

Before the
United States International Trade Commission

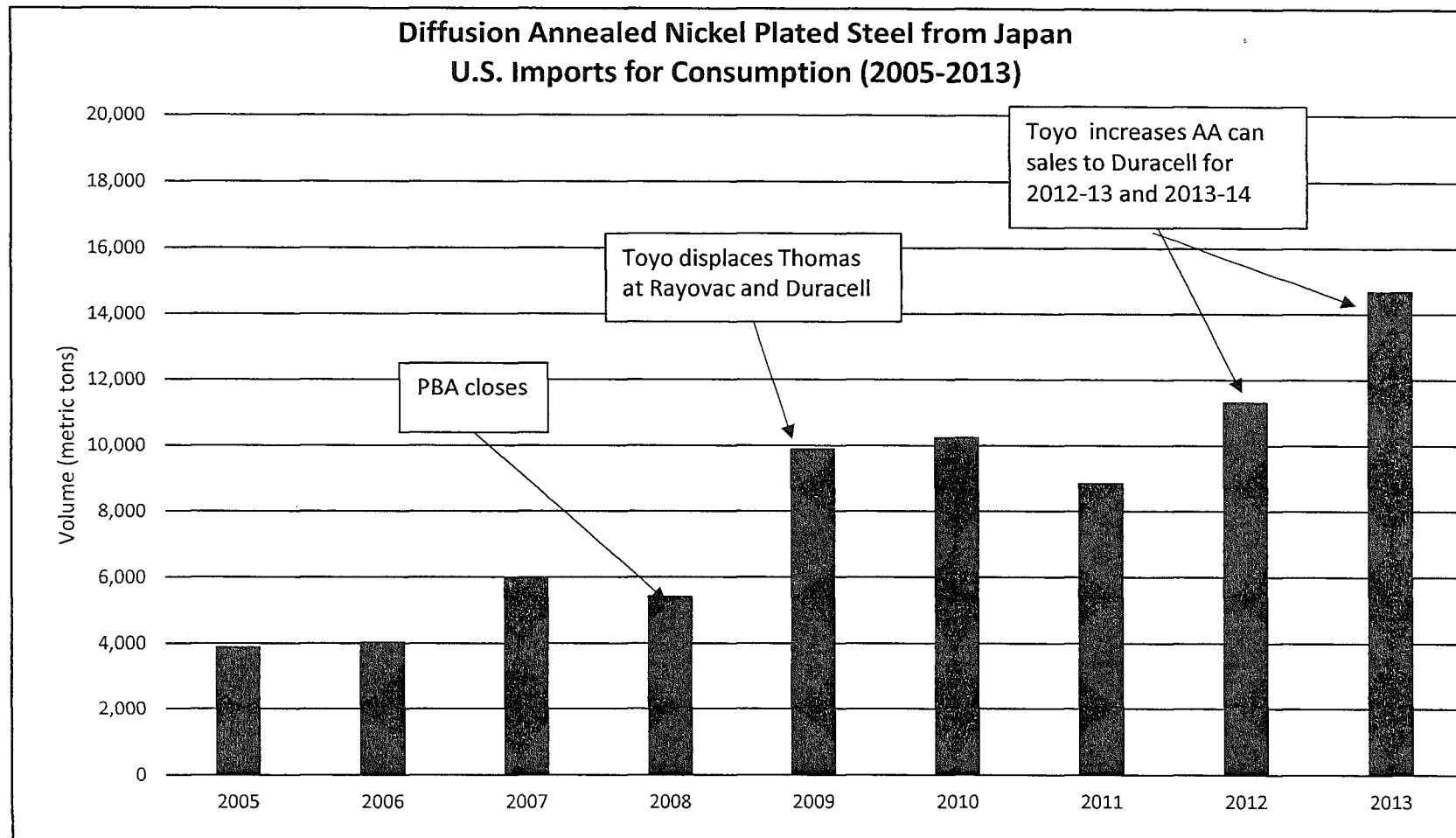
**DIFFUSION-ANNEALED NICKEL-PLATED
FLAT-ROLLED STEEL PRODUCTS FROM JAPAN**
Inv. No. 731-TA-1206 (Final)

Hearing – April 1, 2014

Slides to accompany the testimony of
Thomas Steel Strip Corporation

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Washington, DC 20006
Counsel to Thomas Steel Strip Corporation

Japanese imports have steadily increased over the long term, penetrating major customer accounts



Source: ITC Dataweb

Significant developments by Thomas Steel Strip

1936: Began electro-plating of nickel on steel strip for the ring binder industry that required bright finishes (buffed after plating)

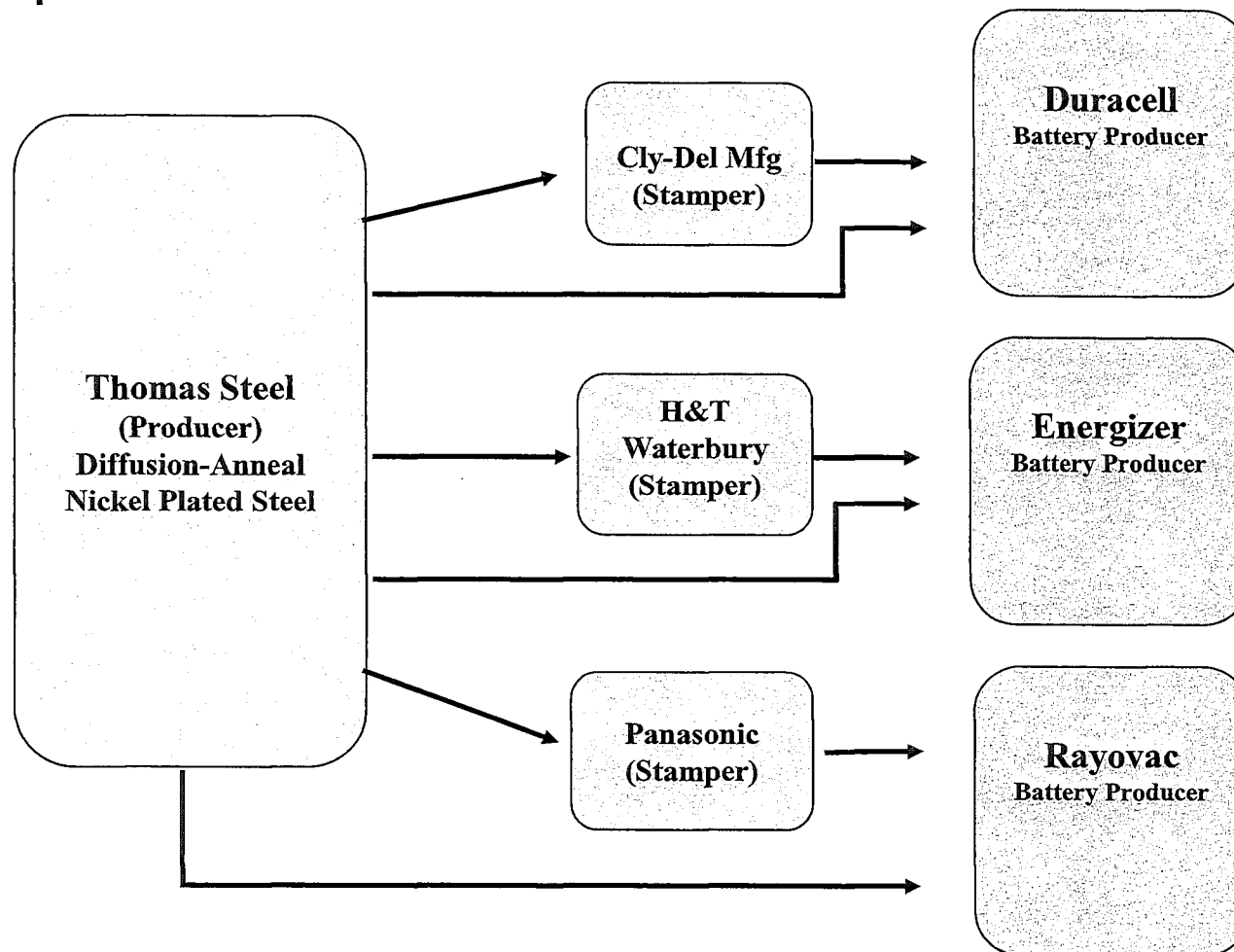
1937: Began production of electro-plated nickel steel for functional applications

1966: Delivers first diffusion-annealed Ni-plated steel to Burlington Stamping where the first alkaline battery cans are made for Mallory. Mallory became the Duracell brand

1985: First to supply full-width 26.542" (674mm) coils to Duracell Cleveland-TN

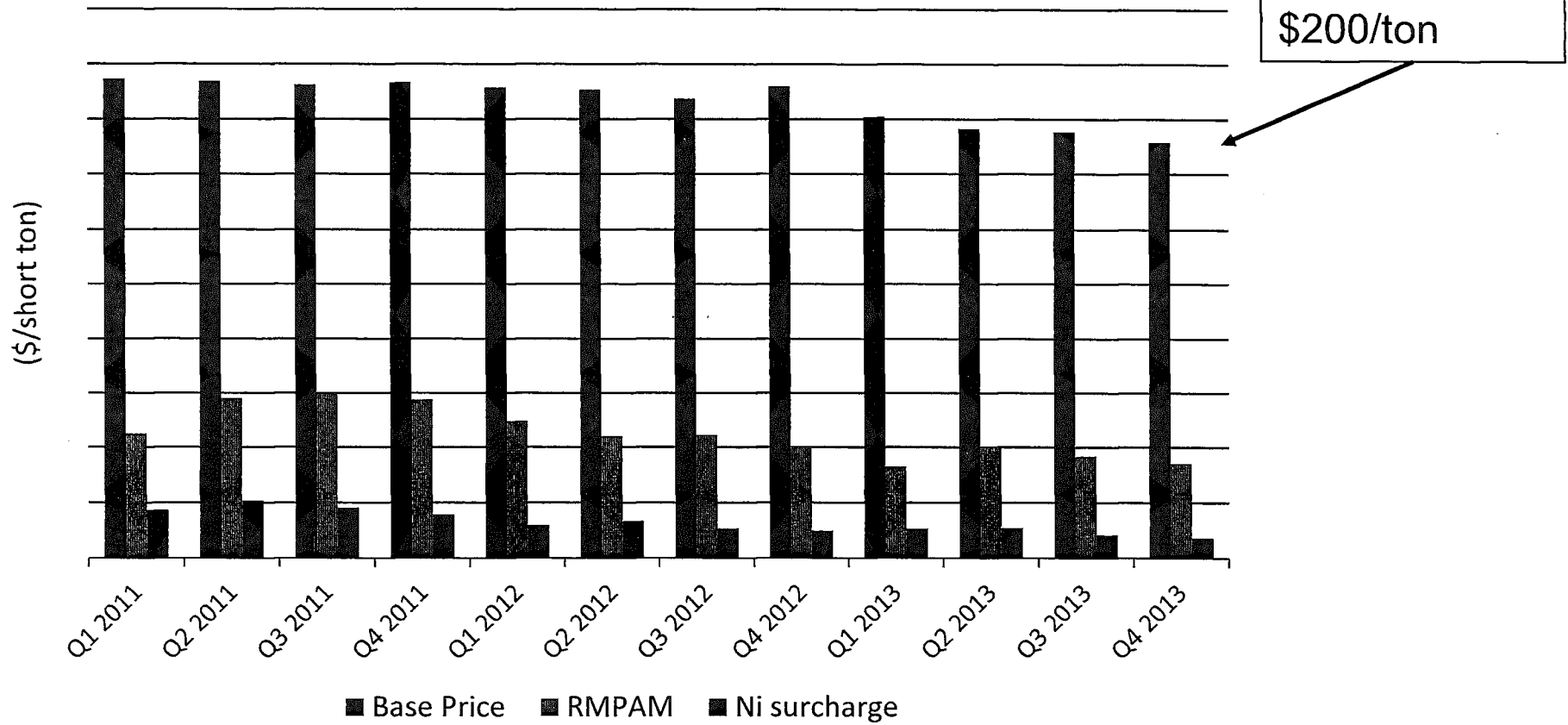


Thomas Steel Strip supplies directly and indirectly to the battery market, which accounts for roughly 90% of nickel plate sales



Apart from RMPAM and the nickel surcharge, base prices declined \$200 per ton

**Product 1: RMPAM, Ni-surcharge and Base Price
(2011-2013)**



Customers at every account quoted prices for Japanese nickel plate that were lower than our prices, even if the imports were not yet qualified

Sent: Friday, June 17, 2011 ...

Customer A:

"So, here are my targets for you.

1) Short term: A time frame of 8-12 months while we complete a couple of tests. We need you to reduce about \$250/mt.

2) Long term: A time frame after 1). We need you to come up with some drastic measure to cut additional \$80-\$100/mt"

Sent: December 12, 2012

Customer B:

"Due to continued lack of competitiveness, Tata will only receive a 6 month business award on these items. After 6 months Tata will have an opportunity to compete for on this business rather than have volume shift to alternative source."

You need to be more price competitive
(Volume allocations are made simply on price!)

Sent: Friday, June 15, 2012.....

Customer C:

Customer “would save ... an additional
\$3,568,644 if sourced with Japan over the
same time period.”

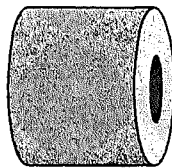
Sent: Tuesday, Oct 2, 2012...

Customer B:

“Please note we would be willing to entertain
locking business allocations for as little as 6 months
or up to 3 years with current business based on
TATA’s preference and an attractive reduction.”

Stage 1. A small volume is shipped for initial evaluation requiring 3 to 3-1/2 months

- Stage 1
(small volumes)
 - 1 coil



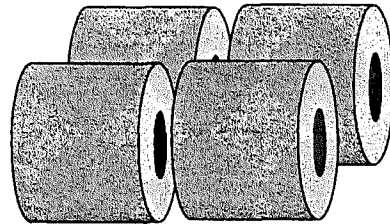
= 10,000 to 100,000 cans / cells
(depending on battery size)



-
- *Small volume shipped and analyzed by can maker*
 - *Can maker stamps cans for evaluation*
 - *Battery maker uses cans to produce batteries*
 - *Sample lots of finished batteries are subject to accelerated shelf life, performance and other testing*

Stage 2. A week's worth of nickel plate is stamped into cans on normal production equipment, then made into batteries

- Stage 2
(1 week run)
 - Several coils



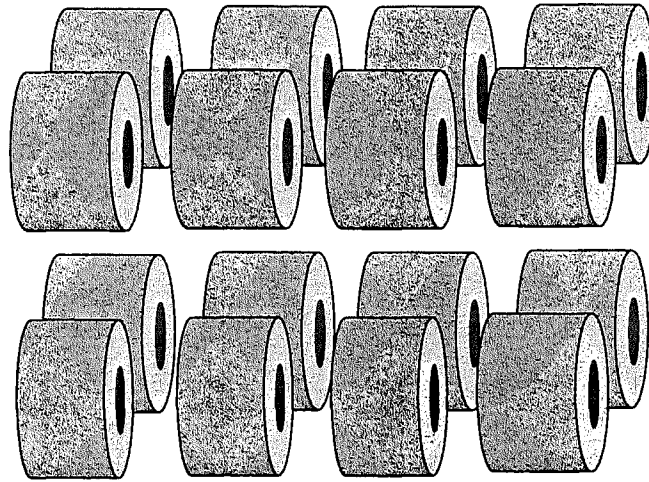
= millions of cans / cells



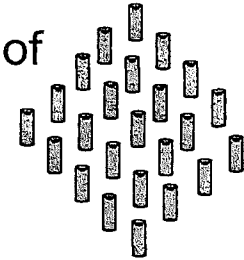
-
- *Several coils shipped for one-week can production*
 - *Cans stamped on normal production equipment*
 - *Battery maker produces millions of batteries*
 - *Sample lots of finished batteries are subject to accelerated shelf life, performance and other testing*
 - *The remainder are sold through normal channels*

Stage 3. One month's volume replaces incumbent commercial supplier in stage 3

- Stage 3
(1 month run)
 - Many coils

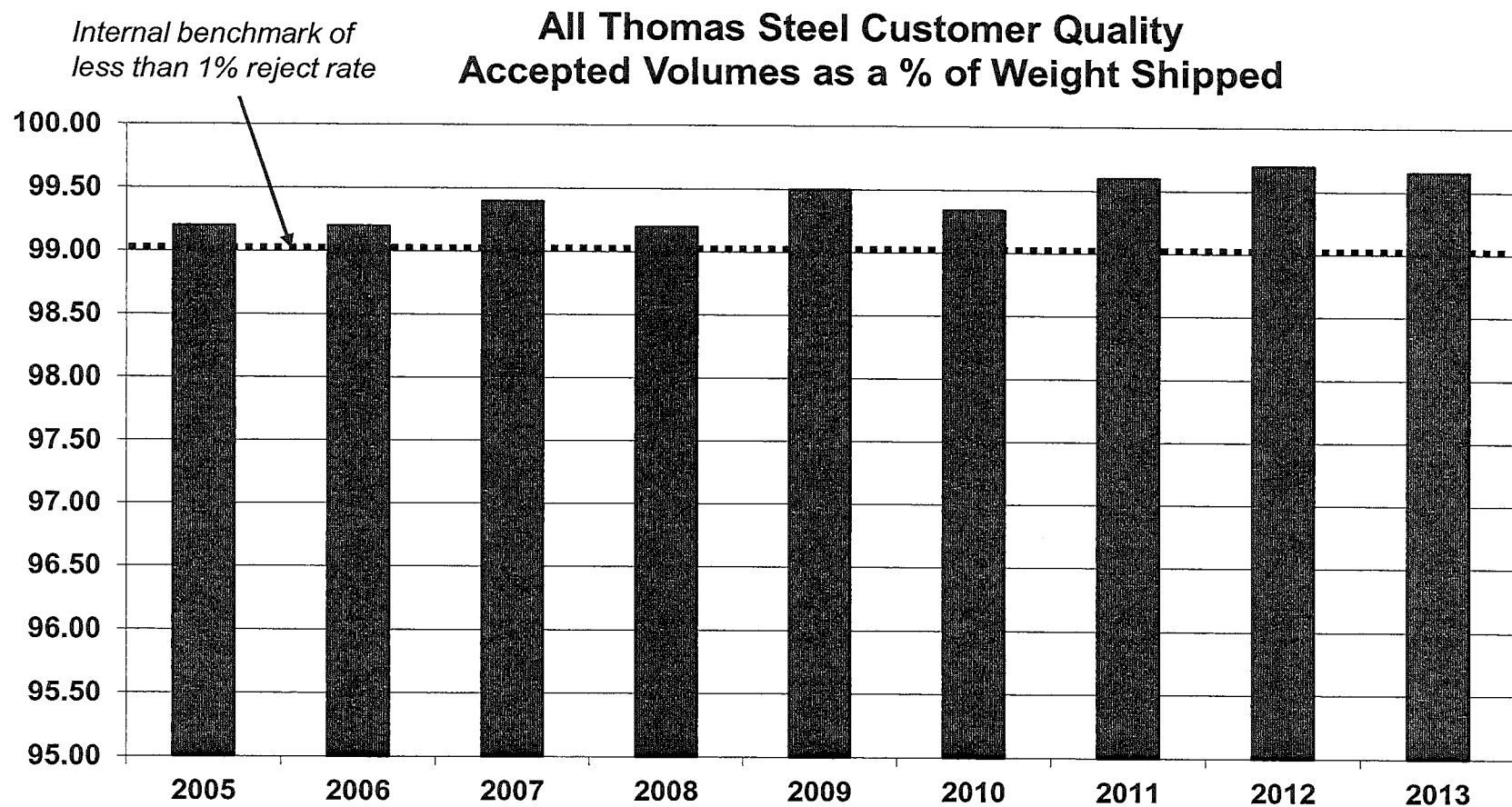


= tens of millions of
cans / cells

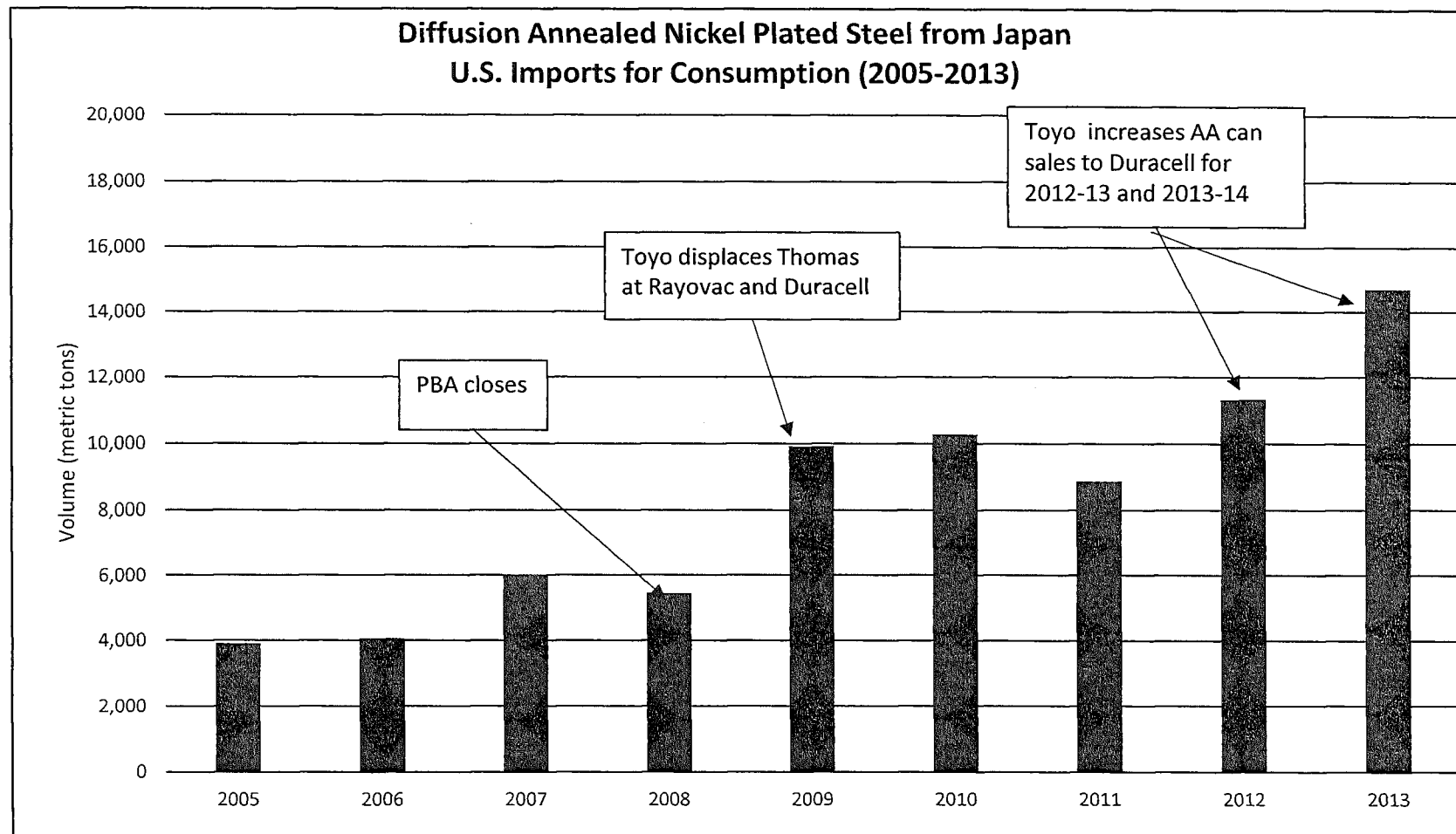


-
- *Dozens of coils shipped for one-month can production*
 - *Cans stamped on normal production equipment*
 - *Battery maker produces tens of millions of batteries*
 - *Sample lots of finished batteries are subject to accelerated shelf life, performance and other testing*
 - *Millions of finished batteries are sold through normal channels*

Thomas is steadily improving quality; returns and allowances during 2011-2013 are at all-time low levels

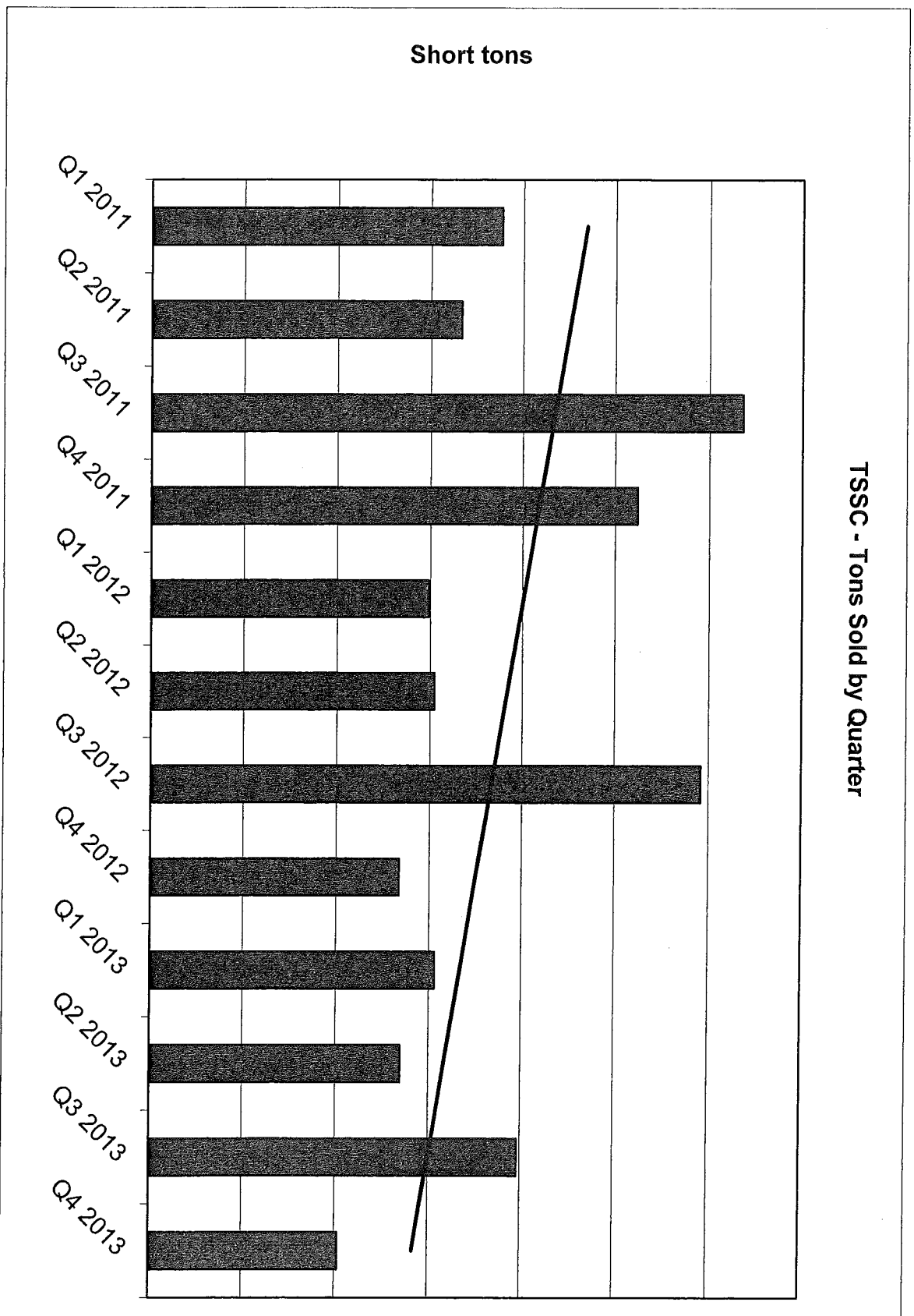


Japanese imports have steadily increased over the long term, penetrating major customer accounts

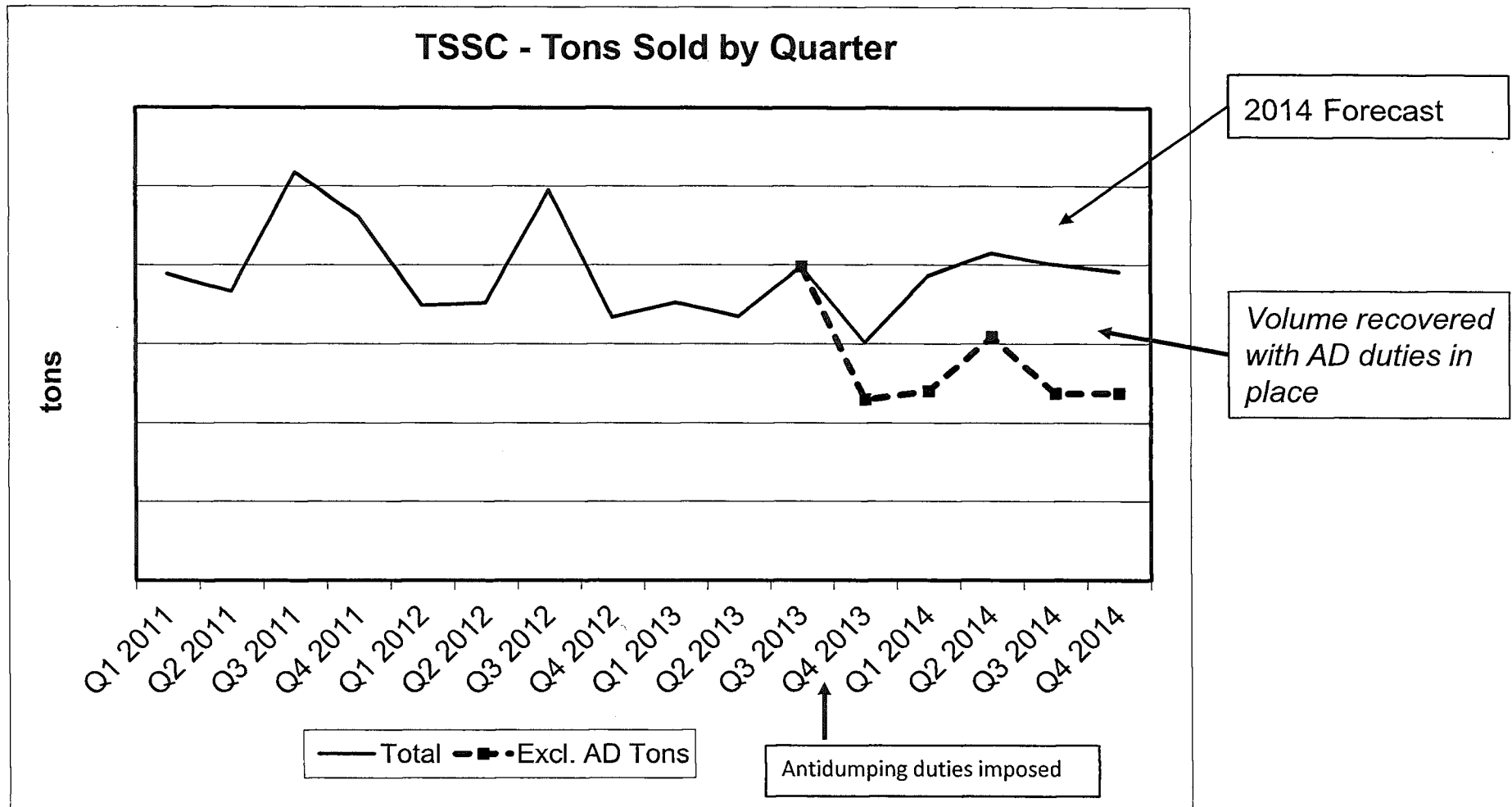


Source: ITC Dataweb

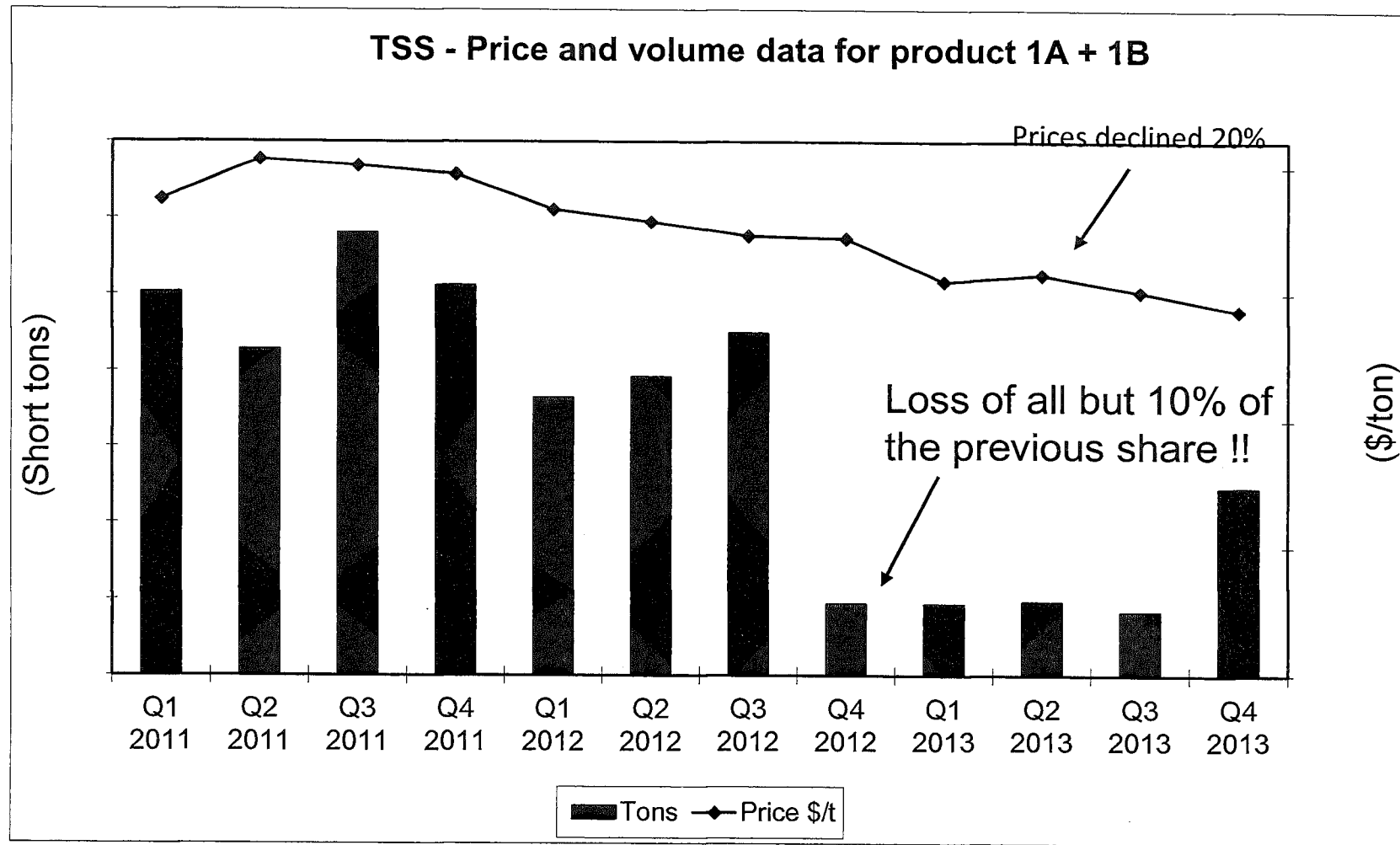
As Japanese imports increased, shipments by Thomas Steel Strip steadily declined



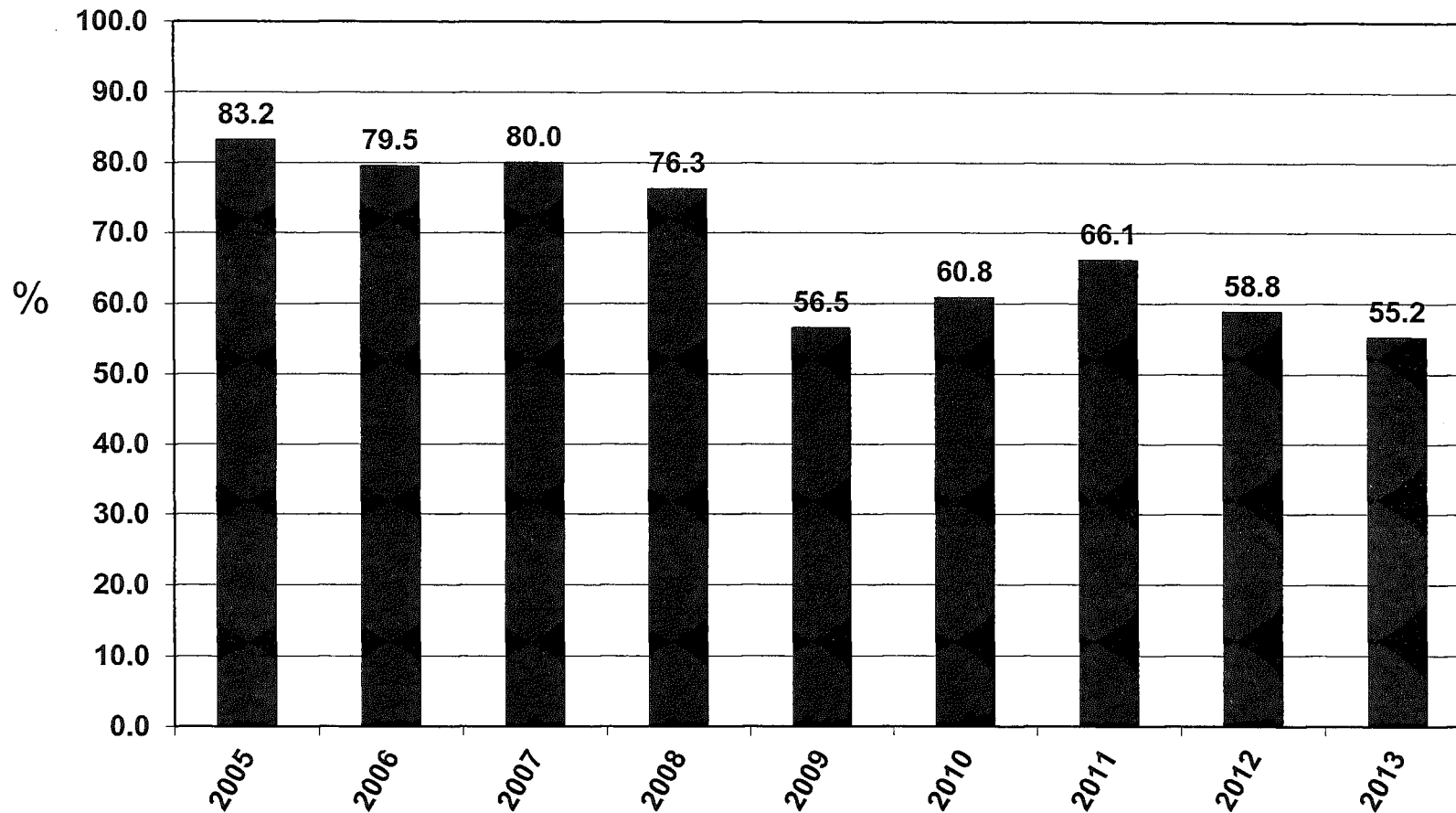
*Imposition of antidumping duties improved our 2014 forecast;
without the duties our trend in shipments would have continued
to decline*



When Toyo Kohan captured Duracell AA volume in 2012, Thomas shipments and prices plunged

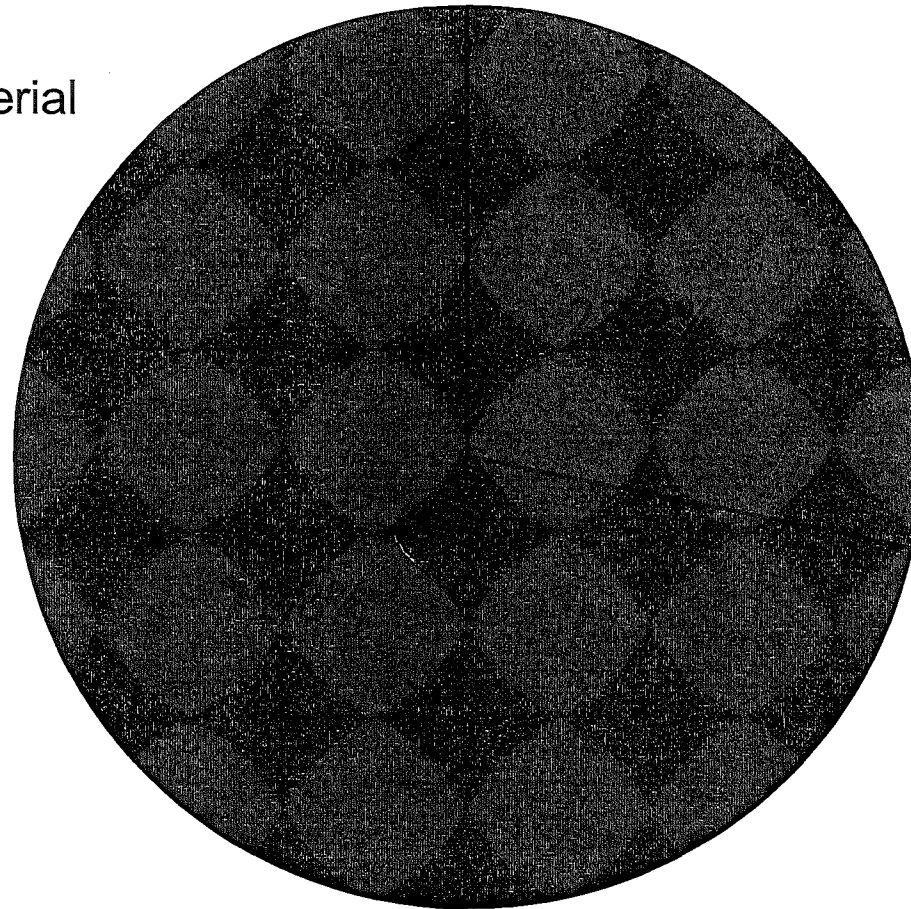


Increasing imports drove Thomas Steel's capacity utilization rates to historically low levels



Fixed cost recovery is important and is dependent on volume

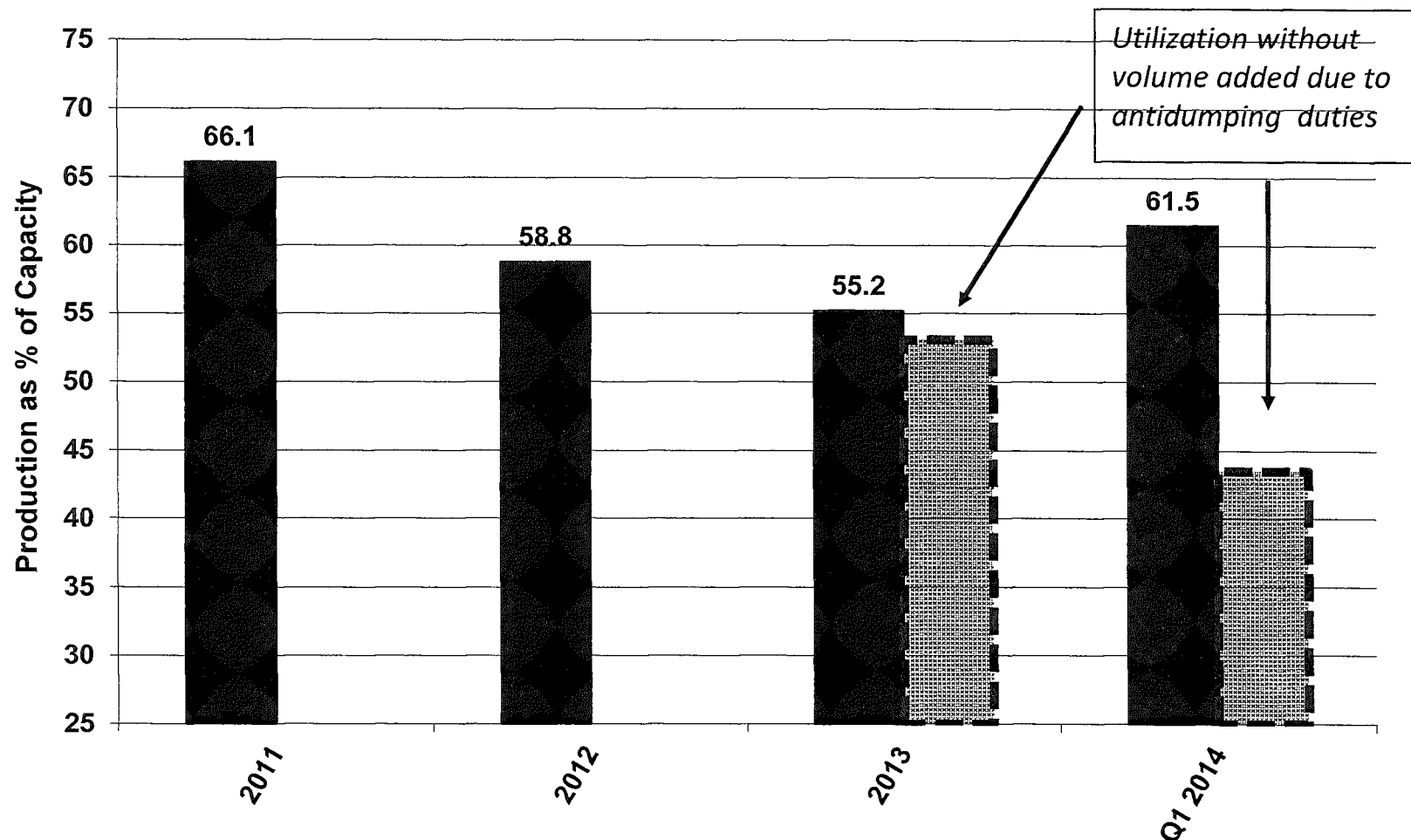
Conversion costs
excluding raw material
and nickel anodes:



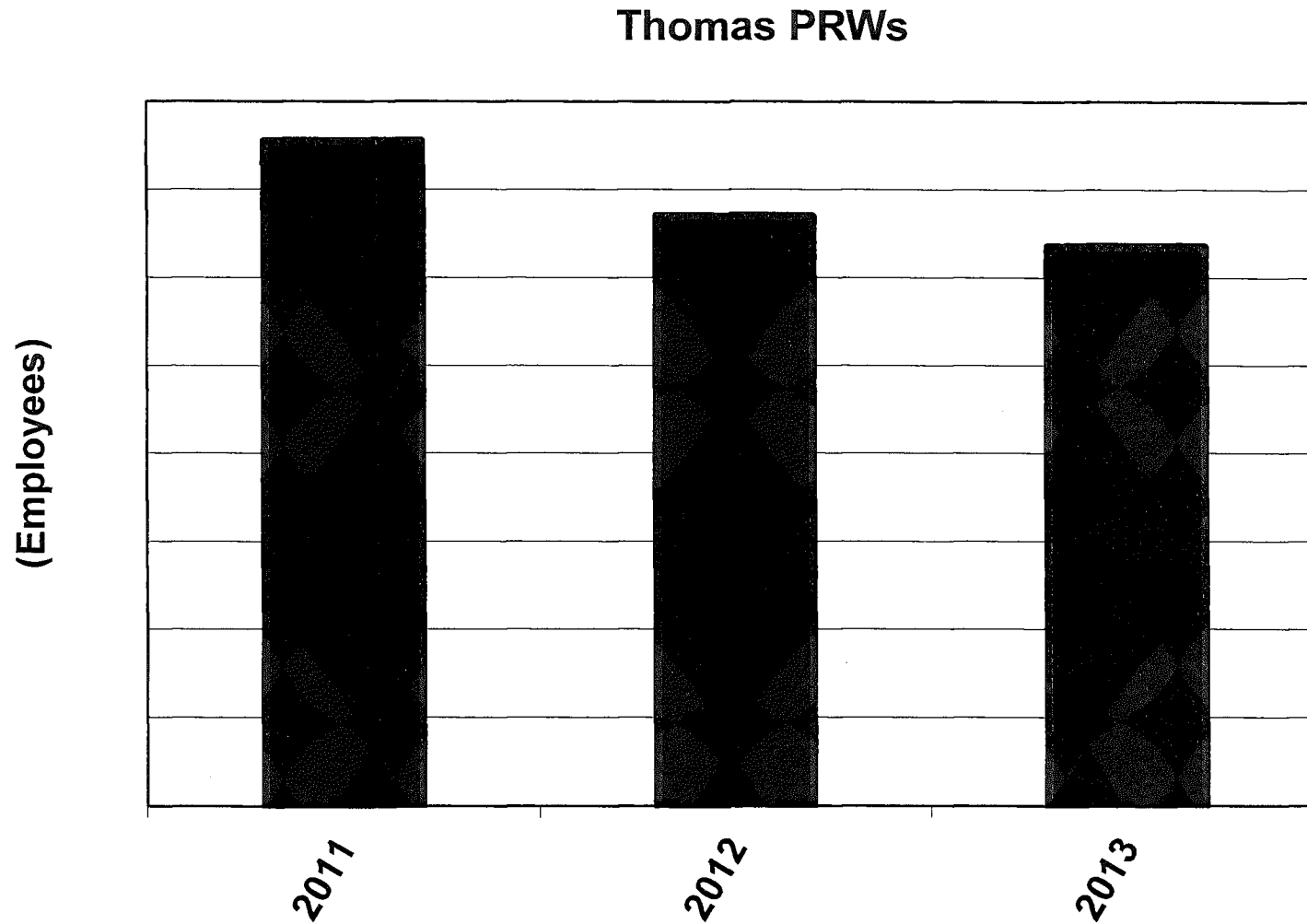
■ Variable
■ Fixed

Capacity Utilization fell below the break-even level and only recovered after antidumping duties were put in place

Thomas Steel Strip Capacity Utilization, 2011-2013

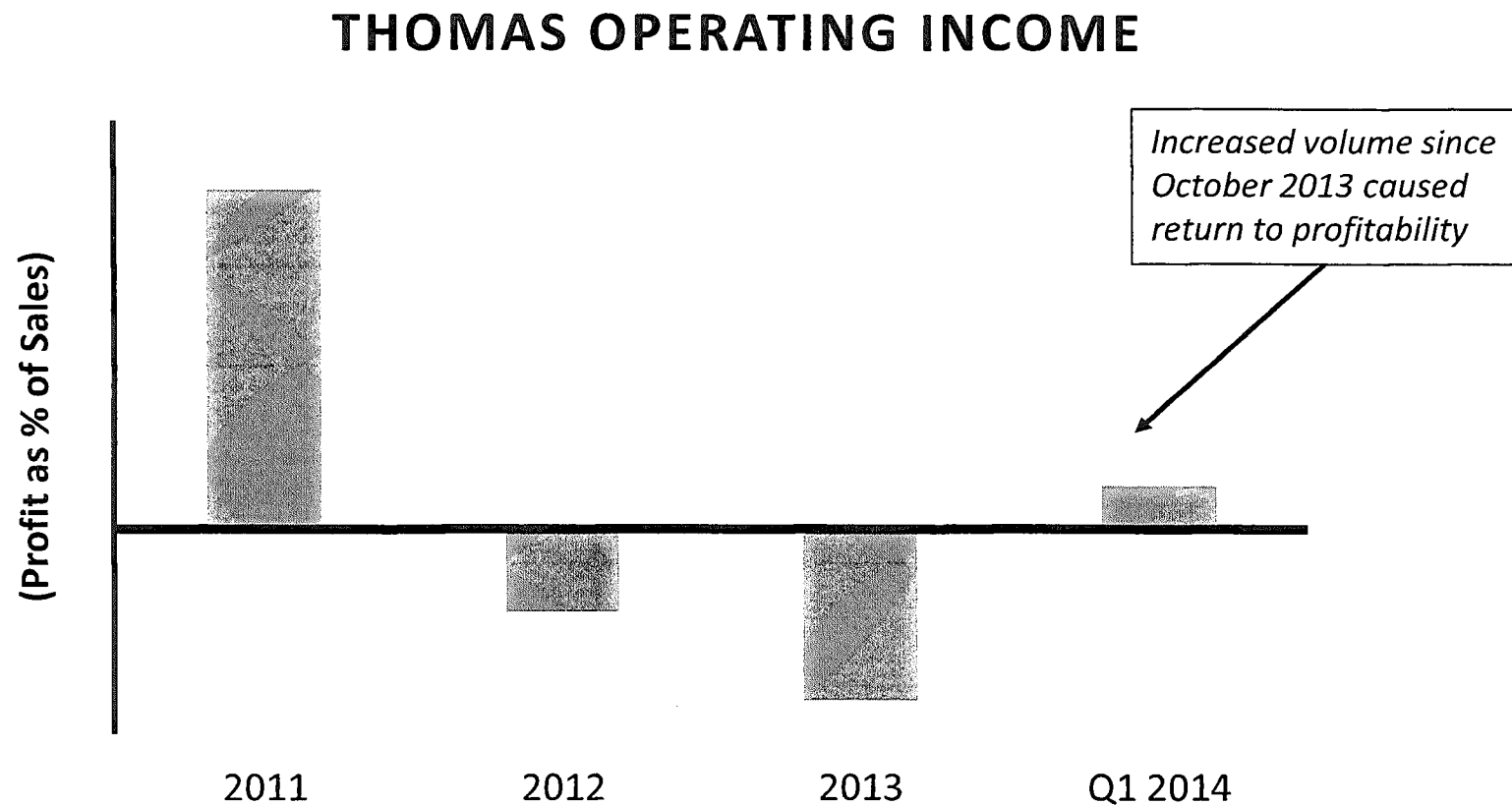


Due to the loss of volume, Thomas employment of production and related declined 12% from 2011 to 2013

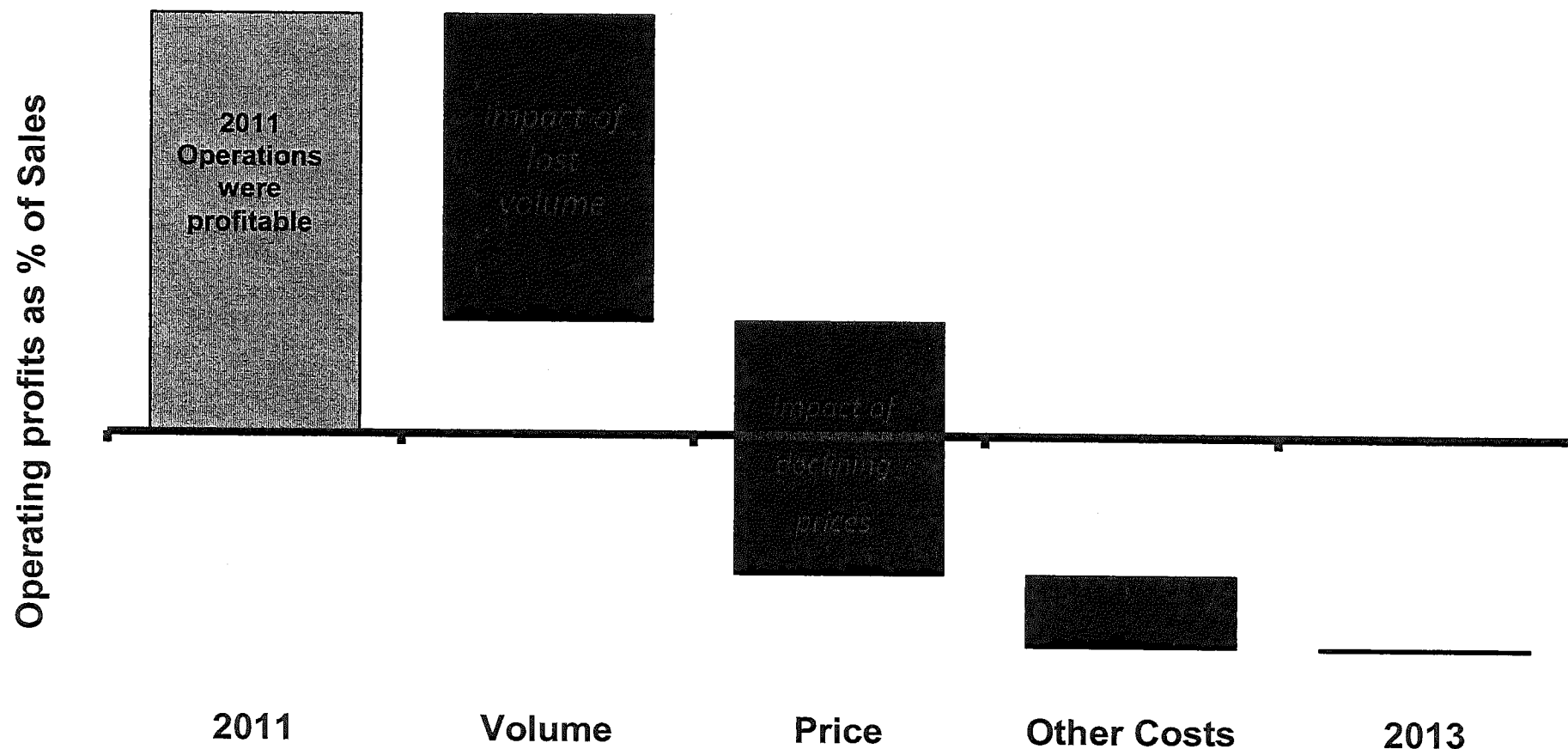


Lost Sales Volume and Declining Prices Caused Thomas to suffer losses in 2012 and 2013, as Imports capturing an increasing share of the market

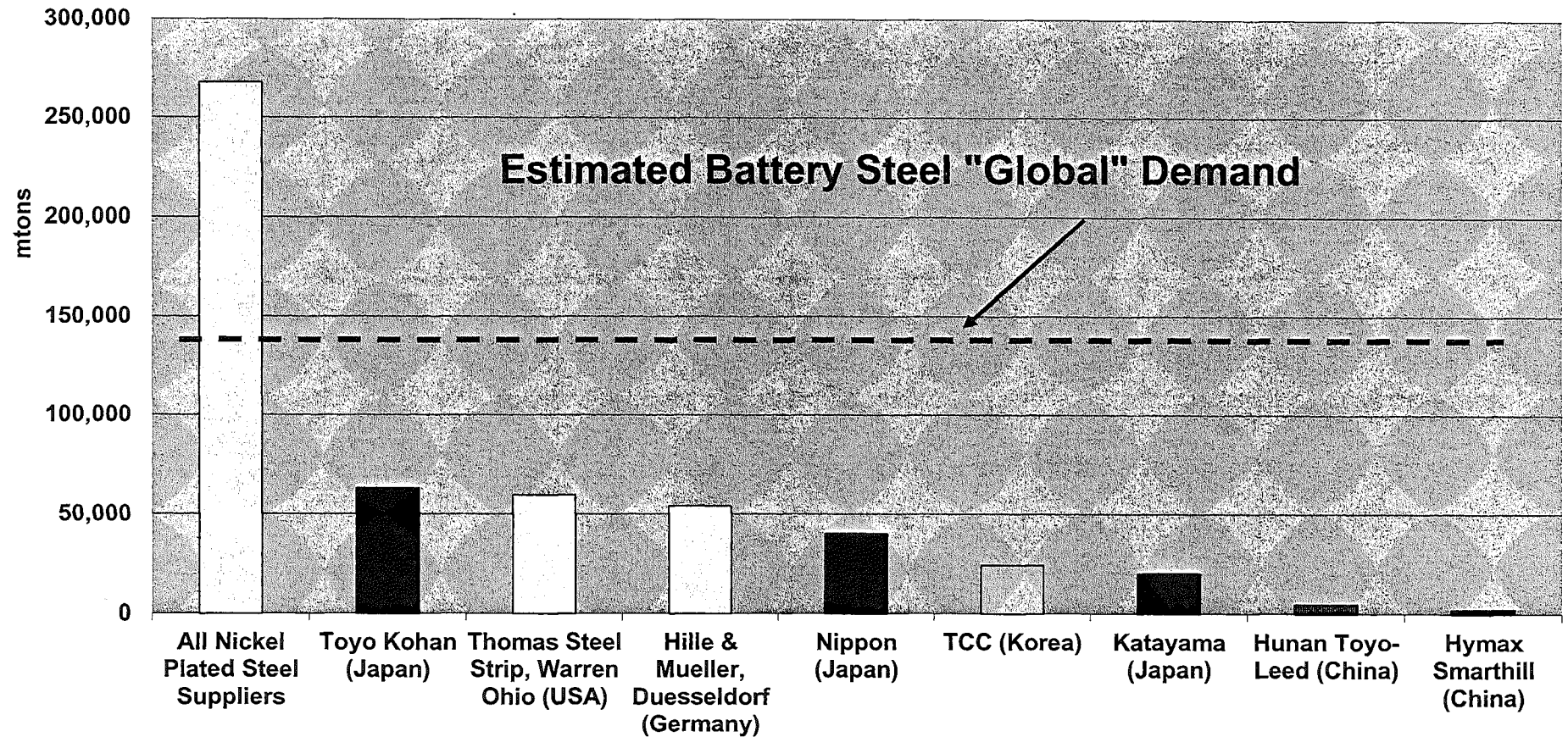
But, after antidumping duties were imposed in October 2013, Thomas has returned to profitable operations



Over half of our losses are directly related to volume loss; base price reductions also had a negative contribution



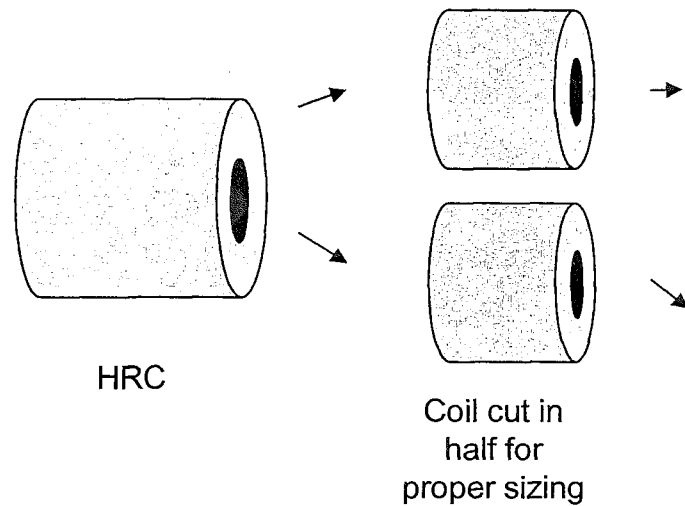
Global capacity is roughly double the volume of global demand



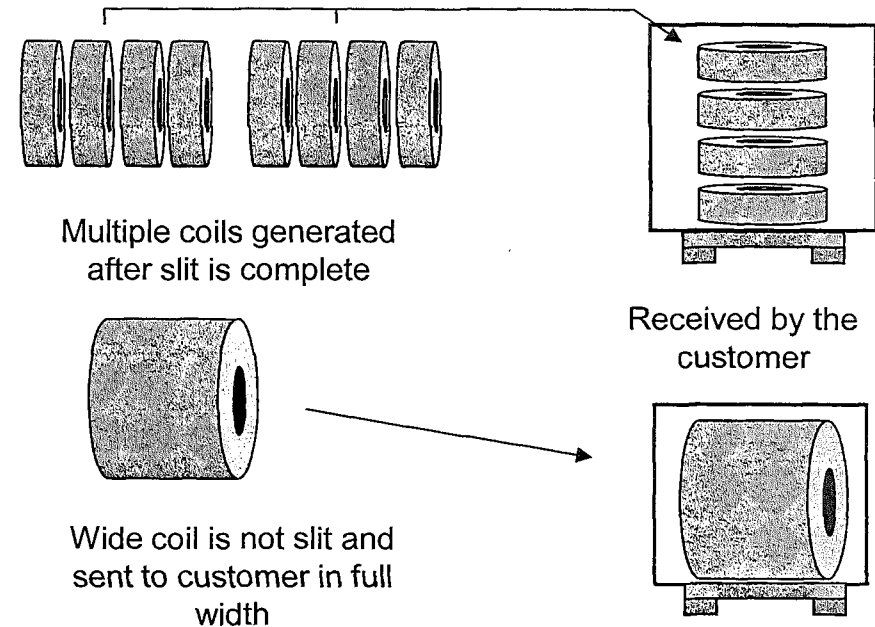
Source: Thomas Steel Strip

31 March 2014

Wide coil or slit coils are all produced via the same process routing



HRC at the start of the process



DANP at the end of the process