board of Directors meetings incorporate those opinions. The challenge, however, lies in how effectively the opinions of outside directors and the board's discussions are communicated to levels just below the executive tier. I have yet to feel that the voices of outside directors are truly permeating throughout the entire organization, so I see this as an area for improvement going forward. Fortunately, over the past four years, we have seen no major scandals or significant deterioration in business performance. However, I do have some concerns about our overseas operations, and depending on how things unfold, there may be situations in which outside directors will need to voice their opinions more assertively in management decisions. I believe that maintaining the overall health of the organization requires ongoing preparedness and proactive communication, even during stable times.

The Company's Strengths and the Expectations and Challenges for the Future

Ohmi: I believe that Nippon Denko has three key strengths. The first is its 100-year history of production using electric furnaces, along with the accumulated knowledge, expertise, and human capital that have supported this long-standing tradition. In particular, in the ferroalloy sector, where market conditions are highly volatile and raw materials depend heavily on imports, the fact that the company has survived as the only remaining independent player is a remarkable achievement. The second is the long-standing relationship of trust with Nippon Steel. The third is the diversity of its product lineup, including promising future business seeds beyond ferroalloys. However, these strengths can also represent potential challenges. In other words, moving away from dependency on specific customers and business domains and cultivating new pillars of growth

Tani: The role of outside directors is to contribute to the enhancement of medium- to long-term corporate value. To achieve this, it is essential to assess the effectiveness of the Board of Directors through three key aspects: systems, corporate culture, and the quality of people. First, our company is commendable for having a well-developed system for information sharing through pre-meeting briefings. On the other hand, it is also crucial to maintain a corporate culture that allows us to detect early signs of problems and foster a mindset of "thinking together" that enables more constructive and in-depth discussions. When such a sense of unity exists, the board's effectiveness can be greatly improved. Additionally, to broaden the medium- to long-term perspective even further, it may be beneficial to include individuals who can approach issues from different ways of thinking. As for minority shareholder protection, the fact that outside directors make up one-third of the Board of Directors holds a certain significance. However, in terms of substantive independence, this may still be insufficient. I believe that gaining even greater trust would require a majority of outside directors who have no prior connection with Nippon Steel.

Suemura: As an outside director, I believe that one of the most important perspectives is the protection of minority shareholders. At our company, individual shareholders account for over 40% of the total, which is relatively high compared to other listed companies of similar size. This makes it all the more important for us to earn their trust and make decisions from the standpoint of shareholders, something I see as a key responsibility of outside directors. Additionally, the transition from a company with a Board of Auditors to the one with an Audit & Supervisory Committee has made the auditing function more collaborative, requiring greater teamwork. Unlike the previous system of individual auditors, we are now expected to conduct audits efficiently and effectively from an outside director's standpoint, closer to management. In the future, I aim to contribute to enhancing the quality of auditing as an "outside director-led audit."



will be key themes in the future. I believe that leveraging existing technologies and assets as a foundation and seizing new growth opportunities through external collaboration, such as M&A or strategic alliances, will contribute to enhancing corporate value.

Nakano: Our company is certainly the one that I would like to introduce to investors, but a major challenge is that the overall picture of our business is "hard to grasp." In fact, we have a wealth of material that could be communicated externally, but I get the impression that it is not being fully utilized. To enhance corporate value and stock price, it is essential to strengthen IR activities and address this lack of clarity. That will be the key to raising both corporate value and stock price. For example, we are involved in numerous initiatives with significant social impact, such as recycling incineration ash, which have great potential to be well-received if communicated effectively. At present, investors' interest remains relatively low, so I hope to help improve our brand name by encouraging more active information dissemination to external stakeholders.

Tani: Our strength lies in the solid track record of having manufactured ferroalloys for 100 years since our founding. However, I believe one of our weaknesses is that we may be too attached to the image of being a ferroalloy company. That attachment could potentially limit future growth. Rather than being content with the past, we need the entire company to think about what kind of company we want to be for the next 100 years. We have many businesses that offer social value and treat the planet, not people, as a customer. For example, projects like incineration ash recycling help transform what once burdened the earth into something beneficial. Other efforts in functional materials and hydroelectric power are aimed at reducing environmental impact. It is important that we raise awareness of such a fact. While our modest and diligent corporate culture is a strength, we need to communicate how we contribute to society clearly in the future. We possess strong technological capabilities, but there is still room for growth in marketing. By positioning "the earth as our customer" and effectively conveying the value we create through solving these social challenges, we can enhance our corporate value.



Suemura: One of our company's strengths is the stable business relationship we have maintained with Nippon Steel. However, in the world of business, nothing is certain. External factors can dramatically change the business environment, and that is why it is essential to develop the second and third pillars of our operations. These pillars do not have to be limited to technological fields. For example, aiming to become "the most female-friendly steel company" and incorporating sustainability perspectives could be an effective way to differentiate ourselves. In particular, creating a working environment where minority groups within the organization feel included, supported, and can confidently demonstrate their abilities is extremely important for achieving sustainable growth. If we can promote such unique strengths that set us apart from other companies, I believe our corporate value will continue to increase.

Itami: Nippon Denko is a long-established company now celebrating its 100th anniversary. Perhaps because it has overcome many hardships throughout its history, I get the impression that many people within the company are very earnest and humble. While this attitude brings many benefits to corporate management, I also feel that the company may not fully recognize or leverage its own achievements and capabilities, nor communicate them sufficiently to its many stakeholders. As symbolized by the recent trend toward non-financial information disclosure, I believe that in the future, the evaluation of corporate value will increasingly focus not only on financial performance, but also on non-financial elements such as human capital and relationships with business partners. The very processes involved in addressing sustainability issues will become even more important. Although we do not yet have significant achievements in areas such as climate change response and diversity, what matters most is actively taking on these challenges and steadily building a track record. I am convinced that how we approach these issues will become a source of our corporate value. In the past, I was involved in interdisciplinary research called "the Social Science of Hope," and I believe that precisely because there are difficult social challenges, it is essential to clearly define the ideal future, set concrete goals, and boldly take action to achieve them. I believe that this very effort embodies our company's aspirations and purpose in society, and sharing that vision with all our stakeholders is vital.