



慶應義塾大学ビジネス・スクール

Nippon Steel's Competitive Strategy and Takeover Defense

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Shockwaves of Arcelor Takeover by Mittal

At 10 o'clock on the morning of January 4, 2007, headquarters-based senior managers of Nippon Steel Corporation (hereafter "Nippon Steel") gathered in an auditorium located on the second floor of the company's headquarters building to attend a New Year's function. The New Year's message of President Akio Mimura — who, with his extensive overseas experience, including study at Harvard University Graduate School, assumed the presidency of Nippon Steel in April 2003 — was very sobering, reflecting the difficult situation the company faced.

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"We have experienced that, once you become a takeover target, you can be swept away by a surging tide driven by the logic of financial capital rather than industrial capital, no matter how big a company you may be."

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"If we were to be acquired by a business entity with a different set of ideas from ours in a hostile takeover, it could jeopardize the hard-earned competitive edge of not only us but also the Japanese manufacturing industry as a whole. Although there is no bulletproof takeover protection, management is determined to protect the corporate value of Nippon Steel that have been built over the years through hard work, by combining a number of measures."¹

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"Last year, the world steel industry witnessed a monumental event; the successful takeover of Arcelor by Mittal. The birth of ArcelorMittal, which boasts a crude steel production capacity of 120 million tons, approximately three times as large as ours, and a cash flow of over 1 trillion yen, sent shockwaves throughout the world steel industry. Until now, we've believed that the best thing we can do for the company and its employees is to improve our business performance, modernize our facilities and strengthen our financial structure, and have been working hard to achieve those goals. However, the successful takeover of Arcelor by Mittal shows that, the better a company performs, the more attractive it becomes for potential takeover bidders, thus elevating the risk of being taken over - unless it achieves a commensurate total market value as well."²

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Kotaro Inoue (Associate Professor, Graduate School of Business Administration, Keio University) prepared this case as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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¹ NHK Special Reporting Team, "Nippon Steel vs. Mittal", Diamond, Inc., p. 19 (hereafter "NHK").

² NHK, p. 23.