Testimony of NSSMC - - Mr. Kenji Nakayama.

Public Session Testimony

Good afternoon Commissioners, and thank you for the opportunity to testify today. My name is Kenji Nakayama and I am the General Manager, Line Pipe Marketing Division, Pipe and Tube Unit for Nippon Steel & Sumitomo Metal Corporation. I have worked at Nippon/Sumitomo for 24 years. I am the person at Nippon Sumitomo in charge of marketing line pipe for projects all over the world. As part of my job duties, I prepared the Nippon Sumitomo business plan concerning line pipe that is attached as Exhibit 2 of the Japanese Producers' pre-hearing brief, as well as the summaries that we attached as Exhibits 3 and 4. The business plan was prepared in the normal course of business planning for Nippon Sumitomo in November 2012 and reported to Nippon Sumitomo's senior management, and then to the company's board of directors.

Nippon and Sumitomo merged in 2012. This is the first business plan of the merged entity. It is what we refer to as a midterm business plan, meaning that it is for the next 2 to 3 years. This is the confidential version concerning line pipe of a publicly released summary of the company's business plan.

As reflected in Nippon Sumitomo's business plan, our focus is on manufacturing LDLP to be used in critical application projects which are primarily located outside of the United States. These include deep water, arctic, and sour service projects. It is anticipated that such projects will utilize the vast majority of Nippon Sumitomo's LDLP capacity for the foreseeable future.

The production of critical application LDLP requires controlling the composition and quality of steel used to make LDLP as well as advanced pipe making technologies. We are a fully integrated steel mill, which allows us to control the entire production processes from raw materials to finished LDLP, including the composition and quality of the steel. This allows Nippon Sumitomo to manufacture LDLP for different types of critical applications.

Nippon Sumitomo has invested in research and development, and production techniques and machinery to produce LDLP for critical applications. Only five manufacturers in the world can make pipes that can meet the buyer specifications for critical application projects.

It is our understanding that U.S. line pipe producers do not produce LDLP for critical application projects such as deep water, arctic, or sour service. This is because the U.S. market is almost entirely for onshore non-critical application line pipe projects. Accordingly, the U.S. producers produce LDLP primarily for non-critical application onshore projects, including gathering lines for shale extraction.

It is not anticipated in Nippon Sumitomo's business plan that we would use any capacity that Nippon Sumitomo may have to produce LDLP that would be used to make non-critical application LDLP to compete with the U.S. producers, for several reasons:

1. As we will explain in the in camera session, we expect our capacity for our mills that produce LSAW and in-scope ERW will be fully committed for the foreseeable future.

2. We have made substantial investments in research and development, as well as equipment, for manufacturing critical application line pipe.

3. Nippon Sumitomo has only three competitors in the worldwide market for critical application projects, and the worldwide demand for critical application projects is growing.

4. There are many competitors for non-critical application onshore line pipe projects in the United States, including not only the U.S producers, but also from non-subject imports from non-Japanese importers.

With respect to HSAW line pipe Nippon Sumitomo does not make API grade HSAW and thus are incapable of producing subject HSAW. We have never exported HSAW to the United States and have no plans to do so. Indeed, we did not produce subject HSAW during the current POR and do not have plans to produce subject HSAW in the future.

Additionally, we understand because of the boom in shale extraction in the United States since the last review, there has been a shift in demand in the types of LDLP in the U.S. market. This recent development will have no impact on Nippon Sumitomo's business plan, as we do not plan to compete in the U.S. market for the type of line pipe needed to meet the specifications for this demand The shale fields have created a new demand for onshore line pipe, such as gathering pipes, which is non-critical application line pipe with outer diameters in the range of 16" to 24".

In summary, Nippon Sumitomo's business strategy and production of LDLP show that lifting the order would not cause any material injury to the U.S. industry for the following reasons:

(a) Nippon Sumitomo's strategy is to fully utilize its capability to produce LDLP for critical applications;

(b) Demand for critical-application projects, which are and will be primarily outside the United States, is expected to fill or exceed the capacities of the few Japanese and European LDLP producers who make pipe that meet the specifications for critical application projects;

(c) the U.S. market has been and is expected to be dominated by non-critical onshore projects which Nippon Sumitomo does not have any plan to focus on; and

(d) Nippon Sumitomo does not produce API-certified HSAW and, therefore, would not compete with the U.S. industry for the HSAW market if the order is lifted.

For these reasons, the antidumping order against LDLP from Japan should be revoked.

We would like to thank the Commission for allowing us to appear today and would be pleased to answer any questions from the Commission.