UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	)	
	)	Investigation No.:
DIFFUSION-ANNEALED,	)	731-TA-1206
NICKEL-PLATED STEEL FLAT	)	(Preliminary)
ROLLED PRODUCTS FROM JAPAN	)	

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Wednesday,
April 17, 2013

Hearing Room A
U.S. International Trade Commission
500 E Street, S.W.
Washington, D.C.

The preliminary conference commenced, pursuant to Notice, at 9:30 a.m., at the United States International Trade Commission, CATHERINE DeFILIPPO, Director of Investigations, presiding.

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Staff:

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APPEARANCES: (Cont'd.)

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On behalf of Thomas Steel Strip Corporation:

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MICHAEL C. HARTMAN, Director of Quality & Technical Services, Thomas Steel Strip Corporation
STEPHEN WILKES, Director, U.S. Governmental & Regulatory Affairs, Thomas Steel Strip Corporation
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JINI KOH, Esquire
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On behalf of Panasonic Energy Corporation of America:

CARL WALTON, Director of Operations, Panasonic Energy Corporation of America (Material Division)
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On behalf of Nippon Steel & Sumitomo Metal Corporation (NSSMC) and Toyo Kohan Co., Ltd. (Toyo Kohan):

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KAZUHIKO ISHIHARA, Group Leader, R&D Center, Toyo Kohan
YOSHIHIRO HORI, Executive Vice President and General Manager, NSSMC

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I N D E X

P R O C E E D I N G S

(9:30 a.m.)

MS. DeFILIPPO: Good morning and welcome to the United States International Trade Commission's conference in connection with the preliminary phase of antidumping investigation No. 731-TA-1206 concerning imports of Diffusion-Annealed, Nickel-Plated Steel Flat Rolled Products From Japan.

My name is Catherine DeFilippo. I am the Director of the Office of Investigation, and I will preside at this conference. Among those present from the Commission staff are, from my far right, Michael Haberstroh, case manager/analyst; Douglas Corkran, the supervisory investigator; Nate Comly, the investigator; to my left, Rhonda Hughes, the attorney/advisor; John Benedetto, economist; David Boyland, accountant/auditor; and Gerry Houck, the industry analyst.

I understand that parties are aware of the time allocations. I would remind speakers not to refer in your remarks to business proprietary information and to speak directly into the microphones. We also ask that you state your name and affiliation for the record before beginning your presentation or answering questions for the benefit of

the court reporter.

Finally, speakers will not be sworn in, but are reminded of the applicability of 18 U.S.C. 1001 with regard to false or misleading statements and to the fact that the record of this proceeding may be subject to court review if there is an appeal. Are there any questions?

(No response.)

MS. DeFILIPPO: Hearing none, we will now proceed to the opening statements. Welcome, Mr. Cannon. Please begin your opening statement when you are ready.

MR. CANNON: Thank you. I'm Jim Cannon, counsel to Thomas Steel Strip Corporation, the Petitioner in this case. Very briefly, as established in the petition and in the record that I believe will develop in the course of more investigation and the staff report, you will find -- the Commission should find -- that the volume of imports is both significant and increasing.

In regards to significance, the market share of imports is clearly substantial. The Petitioner estimates imports are at least 20 percent or more of the domestic market. We also know that Petitioner has lost a major sale, a sale equal to 20 percent of their

output in 2012. The loss of that business means that imports are increasing.

In the database there is somewhat of a timing issue. The imports arrive at the end of the year, and much of the volume does not show up until the first quarter of 2013. Nevertheless, you can see the domestic industry has lost market share in 2012 and was injured by that event. In 2013, it will only get worse.

There are also price effects. Once these producers are qualified to supply the market operates on the basis of the lowest price, and in this case there is underselling. There is underselling throughout the period and in several of the quarters. This has caused lost sales. I already referred to one lost sale. It actually was repeated, and we have shown in our information submitted to the Commission in the petition multiple lost sales, as well as lost revenues.

In addition to lost sales, the Commission will find evidence of price depression. Over the past two years, essentially for eight quarters in a row, prices have steadily trended down as the low price established in the market by imports has forced the domestic industry to cut its prices.

In fact, having lost a large volume of sales in December of 2011, having been signaled that it was losing 20 percent of its business, the domestic industry had no choice but to cut prices and go out to the market and try to recover volume. It's a high fixed cost business, and without that volume to support their sales the domestic industry wouldn't just lose money. It would be operating at 50 percent or less capacity, and therefore its existence would be threatened.

So, if we look at the impact of the subject imports, there's been an impact on domestic industry shipments. Shipments are down. Capacity utilization is down, right? If shipments are down and production is down, capacity utilization is now at the lowest level in 10 years. It will fall again. Already in the first quarter of 2013, capacity utilization is barely 50 percent.

Employment is down. The domestic industry had increased employment in 2011. However, in 2012, because of the lost sales volume of a major sale, employment has declined. In the first quarter of 2013, employment has gone down even further. We are now looking at as much as roughly a 20 percent loss in employment, and the company has undergone the first

shutdown in the spring in the history of the company. Just a week ago in April, due to a lack of orders Thomas Steel shut down the line.

Turning to profitability, both in 2010 and 2011 the company was profitable. However, with the loss of sales volume, with the undercutting of their prices and price depression, in 2012 the company suffered losses, and in 2013 those losses are going to be deeper. In fact, it looks like a disaster. Unless the company is able to regain lost sales volume, increase its shipments and increase its production and load its capacity, it cannot spread fixed costs and it will be suffering losses.

It also needs to stop price depression, the constant downward decline of prices. We need to put a floor on that. That is the purpose of the dumping law, and for that reason the Petitioner asks the Commission to make an affirmative decision.

I would add one note. I haven't yet mentioned threat. We think this is a present material injury case. We are certainly in 2012 and right now as we sit here materially injured. However, there is also massive capacity. There is a massive steelmaker in Japan, Nippon Steel, who is showing new interest in this market who is even now qualifying to supply U.S.

accounts.

There is the ability of both Nippon Steel and Toyo Kohan to convert tin mill facilities to make nickel plate, and nickel plate sells at about twice the price of tin mill products. There's also been a surge in imports. You particularly see it in the first quarter, and for all these reasons we think that the Commission could also find a threat of injury. Thank you very much.

MS. DeFILIPPO: Thank you, Mr. Cannon.

We will now turn to opening remarks on behalf of Respondents. Mr. Schaefer, I believe you are doing the honors, so once you get settled in please feel free to start.

MR. SCHAEFER: Thank you and good morning. I'm Alex Schaefer from the law firm of Crowell & Moring, here on behalf of Metal One America, Inc.

This is sort of a rare situation in that you, the Commission, have the entire industry here before you or most of it. You have all of the key producers, you have the key importer, and you have most of the key customers. And because you have the whole industry you can get the whole story, and it's a fairly interesting story. And I don't want to give it away because other folks who know a lot more about it

are going to tell you how this industry is working, I believe, but I'd like to highlight a couple of key plot points.

Here's the first one. Mr. Cannon tells us that once suppliers are qualified, the market operates on the basis of price. He can't be right, though, because his client tends to be the lowest price. A pretty important plot point for our story.

Here's a second plot point. Tata, the parent company of Thomas Steel, was confronted some years ago with the question of how do you manage commodity prices that fluctuate day-by-day when you have to write contracts that go on for months at a time. And they cooked up a pretty interesting solution. Here's what they did. They cooked up a pass through for commodity prices. They said we're going to create an index that ties our pricing to the levels of prices for iron ore and coking coal.

Now, Tata is a vertically integrated company. They have mills that produce the substrate to make this product and so in theory if iron ore prices and coal prices go up, because those charges are passed through they should never have a care in the world about increasing raw material costs, and yet we're left with the petition asserting that raw

material cost increases have led to and driven their profitability problems. A pretty interesting plot point.

As I say, I don't want to get in the way of the folks who understand all the details and all the minutia about this industry and I think we should let them get up here, but for the reasons that I've laid out, these plot points -- and for the other reasons that you're going to hear from the witnesses on the Respondents' side today -- we think you should make a negative determination at the preliminary phase. Thank you very much.

MS. DeFILIPPO: Thank you, Mr. Schaefer.

We will now turn to direct testimony in support of the imposition of antidumping duty order. Mr. Cannon, if you and your group would like to come up and get settled, and please feel free to start once you have done that.

MR. CANNON: Thank you. We'll proceed with the remarks of Michael C. Hartman. Mike?

MR. HARTMAN: Good morning. I am Mike Hartman, currently the Director of Quality & Technical Services at Thomas Steel Strip Corporation. In my career with Thomas, I have also been the Director of Sales and was both the Technical Director of Sales and

Director throughout a large part of the past three years. In my statement this morning I will address the product under consideration, the conditions of competition in our market, and our experience in head-to-head competition with imports from Japan.

First, the product. Diffusion-annealed, nickel-plated steel strip was first explored and developed as a product by Thomas Steel in the 1940s. Furthermore, our records indicate diffusion-annealed, nickel-plated steel was tested by battery can manufacturers and alkaline battery producers in the 1960s.

After the introduction of diffusion-annealed nickel plate, battery manufacturers were able to produce alkaline batteries with a much longer life. After the benefits were discovered, Thomas Steel Strip quickly converted our nickel plate production process to manufacture diffusion-annealed nickel plate.

Perhaps the most significant difference between diffusion-annealed nickel plate and other types of nickel plate is the diffusion or nickel-iron layer. Diffusion-annealed nickel plate is produced by annealing after the strip is plated. As a result of this process, the heat from the annealing causes the nickel and iron to form an intermediate layer of

nickel-iron alloy.

As shown by Slide 1, if you look at the schematic cross section of the diffused annealed nickel plate there is a layer of nickel-iron alloy that is not found in other types of nickel plate. Because the plating process is prior to the annealing, diffusion-annealed nickel plate is plated first and annealed last. We refer to the nondiffused type of nickel plate as plated last product.

Turning to the physical characteristics of the product, diffusion-annealed nickel plate has better nickel adhesion, better corrosion resistance and more formability than a plated last flat-rolled product. Because of the overall consistency of the deposited nickel and the nickel-iron alloy layer, it is easier for a battery can maker to deep draw the diffusion-annealed nickel plate into the shape of a battery can. Also, the can will have better corrosion resistance because of the strong bond to the substrate resulting from a process of diffusion annealing.

I have brought some cans with me this morning. Stephen Wilkes will pass them around. These cans represent samples produced from various can making operations. There's a D&I can in there and draw/redraw cans. The purpose of these are to

demonstrate the functionality of our material. So those cans that you have in front of you there are all produced from Thomas Steel Strip.

If you can imagine that these cans started as flat steel sheet, you can see that forming these into a relatively tall and narrow can puts a great deal of stress on the metal. During the forming operations, the steel and the nickel layer are drawn to form the battery can. As an end result, the nickel layer serves as a protective layer to avoid direct contact between the steel and the internal alkaline battery components.

Our customers only specify diffusion-annealed nickel plate for use in alkaline batteries. Also, for primary lithium batteries our customers only specify diffusion-annealed nickel plate. For an end user to change to another type of flat-rolled steel would require significant investment and likely a change in the entire battery design. Therefore, our nickel plate does not compete with other materials for these applications.

Similarly, in automotive fuel lines the properties of diffusion-annealed nickel plate are very desirable. Our nickel plate is corrosion resistant. It has good formability. In a fuel line application,

the end user will roll and form the nickel plate into a tube and weld the seam. The welding process, the heat from the weld zone causes nickel to flow into the weld seam. Because of the introduction of more corrosive fuels like ethanol and the drive toward longer automotive warranties, the need for diffusion-annealed, nickel-plate steel is expending in its application.

Next I would like to outline some of the conditions of the competition that characterize the U.S. market. First, 95 percent of nickel plate is sold to the battery manufacturers, including Energizer, Duracell and Rayovac. Each of the battery manufacturers uses nickel plate to produce battery cans and end caps. In addition, there are three can makers who produce certain battery cans for Energizer, Duracell and Rayovac.

Slide 2 shows each of the alkaline battery producers and can stampers. For example, Cly-Del Manufacturing produces battery cans for Duracell, H&T Waterbury produces battery cans for Energizer, and Panasonic Energy Corporation of America produces battery cans for Rayovac.

Second, nickel plate is typically sold on an annual or six month basis. Once or twice a year we

will meet with customers to negotiate prices. In some cases we negotiate with the battery company to set the price for both the battery company and the can maker. In other cases we may negotiate directly with the can maker.

In any case, negotiations will result in an agreed upon price that we will honor over the established period. The customers do not agree to fixed quantity. They provide us with a monthly forecast so that we can plan production to deliver in response to their purchase orders.

Third, the price itself will typically have two components, a base price and a surcharge or raw material mechanism or adjustment. For Thomas Steel Strip, the raw material price adjustment is automatically applied. The adjustment will go up or down depending upon the change in the published price indexes for iron ore, coking coal and nickel.

When we negotiate prices, we first compete on the base price. In other words, at the time of our price negotiations our customers compare our base price with the base price offered by the Japanese. In fact, one of our customers requires us to present our pricing using a template or format. A copy of this template is included in our confidential handouts.

If you'd turn to those handouts, I'll walk you through a little bit about how those are designed. It's Exhibit 1. In the upper left-hand quadrant is the available volume that's put forth to us. In this particular instance the example is defined in a six month volume window or volume allocation if you will. It lists the various regions that accompany volumes.

If you move over to the right-hand portion of the top there are assumed price indexes that are available to all nickel-plated steel producers that are available to quote on this business, so that levels the playing field of the base price. If you scroll down then to the left-hand quadrant, there are examples of where the material will get consumed and shipped to. The specification of the particular product is defined, along with the volume that accompanies that particular spec.

And as you move over onto the right-hand quadrant, the material offerings are broken out into various categories, which include a base component, which does not even include any nickel component, in order to design a comparison, which is ultimately insight into conversion cost. And then all the way on the right-hand side is a total delivery aspect so that various aspects or various angles can be compared from

one supplier to the next.

MR. CANNON: So, Mike, while you're looking at this if you look in the table in the middle and you see the two highlighted items on the left, you see there's four of them with like a highlight. Next to that two columns over you see a gauge, okay? That's basically Product 1 in the pricing products.

And then as you move to the right what you see is that for this product there's also a nickel here expressed as a ratio. In the pricing products we have the same type of ratio in terms of the amount of nickel plate on the product, and then as you move to the next column you see the quantity.

And all the columns that are blanked out, these are the columns that the customer has to fill in when they make their bid, so this is a blank bid sheet. In other words, the Japanese get this and fill it out and so does Thomas. And you see in that first column to the left what the customer has done is forced them to quote without any raw material price. They have to take out the raw material.

In fact, it was interesting in the opening counsel for the Japanese said that it was notable that Tata had cooked up a pass-through for commodity prices. In fact, this customer requires the bidders

to submit their prices without the commodity raw material cost in them. This didn't come from the domestic industry cooking something up. This came from the customers forcing the suppliers to bid in a way that lets the customer see what our production costs are because they want to squeeze out the profit.

Now, in that first column then that's dark they make Thomas take out the raw material prices. In the next column next to that, Mike, and my eyes are not that great so tell me here. What's in the second column right here of the dark columns?

MR. HARTMAN: The second column is actually a mechanism that we will be able to offer up a full-in price that would include nickel and certainly the raw material components in addition to our base.

MR. CANNON: So you're saying that's your actual price?

MR. HARTMAN: Uh-huh. At the time of when the quote is supplied, that would be an actual price.

MR. CANNON: Okay. And then what's in these next two columns?

MR. HARTMAN: The next column over is a price that would use the benchmarking supplied by the customer, and the next column over is a total delivery cost to the point of destination.

MR. CANNON: And so what's the benchmarking supplied by the customer?

MR. HARTMAN: At the top it would indicate the commodity price that they would want us to use for the price comparison.

MR. CANNON: So they're making an assumption about what raw material costs will be?

MR. HARTMAN: It could be that, or it could just be an established benchmark that they would use for the comparison purposes of price.

MR. CANNON: Okay. So up above at the top in this little box on the right-hand side you see it says basically the three commodities that we index to, right? Iron ore, coking coal and nickel. And there the customer is giving them a "benchmark".

So in other words, it's forcing every supplier who wants to bid to assume that they have the same nickel, iron ore and coking coal prices as their base, right, so it forces all of the nickel plate manufacturers to compete on exactly the same basis, and it really focuses down on what's your price. Anyway, thanks.

MR. HARTMAN: Okay. So because we often conclude our negotiations several months before the agreement commences, as Jim noted, our effective

prices during the agreement period may be higher or lower than the base price established through the negotiations.

Fourth, our customers are highly demanding end users. Our customers visit the plant on a regular basis. They perform periodic audits of our quality systems and work together to consistently improve the quality and consistency of our product. Contained also in the confidential handouts are copies of quality assessments performed by our customers.

So we don't spend a whole lot of time on those, but certainly if you turn to the first page after Exhibit 2 it lists the supplier who conducted the assessment, and I'll draw attention to it's a little bit up from the bottom of that page where it actually will list who participated, and in this actual instance it was not only the battery manufacturer, but the can maker as well.

And then if you turn to the next page it gives you an overall assessment rating at the top of that. I'll just draw your attention to that. Certainly we would view that as an acceptable rating, as well as our customer did. So in subsequent pages that you'll have in the document are included in other suppliers that have visited our facility as well, so

you can browse through that at your leisure.

In addition, any supplier must submit its nickel plate for qualification. There are multiple stages to the qualification process. First, we submit a sample of nickel plate produced to the customer specification. The customer or its stamper will then produce parts using the sample nickel plate. The parts are then made and tested for performance.

At this stage we would supply enough nickel plate to produce several thousand parts. Next, we supply larger volumes -- for example, 10 to 20 tons of nickel plate -- and the process is repeated. The stamper and the battery maker will test whether the results are repeatable and the quality is consistent.

First we submit a commercial quantity, for example, such as 100 tons, which may involve several coils of nickel plate. The can stamper or battery manufacturer will then produce batteries on a commercial scale. The batteries are subsequently tested for leakage and performance. The entire process from ordering the nickel plate to producing cans and then batteries to testing the performance of the batteries can take several months or will generally take about a year.

However, if we are already qualified to

produce a battery company in another country or plant we can usually skip to an advanced phase of the qualification process. In that case, the qualification period is much shorter and may only last a few months. In fact, we do not have to qualify in advance to make any offer. That is, we may be invited to bid by our customers even though we are not yet formally qualified for a particular spec.

This would typically occur when we are already qualified to produce a similar specification such as where we are already qualified to produce C can material and are invited to bid to supply D can material. In the U.S. market, both Toyo Kohan and Thomas Steel are either qualified in all of the major battery producers or capable of qualifying in short order.

To our knowledge, Toyo Kohan is not formally qualified to supply all of Energizer's specifications. However, they consistently call on Energizer and submit competing offers. Likewise, we are not formally qualified to supply all of Panasonic's specifications, but are always invited to bid.

Turning to supply and demand, demand for nickel plate is somewhat seasonal. Because demand for batteries tends to peak during the holiday season,

demand for nickel plate tends to peak in mid June in time to allow for can stamping and battery production, so our shipments will rise month-by-month starting in June, then level off through the end of the year.

On an annual basis, demand is relatively stable. Over the long term, demand for batteries has shifted towards smaller batteries, such as AA and AAA. Because these batteries use less nickel plate by volume, demand for nickel plate has gradually declined. Also, the battery makers have shifted to thinner and lighter specifications, meaning that over time we are supplying thinner nickel plate for the same specification.

Supply, on the other hand, is far higher than demand and has increased. Slide 3 shows global supply versus global demand. In total, global supply is nearly double the volume of global demand. In addition, because Toyo Kohan and Nippon Steel both manufacture tin plate and nickel plate, they can quickly convert tin plate lines to nickel plate production.

Because nickel plate is a high value steel product, it is very attractive to tin plate producers. According to the Commerce Department, U.S. imports of tin plate are currently selling for less than $1,200

per ton. By comparison, imports of nickel plate were being sold at roughly $2,000 per ton.

Thomas Steel was the first producer to supply Energizer, Duracell and Rayovac with nickel plate for alkaline batteries. Due to our quality and performance, our nickel plate has been qualified to supply all of these accounts. In fact, as shown by Slide 4, our combined reject rate at all of the battery accounts was 0.3 percent in 2012. In other words, our product is qualified, and over 99.7 percent of our shipments are accepted by our customers for their use. At Thomas, we are proud of our quality.

By the same token, Toyo Kohan and Nippon are capable manufacturers. Both are well-established, qualified suppliers in the alkaline battery market. Nippon Steel is widely qualified to supply the major manufacturers in Asia. It has more recently qualified a few specifications, and more are pending in the U.S.

Given that Thomas and the Japanese producers are qualified suppliers within the battery market, competition takes place on the basis of price. Consider the bid template that I handed out in the confidential exhibits. Example, Exhibit 1. This customer forces all suppliers to express their prices in identical terms so that they can pit us against

each other. I have never been told that the customer accepted a higher price from a competitor due to their quality.

Slide 5. Our customers insist that we meet the low prices offered by Japanese competition. Our petition included email correspondence from one of our customers flatly stating that we needed to cut prices by $250 per ton in order to secure any business. Another customer is stating, and I quote, "due to lack of competitiveness". In other words, we are awarded business only for six months, and we have to rebid the business.

Slide 6, 7 and 8 show the average quarterly prices for three of the pricing products found in the questionnaire. As shown, in each case Thomas increased prices from 2010 to 2011 in order to keep up with increasing costs. However, in each case Japanese imports forced us to cut prices in 2012 in order to maintain sales volumes. Slide 6 shows the trend in the price and the quality with respect to Product 1.

In this testimony, Jon Jarvis will review the sharp increase in cost that occurred in 2011. This increase forced us to raise prices. However, in negotiations in late 2011 for 2012 business, our customers insisted that our prices were significantly

higher than the prices for Japanese imports. One customer bluntly told me that we were over 10 percent higher than the Japanese price.

Slide 6 shows that not only did our prices steadily fall, but we still lost volume. If you look at the volumes in 2012, we had lower volumes of sales of Product 1 in every quarter, and in the fourth quarter our sales had fallen to a fraction of the prior levels. This reflects the fact that we lost the AA business to Toyo Kohan at a major customer account in December 2011.

The largest segment of the battery business is AA batteries. For a steel producer, this product is important because it allows us to operate at high volumes and efficient production. With a major product like AA battery material, we can operate long production runs without the need to change over between products. As a result, we can better cover our fixed costs.

Until December 2011, we were the largest supplier of AA battery material to one of our major customers. We supplied 80 percent of this business. Toyo Kohan supplied 20 percent. Because of the large volumes of sales, Toyo Kohan targeted the AA business at this account. In December 2011, Toyo Kohan offered

prices for nickel plate for AA cans that were substantially below our prices.

Because of the importance of this product in terms of filling our capacity, we had to respond. We offered to cut prices by nearly 10 percent in order to keep our share of this customer. Despite these reductions, however, Toyo Kohan captured the majority of the volume and took our place. By the fourth quarter of 2012, we were only supplying 20 percent of the volume, and Toyo Kohan had 80 percent of the volume.

This single lost sale item amounted to over 20 percent of our sales volume. When we learned of this huge swing in volume in December 2011, we were forced to cut prices across the market in order to maintain our sales volume. By the end of 2012, our sales volume had fallen 9 percent from 2011. Our average revenue per ton had fallen 9 percent. Our total revenues had fallen over 17 percent.

In December 2012, we again went back to the same customer that we had lost in 2011 and attempted to increase our share of the AA business. We again reduced our price. However, Toyo Kohan requoted this business and we lost the sales a second time. At this point we have lost a substantial volume of AA business

through June of 2014.

I should note that this customer has not only compared Toyo Kohan's prices against our prices, but qualified another supplier, Nippon Steel, to increase the competition. In December 2012, we were notified that we lost at least half the volume on another battery specification to Nippon Steel. This lost sales volume will commence in July 2013.

In short, we have been forced to cut prices across the board in order to secure enough sales volume to operate our plant. I thank you for your attention.

MR. CANNON: Thank you, Mike. Next we'll hear from Jon Jarvis.

MR. CORKRAN: Mr. Cannon, can I ask a quick question directed to Mr. Hartman?

Mr. Hartman, I just wanted to clarify. On page 6 of your testimony you said that, "Our shipments will rise month-by-month starting in June." I just wanted to make sure I understood whether it was starting in June or whether it would rise month-by-month through June.

MR. HARTMAN: Basically the peak production seasons start to peak in June through July, August, September and October. That's for two reasons. One

is as battery manufacturers prepare for the Christmas holiday season they will tend to go up; the second point being the U.S. typically may have hurricane activity across those months, and both of those drive demand for increased batteries in the marketplace.

MR. CORKRAN: Thank you very much, and I apologize for the interruption.

MR. JARVIS: Good morning. I'm Jon Jarvis, Vice President of Finance for Thomas Steel Strip Corporation. I've been the senior financial officer for Thomas Steel Strip since 2004, and I've been in the steel industry for 25 years in various accounting positions.

In my statement this morning I will address the impact of imports of diffusion-annealed nickel plate from Japan on our business at Thomas. Specifically, I will address the effect of declining production -- that is, tonnage lost to import competition -- on our bottom line and on our workforce.

Next, I will address the dilemma that we face when we are forced to choose between additional sales volume or higher prices. Finally, I will discuss the impact that dumped imports have had on our profits, our return on investments and our ability to

invest in research and development and new equipment.

Slide 9 shows the long-term trend in Japanese imports of nickel plate. Based on our internal estimates, imports from Japan are shown by the bars and measured by the left-hand access. Apparent domestic consumption is shown by the line measured on the right-hand access.

Since 2005, U.S. consumption has fallen by roughly 20 percent. The major reason for this decline was the decision by Panasonic Battery to cease producing alkaline batteries in the United States in 2008. With the exit of Panasonic from the U.S. market, consumption of nickel plate fell sharply in 2009, but has been relatively stable since that event.

Looking at imports from Japan, in 2005 imports by our estimates accounted for less than 10 percent of the U.S. market. At that time, the majority of the imports from Japan were actually consumed by Panasonic. For example, in 2005, Thomas had the large majority of shipments to Duracell and to Rayovac. Then, in 2009, imports from Japan doubled in volume.

This surge in imports was caused by two events. First, Toyo Kohan captured 100 percent of the business at Panasonic. Thomas, which had been

supplying Panasonic produced battery cans for Rayovac, lost essentially all that business. Second, also in 2009, Toyo Kohan captured a significant share of the business at Duracell.

The increase in imports from Japan has had a significant impact on our production of shipments and our capacity utilization. Slide 10 shows the impact in terms of capacity utilization. When I joined Thomas in 2004 and for the next few years our capacity utilization was over 80 percent. After Toyo Kohan surged into the market in 2009, our capacity utilization has been less than 70 percent, and in 2012 capacity utilization fell to less than 60 percent.

Turning to Slide 11, you can see our capacity utilization in 2013 will be even worse. Once we adjust our production to reflect the major customer shift at 80 percent of its AA business to Toyo Kohan, our capacity utilization in 2013 will be barely more than 50 percent.

This decline in capacity utilization mirrors the trend in our production and our U.S. shipments. Our confidential questionnaire response includes these data for the period under investigation. As you will see, our production declined more than 10 percent between 2011 and 2012 as Toyo Kohan began replacing

our shipments to a major customer.

The decline in production has a human dimension as well. Turning to Slide 12, you can see that our employment levels improved in 2011. When we were forced to cut production in 2012, however, we lost 8.5 percent of our workforce. Because Toyo Kohan is now supplying AA material to a major customer at least through 2014, we expect to lose more workers in 2013.

The chart shows our 2013 employment figures based on actual first quarter experience. In fact, we shut down our plant for one week in April this year for the first time in the history of the company due to lack of orders for nickel plate.

Capacity utilization is vital to our business because our fixed costs are high. Slide 13 shows our fixed costs excluding raw material costs. As shown by this chart, our fixed costs account for 75 percent of our nonmaterial costs. As a result, it is essential for us to produce a healthy level of capacity utilization in order to spread those fixed costs.

So when Mike learned in December of 2011 that a major customer decided to switch 80 percent of its AA volume to Toyo Kohan, we absolutely had to try

to regain sales volume at other accounts and in other battery sizes. By the end of 2012, although we had regained a portion of the volume lost to Toyo Kohan, our overall shipments were down. Our capacity utilization was impaired, and we were suffering operating losses.

At Thomas, we closely monitor our margin over metal. The margin over metal refers to our net sales revenues less the cost of materials, hot band and anodes. So if our material costs rise, but we're able to get higher prices, our margin over metal might remain steady from year-to-year, but if our prices fall faster than our material costs or if our material costs rise faster than our prices, our margin over metal will decline.

Slide 14 shows our margin our metal indexed to 2010. As shown, our margin over metal did not change much between 2010 and 2011. This reflects that we were able to obtain higher prices in 2011 as our material costs were increasing. So if you recall Slide 6, our prices rose steadily through 2010 and the first two quarters of 2011. Slide 6 illustrates this trend for Product 1. You can see that our prices rose through the second quarter of 2011 and remained relatively high until the first quarter of 2012. At

this point our prices fell rapidly.

Returning to Slide 14, our margin over metal declined in 2011, even as our prices decreased. This is because our material costs were increasing. However, in 2012, our prices were significantly depressed by import competition and the need to find additional volume to fill our capacity. The margin over metal is simply another way of looking at the relationship between prices and costs.

Slide 15 shows our average revenue return compared to our average cost of goods sold return. As shown, the falling prices in 2012 were not all warranted by falling costs. In fact, our cost of goods sold increased in 2012 versus 2011. However, because of the dumped prices quoted by Toyo Kohan and because of the pressure to increase our sales volume to fill our capacity, we were forced to cut prices in 2012.

Mike explained that our prices have two elements, a base price and a surcharge. The base price is far more important in terms of profitability. When we are forced to reduce our base prices due to import competition, the surcharge will not be sufficient to cover losses or reduced profits caused by a lower base price.

Consequently, when Toyo Kohan seized the AA business at a major customer we were forced to reduce our base prices in an attempt to prevent further volume loss. In other words, even though our surcharge formula for some of the movements in raw material costs, it is not sufficient to insulate the business from depressed prices or rising costs.

The end result of the loss in volume and the forced price cuts was losses. The next slide, Slide 16, shows the sharp decline in profits between 2010 and 2012. It is also constructive to break down the declining profitability into each of its components. Slide 17 separates the impact of declining shipments, falling prices and rising costs. As shown in 2011, our operating profits were nearly 8 percent. In 2012, we incurred a 3 percent loss.

Roughly a third of that decline was due to lost volume. Our shipments fell nearly 10 percent between 2011 and 2012. Another third of that decline was due to the decline in average revenues return. Our prices fell by 9 percent. Finally, the last portion of the graph shows the increasing cost of goods sold. Taken together, these three factors account for our losses in 2012.

Knowing that we had lost major sales volume

to Toyo Kohan, we cut costs throughout 2012 to remain competitive. For example, we cut back maintenance over the course of 2012. Although this is hardly a long-term solution, we also improved our energy efficiency. In addition to reductions in the workforce I have already identified, we subcontracted shipping and IT support functions and shifted logistics to a third party provider.

Quality control also reduces costs. At Thomas, we practice operational excellence. This is a program to manage safety, environmental control and continuous quality improvements at the level of each operational unit. In our factory, each production stage is a unit. For example, the cold reduction mill is an operational unit. Each nickel plating line is a unit, and annealing furnaces are units.

Every day there is a management board review for every unit in our factory. The operators on each unit, the maintenance supervisor, a technical manager from Mike's department and an operations manager meet to review the performance statistics for their unit for the previous day. Among other things, the operators and managers focus on yield rates, productivity, delays and, above all, quality.

Whenever there are customer visits,

communication or feedback is provided to the operating crews. We use both good and bad feedback to constantly identify best practices and areas for improvement. As a result, over the past three years we have improved our performance to the extent that our customer rejects are at .3 of a percent and customer satisfaction is at an all-time high.

These continuous improvements reduce returns, improve our yields and cut costs. Despite the continuous cost cutting, the operating losses in 2012 forced us to cut back on important functions. We had to cut our PMD expenditure or product market development costs. As in the case of maintenance, though, we cannot cut product development costs over the long term and remain competitive in the market.

Taken altogether, our cost cuts reduce our break-even point. In fact, we have taken out fixed costs in order to mitigate the impacts of falling sales volume and revenues. Nevertheless, we suffered losses in 2012, and those losses will increase in 2013 unless we can obtain higher prices or increase our shipments.

As a consequence of these losses, our return on investment is inadequate to fund necessary capital projects. We have identified these projects in our

questionnaire response. Among other items, we need to make capital investments to our annealing furnace in order to increase our yields. However, our capital spent for 2013 will only be a fraction of the amount needed for these projects alone.

Relative to depreciation and amortization, our capital spending is not sufficient to refresh our equipment and assets. We are not making sufficient capital investments to maintain our asset value. In short, in little more than two years we have seen our production fall, our shipments decline, our prices erode and our profits disappear.

In the U.S. market, the only qualified experience and longstanding suppliers are Thomas Steel and the Japanese producers. Our analysis shows that the Japanese producers are dumping nickel plate by 50 to 70 percent. But for the low prices set by those dumped imports in 2012, I have no doubt that we would have been able to sell nickel plate and make a profit.

Low prices, coupled with a loss of AA business to dumped imports, will certainly cause our losses to increase in 2013. For those reasons, we request that the International Trade Commission make an affirmative determination and provide relief to our industry. Thank you.

MR. CANNON: Thank you, Jon.

I'd like to say just a few words for the record. So we think there's one like product. We think the like product is identical to the scope language.

Secondly, we believe there's been material injury in the period under investigation, but we also believe there is an ongoing, deepening threat of injury. We heard testimony. You saw the slides. There's excess capacity around the world. There's particularly excess capacity in Japan by our estimation, and there is essentially another player, Nippon Steel, a major Japanese steel company, now showing brand new interest and taking our sales.

In addition to that, there's been a surge in imports as shown by not only the import stats, but we think as the record will be developed and what you'll be able to find from the questionnaire responses, from the order book data, already imports have taken a substantial share of the U.S. market in 2013. Given those factors, you have not only a present material injury case, but an unusually strong threat case.

And finally, I would point out that in the slide on profitability where it's broken down into its three components those numbers index numbers, not

percentages. And with that, thank you.

MS. DeFILIPPO: Thank you, Mr. Cannon, and thank you very much to the industry witnesses who came today. I know it's difficult to take time off from your work and come here, but it's incredibly helpful for us to hear your testimony and then have you available for questions. It definitely helps us learn the industry more, and I very much appreciate that.

With that, I will turn first to our investigator, Mr. Comly, to see if he has questions for this panel.

MR. COMLY: For the record, my name is Nate Comly, Office of Investigations. I will keep my questions at this point short so as not to steal the thunder from my colleagues, but I have a couple questions here.

The first one would be I guess to Mr. Cannon. Do you believe that the questionnaire data is a good representation of imports?

MR. CANNON: So it's difficult, because there are so few companies, to talk about this publicly so I will talk about it in the posthearing brief, the postconference brief. I can briefly say that, as I mentioned, there is a timing issue.

We are aware that when we lost a major sale

-- at least one big one; there are others as well -- the imports don't really start flowing in until the fourth quarter and so there's a certain sell through time or time in inventory at their importer. Their importer maintains inventory in the U.S.

And so the import statistics may show a much larger market penetration by the Japanese in the fourth quarter than the shipments data do. Once we get out into the first quarter of 2013, all that product is going to hit the market -- in fact, it's already being shipped -- so it will be much, much more apparent that even as we sit here today they've already captured substantially more market share. I think I can show that in the postconference brief.

MR. COMLY: And when you do that, I think you mentioned it in your closing remarks there for your testimony about order books. Can you tie that to order books too in your brief? That would be great.

MR. CANNON: Yes, we can. I mean, if you're thinking of asking me do we want to just submit the first quarter 2013 data, if you ask.

MR. COMLY: I'm not that cruel, but we'll see.

Given the timing delay, and that may play a part in the answer to this question, but I'm looking

at the data we have on the record, and I'll try to be somewhere general here. You see U.S. producer shipments, which are Thomas', going -- let's see. They go up in 2011 and then down in 2012, whereas imports do the opposite.

I know you addressed the 2011-2012 in your testimony, but can you comment on why U.S. shipments for the U.S. producers increased in 2011, whereas the imports declined?

MR. HARTMAN: Do you want to pull that chart back up that talks about that a little bit, the imports and our shipments, the U.S. market? That one. Yes.

The major change that occurred from 2011 to 2012 was we were actually able to obtain a little bit of our business back from the competition in 2011. There were also some major storms that had happened that drove battery activity, but then certainly after 2011 we lost those sales and that's why you see the trend reversing itself back, at least in our data, as to what transpired there. So we only held that business for a brief period of time.

MR. CANNON: So, Mike, you meant to say between 2010 and 2011?

MR. HARTMAN: Right. Yes.

MR. CANNON: Right?

MR. HARTMAN: Yes.

MR. CANNON: And what was the major storms in 2011? This is Hurricane Sandy?

MR. HARTMAN: Yes.

MR. CANNON: Or is that '12?

MR. HARTMAN: I don't know what the names of the storms were. I just know there were storms.

MR. CANNON: Okay.

MR. COMLY: Thank you. That does explain it.

And I guess finally, and this probably will have to be in your brief, but what level of capacity utilization would you consider I think you called it healthy? You can put that in your brief -- you do not have to put that on the public record -- if you want.

MR. JARVIS: To break even, we think early sixties -- 62, 63 percent. But we want to be more than that so we can attract investments, so we need to be in excess of 70 percent so that we can reinvest in the equipment.

MR. COMLY: Okay. Thank you. I think that's all the questions I have for now.

MS. DeFILIPPO: Thank you, Mr. Comly. Ms. Hughes, questions from you for this panel?

MS. HUGHES: I won't be so kind as Mr. Comly, part of the reason being we haven't had this product before the Commission before so I have quite a few questions about the nature of the product, so please forgive the basic nature of the questions because I'm sure they'd be very basic to you.

When you passed the cans around they were labeled like -- well, first of all, Mr. Hartman, you had said something about D&I cans and redraw cans. Can you tell me what the difference between that is? What's a D&I can in the first place?

MR. HARTMAN: Typically in a D&I process you will start out with a thicker substrate, thicker material, and the sidewall as you draw the can is iron. Both sides are under compression so that it gives it that very shiny appearance.

MS. HUGHES: The I is for iron in D&I? What does it stand for?

MR. HARTMAN: Yes. Drawn and ironed. Correct.

MS. HUGHES: Okay.

MR. HARTMAN: Yes. D&I. Right. Correct. So that practice is used by certainly some of our customers, and other customers use a draw/redraw, which is the other cans that you see there in those

examples. Those samples indicate not only lithiums, but also alkalines within that sampling that you send in there.

Our material is capable of producing both varieties of material. It's just a different process that is underway at the can manufacturers on how they achieve their results. Some of them prefer to invest their equipment in a drawn and ironed technology, and other customers use a draw/redraw technique to form the cans.

MS. HUGHES: So the diffusion-annealed nickel plate that you're using for the D&I cans and the lithium cans or whatever, it's the same product? It's just the process is different?

MR. HARTMAN: Yes. For us it's all diffusion-annealed, nickel-plated steel.

MS. HUGHES: Yes.

MR. HARTMAN: The differences that may exist between the different parts that you see there would be either material thickness or the plating thickness that's specified, and those are designed or specified by those customers that buy that product so some will require more or less nickel in order to meet their specifications and their products.

MS. HUGHES: Okay.

MR. HARTMAN: So it's a combination of how the can maker prefers to have material, but it's more or less tied back into the battery manufacturers or end users in general.

MS. HUGHES: Okay. Thank you. And also, Mr. Hartman, then can you tell me what percentage -- and if you don't know right off the bat you can provide this in the post conference brief.

Roughly what percentage of the diffusion-annealed, nickel-plated steel is used for alkaline, what percentage is used for lithium and so on, if you would know?

MR. HARTMAN: Yes. I can give you like general information, but if you want to be more precise we'll get back to you in the brief.

MS. HUGHES: Okay. That would be fine.

MR. HARTMAN: Is that okay? I mean, I can give you an estimate.

MS. HUGHES: An estimate, and you can refine it later.

MR. HARTMAN: An estimate would be probably 90 percent of the consumption would be in the alkaline environment and then 10 percent would be on lithiums.

MS. HUGHES: Okay.

MR. HARTMAN: And when we talk about

lithiums in Thomas Steel's world, it's not the lithium ion. It's not anything of that nature. These are primary cells that are manufactured and they're not rechargeable. They're a one-time use.

The can that you see there that had the different bottom is actually used in military applications, but it's just an example. They use them and then they discard them. They do not recharge them. It's not recharged.

MS. HUGHES: Is this used at all in rechargeable batteries?

MR. HARTMAN: Yes. Right.

MS. HUGHES: It is?

MR. HARTMAN: Plated, diffusion-annealed steel is in rechargeables. It's just not a market that exists in the U.S. in terms of manufacturing.

MS. HUGHES: I see.

MR. HARTMAN: It's predominantly a Japanese market.

MS. HUGHES: Okay. I see. Okay. And you had mentioned something that made me think the C can material is somewhat different than D can material because you had said something about if you're qualified to provide the C can material you could be invited to qualify or something like that to provide

the D can material. Did I get that right, or did I misunderstand?

MR. HARTMAN: Yes. It was a general comment designed around stating that certainly if you're an approved battery producer, battery product supplier, steel manufacturer such as ourselves, the commonalities that exist between the various cans or the various dimensions are really in the material formability, in the ductility of how the material will draw, and therefore if you look at the design configuration I think there was actually even a 9-volt example in there.

What's used on that is each cell is 1.5 volts. There's six of those in a 9-volt, so when you buy a 9-volt those are connected in series. So the draw characteristics of that and certainly a AAA and a AA and a C and a D all have a little bit different characteristics to it, but if you can make one, if you can supply the steel for one of those applications it's a matter of expanding it out and having can makers or battery manufacturers just test your product in that design.

So if someone can make and supply a C can product, chances are they can supply a D or a 9-volt or AA. It's just an example.

MS. HUGHES: So the chemical composition would be the same? We're just talking about thickness?

MR. HARTMAN: Right.

MS. HUGHES: Size?

MR. HARTMAN: It's all low carbon steel.

MS. HUGHES: Okay.

MR. HARTMAN: And the way we manufacture that is we will bring in raw material in the form of hot-band, and then we cold reduce it and that's what defines nickel-plated, diffusion-annealed steel is the next step in that process is to actually nickel plate the product and then we anneal it to bring ductility back to it, and that results in that nickel-iron layer that we showed in the chart.

But they're all the same starting composition of substrate raw material for us and they all have the same nickel anode. It's just a matter of how it's applied at different thicknesses on that specification.

MS. HUGHES: Okay. So it's not likely that if you're qualified for one type you would not meet the qualifications of another type?

MR. HARTMAN: Correct.

MS. HUGHES: And this one really shows my

ignorance. In your materials, and you just mentioned one of the words. Could you explain what hot-band means and what anodes means?

MR. HARTMAN: Certainly.

MS. HUGHES: Thank you.

MR. HARTMAN: In our industry, in the steel industry, a hot-band or a hot-rolled coil is what is a hot-strip, mill-rolled product. So in other words, in the steel industry it's melted. It's refined from the earth. Obviously we get steel to produce within our own company, as well as we buy in the open market.

The hot-band process involves a slab of very thick steel. Dimensions, it's maybe roughly twice the size of two of these tables. It's usually nine inches thick. And in the hot-rolling process we will roll a thick, rectangular shape down into a coil. The only way you can really do that is you have to heat up that we call it a slab.

You have to heat up that slab, make it extremely ductile, and then it passes through a series of roughing stands and rolling mills to transform it from a rectangular shape into a coil, a flat-rolled coil of steel. And we call it hot-band or hot-rolled coil because of the process.

It has to be rolled hot, as opposed to our

operations on how we convert the hot-band into a cold-rolled product is there's no temperature involved in that. It's just pressure and roll forces and speeds that are involved in reducing it from one thickness to the next.

MR. CANNON: In the Commission's parlance it's hot-rolled sheet.

MS. HUGHES: Gotcha. That I understand. Thank you. Which is why you said that.

MR. CANNON: And also, Mike, did you want to explain what an anode is?

MR. HARTMAN: Oh, sorry.

MS. HUGHES: Yes, an anode.

MR. HARTMAN: An anode is -- I had some. I figured I might not take them through security. They're just round BBs of essentially 100 percent pure nickel, and what's designed around an anode or our process, as Jon mentioned, we have nickel-plated, designed units.

The anodes themselves are nickel, and through the electro process on how we produce nickel-plated steel the anodes break down into a solution, into an electrolyte and are deposited through current applied in the process. The solutions will therefore then attach themselves, if you will, to the steel and

they're plated on top of the steel, and therefore the anodes break down into a liquid metal form. And that liquid electrolyte, the anode is applied onto the steel strip, thus creating a plated product.

MR. WILKES: So, Ms. Hughes, if I may add that if the Commission has ever considered electrogalvanized steel the process is very similar to that.

MS. HUGHES: Okay. Thank you. That's very helpful. Okay. You've mentioned -- oh, before I get off of product I think I know the answer to this, but I need to get it on the record. Would you consider diffusion-annealed, nickel-plated steel to be a commodity product or no?

MR. HARTMAN: Certainly our customers may consider it a commodity steel. We view that product as a specialized product that we have based on the fact that it requires high standards. It's not something that's generally available in the marketplace. There's only a few producers of that.

And the requirements certainly in both the automotive industry and the battery industry are very high. If you consider your automotive vehicle, our steels are used in the fuel lines and also industries that we're involved with our business. To kind of

give you a little background, we're involved in brake lines as well. It uses a different product.

But when you get into specific materials there's only a few companies that will manufacture them because of the high demand and the high standards that are required for those substrates.

MS. HUGHES: Okay. Thank you.

MR. CANNON: If I could add, so he's really proud of his product and his market niche and how wonderful it is, and it truly is and very difficult to make. I, of course, being like a trade lawyer, think everything is a commodity and it's all about price.

MS. HUGHES: Understood. Okay. You've mentioned -- you as a group have mentioned -- a few times the high fixed cost in your industry. Can you break that down a bit for me? What fixed costs are we talking about?

And I admit I'm not really familiar with corrosion-resistant steel, so perhaps you're just talking about fixed costs generally with that, but if you could please just state what you mean I'd appreciate it.

MR. HARTMAN: Well, let me maybe answer the question before you get into that is we consider a corrosion-resistant -- Stephen mentioned if you talk

about galvanized, the difference between the corrosion-resistant and a galvanized material is that nickel-plated steel, the nickel portion serves as a barrier protection of the steel substrate. The nickel itself will be inert to the steel substrate.

So in other words, if you look at those two metals, if you put them out in a space out in the country somewhere that's hot, humid, the steel will actually start to corrode faster than the nickel, so the steel will give itself, sacrifice itself to the nickel.

In the case of a galvanized product, we call those sacrificial coatings so that the coatings themselves will sacrifice at the sake of preserving the steel. So when we want to apply the coating, such as nickel and tin, to somewhat also a barrier type protection we look at those as barriers.

We don't want those to be permeable, if you will, or have cracks or pinholes and things of that nature, and that's why when we talk about there's really no substitute for that product. The process of diffusion annealing will allow that material to be more ductile, more formable at that surface interface, as opposed to another form of that. So that's the difference between a corrosion type of material

resistant, as opposed to sacrificial, so I wanted to give that clarity.

MR. JARVIS: A lot of our costs, employment costs are fixed. Depreciation are fixed. A lot of our external contracts that we have -- insurance, property taxes we pay -- a lot of those are fixed. I can give more details in the posthearing brief in terms of a list of those and give the proportion of those.

MS. HUGHES: Okay. Thank you. Yes. When you give us your response in the postconference brief, in addition to delineating the type of cost if you could give a rough percentage or as close as you could? Okay.

All right. Mr. Comly had asked what you defined to be a healthy capacity utilization. I'd like to know what you consider to be full capacity utilization in this industry.

MR. JARVIS: When we schedule we look at 95 is as much as we can go. We don't want to schedule beyond that. Because of the long lead times we can have problems, and we want to be able to make sure that we've got a bit of slack in there. Sorry.

VOICE: They can't hear you.

MR. JARVIS: Okay. Ninety-five percent.

That's what we would schedule to as a maximum.

MS. HUGHES: Okay.

MR. JARVIS: And determined in our capacity, we take into account that we have down weeks. So we have planned maintenance weeks during the year that we will take out and certain units we will take down for an eight hour turn each week, so that's factored in our capacity, our ultimate capacity.

MS. HUGHES: And you had mentioned that you had cut down on maintenance a bit --

MR. JARVIS: Yes.

MS. HUGHES: -- to save cost.

MR. JARVIS: Yes.

MS. HUGHES: How so?

MR. JARVIS: We just put on the plant engineer, we gave him a budget per month that he could spend, which was considerably lower, so he had to determine the priorities. Obviously we can do that short term, but his list of work that he needs to do, both essential replacements and also improvements, that list is going to get longer and longer.

So you can do it for a short period of time, but it's going to catch up with you. We talked a lot about the quality. You know, we can't afford to mess around with the equipment much and jeopardize the

quality, so if the equipment is not maintained in my experience in the steel industry you can do it for a short period of time, one year. Much more than that you start having problems on the quality side.

MS. HUGHES: Okay. Thank you. Okay. Just a couple more questions. Is there a business cycle in this industry? There seems to be a seasonal component it sounds like around Christmastime, people probably buying heaps -- I know I do -- of AA batteries, and I don't even have little kids.

So if you could confirm whether there is a seasonal aspect to it and exactly when it starts and ends and if you see that there's a general business cycle at play I'd appreciate it.

MR. HARTMAN: Yes. In terms of a cyclical market, the steel industry in general is classified as a cyclical market. It will go up and down obviously depending upon supply and demand.

We're further downstream in that process. We're considered a finishing type entity. Because our customer base is so much different than broad steel, we're not exposed to the extent that those industries are. That's one of the things that we've tried to pride ourselves on is to take the ups and the downs basically away from how we would approach that market.

Certainly if you go way back in time back into the early 2000s we would operate and certainly try to offer our customers a lot of transparency into how we priced our materials. Therefore, we kind of got away from that when the steel market in general in 2004 really spiked and supply and demand, really the supply side of it was lower than the demand and prices skyrocketed.

So we as an industry don't want to price our products to where we would have high consumer type products or automotive type contracts to where we'd have to really increase the prices because the tendency in our business is to have annual volumes that are very steady.

And that's one of the reasons why over the years basically we got away from that in 2004 as a mechanism to always have a flat price, if you'd look at it from that perspective, and that was one of the reasons why both our customers and us worked together on devising a mechanism that we touched upon earlier in the pricing component to allow transparency to them as costs would rise and fall from our end. We would have that transparency in the marketplace.

The alternative to how we would do that is what you talked about, the cyclical end of it. We

would buy hot-band and then we would price our product to our customers in relationship to how we bought that hot-band, and if we did that on the open market in the steel industry we would see the same rollercoaster rides, the same cyclical pricing mechanism that exists in the big steel industry. And it's really not how our business model is set up, but we needed some mechanism to basically take that into account.

MR. WILKES: This is Stephen Wilkes for Thomas Steel. If I might add to that, Ms. Hughes? I think that you've heard a little of the seasonal aspect to our business driven by the holiday season, by weather-related events, but I do believe that of course our industry is subject, the diffusion-annealed, nickel-plated steel industry is subject to business cycles.

Compared to perhaps the larger part of steel products that the Commission has a great deal of familiarity with, we're a little closer to consumer drivers so that the way the broad economic business cycle might impact this might be a little different from let's say an industrial driven demand.

MS. HUGHES: Okay. So hurricane season then would be a big deal for you perhaps?

MR. HARTMAN: Right.

MS. HUGHES: And what, that starts October-ish?

MR. HARTMAN: Yes, really October.

MS. HUGHES: August?

MR. HARTMAN: Yes. So how we would certainly prepare ourselves for that is we want to have more flexibility in our operations. We would potentially build a little bit more stock levels to be available on a short-term basis to be able to respond to changes in market demands, and it's really a practice that's worked well.

MS. HUGHES: And this would be for however your product is formulated for the As, the Cs, the Ds? You'd stock them all up or whatever you're doing to prepare for that?

MR. HARTMAN: Right. Right. And certainly our customers would also let's say raise their level of inventories to coincide with the potential increase in their demands as well, so it's more or less a total industry upswing that occurs during certain seasons, and other times of the year it doesn't quite need that level of inventory. It's not as busy.

And automotive is somewhat similar to that too; that although it's flat and the products that we sell -- I mean, the car sales and the industry there

-- will have an impact on that.

MS. HUGHES: Okay. Thank you. Just one more question, and I apologize to my colleague, Mr. Benedetto, because I know this is really his area, but I'm old and I forget things and in case he doesn't ask I want to make sure I find out what the answer is.

So, it sounds like there's some give and take when prices are negotiated. It sounds like it's over a period of time. So when you're negotiating prices with your customer are the customers also negotiating with another supplier kind of at the same time, or are they just kind of trying to get the best price from you and have some notion or maybe there's industry chatter or something that goes on and they stop with you if they get a good price, or is there a bunch of give and take going back and forth kind of thing over a period of time?

MR. HARTMAN: Yes. That's a good point. It really comes down to the actual prices on how those are constructed and offered to them. There is a little bit of give and take, if you will, but certainly it's much more competitive now than it ever was.

You know, the fact that there's more competitors that we see in that industry forcing the

pressure on us, it's really become here's your office. You make your decisions based on that more so than what it ever has been.

MS. HUGHES: Okay. Okay. I'm sorry. One more question. So being that you just said that there's more competition than there had been, but there's still a small amount of number of competitors. So would you be aware of who your competitors would be when you're negotiating for a certain chunk of business?

MR. HARTMAN: For the most part, yes.

MS. HUGHES: Yes. Okay.

MR. HARTMAN: Yes. We look at the industry. We look at certainly the marketplace. We get feedback that certainly they're going to pursue other supply, potential routes, things of that nature. So we have a good pulse, if you will, of what's going on in our industry.

MS. HUGHES: So your buyer comes back to you and says look, I think you can do better on price because I've talked to someone else. You've got an idea who someone else is?

MR. HARTMAN: Sure.

MS. HUGHES: Okay. Thank you for all your answers.

MS. DeFILIPPO: Thank you, Ms. Hughes. We'll now turn to our economist, Mr. Benedetto, and see if he has any questions left after Rhonda asked them.

MR. BENEDETTO: Thank you all very much for coming here today. I think some of my questions are going to touch on confidential information, so if they do please just say so and answer them in your brief later.

My first question is do you sell product that's already slit for the purchaser, or does the purchaser slit it? And if so, how does that impact? In our pricing data we asked for particular products, but we didn't say anything about how wide they would be. So are some sellers selling a product that's already slit while others are selling something that's wide? I mean, does that affect the price that people are getting?

MR. HARTMAN: Yes. Yes. Those are all included as part of our sale. The capabilities exist within our facility, as well as our competitors. The market as it's constructed and pretty much how we do business is we will do those components. We will have a full product offering. So if somebody wants to buy something that's wide that's unslit we can offer that.

We just bypass that operation. But we don't utilize the services of an outside entity to do any of the slitting.

To give you a little bit of insight into how we would look at our pricing or how it's priced in the industry is it's pretty much tied into the material thickness and the nickel thickness are the main drivers for cost. Certainly there's a slitting component cost to that, but it's relatively small in the grand scheme of how that price is constructed.

MR. BENEDETTO: Okay. Anything else here?

MR. CANNON: Mike, our products that we reported and the pricing products. Is it slit or unslit material?

MR. HARTMAN: Those are slit products.

MR. CANNON: Great.

MR. BENEDETTO: Okay. Thank you.

MR. CANNON: Do we do the slitting? It doesn't have to be slit by someone else, correct?

MR. HARTMAN: Correct. Yes. We have capability entirely within us.

MR. CANNON: Is that what you wanted to know?

MR. BENEDETTO: Yes. That's another part of it, yes. Thank you.

So this morning we heard that this idea of having surcharges might have come from you all and you all denied it sort of in your testimony. When did you start using formulas, and is that something that has gone on for a long time in the market, including from other places other than yourself?

MR. HARTMAN: We've used surcharges, yes, for as long as I've been at Thomas Steel. Sometimes they become in effect. Nickel has been one that's certainly been around for many, many years; the hot-band aspect. As I mentioned, we had movements that were tied in to WEFA, right, Stephen?

MR. WILKES: Yes We had index movements at one point in our price construction.

MR. HARTMAN: Right. So they've been around for quite some time. The mechanism that we're using right now is really one that we started to develop in let's say the 2009 timeframe, and by the time it came to fruition it was in the 2010-2011 timeframe.

MR. BENEDETTO: That you're saying is pretty similar to what happened before? In other words --

MR. HARTMAN: Yes. They're all designed around tying it back to an index, whether it's iron ore, coke and coal. Those drivers would have been very similar I guess to what we had before.

MR. CANNON: Correct me if I'm wrong, but isn't this something that's pretty common in corrosion-resistant like in template you see surcharges?

MR. HARTMAN: Yes. There's surcharges that exist on almost all metals to a certain extent. I mean, I guess in an ideal case you would just have an all-in price and you wouldn't need to have the fluctuations that exist there.

It depends a little bit on how extensive those movements may be and how much transparency does the customer really want to see in various aspects of those drivers.

MR. WILKES: Mr. Benedetto, Stephen Wilkes for Thomas Steel. If I might add? And Mike can correct me if I'm wrong here.

The surcharge that is being spoken about relating to coking coal price movements and iron ore price movements, that was instituted at a time when hot-band prices, because of movements in raw materials, became extremely volatile and the concept behind it was to try to reduce the exposure to that kind of volatility. Would that be a correct statement, Mike?

MR. HARTMAN: Yes. That's correct.

MR. BENEDETTO: Okay. Thank you. And I think also this morning we heard that I think what was being said was that you buy your raw materials from a related party, and I think your response was well, look at the pricing. The surcharges cover this or the surcharges are given to us based on some outside indexes.

And this is probably a confidential question, but are you basically saying that this is true; you do buy raw materials from a related party, but the surcharges then are given to us from outside or given to us from the customer?

MR. HARTMAN: At Thomas Steel we manufacture a multitude of different products and we have domestic sources for hot-band, as well as our own parent company for hot-band. We have similar mechanisms that exist for raw material adjustments in everything that we do.

So it's not only in the nickel-plate product. It's in a nickel-zinc product that we have. It's in a cold-rolled product that we have. So it's not unique just to the battery industry on how we would have a surcharge applied as movements go up and down related to either anodes or raw materials, i.e. hot-band.

So to answer the question directly, we buy material from domestic entities for diffusion-annealed, nickel-plated steel end users and we buy our parent company material for diffusion-annealed, nickel-plated steel as well.

MR. CANNON: So I think we can try to elaborate in the postconference, but the surcharge mechanism is like a formula and it's sort of fractional, it's a small amount, adds on to the price. It's driven by changes in a published index for iron ore and for coking coal. The actual costs that our related party has making hot band might not move exactly the way iron ore and coking coal do.

So if what you're asking is are those the same, not necessarily. In other words, our costs could be, our actual costs could be different than the prices for iron ore and coking coal, which are driven by a market, right, but they move, they tend to move in the same way, generally, and so that sort of protects them from big changes in hot band costs, right? They're buying hot band. This surcharge helps to protect them from a movement, right?

Now, the customer doesn't necessarily set the surcharge. I don't think that's really accurate. They propose it. It's part of the negotiation. Like

what will the formula be, right?

What the customer does in terms of our example, like the template, the confidential sheet, that's a different issue. They're asking us to essentially, they want to be able to see what the price is with all of that stripped out, right, because they want to be able to compare what our base price is without a surcharge, without these factors, to what the Japanese price is on an equivalent basis. I mean that's what that's about and not that exhibit, right?

It's not that they are dictating the surcharge to us. We are proposing a base and a surcharge, a formula. We come to them with this.

MR. BENEDETTO: Actually, that builds to another question I was going to ask. From that template, and I realize again this may get into confidential information, from my understanding from what you're saying is most of the negotiation centers on the base price and not on the surcharge. Is that a correct characterization of what you're saying?

MR. HARTMAN: Yeah. As we've referenced there, the base price is really the bulk of what will construct our overall pricing, and then the surcharge or the adjustment mechanisms will move up and down, but it's certainly a portion or a fraction of what

that base price is established at.

MR. BENEDETTO: Okay. To switch gears a little bit, I heard a couple different numbers today so let me make sure I understand this correctly. You're saying that -- and these are all in the rough -- roughly 95 percent of the market for nickel plate is batteries and roughly five percent goes to autos, and of that battery market, 90 percent of it is alkaline and 10 percent of it is lithium. Was that the right break out of those two numbers? Okay. I'm seeing people nodding yes, so.

MALE VOICE: That's correct.

MR. BENEDETTO: Okay. Then one other thing about that template. I'm sorry to come back to the template for a second, and you can answer this confidentially, but do you price delivered? Because I think that fourth column was talking a little bit about delivery. You don't have to answer that here if that -- please answer that in your brief.

MR. CANNON: We'll answer that.

MR. BENEDETTO: Okay. Two more questions. So you mentioned that other Japanese tin mill producers could consider getting into this industry. Have other U.S. tin mill producers, to your knowledge, considered getting into this industry as well?

MR. WILKES: Not to our knowledge. No, sir.

MR. BENEDETTO: Okay. Then final question, you mentioned that the battery makers are now using thinner gauges of nickel plate and I'm just wondering, when they do this do you think product quality is dropping or is there something different about the nickel plate you're selling them now that allows them to use a thinner gauge and get the same result from it?

MR. HARTMAN: In those instances, product quality is actually increasing. The demands on materials as they go thinner and thinner are higher than they are on thicker materials, but in general, the quality levels of the production of nickel-plated steel need to be extremely high.

It's a high value add product, if you will, in relationship, as we've stated, to tin, for example, and certainly therefore it allows the battery manufacturers or, in general, automotive industries to reduce weight or increase performance, if you will, with thinner materials, so it's actually a higher --

MR. BENEDETTO: So it's actually as it gets thinner, the product quality goes up. Does that make it more difficult for you to make then, or more expensive to make?

MR. HARTMAN: It's certainly more expensive for us to make. Right.

MR. BENEDETTO: Thank you very much for your time, and I appreciate all your answers.

MS. DEFILIPPO: Thank you, Mr. Benedetto.

Mr. Boyland?

MR. BOYLAND: Good morning. Thank you for your testimony. I've already sent the company follow-up questions which I appreciate your time considering and responding to. A couple of questions, one that John sort of brought up regarding the nickel and the steel component of the raw material.

The company in the petition submitted information which broke out raw material cost into the nickel and the steel component. When I look at public pricing indices for nickel and hot-rolled steel what I see, and again, this is all confidential, but the general pattern and the averages that I'm calculating for nickel appear to be in about the same range of what's being reported, the same trend.

So the question is for the steel component I'm seeing a slightly different trend, and this is, you know, to what extent you want to answer the question now or later, but the question is what accounts for that difference?

MR. CANNON: So the index, and the index I was referring to also for iron ore and coke, is based on what's happening with market prices, but our raw material cost, certainly the steel component, is based on essentially the cost of production of our supplier, right, because following the methodology in the corrosion-resistant when we did the questionnaire we essentially eliminated any intercompany profits, and so to the extent our costs to make steel rose, even though the price of hot-rolled in the market fell, our prices rose and it doesn't have to do with that index. Do you follow me?

MR. BOYLAND: Yes.

MR. CANNON: Or maybe there's dumping hot-rolled, too.

MR. BOYLAND: You'd attribute this mainly to an accounting issue in terms of you're recognizing historical costs that aren't necessarily going to correspond to the current spot price or the index that we're looking at. I'm looking at a hot-rolled -- sorry -- I'm not even looking at the coke and coal and iron ore component. I'm just sort of looking at what does American metal market say the hot-rolled coil was on average? What was the trend?

So I guess that's sort of the next question

would be there's a decline in volume in 2012, and I mean I'm sort of interpolating here, but was the company left with more inventory in 2011, that it had forecasted more volume in 2012? I guess I would sort of expect the trend to catch up with the public prices more if maybe you had less inventory in hand in 2011 going forward. Again, this is sort of just a general question.

MR. CANNON: Are you referring to inventory of the hot band or are you referring to finished goods?

MR. BOYLAND: The hot band. Specifically the hot band. The nickel component -- again, this may get to why you had more inventory of one than the other, but could you indicate whether that is the case, that you had more inventory, more working capital in general?

MR. JARVIS: I'd have to look at the data, but generally, we're ordering on a cycle like two, three, 10 weeks or so, like that, so we can get caught. I'll have to look at the specifics at the year ends to see if we were holding more.

MR. BOYLAND: Okay.

MR. JARVIS: We look at our working capital pretty tight.

MR. BOYLAND: Is it fair to say -- did you recognize any lower cost to market adjustments for inventory in 2012?

MR. JARVIS: A little bit. A little bit. Not significant. Yeah, we did see --

MR. BOYLAND: Okay. Could you quantify that in the postconference?

MR. JARVIS: Yeah. Yeah, we can quantify that.

MR. BOYLAND: Okay. You've talked about the metal margin in your testimony. Would 2011 or 2010 be sort of a more normal metal margin from your perspective?

MR. JARVIS: From our perspective, yes. Yeah.

MR. BOYLAND: Okay. You also talked about rejection rates and the graph that you showed indicated it was slightly above one percent and declined.

MR. JARVIS: Yeah. It was 1.2 percent in 2010.

MR. BOYLAND: And then it went down pretty significantly, at least on that basis.

MR. JARVIS: .3 percent we're down to in 2012.

MR. BOYLAND: What were the main drivers for that reduction, and what would a rejection reflect, from your standpoint, for the customer's standpoint?

MR. HARTMAN: Yeah. I'll answer that. The attributed benefits that we saw were based on some of the comments that John raised earlier, this operational excellence approach where we look at each unit as an individual entity within our operations. We get the operators themselves involved in actions and the maintenance department, which is why it's critical that, you know, we maintain that aspect of it.

They will address what's going on at that unit from the perspective of the operator. It's really through a joint approach that involves continuous improvement and corrective actions, and preventive actions, really, as they occur in our process.

So when we look at what we did internally, it certainly translated into the benefits that the marketplace was able to realize, and therefore we hope that in 2013 we'll also see another further decline in that, but certainly it's attributed to a combination of all those activities but really getting down to the basics that are occurring, you know, at every step

within our operation.

MR. BOYLAND: Okay.

MR. HARTMAN: In addition to that, you've got to have a high quality incoming raw material, so we've worked with our hot band suppliers to improve consistency on that side as well.

MR. WILKES: Mr. Boyland, Stephen Wilkes for Thomas Steel. If I can just add from kind of an umbrella perspective there, it's really a part of our quality policy at Thomas Steel: continuous improvement and betterment. You've seen that in the charts, and you've seen it in the way -- and as part of our confidential exhibits -- our customers rate our performance.

MR. BOYLAND: Okay. Just from the customer's standpoint, a rejection is simply it didn't meet the specifications, it was outside of whatever parameter, and from an accounting standpoint, how do you deal with the rejection?

MR. JARVIS: We give credits back for the full amount and there will be an allowance. Sometimes the company, the customer will scrap it on site and we'll reduce the credit for that sometimes. We'll bring the material back as well. So it's included in the net sales amounts and netted off there in terms of

both volume and value.

MR. BOYLAND: Okay. In terms of the maintenance expense that you were discussing previously, is that correct, to assume this is going to be showing up in overhead?

MR. JARVIS: I think it will probably be in other factory --

MR. BOYLAND: Other factory costs?

MR. JARVIS: I think. I'll double check that, but I think it's in other factory.

MR. BOYLAND: Okay. Again, I did ask you a lot of follow-up questions. I mean I don't want to repeat those at this point, so thank you for your testimony.

MS. DEFILIPPO: Thank you, Mr. Boyland.

Mr. Houck, questions for you? From you?

MR. HOUCK: Thank you. We've spent most of the morning talking about the battery applications but I wanted to ask a couple questions about the automotive applications also.

Mr. Hartman, why is diffusion-annealed product required for the automotive applications?

MR. HARTMAN: Yeah. That particular product is valuable in the automotive application, particularly the fuel line component. As we

referenced before, the introduction of the ethanols into the gasolines, if you will, have created a more corrosive environment that the fluid will have on the tube itself and the nickel is, as we talked about before, a barrier protection in that design; therefore, there's other techniques that you can use.

You can use just stainless steels, you can use cold-rolled with some other internal house operations that some of the customers would use. We really don't compete head to head with those because you're either going to choose one design, one concept --

MR. HOUCK: Excuse me. Maybe I didn't make my question clear enough. I'm specifically asking why is diffusion-annealed preferred over annealed last for that application?

MR. HARTMAN: The corrosion aspects of diffusion-annealed steel are higher than a plated last product. We've done testing, we believe our competitors also do testing along those lines, but it's a better performing product than a plated last material, and therefore it really comes down to the market acceptance or the preference of the customer to use that material. But it relates back to the corrosion resistance of diffusion-annealed because of

that alloy layer that's created.

MR. HOUCK: There are some other automotive tubing applications other than fuel lines, are there not?

MR. HARTMAN: Correct. There is brake line. We call that entire sector from our behalf fluid handling. The fuel component is nickel, the brake line component is copper, and we service both those markets, but yes, there's a great deal of tubing used in automotive vehicles.

MR. WILKES: Mr. Houck, Stephen Wilkes for Thomas Steel. If I might add that, in summary, your question about plated last versus diffusion-annealed and why that's used in the automotive application, and I'll ask my colleague to correct me if I'm wrong here, but I think it's very similar to the reasons you've heard about its use in battery can manufacturer because the diffusion-annealing has a very beneficial effect in terms of adhesion of the nickel protein to the substrate, and therefore its performance under deformation and its corrosion resistance thereafter is substantially superior to the plated last product.

Have I stepped out of line there, Mike?

MR. HARTMAN: No. That's correct.

MR. HOUCK: Well, with respect to the

automotive applications, is there more potential for other competitors to enter that part of the market as opposed to the battery market?

MR. HARTMAN: Yeah. Those are roll-formed applications, not deep drawn applications. The tubes themselves I believe are tested 100 percent for leakage. They don't want to have any pinholes in that. Although they're a high quality, certainly we see a different competitor in that market than we do in the battery market. So we do have increased competition in that sector of the business and that's predominantly from another Asian supplier.

MR. HOUCK: Well, the product is produced on electrolytic line that is very similar to a tin plating line, is it not? Indeed, there have been instances of manufacturers switching lines between the two products, between tin and nickel.

MR. HARTMAN: You're correct that they're both produced on electroplating lines. The major competitor that we see in that automotive sector is also a tin plater that, to the best of my knowledge, they converted a tin line also, or, as you referenced, may have modular cells. I don't know. I haven't seen the line. Certainly they are a tin plater as well that have gotten into nickel.

MR. HOUCK: How much of a problem, how long does it take, is it an expensive operation, to switch from let us say tin to nickel?

MR. HARTMAN: Yeah. I don't know. Yeah. I'm not sure we know the answer to that.

MR. CANNON: So Tata has looked at that issue in other plants in Europe and we can provide that in a postconference brief. We can give you those figures.

MR. HOUCK: Maybe I wasn't listening earlier, Mr. Cannon, but did you say that your proposed domestic like product is the same as the scope?

MR. CANNON: Yes, sir.

MR. HOUCK: I have no further questions.

MS. DEFILIPPO: Thank you.

Mr. Haberstroh, any questions from you? All right. Then we will turn to Mr. Corkran for questions.

MR. CORKRAN: Douglas Corkran, Office of Investigations. First off, I wanted to thank you all for appearing here today. Your testimony and the responses to your questions have been extremely helpful. Most of my questions will be just going through different elements of the testimony.

First, you provided customer quotes that have come to you, and I was wondering if you could elaborate a little bit more on the feedback mechanisms you get for pricing. You've given one example where a customer provided targets and targeted reductions, and you gave another example of a customer who explained why they were shifting volume. How do those customer quotes and that customer feedback, how does that get to you?

MR. HARTMAN: Certainly if we're bidding on business and we don't achieve the sale ultimately, it's pretty common to ask, well, why did we lose the sale? So in some regards -- that's the first example that we have there -- we made a bid, certainly we were unsuccessful in obtaining that business, and when asked the question, you know, why, that was the response that we got.

In the second occurrence it was an example of feedback that we had gotten after we had actually got the sale in terms of, you know, how we may lose the sale in the future.

Both instances really are examples of commercial interactions that we would have with our accounts on a regular basis.

MR. CANNON: So if your question is,

physically, what are these things, one quote was from an email and the other quote was from like an award letter or correspondence, written correspondence, so both of those formats, as well as telephone conversations in the declarations, and so we will submit the actual documents that the quotes came from in our postconference.

MR. CORKRAN: Thank you. That's very helpful. You've provided a presentation of the major producers of this product worldwide and it did include a couple of producers from China. How much have you seen of Chinese origin product in your market? Is that a product that, is that a competitor or are these competitors that you're familiar with in the U.S. market?

MR. HARTMAN: Thus far we've not seen presence of them so it's, that was basically an internal chart that we had developed based on market intelligence. Certainly website analysis we do. We look at generally what's out there, available to us. But yeah, to answer the question directly, we have not seen Chinese competition in the U.S. on this particular product.

MR. CORKRAN: Okay. Thank you. In your presentation you point to 2008 in which Panasonic

ceased production in the United States. What was happening with Panasonic's overall battery production? Were they continuing to produce outside the United States, and, if so, what regions were their production, was their production concentrated in?

MR. HARTMAN: I don't know certainly all those details, but Panasonic is certainly a Japanese brand of battery. Would assume that they produced material in Japan, and basically Asia, in general. We could maybe try to do some research to answer that question more directly.

In the U.S. that facility was operated as kind of a joint venture and certainly one of the entities was going to back out of that plant, operational plant. That was taking place, and costs certainly were a factor in why that facility did not continue to manufacture batteries. Probably also a little bit of market presence, advertising, if you will, or just general sales of that product in the U.S. as to why that ceased to exist.

MR. CORKRAN: Thank you. Maybe to put that question in additional context if you provide additional information on that, I was wondering because the implication seemed to be that with the cessation of production by Panasonic, that eliminated

a portion of demand for Japanese product. I guess my question was did that demand essentially still exist, just simply outside of the United States? At least that's what I was driving at with my question.

MR. HARTMAN: Yeah. I'd just answer that question a little bit differently. The consumption of batteries was probably absorbed by other U.S. producers at that point in time. That shelf space, if you will, in the retail outlets that might have had that battery was probably offset by another brand.

I think the significance that we wanted to come back to on that point was when that transition took place, we were then displaced 100 percent with our production volumes at that location, which was a significant occurrence if you look at that chart as to what was the major difference between 2008 and 2009. It was basically that added significant contribution of that.

MR. CORKRAN: I'm glad you've got that chart up because my next question went directly to that.

There's an influxion point in 2009, but setting that aside, the consumption levels are relatively stable over multi year periods. What is the impact of the overall economy, particularly periods of recession, on demand for batteries? Is

that what we're seeing in 2009?

MR. HARTMAN: Yes, that's directed at Ms. Hughes' question where she referred to is our business cyclical or not. You can see that the demand, you know, going back in 2005, you know, to 2008 let's say is relatively the same. Also occurring in that timeframe, to your point, Mr. Corkran, is the 2008-9 crisis that occurred that basically, you know, drew down almost everything.

So we've kind of resettled in at these other layers, other levels, if you will, right now where we feel that the market for nickel plate now has reset itself from let's say a 50,000 ton level to a mid-40,000 ton layer.

MR. CORKRAN: Thank you very much. That was very helpful. My next question goes to inventories of this product. In this particular industry, in this particular market, who tends to hold inventories? Is it the producer, the can manufacturer, the battery producer, or is it a combination of all?

MR. HARTMAN: Yeah. I'll try and address that. The inventory will reside at various locations throughout any supply chain. On our end, we will maintain a certain level of safety stock, as I referenced before, that will be adjusted depending

upon the season that we're in, seasonality effects.

I would say in general, though, the bulk of the inventory would reside -- because of the lead times that are involved with the production process, we would certainly have a lot more -- and we refer to it as tonnage -- a lot more inventory in our particular domain than it would be in certainly the can stamper, or battery manufacturing plant, or automotive plant, if you will.

So, you know, we carry that, and it's basically a component of the lead times that are involved with that, that you can make a battery can, or a battery cell, or automotive fuel line much faster than you can a diffused nickel-plated steel product.

MR. CORKRAN: Thank you. That was very helpful. My next question goes to the very useful diagram you provided on the supply chain for batteries.

So my question is with whom are you negotiating prices? Is it with the stampers that you've identified? Is it with the battery producers that you've identified? Is it a combination of the two? To the extent that this is confidential, you're certainly, please put in your brief, but at least in general if you could give us an overview of who --

MR. HARTMAN: Yeah. The specifics we'll address in a postconference brief, but this is an oversimplification of what goes on. We actually, as steel producers, would have direct sales to the can stampers and direct sales of coils to each one of the battery manufacturers.

So in terms of how those negotiations are constructed, we'll address that later, but the market dynamics are that we would negotiate, certainly dependent upon, in our opinion, on who might have the most leverage, if you will, on obtaining the lowest price, and that kind of is where that decision is held.

So whoever has the, in our opinion, bulk of the volume may say, okay, well, I'm going to take over, I'm going to take the lead on that negotiation because I think I can achieve the lowest price point of the material I'm buying.

MR. CORKRAN: Please correct if I misunderstood this, but does that mean that you are selling strip to the stampers and sheet to the battery producers? Was that your testimony?

MR. HARTMAN: No. I apologize. We use those terms interchangeable, sheet or strip. They're nickel-plated steel coil sales to all the entities

that you see up in the slide.

MR. CORKRAN: You had mentioned using published indexes for various input prices. If you could identify those indexes, that would be very helpful. You can either do it publicly or confidentially, but that would be helpful.

MR. CANNON: Sure. We'll do that.

MR. CORKRAN: My last question is a general one. Basically, who assumes the risk for the commodity price variations? Do you do any sort of hedging or are you largely purchasing internally within Tata and on the spot market?

MR. JARVIS: We will hedge on the customer's request for nickel. So we have the ability to hedge, we have nickel agreements with some of the customers that are mentioned on the slide that we just looked at. So we will engage in nickel on the -- sorry. On nickel, at the customer's request, we will hedge nickel on their behalf. Not all customers take up that. The nickel is pretty neutral in terms of from our perspective. So we won't hedge ourselves on nickel at all, but if the customer requests it, we will do it.

MR. CANNON: I think he also asked you who assumes the risk. In other words, by virtue of your

pricing surcharge mechanism, who's assuming the risk on the raw materials?

MR. JARVIS: The customer. The customer is generally assuming the risk, certainly on the raw material side.

MR. CORKRAN: Okay. So the customer generally assumes the risk. Okay. Thank you all very much for your testimony.

MR. CANNON: So on that point, so you understand, the negotiation takes place for the price say in December and the award is given. The product doesn't ship until maybe July when the period starts, maybe a six month period. For the first quarter the base price is fixed. They can't change. The second quarter, the surcharge can kick in.

So when we're talking about assuming the risk, the risk is essentially on us for that first quarter for that delay of six months, and then for that second quarter of the contract period the risk is on the customer.

Moreover, if you think of the pricing data and the way it's spread out, the lost sale could have happened in December but your pricing data are actual prices in the quarters when we shipped. So there is this kind of a lag in which this surcharge sort of

kicks in in order to help us on the price.

MR. HARTMAN: We have one more comment along those lines. If there was no mechanism, that risk would be 100 percent on the steel supplier is another way to look at that.

MR. CORKRAN: Thank you all very much for your testimony today. It's been extremely helpful.

MS. DEFILIPPO: Thank you, Mr. Corkran.

I actually just have a couple quick follow-ups as staff has done a great job of asking questions. I'm going to just follow up on this just to make sure I understand with the pricing.

We talked earlier, I believe, about prices being, the base price being set for the length of a contract, six months or a year, and then the surcharge can vary in that time. If you feel more comfortable dealing with this in a postconference, please do.

Mr. Cannon, you were just talking about sort of a quarterly analysis of in this quarter if this was what it was, next quarter we would make up for it or it would kick in. To the extent you could -- either comment here or in your brief -- explain, are there, does the contract contain specific timing clauses on when that surcharge can kick in, or are there any sort of levels, if it goes above *X* percent, then it kicks

in. So any additional information on that would be helpful.

MR. CANNON: So it is complex.

MS. DEFILIPPO: Figured.

MR. CANNON: My understanding is nickel, for example, goes monthly, hot band goes quarterly, and it varies by customer on the timing. Yeah, we can sort this out with some examples. In the big picture, because during the period the nickel wasn't moving much, correct, in this period it's really about the hot band, the hot-rolled sheet in terms of the index. That's the only kind of impact. But with that in mind, I think we'll focus on that when we try to illustrate how this works.

MS. DEFILIPPO: And surcharge I think automatically puts in your brain an additional charge, but it can be a downward movement, also. If it goes up one period and then goes down, the surcharge would be going in the other direction then? Down?

MR. CANNON: Right, and I forgot to mention that. It's not like in some other steel products, the surcharge, where it has to move a certain amount before it kicks in and otherwise the price just stays the same.

Mike testified it's automatic, right, so it

automatically goes in at any movement, and it does go down, right? So as the commodity prices went down it would cause our actual prices in those quarters to have to fall, too.

MR. WILKES: So surcharge, Ms. DeFilippo, is not perhaps a very good nomenclature. Adjustment mechanism might be a better way for us to characterize it.

MS. DEFILIPPO: Very good. Thank you. Sorry. Earlier this morning I think the statement was made that Thomas had shut down a line recently. Did I hear that correctly?

MR. JARVIS: Yes.

MS. DEFILIPPO: Is it still down? And how easy, or difficult, is it to bring that back on line?

MR. JARVIS: We shut down the whole plant for one week. All the units were closed down. We didn't have the orders, basically, so we took a whole, shut the whole plant down for the whole week.

MS. DEFILIPPO: Okay. Then I believe Ms. Hughes was asking questions about, or it came up in her comments about rechargeable batteries, and I think I heard that this diffusion-annealed nickel-plated steel is used in the rechargeable batteries, as well as nonrechargeable.

MR. HARTMAN: Yes. That's correct. Yeah. They're just not produced in the United States.

MS. DEFILIPPO: Okay. The automotive applications were referred to as I think being a small, but growing portion. To the extent that there is growth, it's still going to be predominantly the main end use by far would be batteries in the foreseeable future?

MR. HARTMAN: That's correct.

MS. DEFILIPPO: The last, it's not a question, it's actually a housekeeping issue for Mr. Cannon. So for the presentation that was up on the screen, we'll include that as an exhibit with the conference transcript, but this, the pink, we will put into the confidential record?

MR. CANNON: Your choice. I could also submit it, if you'd prefer that. This afternoon I can file it and it will go into your system, or you can put it in.

MS. DEFILIPPO: That would be great.

MR. CANNON: Okay. So we'll do -- assuming we get home in time.

MS. DEFILIPPO: We'll keep it moving.

MR. GRACE: My name is David Grace. I'm counsel for Procter & Gamble.

MS. DEFILIPPO: Can you come up to use a microphone just so we can have it on the transcript, please.

MR. GRACE: My name, again, is David Grace. I'm counsel for Procter & Gamble, which sells the Duracell brand. We understand that one of those confidential exhibits is, or possibly is, an exhibit of our, my client, of Duracell.

We do not have access to the confidential record, but we would like to comment or review the document that's been submitted because if it's our document, we should have access to it. I guess I would move that it be released to us or provided to us by Petitioners.

MS. HUGHES: As the Commission's attorney, let me make sure I understand the procedure on that and I'll get back to you in the afternoon session, okay?

MR. GRACE: Thank you very much.

MS. DEFILIPPO: Thank you. Yes? It's a free for all. No, I'm just kidding.

MR. DURLING: James Durling, counsel for Panasonic. We have the same issue, so whatever ruling the Commission makes in response to Mr. Grace's request, we also would like the opportunity to discuss

any documents specific to our client with our client so that we can give you a response.

Obviously the challenge is in theory they have the document, but we can't even confirm for them which document we're actually talking about. So given that the document came from the company, it certainly seems reasonable that the company whose document it was in the first place ought to be able to look at it and then offer comments.

MS. DEFILIPPO: We will confer this afternoon after this and get back to all of you with how we will proceed with regard to that. I will look up and down the line. I will laugh.

Mr. Boyland, please go ahead.

MR. BOYLAND: Just one additional question -- it's kind of more for clarification -- regarding this issue of the raw material costs. Cathy brought up the issue of, you know, the surcharges can work in both directions, and I guess, you know, again, not getting into any confidential information, but the pattern itself in terms of what was reported in the petition in terms of steel cost and that reconciles to what was reported in the questionnaire, I guess the question would be given the directional trend of the steel cost that I'm seeing in 2012 and what I

understand to be the basic public indices, the directions are different.

I would suggest that based on your testimony regarding the surcharge, and you indicated in the petition itself there's a discount mechanism as well, it doesn't work both ways, so I guess the question would be is it correct to interpret the trend in steel costs at the end of the period, the average, is essentially the opposite of the public indices, which would themselves be tied to the surcharge, and essentially moving against each other.

I mean in terms of one aspect of the profitability, could you discuss that in the posthearing or postconference?

MR. CANNON: Sure, we could.

MR. BOYLAND: Thank you.

MR. JARVIS: You'll understand that in terms of the cost side we have to bring the steel over, cold roll it, nickel plate it, so there's going to be 90 days maybe, so our inventory cost of the steel, right, will not keep up with the falling prices in these market indices.

MR. BOYLAND: And that's exactly what I was trying to maybe articulate a little better was that I'm, you know, interested in the trend, but also the

timing issues, et cetera. Okay. Thank you very much.

MS. DEFILIPPO: Mr. Comly, I think you have one more question or questions? Do you?

MR. COMLY: Questions. Yes, I do.

MS. DEFILIPPO: Okay.

MR. COMLY: Since I let you off easy the first time around, although there's not that many questions. Let's see.

You stated that you have a peak production given the seasonality and other factors, like hurricanes. Would you expect a similar trend in imports, and, if so, when would you expect those imports to come into the U.S.?

MR. HARTMAN: I would say for the most part the imports might have a similar type trend but it would be more so related to the specifications that we've supplied let's say over the recent years because we would have let's say two out of the three major battery manufacturers that would be using our products, as opposed to our competition using let's say one routing of that. It really gets down to a little bit of market share on who has what in the battery world, but certainly our ability to react to short-term opportunities for battery manufacturers to service that market, two-thirds of it, like I said,

would be on us and maybe one-third on our competitors, but they would counter that spike by just pulling down their existing inventories that they would have in warehouses here, in the U.S.

In fact, one of the things that we noted in I think it was 2011, we were actually able to step in in the third supply route and make up a shortfall that existed, you know, through our competitor's supply chain.

So the ability to react to certainly hurricanes or stormy seasons, if you will, is a value that we feel we have in the U.S., and certainly our customers, we would think, would concur with that.

MR. COMLY: Okay. Thank you. Getting back to the automotive application, being a layperson, can you describe to me the differences between the diffusion-annealed nickel-plated steel produced for battery cans versus automotive applications such as in, you know, thicknesses, tolerances, things like that.

MR. HARTMAN: Yeah. Just real general --

MR. COMLY: Yeah. Real general.

MR. HARTMAN: -- those answers? The automotive tubing applications would be thicker material gauges than really any of the five products

that we've had specified in the petition. The plating thicknesses as a whole are relatively comparable, but the differential nature of the requirements of the fuel line applications require a much heavier plating thickness on one side of the strip as opposed to the opposite side.

If you think of it and why would that be the case, the answer to that would be that the fuel is only passing through the inside so the inside of the tube would really be where you would want the nickel.

The outside of those tubes are coated with other materials that are really more corrosion protection in the overall system. They may be exposed to atmospheric conditions, and therefore the fuel line components again tend be thicker than battery materials. Battery materials tend to be thinner, which also require thinner gauges of steel, and thinner thicknesses of nickel as it relates to the fuel line.

MR. COMLY: To your knowledge, can other producers produce for both applications?

MR. HARTMAN: Correct. Yeah.

MR. COMLY: How easy is it to shift from one application to another? Is it similar to moving from one battery type to another battery type or battery

specification?

MR. HARTMAN: Yeah. If it's within your realm of capabilities to produce thin gauges or thicker gauges of steel, certainly the producers are capable of moving back and forth coil by coil, if you will, order by order.

MR. COMLY: Different subject. You mentioned wider coils. Does this affect how much you can produce? So the tonnage, so the -- well, I guess I should say, let's see. If I'm looking at my production data, with a production of increased wire coils should I be seeing more production, or is that such a small part of your actual production that you don't really see that translating into a larger tonnage?

MR. HARTMAN: In general, if we were to supply very extremely narrow products into applications, and I'll talk about maybe can stamping in general, a very narrow coil would have a higher scrap rate in producing parts than certainly a wide coil in producing. It's just more efficient.

So in that reference, if you look at demand, or sales, or import stats, or our sales in general, it's basically geared towards how many parts does someone need to produce in order to satisfy that

demand.

In terms of consumption, would not really have a significant impact on that, although it does factor into stamping part or component yield factors, yield rates. Does that somewhat answer the question?

MR. WILKES: If I might add, Mr. Comly. Stephen Wilkes for Thomas Steel. I think you're correct, and you heard that from Mike, that were the demand to be concentrated in all very narrow widths or all very wide widths, that would ultimately and potentially affect capacity.

In the real world, sadly for us right now, our capacity utilization is at such a low level that it really has no impact or provides no constraint to capacity.

MR. COMLY: That does answer the question. Thank you. You also mentioned the thickness, or rather the thinness shall we say, of the material produced. Are you reaching your limits, and do you know if the limits are being reached at other producers, foreign producers?

MR. HARTMAN: No. The products are still well within our capabilities to produce. We go extremely light. Certainly our competitors will go light. Yeah, it's certainly well within the realm of

production. If the market wants to go thinner or thicker, we have the capability to do that. Thinner nickel, you know, certainly if you can produce a higher nickel thickness, you can go down. Just take more off. Though we're not really anywhere close to our bottom end of the capabilities of our equipment yet.

MR. COMLY: As far as you know, that's true for the other, your competitors.

MR. HARTMAN: Yeah. It more so may come down to what are the physical dimensions of a product that can be produced into a can, for example. If that is a driver, we're trying to achieve cost savings through innovation, if you will, and those are always opportunities for improvement.

MR. COMLY: You mentioned that, I think it was Mr. Jarvis that mentioned that you're moving, you have moved or you are moving to subcontract out several functions, including shipping, et cetera. I guess my first question is when, have you done this, or are you going to do this?

MR. JARVIS: We've done it already.

MR. COMLY: And, I'm sorry, what year?

MR. JARVIS: We did the IT in 2010/11. We did the shipping in 2012. A lot of it's, you know,

cost reduction, and also, the shipping makes the cost variable. You see a heavy dependency on fixed costs. We pay so much per load now so it makes it variable to us. So we don't have the overhead that we used to have with the shipping departments. So both those are implemented now.

MR. COMLY: Have you received any feedback from your customers, and has this factored into purchasing decisions?

MR. JARVIS: In those two areas?

MR. COMLY: In those two areas. Sure. And you can address this in your brief, if you'd like. So, and another question I guess on top of that would be have you lost any sales due to your shift to a third party supplier?

MR. JARVIS: No. No. We had some teething problems, yes, but we haven't lost any customers.

MR. HARTMAN: Yeah. I think the main objective obviously in shipment of material is you've got to complete it up to the warehouse dock, if you will, and then what we've done is we've utilized more or less hourly involvement, expanded out their roles a bit to absorb basically the salary reduction that took place there.

So the physical dynamics of loading the

truck is still occurring, as it did somewhat similar in the past, and we, you know, as John mentioned early in the stages, as that transition took place, it's a learning opportunity for some of our employees, but the name of the game is to get that load out the door.

You know, we pride ourselves on getting the material to the floor and then getting it out. So it really was transparent in terms of the customers' end of what they saw. It was more or less just internal to us on how we operated.

MR. WILKES: Mr. Comly, Stephen Wilkes for Thomas Steel. I might add that we have a mix of delivery terms in our business, so some of our business is *X* works and some is delivered, so the impact of outsourcing shipping clearly would not -- movement from the plant to a customer would only impact those circumstances where we're delivering.

MR. COMLY: That was all the questions I have for now. Thank you.

MS. DEFILIPPO: Actually, I have one last one. Sorry. Mr. Hartman mentioned something that made me think of something. You referenced picking up a shortage in terms of supplying. My understanding is when you're negotiating on the quantity side you're not setting quantity as you do price. Is it more of a

percentage of that person's business for the given year?

MR. HARTMAN: Yes. That's correct. They have an indication on how much they will produce, but certainly market dynamics could influence. In any of the markets we deal with that would not be beneficial for our customers, to lock in an exact quantity, if something were to happen and we've produced that material. That's why we operate under a forecast, a very tight forecast window.

Certainly it's an indicator. Certainly the percentages that they offer us or certain specifications, if you will, are really designed around that aspect. It's not an absolute hard number.

MS. DEFILIPPO: Are the percentages that you are generally sort of awarded, are those harder in the sense that, you know, after a given year, if you won 30 percent of the business, you generally got 30 percent, or is that flexible?

I mean I can understand how the sort of overall quantity number would be an unknown based on, you know, the estimates that that battery producer is making on what the demand for their product would be, but in general are you, is the percentage that you are awarded, per se, does that hold true sort of after the

fact?

MR. HARTMAN: To our knowledge, they, you know, all supply receive type relationships, at least in the way we operate, that is true. They typically -- if it's 30 percent, we'll get 30 percent. If it's 100 percent, obviously you're going to get 100 percent of that.

MS. DEFILIPPO: Are there opportunities where you have, to your knowledge -- and this could be in the postconference briefs -- picked up additional business because of difficulties getting product from another supplier?

MR. HARTMAN: Yes. That's correct. Yeah. From time to time if let's say, as I referenced, a forecast, if demand were to increase by 70 percent, 80 percent, the production lead times that are involved in that may force certain things to happen in the marketplace, and therefore, you know, as I referenced before, we've had to step in. Obviously that can go both ways.

If there's inventory that exists from our competitors, if it resides in the U.S. and again demand goes up, we may need to shift production in order to support other businesses that that customer may have other specifications. So it can go both

ways.

MS. DEFILIPPO: Would it ever balance out on a flip? Let's say next month you got, they needed additional product from you and you were at a 30 percent level for the year. They say, well, you got 60 percent last month, so we need less from you this month, or is that not, is the shortage more of an exception and it just is in that month you would be able to supply more?

MR. HARTMAN: It's really an exception. It doesn't happen that often. Certainly if there's opportunities in a marketplace, you know, regardless of what product it is, then certainly we're all, you know, looking forward to take advantage of those sales opportunities not only from our perspective, but to serve, you know, consumers.

MS. DEFILIPPO: Thank you very much. One quick last look. I think everyone has satisfied their curiosity with their questions.

Again, I thank you all very, very much for being patient with us through the questioning period. I think we've all learned a lot, and I appreciate that.

We will take 10 minute break just to sort of stretch legs and then we'll come back at 12:10 to do

Respondents' testimony. Thank you.

(Whereupon, a short recess was taken.)

MS. DEFILIPPO: Direct testimony from those in opposition to the imposition of antidumping duty order. I will note that I'm very pleased to see a very large panel. That's always great. In a prelim we often don't have panels this size. So I welcome you all, but in particular, because of that, it will be helpful to make sure that you do state your name when you begin to speak, and then particularly in the questioning round because I think it's hard for the court reporter to see all the name tags.

With that, I welcome you all and I throw it out to whoever wants to start the ball rolling.

MR. WOOD: Hi. Good afternoon. Thank you. I'm Chris Wood, counsel for the Japanese Respondents in this case, Nippon Steel and Sumitomo Metal and Toyo Kohan. We're also very pleased to have a large and distinguished panel with us this afternoon. I think we'll be able to answer, I think we have a good representation that should be able to answer virtually all of your questions.

We're going to start with testimony from our purchaser colleagues, so I'm going to kick it off by turning it over to Brian Medeiros from Procter &

Gamble.

MR. MEDEIROS: Good afternoon. Thank you for the opportunity to speak today. I am Brian Medeiros. I'm the Senior Purchasing Manager for Global Specialty Steel and Steel Components at Procter & Gamble.

P&G sells batteries under the Duracell brand. The product covered by this proceeding is used to make battery cans and is known informally within the industry as battery steel.

P&G makes purchasing decisions for battery steel using a bid process. The bid process addresses P&G's anticipated needs for battery steel on a global basis. In other words, our bid request recovers not only P&G's anticipated battery steel volume in the United States, but also the anticipated needs for our facilities in Europe and China.

In addition to steel purchased directly by P&G, the bid request covers battery steel that is routed through independent metal formers, such as Cly-Del.

In regards to the question earlier regarding whether the buyer holds multiple rounds of negotiation, we typically operate as first bid, best bid during the period of interest. This means that

there's no back and forth negotiation on pricing. We will be submitting a detailed description on the bid process in our response to the lost sales questionnaire. However, one point is critical.

P&G makes awards on a percent allocation basis. A successful bidder may be awarded 100 percent of the projected sales of volume of a particular battery steel grouping, such as the double *A* can, during the time period in the bid request. However, P&G is moving away from this sole sourcing approach and there have been several instances in which volume has been allocated on a percentage basis. For example, a 20 percent, 80 percent or 50 percent, 50 percent split.

By definition, this means that P&G is intentionally awarding business to suppliers for reasons other than price. Otherwise, P&G would always award 100 percent of the business to the party providing the lowest bid price. I'll discuss a few of the relevant nonprice factors later in this presentation.

Our business is big globally because there is a single global market for batteries and battery steel. This is perhaps best illustrated by the Petitioner itself. Thomas Steel was a wholly owned

lower tier subsidiary of Tata Steel Europe Limited, formerly the Corus Group.

Thomas Steel has described the production process of battery steel in the petition. The key starting input is high quality hot-rolled steel coil. It is our understanding that Thomas obtains 100 percent of its coil from Tata Steel Europe for all Duracell products.

The Tata group clearly views the production of the starting coils and finished battery steel as two halves of an integrated operation, and indeed, for the vast majority of U.S. sales during the period of investigation, we interacted directly not with Thomas, but with Tata's commercial director of global markets for steel plating, an employee who is physically located outside of the U.S. at a Tata affiliate, Hille Mueller in Germany, and who is not present here today.

It was the commercial director for global markets who signed the bid quotations and various other commercial documents, some of which were issued in the name of Thomas Steel. To my knowledge, we have never negotiated commercial terms with any of the individuals who testified on behalf of Thomas today.

Tata Steel Europe indicates which of its plating subsidiaries in the U.S. or Germany will

supply P&G's global volume awarded to the Tata group, and we believe that Tata approaches the bid process by seeking to maximize the overall profit of the group, not Thomas as a standalone entity.

The key point here is that Tata has the ability to shift business and profits within the group, including profit on U.S. sales where the reported Thomas raw material cost data is directly affected by related party transfer prices for hot-rolled steel coil.

Tata Steel is the dominant supplier of battery steel in the United States and Europe. To further illustrate the global nature of this market, Tata Steel offers the lowest battery price in China, even though they have no production in Asia.

In 2010, Tata insisted that P&G modify its buying process to include their price change mechanism tied to movements in the prices of iron ore, coking coal and nickel. Please note that Tata mentioned earlier that this was a mechanism that was customer-driven. I can say that this was not Duracell-driven, and please ask yourself why a customer would request a pass-through in 2010 or 2011 when these commodities rose to record levels. This mechanism was put in place to protect the supplier.

Iron ore and coking coal are key inputs for hot-rolled steel coil. Nickel is used in Thomas' plating process. If the prices of these commodities increase, Tata is entitled to add a monthly or quarterly surcharge to the price of P&G's battery steel. Conversely, if the prices of the raw materials fall, P&G is entitled to a price reduction. In other words, the risk of key commodity price movements are shifted from Tata to P&G. Since this cost is passed through to P&G, Tata cannot be injured by increasing raw materials.

As an initial matter, it is interesting that Tata insisted that iron ore and coking coal be included in this mechanism since these inputs are directly relevant to steel coil manufacturers rather than platers, such as Thomas. One would have thought that if the mechanism had been constructed to protect Thomas it would have focused on the prices of nickel and hot-rolled steel coil, Thomas' key inputs. It appears that Tata was trying to protect its upstream European coil producers rather than Thomas.

The raw material price change mechanism is also important because P&G thereafter required Japanese suppliers of battery steel to follow with similar mechanisms in their bid proposals so that P&G

can make apples to apples comparisons.

Price movements due to commodities became a nonfactor in our bid analysis and business award decisions. During 2010 and 2011, the prices for iron ore and coking coal increased dramatically, reaching all time highs. The price for nickel also reached very high levels in 2011. The higher raw material prices were reflected in higher prices for battery steel.

In the first half of 2011, the trend in commodity prices reversed in response to lower steel production levels in China. As a result of the falling global commodity prices, global prices for battery steel also declined during the second half of 2011 and calendar year 2012.

The impact was significant. For example, the price for Tata battery steel purchased by Cly-Del during the quarter October through December 2012 was several hundred dollars per metric ton lower than October through December 2010 solely as a result of the raw material pricing mechanism that Tata itself forced on P&G.

This change has nothing to do with competition from Japanese suppliers, and P&G urges the Commission to back out these adjustments to obtain a

true picture of Tata pricing trends. When this is done, P&G believes that the Commission will find that the portion of prices attributable to manufacturing operations of hot-rolled steel coils by Tata Steel Europe and nickel plating by Thomas actually increased substantially over the same time period. Such an increase is inconsistent with Thomas' injury allegations.

Moreover, our data indicates that Thomas' share of Duracell total U.S. battery steel purchases fell by less than five percent, from approximately 79 percent to approximately 75 percent, over the three year period of investigation, hardly the dire picture painted by the petition.

We will be submitting the supporting data on both points in confidence to the staff.

Thomas Steel has been an important Duracell supplier for over 40 years. It continues to supply a significant majority of P&G's overall requirements for battery steel and is the sole source for certain battery steel products. We envision that Thomas will continue to play an important role in our future as long as P&G can produce batteries in the United States that are competitive with foreign source batteries. However, Tata does not have the right to a monopoly

position in the U.S. market.

Our data shows that over the period of investigation Tata typically made the first move up or down with respect to prices across the majority of our spend, only to be followed thereafter by one, or both, of the Japanese suppliers. This does not mean that Tata always submitted the lowest bids.

Because there are no published price lists or other definite public information on battery steel prices, price movements are directional in nature and not necessarily perfectly identical in size. Nevertheless, it is clear to us that Tata was generally the leader and the Japanese suppliers were generally the followers during the period of investigation. We anticipate that the data collected by the Commission will support this characterization of the relationship.

I want to emphasize that while it is important, price is not the only factor that P&G considers when making purchase decisions. As an initial matter, there are important nonprice regions preferring multiple sources of steel. This we do both within the U.S. market and globally.

At present, only three companies are qualified to supply battery steel to P&G. When making

global purchasing decisions we work to ensure that all three companies have sufficient business to help all three remain viable suppliers for this specialty product. Thus, for example, if the Tata group loses market share in Europe or Asia, we might award Tata a greater share of our business in the United States than their bid prices would otherwise justify. This same approach is also true with respect to the two Japanese sources.

We also have a policy of seeking dual sourcing for individual products within a particular market for business continuity reasons. This concern is perhaps best illustrated by recent experiences at our Cleveland, Tennessee plant which produces *C* and *D* batteries. Thomas currently supplies 100 percent of the steel at this facility.

In 2012 we could not operate the Cleveland plant at full production for 10 out of 14 weeks during our peak demand season because Thomas could not provide sufficient battery steel due to lack of hot-rolled steel coils from Tata Europe. I'm not presenting this to fault Thomas as the forecasting changes were P&G's responsibility; however, it illustrates the dangers on relying on a sole source and underscores our policy decision to seek dual

sourcing, even though a second supplier is not the low cost alternative.

Finally, in considering purchase allocations we take into account opportunities for collaboration with our suppliers. By this, I mean collaboration to improve steel quality, shipping logistics, battery can production and other potential efficiencies. This is akin to the collaborative relationships that the automotive manufacturers have developed with many of their suppliers.

In order to participate in such collaborative efforts, suppliers need to sign confidentiality agreements. These agreements enable us to share confidential information regarding P&G business specifications, volumes and planned future developments.

Our Japanese suppliers signed P&G standard confidentiality agreements in 2010. However, P&G was forced to negotiate with Tata Steel for several years before it finally agreed to a modified P&G confidentiality agreement in February 2012.

As a separate matter, even after over five years of negotiation, Tata has still not signed P&G's standard purchase agreement and this agreement covers such nonprice issues as warranties, indemnification,

inspections, assignment, return of goods, et cetera. P&G's purchasing policy is that if suppliers that spend levels of Tata Steel do not agree to mutually acceptable terms, alternative sources of supply should be pursued. This has been made clear to Thomas and their parent company.

Given our difficulty with Thomas on these subjects it is not surprising that P&G rated Thomas as far below average in our fiscal year '09/'10 annual supplier review, highlighting such issues as lack of customer focus, lack of collaboration and slow response times.

During fiscal year '10/'11 and fiscal year '11/'12 Thomas was rated as an average supplier; however, lack of collaboration and lack of long-term process improvements continued to be identified as problems. These reviews were shared with Tata and Thomas Steel at the time and were taken into consideration when allocation future business.

In summary, we are of course quite familiar with the bid template presented as a confidential exhibit by Thomas. The template was developed as a direct response to the raw material price change mechanism pushed by Tata, and it allows us to obtain apples to apples comparisons where P&G bears the risk

of changes in raw material costs.

As discussed above, price is only one factor in our bid allocation decisions. We obtain information on price via our bid template, but the suggestion that this is the only factor is not correct.

In summary, the markets for batteries and battery steel are global in nature. Tata is a dominant supplier of battery steel in both the United States and globally, in addition to being the general price leader in the market segment during the period of investigation. In developing bids for steel awards it is our perception that Tata focuses on the overall profitability of Tata group, not Thomas Steel as a standalone entity.

Our data indicates that the portion of the prices attributable to manufacturing costs at Tata Steel Europe and Thomas Steel increase materially during the time of most concern in the petition, and that Tata's overall share of Duracell battery steel business was relatively flat during the period of investigation.

Under these circumstances and given the various nonprice factors that play critical roles in P&G's purchasing decisions, we respectfully submit

that the Petitioner has not met its burden of proof.

In contrast to other battery manufacturers that have consolidated or closed U.S. operations over the past several years or may do so in the future, P&G continues to invest in U.S. production and now has over 1,350 employees directly in our Duracell facilities in several states, including Connecticut, Georgia, North Carolina and Tennessee.

However, in order to stay and compete in the very tough global markets for batteries, we cannot be placed in an untenable position by unwarranted antidumping duties on a critical input. Thank you.

MR. WALTON: Good afternoon. My name is Carl Walton. I'm the Director of Operations at Panasonic Energy Company of America's Material Division, or MD for short. We are a can stamper that specializes in producing steel cans for battery makers.

I began working as a manufacturing engineer with MD in 2001 and later became a production manager before assuming my current role of plant manager in 2009. Previous to working at MD, I worked at Panasonic Battery Company for close to nine years designing production machinery for making alkaline batteries. So all total, I have around 21 years in

the battery making business.

I'm joined today by my colleague, Miki Nakai, sitting two seats over, the purchasing manager for my company. She has been with MD since it was founded in 1995 and has served in the purchasing and planning role the entire time. She is knowledgeable about all aspects of our purchase of the steel product subject to this investigation.

Let me jump right to the most important fact. Although Thomas has been one of our suppliers in the past, during the entire time period of your examination for this trade case, Thomas was not a qualified supplier. Therefore, we did not purchase commercial quantities from Thomas because the material was not qualified by our customers or us.

Let me now explain our history of nickel-plated steel sourcing. As a part of Panasonic Energy Corporation of America, the materials division was founded in 1995 and began producing battery cans in 1996 at a production factory located in Columbus, Georgia. The battery can production operation was originally established to supply battery cans to our Panasonic sister factories that produced batteries in North and South America. One of our major customers was a Panasonic/Kodak joint venture to produce

batteries and was located right next door to us.

In 1999, after increasing our battery can production capacity, we also began supplying battery cans to one of the three major battery producers in the U.S. Additionally, over time we also supplied to other Panasonic sister factories located in Europe and Asia.

On average, we produce over one billion battery cans a year, or slightly more than 20 percent of the steel cans for the alkaline battery market in North America.

When we began production in 1996 we sourced the steel used to make our battery cans from Worthington Steel located in Pennsylvania. At that time they were one of two nickel platers in the U.S. producing nickel-plated steel for the battery industry.

Worthington Steel would purchase special cold-rolled steel from NKK, a Japanese steel producer, and then apply the nickel plating to the steel. However, near the end of 2001 Worthington Steel announced it was closing its facility for nickel-plated steel. As a result of that closure, we needed to find a new source for steel to make our battery cans.

At that time we decided to employ a dual sourcing strategy. The decision to switch to sourcing steel from two suppliers rather than a single supplier was based in large part on the increased production that we were experiencing at that time.

By 2002 our annual production of battery cans had increased six fold since our first full year of production and had exceeded the one billion can mark for the first time. Given that large volume it made business sense to explore dual sourcing and so to replace Worthington Steel we chose to purchase from two producers, Thomas located in Ohio, and Toyo located in Japan.

Our steel from Toyo was imported through the trading company Metal One. At this time these were the only two viable sources for us to purchase battery grade steel. From 2002 to 2008 we sourced steel from both Thomas and Toyo in roughly a 50/50 ratio.

In the fall of 2007, due to declining sales Panasonic decided to close our sister alkaline battery factory located right next door to us. Our joint venture partner, Kodak, wanted out of the battery production business and Panasonic decided it could not support the joint venture facility alone.

When they closed the battery factory next

door to us some of the equipment was transferred to other Panasonic battery factories in other countries, some packing equipment was retained locally for a distribution center, and much of the remaining equipment was scrapped. Losing this customer caused a huge reduction in our production volume of battery cans.

Around the same time our other large U.S. customer which comprised around 50 percent of our sales at the time had begun shifting part of their battery production to offshore as well.

These two events, the closing of our sister factory and the offshoring of battery production by our other major customer, resulted in a significant decrease in the amount of steel we required to make battery cans, and so faced with the significant decrease in sales and production of battery cans in the 2007 to 2008 timeframe we decided that we needed to switch to a single steel supplier.

With the reduced volume, it no longer made business sense to continue dual sourcing since the reduced purchasing volume would have given us less bargaining leverage with either of the two suppliers.

We ultimately decided to continue sourcing steel only from Toyo. There are various reasons. One

key factor was that Toyo was already supplying most of the other Panasonic battery can production factories around the world and we would be able to utilize the leverage of Panasonic's global sourcing and not just our own now limited production volume.

Another key factor in selecting a single supplier for the steel were quality considerations. As you can easily understand, defects in the steel such as holes and other types of material defects can result in serious accidents and personal injury when used in batteries. Additionally, inconsistencies in the mechanical properties and surface finishes create very challenging production conditions for can makers.

The decision to choose Toyo as our sole supplier was also based on our experience with quality levels from Thomas and Toyo over the six years that we had dual sourced from them. Our data from that time period clearly showed that Toyo was by far the more reliable supplier in terms of supplying defect-free steel.

On average, with steel sourced from Thomas, for every 100 coils used -- which is equivalent to four to five days of production run time for us -- we would have one defective coil that resulted in a production interruption and material being rejected.

This was a huge burden for our limited staffing.

On the other hand, the defect rate for steel from Toyo is significantly less. There were numerous years where we only had one defective coil the entire year. As you can imagine, a defective coil once a week is very different than a defective coil once a year.

This difference in quality defects, once per week versus once per year, was very important to us. Even though both of the steel suppliers were qualified by our customers during our dual sourcing period, that does not make their quality equivalent. Battery producers expect us, the can maker, to make sure the quality of the battery cans meet their needs.

If defective coils stop our production we have to fix the problem and remove the defects from our production process. That our customers receive a high quality battery can does not mean that the defective steel that we had to deal with was not a very serious problem for us as a battery can maker.

So the combination of being able to leverage the larger volume purchase from Toyo by Panasonic factories around the world and the superior quality of the steel from Toyo supported our decision to select Toyo as our only source for steel beginning in 2008.

After 2008, as our sales and production volume bounced back over the next couple of years, we began studying dual sourcing for our steel again. We cannot just start buying steel from a supplier. In the battery industry, as it has been explained, it is necessary to requalify materials that have not been used for some time. Requalification is necessary to account for changes in battery specifications and our changes in steel production.

Indeed, from 2009 to 2012 our can specifications for alkaline batteries underwent a significant change in the required specifications for the steel. These changes include the thinner gauge. Accordingly, our steel supplier had to requalify for each item to ensure that they could produce acceptable steel with a new gauge. I note that this change in gauge specification is reflected in the pricing products established for this case. Product 5 is the older, thicker gauge product, and Product 4 is the new, thinner gauge product.

In the case of steel for battery cans, the qualification and lead time for sourcing new steel generally takes 12 to 18 months. The reason that it takes so long is that testing is a multistep process.

For quality reasons, our company and our

customers require testing of separately produced steel coils. For each steel coil we need to produce and evaluate the cans, and then have them made into batteries and evaluated by our customers. That is the reason why the qualification process takes so long.

So beginning in 2010 we began testing small quantities of Thomas material. Unfortunately, we again experienced quality issues with the steel from Thomas. We have documentation from 2010 indicating that Thomas had difficulty meeting the new specifications for the thinner gauge steel. Unfortunately, we were not able to qualify the Thomas material in 2010 and so we were not able to purchase more than test quantities.

As you know, a large earthquake and tsunami occurred in Japan in 2011. This provided additional motivation for us to resume our plan to qualify a back up supplier for our steel despite the quality challenges that we had with Thomas in the past. In this regard, Panasonic was like all manufacturers around the world that saw the earthquake and tsunami as a reason to reevaluate sourcing strategies.

In 2012 we again tested a small quantity of Thomas material. As a part of our requalification process, we even traveled to the Netherlands to visit

Thomas' parent company where the base steel is produced. Unfortunately, when we ran the test, once again there were problems with the test coils supplied from Thomas.

During this effort to requalify Thomas, the quality problems that we experienced were very concerning. Our customers, the battery makers, have been demanding battery cans with thinner steel in the side wall portion of the battery cans. In other words, to remain competitive in the U.S. market the battery makers need to reduce the cost of making their batteries. One way of doing this is by reducing the amount of steel needed to make each can, and this is achieved by making the can material thinner.

However, this also means that defects in the steel may result in more batteries leaking, potentially causing personal injuries to consumers. Therefore, there is a need for superior quality steel in the U.S., which unfortunately is only produced overseas.

From the business standpoint, we still believe it is necessary to source steel from two suppliers. Despite the quality challenges we had with Thomas in the past, we have not changed our position on this sourcing strategy to this date.

However, to be clear, during the three year period you are examining we tested steel from Thomas in an attempt to requalify them and each time their steel had significant problems, and so at no time during the three year period did Thomas become a qualified steel supplier for us. So please consider this information in your investigation.

This concludes my testimony. Thank you.

MR. PHILIPSON: Good afternoon. My name is Stephen Philipson and I'm the Sales Manager for the International Division of Metal One America, Incorporated. Here with me today are Shinsuke Katano, our General Manager of Metal One America, and Mr. Tsurutoshi Kamei, Assistant Manager of our Tin Mill Products Section in our Flat Products Global Marketing Department of Metal One Corporation.

Let me begin by expressing our appreciation to the Commission and staff for providing us this forum to share our views about the United States' diffusion-annealed nickel-plated steel, or DNP, market.

I'd like to provide a brief background about our company and then discuss our thoughts and reactions to this case, which, I confess, has caught us by surprise.

Metal One Corporation was formed in 2002 via a merger between steel divisions of Mitsubishi Corporation and what was then Nissho Iwai and is now Sojitz Corporation. In 2003, Metal One America was formed to meet the needs of the North American market. We provide our customers with global steel solutions, both offshore and domestic, logistics, finance and program management. Our comprehensive service allows our customers to focus on their core competencies which are directly linked to their success.

In the U.S. we provide a variety of products, including wire rod and bar, structural steel products, stainless products, and the flat products of hot-rolled, cold-rolled and coated. Included in coated is, of course, diffusion-annealed nickel-plated steel.

The DNP which we supply in the U.S. is manufactured by Toyo Kohan. We echo our customers' comments regarding Toyo Kohan's extremely high quality products. Toyo represents the state of the art DNP to the battery and battery components industries.

We work in close collaboration with Toyo Kohan and are the seller and U.S. point of contact for our customers, as well as our colleagues in Japan. I believe we are uniquely positioned to provide insight

into the current state of the U.S. market.

We are anxious to do so here today because, in reality, there's an enormous difference between the market which we see on one hand and the narrative which Thomas Steel has created in its petition on the other. I'd like to touch briefly on some of the key differences because we think that these, that they bear directly on the analysis which I understand you all will have to undertake.

First, the simple fact is that our import volumes have remained more or less flat. In our importers' questionnaire response you'll note that Metal One America's import volumes increased relatively little from 2010 to 2012. Our shipments to our customers actually decreased in this same period. We did have -- we did not -- did not -- have a massive surge into the U.S.

Second, the petition points to price-depressing effects of our imports that they've had on the market. We, again, were totally surprised to see this language coming from Thomas Steel, the reason being that customer feedback we received has been that our prices are and have not been -- excuse me -- have not been the lowest and in some cases are not competitive at all. In fact, we have been directly

informed that our prices have been higher than Thomas Steel.

Third, we've received feedback from all major battery component stampers in the U.S., Cly-Del, H&T Battery Components, and Panasonic, which supply to the U.S. battery producers, Duracell, Energizer and Rayovac, that Toyo Kohan produces the highest level of quality for DMP in the marketplace. Toyo Kohan's quality is so high that as part of a total global strategy some are willing to pay higher prices that this material commands in the U.S.

But at another major U.S. and global customer, and despite our best efforts, and the unparalleled quality of Toyo Kohan's product, we have been unable to sell D&P in commercial quantities to this key account. The reason we're given is that our price levels are too expensive to justify qualifying our material versus the material supplied by Thomas Steel.

So, the notion that our imports could be having price depressing effects on Thomas when Thomas, in our view, the clear price leader is one which we don't agree at all.

Finally, and we've pointed this out in our submission at the end of last week, we're further

surprised by the allegation that rising raw material costs have contributed to Thomas's financial difficulties. The raw material costs in the D&P manufacture are driven almost entirely by two inputs: hot-rolled coil and nickel.

At a major customer we were informed and requested three years ago to match a price model for hot-rolled coil which Thomas Steel initially introduced. The model was developed to remove market fluctuations in a hot-roll coil and tie prices of D&P to the cost of primary raw materials used to make hot-rolled coil. These are iron ore and coking coal.

Based on publicly-available data and based on our own market experience, the cost for both of these items have dropped significantly from early 2011. Regarding nickel, published London Metal Exchange data for nickel also reflects significant decreases in this same timeframe. So, from our perspective neither ingredient for a cost-price squeeze is present here. We're certainly not exerting downward pressure on prices. As we are informed, our prices are higher than Thomas Steel's, and there is no upward pressure in the form of raw material cost increases because, in fact, raw material costs have decreased.

In summary, the market which we compete in looks very different from the market which Thomas Steel has portrayed in its petition. Thomas Steel alleges a volume surge, but the data in our response suggests flat import levels. Thomas alleges price depression, but we're being turned away by customers because we're too expensive, and Thomas alleges rising material costs, but in fact raw material prices have decreased.

It is Metal One's sincere hope that the Commission will closely review the differences between the real U.S. D&P market and the one which Thomas as ought to portray. Once again we thank you for the opportunity to present our views today. Mr. Katano, Mr. Kamei, and I will be happy to answer any questions that you have of us.

MS. YAMASHITA: Good afternoon. My name is Motoko Yamashita. I am the manager of Toyo Kohan's Thin Sheet Sales Group which includes diffusion-annealed nickel-plated steel. I appreciate the opportunity to be here today to tell you about our products and sales strategy, and to answer any questions you may have. I am joined by my colleague, Mr. Kazuhiko Ishihara, who is very familiar with the technical aspects of our products.

Toyo Kohan has been a reliable supplier of high-quality nickel-plated steel to the U.S. market for many years. Our company started as a producer of tin mill products in 1934. Tin mill and nickel-plated steel share many core technologies, including electroplating, rolling technologies, and surface-treatment technologies. We believe that our customers value our expertise in these areas and view Toyo Kohan has quality standard in the market for nickel-plated steel.

We know that our battery customers operate in a very competitive environment. Increasingly, our customers have told us that they want us to come forward with solutions to help increase the efficiency of their stamping operations, and to think of creative options to reduce overall costs. This does not mean simply lowering of prices, but involves a deeper partnership with our customers over longer term.

For example, we have started to supply extra-wide coils which allows stampers to get more production from a single coil of steel. The technical changes to maintain consistent product quality, like good flatness, uniform plating appearance, and low surface defects throughout the wider coil are considerable, but we believe these efforts can reduce

our customer's overall cost of production.

We are also working on other initiatives such as thinner gauge steels for battery cans and reduced coating weights. Even though our sales prices for this material may increase with these product developments, the resulting efficiency gains produce an overall cost savings for our customers. We believe that this type of technical collaboration and partnership is critical to our long-term success and is a key reason why customers choose to work with Toyo Kohan.

We were very surprised to learn of this antidumping suit, and we do not believe that our sales activities have been the cause of any injury to Thomas Steel. You will see from the data we have provided that our exports to the United States have not increased substantially since 2010. Our customer base has remained stable. We also do not foresee any significant increase in sales to the United States over the next two years. Our volume projections are based on specific forecasts from our customers, which we would be glad to share with you in our post-conference brief.

In general, pricing for nickel-plated steel is closely correlated to prices for hot-rolled steel

and nickel, the two largest inputs into the products. Toyo Kohan is not an integrated steel producer so we buy hot-rolled steel from unrelated suppliers. We are directly subject to fluctuations in the price for hot-rolled steel, as well as changes in nickel pricing.

Within the U.S. market, the consistent feedback that we receive from our customers is that they rate the quality of our products very highly, but that we are not very competitive on price relative to our competition. We have been and continue to be a much smaller players than Thomas Steel in the U.S. market largely because we have been unwilling to make the price concessions that would be necessary to win additional businesses.

Toyo Kohan would like to continue to support our current U.S. customers, contributing to them through technical collaboration and partnership, but we do not see the likelihood of gaining additional business in the United States. Currently, we are not qualified to supply any steel to very large customer in the United States, and are qualified for only a limited number of products at another purchaser.

Qualification is an expensive process for customers, and even with our reputation for quality not all customers have felt it is worthwhile to

qualify our material. We can provide further detail on our status in our post-conference brief.

We believe that Asia will be the main area of growth for nickel-plated steel for the foreseeable future. Our business goals center on expanding our sales to customers in Asia, and capitalizing on this rising market opportunity. We think that Toyo Kohan is well-positioned to compete for sales in Asia due to our proximity to the market, our recent joint venture in China, and because many material producers are expanding their production in Asia.

While we value our customers and business in the United States very highly, our expectation is that our future sales gross will come mostly from Asia, and that there will not be a significant increase in our sales to the United States.

Thank you, and Mr. Ishihara and I will be pleased to respond to any questions.

MR. HORI: Good afternoon. My name is Yoshihiro Hori. I am the Executive Vice President and General Manager of Nippon Steel & Sumitomo Metal, USA. I have been in our Chicago office for three and a half years, and supporting NSSMC's customers in the United States, mainly for flat-rolled product. This is my first time to testify before the ITC, and I

appreciate the opportunity to be here today.

As you may know, NSSMC is the largest integrated steelmaker in Japan. We offer diffusion-annealed, nickel-plated steel sheets under our Supernickel product line. These Supernickel products offer a superior corrosion-resistance and are used principally for battery production, and some electronic appliance applications. Supernickel is not a high volume product line for us but it is a good fit within our overall portfolio of corrosion-resistant steel products. We have very strong technical capabilities in our electroplating, annealing and surface treatment technologies used in this and other corrosion-resistant steel product, and so are able to make high-quality nickel-plated steel for our customers.

Our participation in the U.S. market with Supernickel is extremely limited. Our overall segment of these products are on the order of a few hundred ton per year, and there has been no significant change in our U.S. business since 2010. We cannot see any possibility that our very limited export of Supernickel to the United States have been the cause of any injury to Thomas Steel.

We also do not anticipate any significant

change in our future Supernickel business in the United States. Our overall business plan for the Super Nickel are focused on participating in the gross and demand for nickel-plated steel in Asia as battery production increases in China and other Asian countries. If you review our questionnaire response, I think you will see the priority we are placing on this Asian market, and the relative lack of emphasis on the United States market.

I would like to make one final point relating to qualification to supply nickel-plated steel, specifically relating to the fact that nickel-plated steel must be qualified by the battery manufacturer or can-stamper before these companies will use the product. The qualification process typically involves multiple steps and can take a year or more to complete. We were very surprised to read the statement in the petition that the major Japanese suppliers are "currently qualified across a wide range of specification."

At least for NSSMC, this is simply not the case with respect to U.S. customers. We will supply other details regarding the qualification of NSSMC products in connection with our post-conference brief, but this qualification circumstance is another reason

why our exports of the subject nickel-plated steel to the United States are unlikely to increase for the foreseeable future.

Thank you very much for your attention.

MR. WOOD: Okay, I think that concludes our prepared testimony unless any of my colleagues have any comments to add at this point. I see heads shaking around the room. I think we can turn it over for questions. Thank you.

MS. DEFILIPPO: Excellent. Thank you very much, and again thank you to all of you for coming today. As I mentioned, it is a very impressive group. We don't often get this many respondents in a prelim. and it's extremely helpful, and as I mentioned this morning, I do know how hard it is to take a day away from you to come here, but it is very, very helpful to us, and with that I will start with the one that ended as. I think I ended but we will turn to Mr. Comly for questions for this panel.

MR. COMLY: Thank you. This is Nate Comly, Office of Investigations. I will again go easy on my first round of questions. Let me start by asking the same question that I asked the Petitioners.

Do you believe that the questionnaire data is a good representation of the general imports?

Getting too close.

(Loud noise.)

MR. COMLY: Is this working? That one is working. Okay. Let me try my question again.

Do you believe, I'm not sure who will answer this, I'll leave it to the counsel to decide, is the questionnaire data a good representation of imports of this product coming into the U.S.?

MR. WOOD: This is Chris Wood from Gibson Dunn again.

I think I can speak at least for the Japanese industry and say that the questionnaire data are a good representation of the imports. You have everything from both Nippon Steel and from Toyo Kohan. There is a third producer in Japan, which we don't represent, but our information at least is that they do not export to the United States, have never exported, and so would not change the data in any way anyway.

MR. COMLY: Okay, going off of that, I assume we're talking about Katayama Special Industries in Osaka?

MR. WOOD: That's correct.

MR. COMLY: To your knowledge, do they actually product this product? Is that what you

stated?

MR. WOOD: Again, Chris Wood.

My understanding is that Katayama is a producer, that they serve mostly the domestic market, and perhaps some exports to Asia, but I can't speak to that directly. But again, we don't know very much about them but we don't have any information to suggest that they have sold to the U.S. or are currently exporting.

MR. COMLY: Okay. And what about the other, the petition listed several other producers around the world. Do you agree with those numbers? My understanding there is a limited number of producers outside of the U.S. in Japan such as in Germany, Korea. Do you agree with those numbers, is that correct?

MS. YAMASHITA: Motoko Yamashita for Toyo Kohan.

Incorporating steelmakers German, one German and one Korean, and I don't know the number but maybe a few Chinese including our joint venture, I think, and three Japanese mills.

MR. COMLY: Thank you.

And then for the Chinese producers, do you compete with them directly on the similar, I guess,

applications or end uses? My understanding and I'm a layperson is that the Chinese producers produce a lower quality and cannot be used by major purchasers such as Duracell, et cetera, is that correct?

MS. YAMASHITA: As much as I know, the Chinese makers sell their products only domestic to Chinese customers.

MR. NGUYEN: Hi, my name is Thuyen Minh Nguyen. I represent Procter & Gamble as a Purchasing Clerk Manager, and I maybe can add a little color to your second point for clarity.

In China, a lot of the alkaline or other battery producers use what is called post-plated cans. So they are taking the steel making the can first and then plating it. That does not preclude that being the only location that does that since in Japan they also have post-plating.

MR. COMLY: Does it make a difference? I mean, from your perspective?

MR. NGUYEN: This is Thuyen Nguyen.

I cannot -- I can confirm that that is what I hear from my technical folks, but let us put that in writing with technical folks.

MR. COMLY: If you could add to whether or not you actually purchase that product.

MR. NGUYEN: I'm sorry. Duracell does not purchase post-plated cans.

MR. PORTER: This is Dan Porter on behalf of Panasonic.

I'm told by the Panasonic folks that Panasonic, Japan, has tested, I believe, some China stuff and may be able to provide some additional information in the post-conference brief.

MR. COMLY: Thank you.

This is more directed to the producers in Japan represented here. Do you provide tin mill products on equity that could be used for or converted to the production of diffusion-annealed, nickel-plated steel?

MR. HORI: So we used to produce -- Yoshihiro Hori, Nippon Steel & Sumitomo Metal. We used to produce both items, both product in the same line but two years ago we modified the line to exclusive line for nickel products.

MS. YAMASHITA: This is Motoko Yamashita.

Our production line, nickel-plating line don't make tin mill products.

MR. COMLY: I will try another question again for the record.

Do you produce thicker gauge nickel-plated

steel on equipment that could be used, is currently being used, could be used, or could be converted for the production of diffusion-annealed, nickel-plated steel?

MR. WOOD: This is Chris Wood. Let me make sure I understand that question. Maybe Mr. Hori or Ms. Yamashita did.

When we say thicker gauge nickel-plated steel are we talking nickel-plated steel that is not diffusion-annealed or what?

MR. COMLY: No. I guess the substrate is thicker.

MR. WOOD: So, if we say the substrate is thicker, like not cold-rolled steel or are we talking plate? I'm sorry. I'm trying to figure out how it differs from the scope of what -- because it sounded like you were trying to contrast it with this product that's within the scope, and I'm not sure what the difference is that we're searching for.

MR. COMLY: I'm asking the question about something that is outside of the scope that could be used to make something inside the scope. It's equipment that's --

MR. WOOD: Okay. Well, again, I will -- this is Chris Wood again. I will confirm with our

folks here but my understanding is that the only instance of sort of dual production on the same equipment that we have or had during the period of investigation is the production of tin mill and the diffusion-annealed, nickel-plate on the same line at Nippon Steel for some period of time, and that no longer takes place, but let me check.

MR. COMLY: And my other part of the question before you ask is not was there, but is there currently some out there that could be, and then I guess along with that, how easy would it be to convert it to produce subject product?

(Pause.)

MR. WOOD: Okay, it's Chris Wood from Gibson Dunn again.

Just to clarify, for Toyo Kohan, the only other products that are made on the line are nickel-plated, but not diffusion-annealed, and so we're outside the scope on that basis, and they don't believe that there is anything else that it could easily be converted to produce, but we will check further with our technical folks, and if there is anything further to supply on that we will do so in the post-conference brief.

MR. COMLY: Great. Thank you.

And my last question is, was there any effect on imports by Sudami in 2011? Was there a decrease in imports as there was in say the automobile industry, we saw that.

MR. PHILIPSON: This is Steve Philipson with Metal One.

We really saw no change in imports after the tsunami. It didn't affect our shipments because the mill was in Kutamatsu and it's much further south than where the earthquake and tsunami took place.

MR. HORI: Yoshihiro Hori.

Also, our mill which produced this item is located in the western part of Japan, so no disruption for production of this item.

MR. COMLY: Great, thank you. That's all the questions for now.

MS. DEFILIPPO: Thank you, Mr. Comly.

Ms. Hughes, questions?

MS. HUGHES: More questions on like product. So, I think predominantly my questions would be addressed to Mr. Wood and Mr. Schaefer but please, anyone else who would like to respond please do so.

Okay, Petitioner has told us that they believe the Commission should find one domestic-like product co-extensive with the scope. I'd like to know

if you agree with that assessment or that proposal.

MR. WOOD: This is Chris Wood again.

I think that for the purposes of this preliminary phase we're willing to go with the like product that they've defined, and partially that's because we do have such good coverage of the industry that we have here today. I think we've got the record that we need to reach the decision that we think you ought to reach with the like product as they defined it, so we're not going to contest that at this point.

If this should move forward to a final phase proceeding, then we may have some further things to say about the like product.

MS. HUGHES: Okay, great.

MR. SCHAEFER: And this is Alex Schaefer for Metal One.

I concur, subject to the same caveat that Mr. Wood identified.

MS. HUGHES: Okay, thank you. I won't borrow trouble and ask you more specific questions then.

As I asked Petitioner, would you term diffusion-annealed, nickel-plated steel as a commodity product, and why or why not? And if you guys are more comfortable addressing something in your post-

conference brief that's fine. Just say so. We're okay with that.

MR. NGUYEN: This is Thuyen Nguyen from Procter & Gamble.

The way we look at the market is it's a global market and a specialty steel product.

MS. HUGHES: Okay.

MR. WOOD: And this is Chris Wood from Gibson Dunn.

I think speaking for our clients, I mean, we also view this as a pretty high value-added product on the technical end. I mean, there is quite a lot of expertise that goes into making this product.

And I think even more so as -- you know, as the battery makers are changing their specifications and looking for ways to take costs out of the process. It puts more demands on the steel. So, I don't think it's a commodity product in the sense that you can go out on the market and buy it from anyone at anytime at some, you know, price that is visible to everyone.

MS. HUGHES: Okay, thank you.

MR. WALTON: If I may just add -- I'm Carl Walton from Panasonic. We also believe, especially being a can maker, that the steel is a specialty steel and is not available anywhere or, you know, very

easily from different places.

MS. HUGHES: Okay. Thank you. In your post-conference brief, if you could address what you believe the conditions of competition the Commission should analyze and make in its injury determination, we'd greatly appreciate it. And also, if you could discuss the matter of threat of material injury in your post-conference brief, addressing each threat factor. And I'm assuming, of course, you will address the factors for present material injury. So I just didn't want threat to fall by the wayside.

Okay. Regarding the question posed by Mr. Comly regarding the product shifting, which we were wrestling with, I'm just thinking that you might find something to add in the post-conference brief. And if you do, could you also state whether you believe it would be cost-effective to stop producing or convert facilities, or whatever you have to do with respect to tin mill in order to make the diffusion in the old nickel-plated steel, the ease of doing it, the time it would take to do it, the cost-effectiveness of doing it. That's I think what I would like to see anyway, and I think the Commission would want to see as well. And whether that's something that you might do in the near future, like imminently, or is it something

that's more -- I assume it's more geared to the market because I remember Petitioner saying something about diffusion-annealed, nickel-plated steel being more profitable than the tin mill.

I don't know if that's all the time. I don't know if that's current market conditions due to current demand or whatever. If you could flesh that out for us, that would be a little helpful. Whatever you can provide.

MR. WOOD: Okay. Chris Wood. Thank you. We'll undertake to do that in the post-conference brief.

MS. HUGHES: Okay. And in one of the slides we saw that it indicated there were capabilities of all three Japanese producers, one of which, of course, isn't here, to supply the product to the United States. And obviously two of you are or you wouldn't be here.

Do you know if the third producer is doing so? And the name is escaping me at the moment. Yeah. If you have any insight on that, that would be helpful, in terms of whether they are doing so. And if you can give us like a percentage breakdown of whatever imports they may be supplying, if there are any.

MR. MEDEIROS: Brian Medeiros from Procter & Gamble. And I can just say that the third party isn't qualified to supply us.

MS. HUGHES: Okay. So if anyone else has any information on that, we'd like to hear it.

MR. WALTON: Also -- Carl Walton from Panasonic. The same comment. We have not used them. They are not qualified for us or our customers.

MS. HUGHES: Have they tried to negotiate sales with you, tried to qualify?

MR. WALTON: No, we have not.

MS. HUGHES: You have virtually no contact with them?

MR. MEDEIROS: I have had a discussion with them in the past, but we have never talked about qualifying them for any North American business or global business, for that matter.

MS. HUGHES: Okay. All right. Thank you. And believe that or not, that's the conclusion of my questions.

MS. DeFILIPPO: Thank you, Rhonda. Mr. Benedetto, your turn.

MR. BENEDETTO: Thank you all very much for coming. Some of my questions are probably going to address confidential information, so please feel free

just to say that you'll answer it in the written post-conference brief.

So my first question has to do with this public exhibit that we saw this morning, which sort of shows the market from Thomas' point of view. So my first question is do you basically agree with that, or is it missing something or leaving something out?

MR. MEDEIROS: Is your question on the supply chain or on price negotiations?

MR. BENEDETTO: I think it's their second slide. It's the one that just sort of shows Thomas Steel, then supplying stampers, which then supply battery makers.

MR. MEDEIROS: As Thomas had described earlier, it doesn't give the full picture. There are different situations where suppliers might be supplying battery manufacturers direct that are simplified, and this as well.

MR. BENEDETTO: And actually, that's sort of my larger question. I'm just -- if someone knows, why did the market develop this way? Why do we have this some direct sales to battery makers, some sales to stampers? Do the stampers ever supply more than one battery producer, or do they just supply that one battery producer? And if so, why is that?

So I know that's a bunch of questions, but sort of how did this market structure develop, or why is it the way it is?

MS. JACOBSEN: This is Linda Jacobsen, Procter & Gamble. Like they said, this is a very generalized view, and it really shouldn't have names associated with it. This is not accurate as far as being very one-dimensional on showing Thomas to H&T to Energizer being a linear process. That's not correct.

So I would just use this as a very general the steel to the people who make the cans to the battery makers. It's not -- the process is not absolute. So don't show this as these are the only people who supply to these battery makers. And we can supply more information on a confidential basis if you'd like to see more of our supply chain.

MR. BENEDETTO: Yes, I would be very interested in that. And I think what you're saying sort of -- is related to that other part of the question I was asking, which is it sounds to me like from what some people have said that maybe some of the battery producers can also make the cans.

MS. JACOBSEN: Yes.

MR. BENEDETTO: And so I guess I'm wondering then why do you use a can maker sometimes versus

making your own cans other times. Why is the market structured that way and --

MS. JACOBSEN: It depends on how the industry was developed over the years and how it was structured, and really the best value on how we've decided to produce our batteries over the years and where the expertise lies.

MR. BENEDETTO: Thank you. Does anyone else have any --

MR. WALTON: This is Carl Walton from Panasonic. Just to add also that we agree this sketch here that they have is very one-dimensional. There are some different lines going in different directions, but most of that is confidential with different supply chains.

MR. BENEDETTO: Yeah. I'd appreciate anything else that can be added to that confidentially.

MR. PORTER: Excuse me. Just so we can -- this is Dan Porter with Curtis on behalf of Panasonic. Just so we can be sure to fully answer your question in our post-conference, are you asking about physical distribution or negotiation of the sale? Because as we heard earlier testimony, you know, that's a very different question.

MR. BENEDETTO: I was asking right there about physical distribution. I'm also interested in any other question, so thank you for adding that. But my first question is just why would it be that sometimes a battery producer would do this job on their own versus other times having someone else do it for them. And then are these associations -- you know, is it always on this chart. It's one battery producer with one stamper. Is that always the case, or do the can makers sometimes supply multiple battery producers or battery producers go to multiple can makers, that kind of thing.

And so at that level, it's a physical question. But then also if there is any negotiating wrinkles to that too, I'd also be interested in that. And then to add one more thing to that, if that's changing over time at all, if we're moving away from can makers or toward more can makers or anything like that.

MR. PORTER: You heard -- again, Dan Porter. You heard from Panasonic that of course they were supplying their sister battery maker, and then the battery decided they're no longer produced in the United States, so then decided to supply another battery maker. So, of course, over time all of these

pictures, pictures change.

MR. BENEDETTO: Okay. Now, I know we asked in the questionnaire that we sent out to you all how much -- what percentage of a battery cost comes from the nickel-plated steel. Is that any different in the United States than in other countries where they make batteries? Is the nickel plate a larger or smaller portion in the United States than anywhere else? Is nickel-plate more expensive in the United States than elsewhere, or the other parts of the battery-making process less expensive?

MR. NGUYEN: This is TJ from Procter & Gamble. Let me answer part of that question and the rest in confidence. For nickel-plated steel, even though it is a global market, the market leader drives regional pricing. And you will have to ask the market leader on that question.

With regards to cost, relative cost, it's probably relative, but that really depends on the chemistry, the quality of the battery, the performance of the battery that would dictate if the can itself is the number one or the number two or the number three cost input.

MR. BENEDETTO: Does anyone else have any comment on that? And then since we've got the battery

makers here, I'd love it if you could provide some sort of general basic background on what battery demand in the United States is like. What are the trends? Are we seeing increased demand? Are we seeing decreased demand?

This morning we heard that we were seeing increased demand for AA and AAA. Is that also your experience? If you could tell me a little bit about battery demand in the United States?

MS. JACOBSEN: We'll have to supply that in confidence.

MR. BENEDETTO: In confidence? Okay.

MS. JACOBSEN: Thank you.

MR. BENEDETTO: Is there anyone else who can provide anything publicly? Confidence is absolutely fine. I don't mean to pressure anyone. Okay.

And then secondly, I think we heard today that -- so we heard that Panasonic closed a plant, and I think someone else said that there was some import pressure, I mean on batteries, not on nickel-plate. Is that in general true in the U.S. battery market, that as U.S. battery producers, you're seeing pressure from imports of batteries? And how big an issue is that?

MS. JACOBSEN: Well, I mean, in general

there is a lot of competition. It's a very, very challenging market, and we're constantly doing our best to provide the best value to our consumers. So we continue to do the best we can to provide what we can. But, yeah, it's a tough market. It's a tough market. And I think our competition would say the same thing, to make sure that we continue to see private label and all the folks really drive the market and the -- what we have as far as the toy market and what the consumers are really looking for and what the types of batteries that they're looking for is continually changing.

MR. BENEDETTO: Okay. Anything else you can tell me in confidence I'd greatly appreciate.

MR. MEDEIROS: One thing, just to build on, we do know that battery manufacturers that aren't manufacturing in the United States are importing batteries into the U.S. market. That's competing.

MR. BENEDETTO: Did anyone else have anything to add? Okay. And then, Mr. Medeiros, you suggested that we compare -- I think you were suggesting that we compare the base pricing data if we can. So you'd like us if possible to go back to people and actually ask them to resupply the pricing data at the base level, is your request?

MR. MEDEIROS: With our questionnaire we'll respond, demonstrating if we were to take up different mechanisms we have out of the price. You guys will be able to see that clearly.

MR. BENEDETTO: In the post-conference brief, okay. Okay. Thank you all very -- I'm sorry.

MR. GRACE: Actually, that will be in the questionnaire response to the lost channels.

MR. BENEDETTO: Okay, okay. And fantastic segue. Thank you very much for all your comments. But the one last thing is I know that I've got some lost sales, lost revenues faxes out with you all. So getting that back to me will be very, very helpful, and I would appreciate that.

Thank you very much for your time.

MS. DeFILIPPO: Thank you, Mr. Benedetto. Mr. Boyland, questions for this panel?

MR. BOYLAND: Just one question. Mr. Walton, you talked about the test of coils that you used from Thomas during the period. And you indicated that you were finding defects in those coils.

MR. WALTON: This is Carl from Panasonic. Yes, that is correct.

MR. BOYLAND: Could you describe what the nature of those defects were?

MR. WALTON: Typical of the defects, they could be appearance or cosmetic defects on the plating itself, which unfortunately even for a customer becomes a defect because they don't want their batteries to have a strange-looking mark on their battery.

In the most recent case, unfortunately, it was a little bit more severe than that. There was actually a hole in the steel during the test run that we ran.

MR. BOYLAND: Okay. Thank you very much. I have no further questions.

MR. DURLING: This is Jim Durling from Curtis. We can collect documentation from the various test runs and include that in the post-conference submission. Obviously the specific details are confidential, but we have documentary evidence for both the 2010 testing and the 2012 testing, and we can share that with you.

MR. BOYLAND: Thank you.

MS. DeFILIPPO: That was one of my questions. Mr. Houck, questions from you?

MR. HOUCK: Thank you. I have no questions for this panel.

MS. DeFILIPPO: Mr. Haberstroh, any from

you?

MR. HABERSTROH: No, thanks.

MS. DeFILIPPO: Mr. Corkran?

MR. CORKRAN: Douglas Corkran, Office of Investigations. First and foremost, thank you all very much for your appearance today. Your testimony and your answers to our questions have been extremely helpful.

I do have a few followup questions. The first I believe would be addressed to Mr. Philipson and to Ms. Yamashita. Both of you in your testimony mentioned that you received feedback on prices for this product. I wondered if you could elaborate on what the nature of that feedback was, or how that feedback was conveyed to you in terms of the prices you were offering relative to your competitors?

MR. SCHAEFER: Mr. Corkran, the mechanics of that conveyance and the substance of it as well are -- Metal One considers to be extremely sensitive, so with your permission we'd like to elaborate on that in the post-conference submission.

MR. CORKRAN: Most definitely. I understand that. And, Ms. Yamashita, is that similar for you?

MR. WOOD: Well, this is Chris Wood. I mean, given that the direct interaction with the

customers for Toyo Kohan actually happens through Metal One, I think we'd best not speak out of turn on it.

MR. MEDEIROS: I think we can make a few comments on just the way we operate. And as we said before, we'll explain it in our response as well, explain the different ways we issue bids. But typically we said we do a first-bid/best-bid, RFQ, or request for quotation. And that typically has the suppliers give us their first price, their best price, and we make our allocation decisions based on that. And we will send award letters to the suppliers that will say, based on our bid, you get X percentage of AA can, AAA can, et cetera. And then we will give an explanation to say the reason allocation shifted here was this reason, blah, blah, blah, blah.

MR. NGUYEN: This is Thuyen Nguyen from Procter & Gamble. In terms of giving a supplier feedback on pricing, we do not compare or give direct feedback about their price versus competition. We will talk about their price relative to the targets that we're trying to deliver, as well as maybe their previous price.

So potentially, for example, if one comments that we're giving a certain target, it might figure in

by the fact that the content went up by that much previously, and we're looking for the producer to come up with creative ways to reduce costs and take that previous price increase that were non-commodity-based back down.

MS. NAKAI: This is Miki Nakai from Panasonic. I also have submitted a system in the pricing is submitted, but when we give the target, it is not direct comparison, but it is target and based on our cost structure and also customer's requirement.

MR. DURLING: This is Jim Durling from Curtis. Mr. Corkran, I assume you would welcome any additional information on this topic from anyone who is available. Obviously, given the number of direct competitors in the room, if we gave you too much detail, your colleagues at the Department of Justice would probably come down and cart us off because parties who have been accused of price fixing have tried to use the existence of the trade remedy laws as a defense, and it has been universally rejected.

So until you get the Department of Justice to give us immunity, we can't share this kind of stuff with you, so sorry.

MR. NGUYEN: Sorry. This is TJ Nguyen. I'll add one little more point in more general, but

it's public. So Procter & Gamble made a very clear public announcement on February 2012 that we have a $10 billion cost reduction plan over the next few years.

So from various public presentations that we have shared that we will share with you in the post brief, it will show clearly our overall raw material spend in order to deliver that $10 billion, how much of that needs to come from raw materials, with the key strategies being material organization and synchronization, number one; number two being raw material and packaging material reformulation; and number three, strategic supply relationships.

MR. CORKRAN: Thank you all very much for that information. The general information was extremely helpful, and I appreciate any additional details you can provide, and I understand the reason why they need to be kept in confidence.

My next question may have both a general and a specific component to it, mainly for the representatives from Toyo and Nippon Steel. What has been the impact of producing thinner gauge product in terms of your overall production volumes and capacity? Does that permit you to have greater throughput, or does that slow your production runs? What is the

impact of thinner gauge in this product?

MS. YAMASHITA: Okay. Motoko Yamashita, Toyo Kohan. Generally, thinner gauge takes more time than thicker gauge per ton. So the variable costs increase because the time to -- because the time become longer into the line, so more extra cost and more labor cost and so on.

MR. CORKRAN: Thank you very much. That's very helpful and a very useful explanation. The next --

MR. WALTON: Carl Walton from Panasonic. Our experience as a can maker has been that with the thinner gauge steel, it's more difficult to make the steel, obviously. It's more difficult to run the steel as well.

When you have thicker steel, if there is defects in the steel, they kind of get hidden inside that steel. But as you get thinner and thinner, then they become more apparent. And so from the battery/can maker side, it's more difficult as well.

MR. CORKRAN: Thank you. I appreciate that. Mr. Porter?

MR. PORTER: Sorry, just one more point about sort of the production of steel and the difference between the production of steel and then

from the can maker's standpoint. You talked about thinness, but another component, an equally important component, is how wide the steel is. From a can maker's standpoint, if they're wider, it dramatically increases the efficiency because you can stamp more in one sort of press. And in general, the industry is sort of tending wider and wider coils so that way it allows the can makers to increase their efficiency and thereby lower their price to the battery makers.

MR. CORKRAN: Thank you very much. That's a very helpful addition.

Mr. Medeiros, I had a followup question for you regarding Procter & Gamble's price analysis, and that is at the end of the day when P&G is comparing prices, what is the ultimate price that you are looking to compare in your apples to apples comparison? What is the bottom-line comparison that you're looking for?

MR. MEDEIROS: So the first thing I'd say is that P&G makes an allocation based on best total value, and it's something we constantly reiterate in all of the purchasers' training at P&G, just to make sure decisions are based on maintaining supply, quality, and other issues. But when focusing on price and on our bid in particular, we typical have the

suppliers quote with commodities that we will specify so that we're not punishing one supplier for having a slightly different mechanism or something. And that's the price that we'll analyze.

So it's not the base price. It's their quoted price with whatever commodities we asked them to -- yeah, the delivered price.

MR. CORKRAN: Mr. Hori, you did touch on this in your testimony, but I wonder if in looking at the material -- the testimony from Mr. Hartman from this morning, page 10 of his testimony -- he directly discussed the qualification of Nippon Steel at one of the U.S. customers and volumes that in the future are likely to be directed toward Nippon Steel at least in Thomas's view. Do you have any reaction to the characterization of this bidding process and this transaction? It appears as the next-to-last paragraph on page 10.

MR. HORI: Yoshihiro Hori speaking, Nippon Steel & Sumitomo. The end of that second to last paragraph, this last series volume really commence in July. But this is not the case. We just come back to our original portion. We had only one item qualify, and we have been doing with this item for three or four years, and temporarily lost business due to some

technical issue. And after resolving that issue, the small volume came back to us. So this doesn't mean increase of volume to us. We had small volume, and we lost -- and we get back those small quantity.

MR. CORKRAN: Before I turn to other witnesses, let me just make sure that I follow that exactly. Your testimony is that this in a sense was not new volume. It was volume that your company had been supplying at a previous earlier date.

MR. HORI: Exactly. We have only one item qualified by our customer.

MR. CORKRAN: Thank you. That clarified it a lot for me. Let me open it up to other witnesses, though, because I think there is another -- somebody else wanted to speak.

MR. MEDEIROS: One other thing I was just going to say is that is one of the examples where upon wanting some business back, we split the allocation so that it didn't all go to one supplier or the other with our dual sourcing strategy.

MR. GRACE: David Grace representing Procter & Gamble. I mean, the key bottom line here is that -- or I think that is that significant volume was split, some of it going to the higher bidder. So in addition to dual sourcing -- and it shows the importance of

dual sourcing. It also shows that price alone doesn't determine who gets the business.

MR. CORKRAN: Very good. Well, I think that is my last question. But I really do want to thank you all very much for your testimony and the answers to your question. I found them all to be very helpful. Thank you once again.

MS. DeFILIPPO: Thank you, Mr. Corkran. I only have a few clarification things, and I'm just going to follow up with Duracell on the dual-sourcing issue because I tried to take good notes, but I don't think I did as well as I hoped.

Throughout the period that we're looking at, were you dual-sourcing, and are you dual-sourcing? I got confused when you were talking about the importance of dual sourcing because you were having trouble getting -- or Thomas was having trouble getting hot-rolled band. Were you dual-sourcing at that time?

MR. MEDEIROS: One thing I would say is we have multiple specifications for all our different battery types. And the qualification process is a pretty expensive process and a timely process for us to complete. So on some items we have the ability to dual source, and we do do it where we can. But some

items we just haven't invested the time and money yet to have that completed.

MR. NGUYEN: This is Thuyen from Procter & Gamble. We can share a little more details on our confidence brief. But some of the choices that we make could be to soften the blow of certain suppliers losing business, as Mr. Medeiros mentioned, around -- once we award business, if we know we're taking away business in one region, we may still award --

MS. DeFILIPPO: Balance it.

MR. NGUYEN: Correct, to balance out the overall number for the tighter group.

MR. PORTER: Ms. DeFilippo, may I make one comment? Sorry. Dan Porter with Curtis. Just I want to kind of try to tie it back to the sort of statutory analysis that the Commission needs to do. And I think it's a critical point, is the point that a manufacturer can be qualified for one specification, but not another. And so if say the inference of Petitioners were positing this, oh, Toyo Kohan, Nippon Steel, they're quality producers. You know, they're just going to come in and flood the market for all specifications.

Well, that's simply not true. They're not qualified for many specifications, even though they

are qualified for some.

MS. DeFILIPPO: So how about in the post-conference brief if you all could provide a listing by -- I don't know how hard it is -- by battery type, where which suppliers you have qualified and which for a given battery type, like AA, I have these people.

MR. PORTER: Yes.

MR. GRACE: This is David Grace. I think you're asking why --

MR. MEDEIROS: Is that all right?

MR. GRACE: This is David Grace. I believe you're asking by the battery steel specifications as most of the end battery. Is that correct or --

MR. MEDEIROS: I would just say for Duracell, we look at it as AA, negative can, AA can, et cetera.

MS. DeFILIPPO: Right. That's what I was thinking more of, what Mr. Medeiros was saying. So just really sort of just get some data to indicate what Mr. Porter was stating was that for each battery not everyone is -- a given supplier may not be qualified at all for battery type.

So to the extent that there is data that you all can provide on who is qualified on the battery types, caps cans, that would be helpful.

And just a followup on that too because we've talked a little bit about shifting to thinner gauge. If a supplier of the battery steel is qualified for certain battery size, if you were to change to a different quarter gauge or other reasons why you might have to recertify -- or is it not necessarily done once they are so qualified?

MR. NGUYEN: This is TJ Nguyen from Proctor & Gamble. Yes, we need to recertify for changes that materially affect the production process or the quality of the battery.

MS. DEFILIPPO: And would that be the same process and cost as sort of an initial certification or a little bit less because you have some experience with that company for certain --

MR. NGUYEN: I think the answer is for a brand new company it's very expensive and lengthy or even an incumbent it can be quite costly and lengthy depending on the change that we're making.

MS. DEFILIPPO: Okay.

MS. JACOBSEN: One thing I'd like to reinforce on going back to the qualification and making sure that we have enough material, for instance, if we have a split of say 90/10, and if a supplier cannot provide say for going back to the

Thomas example where they couldn't provide enough material, having another supplier, having a dual source was critical.

For instance, last year during the Sandy hurricane, having a second supplier was critical or our consumers would not have had supply during the critical time period, so that's another example of certainly a non-price related reason to have dual sourcing it was critical, or our consumers would not have had what they needed during the emergency, so I just wanted to highlight that point

MR. NGUYEN: I'll add more context to that. If we were not dual-sourced on other battery types, we basically had to shift some -- not allocations, but request our producers to use different sources of steel in order to free up in order to make C and D batteries because there was not sufficient management of the supply chain, so I would say if we did not have any or if anti-dumping is imposed, and there is less Japanese supply going into the U.S. We will be at higher risk of being off the shelf when the consumers need it most.

MR. DURLING: Jim Durling, Curtis. Just one loose end. This isn't a perfect chart, but it's a roughly comparable chart. One of the major players

has entered an appearance but isn't here today, so to the extent you're gathering this information, you may want to just make a particular outreach to the missing player who has entered an appearance, so you do have a point of contact, because this information will be a lot more useful to the Commission if it includes the person who isn't here today.

MS. DEFILIPPO: Okay. I think just sort of along the line, but another angle on qualification and testing for Mr. Walton. You had talked about the testing procedures with Thomas and that you were unable to qualify, and I guess we haven't talked about the length of time for qualification, and feel free to put this in a post-conference brief. Is it sort of a you failed, sorry, go home, or is it a process where you're working to try and say here's where it's wrong, can you resubmit? Is there a continuation of the certification, or is it sort of a one shot, here's my product and sorry, it doesn't meet what we need?

MR. WALTON: Okay. Right. This is Carl Walton from Panasonic. Certainly, it's a continuous process. Oftentimes, it takes several times to try an get things right. Now, at the same time, and I know maybe the Duracell folks can speak a little bit better about this, but in general, the battery makers, when

you think about alkaline batteries, you think of just little, simple, little devices, but they are very, very complex.

There's a lot of technology involved with those, and in general, the battery makers are very conservative when they make any kind of changes not only because of the personal injury risk and the liability, but also because of the performance change that could take place if they change the ingredients. Even just the steel or specifications of the different components of the battery.

Certainly, with a very tight, competitive market, nobody wants to give up their competitive edge, and so that qualification process is very rigorous even for established suppliers. The process is, in our experience, virtually unchanged when we introduce a new product or a change in the design.

MS. DEFILIPPO: Just one followup question for you was we were talking about the thinner-gauge product, and you were indicating, I think, that there have been or there could be more quality problems because it's a thinner gauge so a problem could be more evident in a thinner gauge than it would in a thicker gauge?

MR. WALTON: That's correct, yes.

MS. DEFILIPPO: Have you found that you have with a thinner gauge needed to do more testing of the product as it comes in whether it's visual or mechanical testing just because there's potential for greater problems to be visible?

MR. WALTON: As the extremes for the steel become more commonplace, the challenges for can makers become more rigorous, yes.

MS. DEFILIPPO: Okay. Looking up and down. Ladies first.

MS. HUGHES: Okay. Beating the qualification testing dead horse yet again.

MS. DEFILIPPO: That's interesting.

MS. HUGHES: Yes, it certainly is. Okay. I think Mr. Medeiros may have said that it takes 12 to 18 months, or else I had zoned out or something. If the purchasers could let us know, because I'm not assuming that it's the same for all of you, how costly the process is, how long it takes, if you need to divide it by steps that would be helpful, and when there's requalification done, if that's as costly, and if that takes as long or maybe certain steps are circumvented, that would be helpful. Post-conference brief is great. Thank you. General estimates. You don't have to be overly precise. Thank you.

MS. DEFILIPPO: Additional questions, Mr. Comly?

MR. COMLY: But of course. I guess anybody can address this one. Do you agree that there's seasonality in the demand for diffusion-annealed nickel-plated steel, and when does that normally occur? Do you agree with the Petitioners' characterization of that?

MR. NGUYEN: This is TJ Nguyen representing Duracell. Yes, there is seasonality in the demand of our products, which translates to seasonality in our demand of battery steel.

MR. COMLY: And when is that for battery steel specifically? Estimate

MR. NGUYEN: We start producing around the summer. Sorry. Late spring, and then run full gear for as long as the demand is there.

MR. COMLY: How long does it take for imports to enter the U.S. once a contract is won? What's the time delay or the lag there? For example, if you're awarded in December in one year, how long does it take for us to see the imports come into the U.S.?

MR. PHILIPSON: For a December order, Steve Philipson with Metal One, we typically would see that

material arrive the soonest the end of April and possibly early June, so it depends on the ocean vessels coming into the U.S. Four to six months, typically around five though.

MR. COMLY: Okay. Thank you. I guess this will be addressed to you as well. Does Metal One send a division in annealed nickel-plated steel to slitters, or are they just sent to can makers and battery makers?

MR. WALTON: Steve again with Metal One. Our orders are for a given size. We do not use a service center to process material unless say a wide coil were to come in, and it was damaged on the edge, then we might process it, but shy of that, orders are placed for the actual width.

MR. COMLY: Thank you

MR. NGUYEN: This is TJ Nguyen with Proctor & Gamble adding a little color to that. There is a reason why in the general steel market you have a very large service center industry. That's driven because the big steel makers do not want to also do the slitting or other secondary operations. They want to focus on their core business, and the volumes are too small once you start slitting the product. With this product, and the application is very high speed

forming. We cannot allow our qualified suppliers to out source even a simple operation as slitting.

MR. COMLY: Is that true for Panasonic as well?

MR. WALTON: Yes. Yes, that is.

MR. COMLY: Thank you. This is a question for the purchasers, and particular P&G. Just for point of clarification for me, when you do an RFQ, is that a global RFQ, or is that a regional RFQ? How does that play in?

MR. NGUYEN: This is TJ again from Proctor & Gamble. During the period of interest, all the bid types that we can describe in the confidence briefing are done on a global basis.

MR. COMLY: And one final question for the producers, I guess, it would be best addressed to. As the thickness or rather the thinness of the product trends, as you have a greater trend towards the thinness, have you reached your limit or are you close to reaching your limit of producing that type of steel?

MS. YAMASHITA: The current thinness gauge is not the limit.

MR. COMLY: Thank you. That's all the questions I have. I'd like to thank all the witnesses

today.

MS. DEFILIPPO: I think that concludes our questions for this panel. I thank you all very much for all of the very useful information that you provided and for coming here today. It has been very helpful, very interesting. We'll take 10 minutes to just let people sort of regroup and talk about what they want to do for closing statements, so at 2:10 we will reconvene for closing statements. Thank you.

(Whereupon, a short recess was taken.)

MS. DEFILIPPO: Is everyone back? I said two different things. I said 10 minutes. I said 2:10. I've got the red light. I've violated myself here. It looks like everyone's back, so if that is the case, Mr. Cannon, would you like to come and give us your closing statement, please?

MR. CANNON: First of all, I'd like to compliment the staff. You all are warriors. You're willing to allow lawyers to talk before you go to lunch. Seriously, so a lot was said about quality. We have to put that a little bit in perspective and the qualification process, right? There's a handful of producers in the world, it was confirmed, there's basically three people in the U.S. capable of making this product, so what's going to happen?

Well, it's a steel product. There might be inclusions from time to time. There might be surface defects. Things happen. These are .3 reject rate on our product. That is absolutely excellent quality. Now, if you want to talk about the details, of course we can find instances in which customers had some problems. The problems are .3 percent. We can equally find problems with the Japanese product, but those problems were also minor.

In this market, among the producers that are able to make this product, and granted, not everyone is, they all supply a fine-quality product, but specifically, to address some of the comments by Panasonic, they argue we were not qualified, yet they testified until 2008 we supplied 50 percent of all their demand, 50 percent. All right. So clearly at least until 2008, we were obviously qualified.

Secondly, they conceded that when supplies got short and their Japanese producers were unable to supply, they had to go somewhere else. Where did they go? They bought from Thomas Steel in the fourth quarter of 2011, in the first quarter of 2012, both quarters. They bought substantial volumes directly from Thomas Steel, no problems with our quality.

Thirdly, who did they sell to? They sell to

a major manufacturer, one of the battery makers on the board. That manufacturer buys steel directly from us. The manufacturer that they sell to we are fully qualified to supply can sizes to that manufacturer, so indeed, there is no quality problem, and this issue that they're raising isn't an issue. They're blowing this out of perspective.

In fact, you heard different testimony from different sides of the table. At one point, they were arguing that not all the Japanese producers are qualified everywhere. At another point today, they were arguing that the Japanese producers produce a better product than the U.S. producer. Well, which is it? Is their product better or worse? This is a non-issue for the Commission. All three of these producers are capable manufacturers. They all supply globally. You heard about that, too.

Now, when we talk about qualification, the last point I'd like to make is certainly the Japanese producers were qualified to cherry-pick the AA business from our largest customer, and they took that business in 2011 and again in 2012, so if you want to talk about qualification, our qualifications are we were the incumbent supplier of that business with 80-percent share and we shifted positions. We now have a

20-percent share.

Moving then to the merits, we heard some discussion about how the market works, and over and over what you heard is that price matters. What you heard from Duracell is that they use a bid process. They make the producers submit prices that are apples to apples, and they have a $10 billion cost reduction program in place. So what are you hearing? What you are hearing is that they pit customers against each other and competition takes place on the base of price. You heard from Panasonic the same thing. What did they say?

We used to dual source, but when our volumes went down, we decided to "utilize the leverage of Panasonic's global relationship with Toyo". What is the leverage of Panasonic's global relationship with Toyo? If they buy a bigger volume, they will get a lower price. They are telling you that price matters. In fact, Panasonic also said, "To remain competitive, battery makers need to cut costs". Absolutely, they need to cut costs, and that flows back to us, and they put pressure on us by leveraging the Japanese price against our price to force us to lower our price.

Finally, I'd like to address the point that we're the price leader. That argument doesn't square

with the record. We've alleged and shown you in our documents, you will see that, based on the timing of the offers and the lost sales allegations, and based on the timing of the price moves, the imports arrived in the market, cut prices, and we had to react. They were the first to come and cherry pick the AA volume from our largest customer.

They came and offered a lower price than we did. We saw the quotes. The email will supply. One of the emails was the import price was $250 a ton below our price, and they wanted another 100 ton six months out. $250 a ton is 10 percent. That's a 10-percent price cut is what they're asking us for. Now, I ask you in this scenario, what is credible about us being the price leader? We were making profits. The bar looked pretty good.

Are they suggesting that we voluntarily went into the market, lowered our price so that we could put ourselves into a loss position? That is absurd. We absolutely did not lead the prices down, and the facts belie that assertion. For all those reasons, I think the Commission here should make an affirmative decision. Thank you.

MS. DEFILIPPO: Thank you, Mr. Cannon. Closing statements for Respondents will be done by?

MR. WOOD: I'm going to give the closing statement. With the Staff's permission, I'm going to give a minute or two to Mr. Porter to respond specifically on behalf of Panasonic.

MS. DEFILIPPO: All right.

MR. PORTER: Thank you. Dan Porter with Curtis, and this is rebuttal, and I do very much appreciate the Commission Staff's indulgence. Just on the qualification issue, it is a fact, as you heard, there are three big customers. Two are here today. Both said that you need to be qualified for a specification, so that is a fact, Fact 1. Fact 2, you also heard today that if someone wasn't there, you need to be requalified even to do that same specification.

Fact 3, with respect to the Panasonic issue about requalifying after they wanted to start up again, it was for a new specification. What Mr. Walton said is when we went to requalify three, four years later, our specs had changed. We went from four millimeters to 3.5 millimeters. A fairly substantial reduction in the increase in thinness of reduction, the thickness of the steel that required a new qualification, so again, the idea that because you were qualified before necessarily means you're

qualified in perpetuity is simply not correct.

Again, Panasonic will supply a lot more information on the test results in a post-conference submission. Thank you. I appreciate the opportunity.

MR. WOOD: Okay. Chris Wood for Gibson Dunn again, and let me start by echoing Mr. Cannon's thanks to the Staff for the obvious preparation and time that everyone has put in to getting ready for this conference and the thoughtful questions that were posed to our witnesses. We very much appreciate the efforts. I'd also like to touch on a point that Mr. Schaefer mentioned at the beginning of his presentation. This is an unusual prelim in a lot of different ways.

It's not only the first time the Commission is dealing with this rather unique steel product. It's unique because you have the full plethora of the industry at virtually every level of the production, supply, consumption chain here before you, and we think that gives you, much more so than in the ordinary case, a chance to make a decision at the preliminary stage based on a full record and one that will be fully supported by the evidence.

Most importantly, you have representatives from the two largest purchasers and really consumers

of this material at issue that were here with you today, and what did they say? Just as Mr. Porter said, Panasonic explained that it buys from Toyo Kohan because Thomas frankly is not qualified to supply it at this point in time, and they can document that, and they will.

From Duracell, which is a very large customer in the U.S. market, you heard from Mr. Medeiros about the importance of the non-price factors in their decision making. You heard that they view the battery steel market as a global market and that they in fact negotiate with both Toyo and Tata on that basis.

Importantly, you heard them say that Tata has been the price leader in this market, that Tata in fact took the initiative to introduce a new sort of raw material -- we can call it a surcharge. We can call it a pass through, but in any event, it is a system that should insulate them from fluctuations in raw materials, and it was introduced at their initiative, and it affects the prices, so you've got two purchasers telling you how they buy and what led them to buy Japanese steel when they did.

The third purchaser that's not here is frankly one that we don't supply at all, and so you've

got the market right here in front of you. I wanted to spend just a moment, I thought that Jim actually did a great job with this chart, and so I thought I'd repurpose it a little bit for the purposes of the closing statement here. I think there's a number of things that are interesting when you look carefully at the chart that Thomas used this morning.

First is let's look at the import volumes. 2010 to 2012, there's very little going on here. This is not a case where you see some steep surge in import, and everyone can tell why the dumping case happened when it did. It's a very modest increase. By comparison, if you look at what happened between 2008 to 2009, that's when the import numbers go up, but we didn't have a case then. They weren't injured then. If they were injured, they would have brought the case. They didn't, but you look at what's happened in the last three years, there's nothing there.

Let me point out one other thing with this. There's no claim that they were injured at the beginning, that Thomas was suffering from material injury at the beginning of the period. I mean, all the focus today on losses related specifically to 2012, but if you look at the capacity utilization on

the very next page, it's not materially different between 2010 and 2012 when they tell you that you have to operate at 95-percent capacity utilization or 80 or whatever it was to make a profit. You know that's not actually the case.

With respect to pricing, we heard a story this morning of predatory Japanese pricing forcing Thomas to reduce its prices. Obviously, the pricing data is quite confidential because of the number of participants in the markets. Suffice it to say that we don't think the underselling data supports that, and we think the trends in pricing that they presented to you this morning for the pricing products are very comparable with what you will see if you go out and look at changes in hot-rolled pricing or iron ore pricing or coal pricing over the period.

Again, there's nothing here to suggest sort of predatory approach by the imports, so if it's not volume, and it's not pricing, what is causing the loss that they report seeing in 2012, and again, we will deal with this more fully in our post-conference brief, but I would suggest to you that cost is where to look as you look very carefully at the cost data, the cost trends in this case. Relative to that point, and just two final notes if I may?

One is that we made a request today for the ability to show some of the confidential exhibits that were presented to the purchasers who were the original sponsors of those documents. We hope that you'll reach a decision on that promptly and allow them to see those documents, and finally, we submitted a letter last Friday requesting the staff to gather additional information from Thomas.

We think it's very easily obtainable information. They should be able to produce it very quickly. We think it will hep fill in the picture for this preliminary record and allow the correct decision to be reached. If we could get it by Friday, we would actually be able to include comments on it in our post-conference brief, and so we would respectfully request that the Staff do that if it's at all possible.

Just to conclude, again I think that you've got a full record before you. I think that with the benefit of the briefing where will go into the confidential record more fully and the testimony heard today that really the Commission has everything it needs to close this investigation out now and reach a negative determination without going to the final phase, and we respectfully request that's what you do.

Thank you.

MS. DEFILIPPO: Thank you very much, Mr. Porter and Mr. Wood. On behalf of the Commission and the staff, I would like to thank the witnesses who came here today as well as counsel for helping us gain a better understanding of the product and the conditions of competition in the diffusion-annealed nickel-plated steel flat rolled industry. Before concluding, please let me mention a few dates to keep in mind.

The deadline for submission of corrections to the transcript and for submission of post-conference briefs is Monday, April 22. If briefs contain business proprietary information, a public version is due on Tuesday, April 23. The Commission has tentatively scheduled its vote on this investigation for Friday, May 10, and it will report its determinations to the Secretary of the Department of Commerce on Monday, May 13. Commissioners' opinions will be transmitted to Commerce on Monday, May 20. Thank you again for coming to today's conference. With that, this conference is adjourned.

(Whereupon, at 2:24 p.m., the preliminary conference in the above-entitled matter was concluded.)

CERTIFICATION OF TRANSCRIPTION

TITLE: Diffusion-Annealed, Nickel-Plated Steel Flat Rolled Products from Japan

INVESTIGATION NO.: 731-TA-1206

HEARING DATE: April 17, 2013

LOCATION: Washington, D.C.

NATURE OF HEARING:Preliminary Conference

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: April 17, 2013

SIGNED: LaShonne Robinson
Signature of the Contractor or the Authorized Contractor's Representative
1220 L Street, N.W. - Suite 600
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

SIGNED: Rebecca McCrary
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

SIGNED: Gabriel Gheorghiu
Signature of Court Reporter