PUBLIC RECORD VERSION

Australian Government
Anti-Dumping Commission

INVESTIGATION 234

ALLEGED DUMPING OF
QUENCHED AND TEMPERED STEEL PLATE
EXPORTED FROM FINLAND, JAPAN AND SWEDEN

VISIT REPORT - EXPORTER

JFE STEEL CORPORATION

THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT THE FINAL POSITION OF ANTI-DUMPING COMMISSION

June 2014

CONTENTS

ABBREVIATIONS

$	Australian dollars
ACBPS	Australian Customs and Border Protection Service
The Act	*Customs Act 1901*
ADN	Anti-Dumping Notice
COGS	Cost of goods sold
Commission	Anti-Dumping Commission
Commissioner	Anti-Dumping Commissioner
CTMS	Cost to make & sell
EQR	Exporter questionnaire response
EXW	Ex-works
FAS	Free alongside ship
FOB	Free on board
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
HOP	Heat treatment online process
JFE	JFE Steel Corporation
Minister	Minister for Industry
MPa	Mega Pascal
MT	Mega Tonne
OCOT	Ordinary course of Trade
Super-OLAC	Super Online Accelerated Cooling
PAD	Preliminary Affirmative Determination
the Parliamentary Secretary	the Parliamentary Secretary to the Minister for Industry
Q&T steel plate	Quenched and Tempered steel plate
SEF	Statement of Essential Facts
SG&A	Selling, general and administrative
TMCP	Thermo mechanically controlled process
TSA	Total Steel of Australia Pty Ltd
USD	United States dollars

1 BACKGROUND AND PURPOSE

1.1 Background

On 20 November 2013, Bisalloy Steels Pty Ltd (Bisalloy) lodged an application requesting that the relevant Minister publish a dumping duty notice in respect of Quenched and Tempered steel plate (Q&T steel plate) exported to Australia from Finland, Japan and Sweden.

On 10 December 2013, Bisalloy provided further information and data in support of its application. As a result, the Anti-Dumping Commission (the Commission) restarted the 20 day period for considering the application.

After consideration of the application, an investigation into the alleged dumping of Q&T steel plate was initiated on 8 January 2014, and public notification was published in *The Australian* on that day.

Anti-Dumping Notice (ADN) No. 2014/01 refers to the initiation of the investigation, and is available at www.adcommission.gov.au.

There have been no previous dumping investigations for Q&T steel plate in Australia.

Following initiation of the investigation, a search of the Australian Customs and Border Protection Service's (ACBPS) import database indicated that various traders had exported Q&T steel plate to Australia from Japan during the investigation period (1 January to 31 December 2013). JFE Steel Corporation (JFE) was later identified as a manufacturer of Q&T steel plate exported to Australia by the Japanese traders.

The Commission notified JFE of the initiation of the investigation and sought its cooperation with the investigation by providing an exporter questionnaire in respect of Q&T steel plate to complete.

JFE completed the exporter questionnaire (**Confidential Attachment EQR1**), providing company details, Australian customer information, exports, domestic sales and expenses. The exporter questionnaire response (EQR) was supported by confidential appendices and attachments, including confidential spreadsheets containing sales and costs data requested in the exporter questionnaire. A non-confidential version of the EQR is available on the public record.

1.2 Purpose of meeting

The purpose of the visit was to verify information submitted by JFE in its EQR. The Commission will use the verified information gathered at the visit to make preliminary assessments of:

- like goods;
- who is the exporter and who is the importer;
- export prices;

- normal values; and
- dumping margins.

1.3 Meeting details

COMPANY:	JFE Steel Corporation
ADDRESS:	2-2-3 Uchisaiwaicho, Chiyoda-ku Tokyo, Japan
DATE:	13-16 May 2014
ATTENDEES: JFE Steel Corporation	
Mr Sumida Tsukasa Mr Esumi Takeshi Mr Araki Kiyomi Mr Usami Toru Mr Hashimoto Kenji Mr Watanabe Atsushi Mr Endo Hiroyuki Mr Tanaka Tomoharu Mr Arai Masayoshi Mr Murota Yasuhiro Mr Hirai Tatsushi Mr Usui Atsushi	Staff Manager, Export Planning & Coordination Sec. Staff Deputy General Manager, Export Planning & Coordination Sec. Staff Deputy General Manager, Plate Business Planning Dep. Staff Deputy Manager, Export Planning & Coodination Sec. Manager, Plate and Rail Sec. Manager, Plate Business Planning Department Manager, Planning Sec. Planning Sec. Assistant to Exec Officer, Gen. Manager Eastern Steel Div. Staff Manager, Keihin Plate Sec. Staff Dep. General Manager, Keihin Plate Sec. Legal Department
THIRD PARTY ATTENDEES:	
Mr Stephen Pearson Mr Stephen Holdstock Mr Steve McHugh	Associate Director, Staughton's Associate Director, Staughton's General Manager, Total Steel Australia (TSA)
ATTENDEES: Anti-Dumping Commission	
Ms. Lydia Cooke Mr Peter McCrohan	Manager, Operations 1 Supervisor, Operations 4

1.4 Investigation process and timeframes

JFE were advised of the investigation process and timeframes as follows.

- The investigation period is 1 January 2013 to 31 December 2013.
- The injury analysis period is from 1 January 2010 for the purpose of analysing the condition of the Australian industry.
- A preliminary affirmative determination (PAD) may be made no earlier than day 60 of the investigation (10 March 2014) and provisional measures may

be imposed at the time of the PAD or at any time after the PAD has been made.

- The Commissioner of the Anti-Dumping Commission (the Commissioner) will not make a PAD until (and if) it becomes satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of a dumping duty notice.
- The Parliamentary Secretary to the Minister for Industry (the Parliamentary Secretary) has granted an extension to the Statement of Essential Facts (SEF) for the investigation, under s.269ZHI of the *Customs Act 1901* (the Act). The SEF is now due to be placed on the public record by 28 July 2014, or such later date as the Parliamentary Secretary allows under s.269ZHI of the Act.

  The SEF will set out the material findings of fact on which the Commissioner intends to base its recommendations to the Parliamentary Secretary, and will invite interested parties to respond, within 20 days, to the issues raised therein.
- Following receipt and consideration of submissions made in response to the SEF, the Commissioner will provide its final report and recommendations to the Parliamentary Secretary.
- This final report is now due no later than 10 September 2014, unless an extension to the SEF is approved by the Parliamentary Secretary.

1.5 Visit report

The verification team explained to the company that we would prepare a report of the visit (this report) and provide it to the company to review its factual accuracy, and to identify those parts of the report it considers to be confidential.

The verification team explained that, in consultation with the company, it would prepare a non-confidential version of the report, and place this on the investigation's public record.

2 COMPANY INFORMATION

2.1 Company background

JFE is 100% owned by JFE Holdings, Inc. (JFE Holdings), a publicly listed company on the Tokyo Stock Exchange. JFE is incorporated in accordance with the Company laws of Japan. JFE's legal name is JFE Steel Kabushiki Kaisha in Japanese or JFE Steel Corporation in English. JFE Holdings was established 27 September 2002 through the consolidation of NKK Corporation and Kawasaki Steel Corporation.

JFE is the second largest steel company in Japan and one of the largest in the world. In addition to Q&T steel plate, JFE also manufactures a broad range of steel products including sheets, shapes, pipes and tubes, stainless and specialty sheets, electrical steels, bars and wire rods, iron powders and titanium. Its principal export destinations are China, USA, India, South Africa, Chile and Peru.

During the investigation period, JFE's sales of Q&T steel plate comprised [redacted]% of its total sales.

A diagram of JFE Holdings' organisational structure was provided with its EQR and is attached at **Confidential Attachment GEN1**.

2.2 Commercial operations

JFE operates three steel works, East Japan Works, Chita Works and West Japan Works. East Japan works include Chiba, Nishinomiya and Keihin mills. Chita works has one mill, Chita. West Japan Works includes Kurashiki and Fukuyama mills.

Of JFE's mills, three (Keihin, Fukuyama and Kurashiki) produce Q&T steel plate. JFE provided the Commission with a brochure of operations containing an overview of its facilities, which is at **Confidential Attachment GEN2**.

2.2.1 Production process

JFE is an integrated steel manufacturer. To produce Q&T steel plate, it produces iron, converts it into a steel slab, which is hot rolled and heat treated. JFE provided a detailed description of its manufacturing process and provided the Commission with a tour of its steel making facilities in Keihin.

Steel making

JFE outlined its production process of steel as follows:

- Coking coal is loaded into coking ovens which convert it into coke
- Iron ore, limestone and coke are heated in a blast furnace to produce pig iron.
- The pig iron is transferred from the blast furnace to a converter and refined by pure oxygen blowing for the control of the carbon content and removal of impurities. This process converts the pig iron into steel.

- The steel is then transferred into a continuous casting machine and cast into a steel slab.

Hot rolling

- Due to the integrated nature of JFE's production line, [redacted]. The newly cast slab is hot rolled to the required thickness ready for heat treatment.
- JFE explained that it used both a 'traditional quenching and tempering process' and a thermo mechanically controlled process (TMCP) to produce Q&T steel plate. The type of heat treatment applied is determined by [redacted]. JFE explained the two processes as follows: [CONFIDENTIAL TEXT DELETED - manufacturing process]

Quenching and Tempering

Quenching - the soaking of a material at a high temperature above the recrystallization phase, followed by a rapid cooling process. The quenching creates martensite.

Tempering - the steady heating of martensite steel at a temperature below the recrystallization phase, followed by a gradual cooling process.

Thermo-Mechanical Control Process

JFE advised that its TMCP is a microstructural controlled technique combining controlled rolling and cooling. After rolling, JFE's plate manufactured by TMCP undergoes JFE's Super Online Accelerated Cooling (Super-OLAC) and Heat Treatment On-Line Process (HOP).

Super-OLAC - JFE explained the Super-OLAC system is an online propriety quenching process capable of cooling plates homogeneously at high cooling rates close to the theoretical limits. JFE has Super-OLAC facilities at [redacted]

HOP - JFE explained that HOP is an online heat treatment process [redacted]. HOP is an induction heating method where an induced current is passed through the steel plate by electromagnetic coils, heating it rapidly via an extremely large energy density created. [redacted]

Further discussion about the processes used for different grades and dimensions of Q&T steel plate is in section 3.3 below.

2.3 Accounting

JFE maintains its accounts and produces financial statements according to the generally accepted accounting principles of Japan, using the financial year 1 April to 31 March.

JFE advised that it operates an accounting system that was developed internally called J-Face. In the EQR, JFE provided an overview of how the company's different reporting systems feed into J-Face (Confidential Attachment EQR1). At the visit JFE provided a demonstration of J-Face in operation.

Under Japanese law, JFE is required to have its accounts audited. JFE provided consolidated and unconsolidated audited financial statements for the 2012/13 financial year. These are included As **Confidential Attachment GEN3 and GEN4**.

3 THE GOODS UNDER CONSIDERATION AND LIKE GOODS

3.1 The goods

The goods the subject of the application (the goods) are:

> *Flat rolled products of alloyed steel plate commonly referred to as Quenched and Tempered ("Q&T") steel plate (although some Q&T grades may not be tempered), not in coils, not further worked than hot rolled, of widths from 600mm up to and including 3,200mm, thickness between 4.5-110mm (inclusive), and length up to and including 14 metres, presented in any surface condition including but not limited to mill finished, shot blasted, primed (painted) or un-primed (unpainted), lacquered, also presented in any edge condition including but not limited to mill edge, sheared or profiled cut (i.e. by Oxy, Plasma, Laser, etc.), with or without any other minor processing (e.g. drilling).*
>
> *Goods of stainless steel, silicon-electrical steel and high-speed steel, are excluded from the goods covered.*

In support of the goods description, Bisalloy stated that Q&T steel plate comprises grades with typical mechanical properties as follows:

- *High Hardness/Abrasion resistant Q&T steel plate (more commonly referred to as 'Wear' Grade Q&T steel plate) of Brinell hardness (HBW – 10/3000) range 320-640 or equivalent Rockwell C hardness range 34 – 59 or equivalent Vickers hardness range 230-670;*
- *High Strength Q&T steel plate (commonly referred to as 'Structural/High Tensile' Grade Q&T steel plate) of 0.2% Proof Stress of 475-890 MPa (min); and*
- *High Hardness/Impact resistant Armour Grades (more commonly referred to as 'Armour' Grade Q&T steel plate) of hardness up to 640 Brinell (HBW – 10/3000).*

For further details regarding the goods, refer to ADN 2014/1, available on the public record.

3.2 Tariff classification

Goods identified as Q&T steel plate are classified to tariff subheading 7225.40.00 in Schedule 3 to the Customs Tariff Act 1995.

Tariff subheading 7225.40.00 refers to flat-rolled products of other alloy steel, of a width of 600mm or more – other, not further worked than hot-rolled, not in coils. The relevant statistical codes are:

- statistical code 21 - high alloy: quenched and tempered; and
- statistical code 23 - other: quenched and tempered.

Bisalloy also claimed in its application that some imported Q&T steel plate has been incorrectly classified to tariff subheading 7225.40.00, statistical codes 22 and 24.

For tariff subheading 7225.40.00, the general rate of duty is 5% for goods imported from Finland, Japan and Sweden.

3.3 Product range

JFE advised that it produced and sold two ranges of Q&T steel plate – Everhard and HiTen. Further information technical information about the Everhard and HiTen ranges is at **Confidential Attachment GOODS1**.

3.3.1 Everhard

JFE explained that its Everhard range is an abrasion resistant [redacted] alloy steel plate. Under its Everhard range, JFE offered [redacted] series of products during the investigation period:

- Standard series – the base Q&T steel plate product offered with a simple chemical composition. It was offered in a number of different Brinell hardness grades including 360, 400 and 500.
- Alloy series – this series contains additional alloying elements than the standard series, and has additional hardness qualities, such as low-temperature toughness[1]. Due to the additional alloying elements, it is available in thicker sizes than the standard series. The alloy series was offered in two grades; Brinell hardness 360 and 500.
- Leading Edge (LE) series – the LE series goes through a more rigorous production process which results in its ability to maintain toughness at temperatures as low as -40 degrees Celsius and a high resistance to weld-cracking. This product is suited to low temperature or high impact applications. It is offered in three different Brinell hardness levels – 400, 450 and 500.
- [redacted] Centre (C) series – Q&T steel plate in this series have a narrower Brinell hardness range than the standard or alloy series [redacted]
- Super abrasion resistant (SP) series – the SP series contains an additional alloying element, titanium carbide which offers abrasion resistance without increased hardness. The titanium particles increase slippage of the steel, while making it hard wearing.

JFE advised that it is [redacted]. It explained that the [redacted] For example, a product [redacted]

[1] The ability of the steel to absorb energy and plastically deform without fracturing

[redacted] CONFIDENTIAL INFORMATION DELETED - goods description]

JFE advised that during the investigation period [redacted] It provided a comparison of the [redacted] at **Confidential Attachment GOODS2**. [CONFIDENTIAL INFORMATION DELETED - goods description]

3.3.2 HiTen

HiTen is JFE's low-alloyed, high strength steel plate range. JFE offers HiTen in the following tensile strength levels: 590, 690, 780 and 980 Mega Pascal (MPa).

JFE stated it could manufacture HiTen to a range of domestic and international specifications/standards.

JFE stated that most HiTen was produced using [redacted] (as described above at 2.2.1), however [redacted] in the thickness range of [redacted] is produced by [redacted]

[CONFIDENTIAL TEXT DELETED - manufacturing process]

Subsequent to the visit, JFE provided additional technical information regarding its TMCP including a:

- [redacted] chart showing the [redacted] process of different types of [redacted] at **Confidential Attachment GOODS3**
- research report of its TMCP products at A**ttachment GOODS4**; and
- presentation of the [redacted] by [redacted] at **Confidential Attachment GOODS5**.

The Commission acknowledges JFE's claims that the [redacted] processes result in a number of efficiencies in the heating and cooling rates and additional benefits in terms of the properties of the plates, for example weldability.

However, based on the information provided, the Commission considers JFE's TMCP [redacted] and considers it to be the goods under consideration. [redacted] tonnes or approximately [redacted] of its overall exports of Q&T steel plate to Australia during the investigation period.

3.4 'Like goods'

During the investigation period, JFE sold the following products to Australia and on the Japanese domestic market:

Type	Brinell Hardness (Everhard) or Tensile Strength (HiTen)	Series	Model Code	Exported to Australia	Sold Domestically
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Table 1: Q&T steel plate sold by JFE to Australia and on the Japanese domestic market

[CONFIDENTIAL INFORMATION DELETED – details of models sold domestically and exported]

In its EQR, JFE stated that [redacted] It noted, however, that the [redacted] of goods sold on the domestic market were generally [redacted] than the goods sold to Australia and that this had an effect on the price. In addition, there were specific customer requirements on the [redacted] (such as [redacted]) which created some differences between [redacted] sold and [redacted] goods (refer to section 8.5 for the visit team's analysis).

Whilst taking into account the statements made by JFE, the visit team consider that the Q&T steel plate sold domestically are like goods to those that are exported to Australia by JFE during the investigation period, when compared by specific grade. Both the domestically sold and exported goods are produced at the same facility with the same raw material inputs and manufacturing process. The goods manufactured for domestic consumption are not distinguished from the exported goods during production or sale. These goods have the same metallurgical composition and are both functionally and commercially alike.

3.4.1 Conclusion on like goods

The visit team is satisfied that the Q&T steel plate manufactured by JFE via its quenching and tempering process and TMCP have characteristics closely resembling those of the goods exported to Australia and are therefore “like goods” in terms of subsection 269T(1) of the Act.

4 SALES TO AUSTRALIA

4.1 General

In its EQR, JFE provided the Commission with a detailed Australian export spread sheet listing its sales and included the following information:

- Customer name;
- Level of trade;
- Model;
- Invoice number;
- Invoice date/date of sale;
- Order number;
- Shipping terms;
- Payment terms;
- Quantity;
- Gross invoice value;
- Rebates
- Net invoice value; and
- Inland transport.

At the visit, JFE provided a revised Australian export sales spreadsheet which also included dimensions including thickness, width and length of plate on a line-by-line basis. This spreadsheet is at **Confidential Attachment EXP1**.

4.2 Customers

During the investigation period, JFE exported [redacted] Australian customers as show in table 2 below:

Customer Name	Trading Company	Quantity (MT)
[CONFIDENTIAL INFORMATION DELETED – details of Quantity sold to each customer]		
[redacted]	[redacted]	[redacted]
TOTAL		

Table 2: JFE's Australian customers, trading companies and volumes

JFE sold Everhard to [redacted] customers [redacted] sold HiTen to [redacted] customers [redacted] as shown by table 3 below:

Customer	Everhard (MT)	HiTen (MT)
[CONFIDENTIAL INFORMATION DELETED – details of quantity of Everhard and HiTen sold to each customer]		
[redacted]	[redacted]	[redacted]

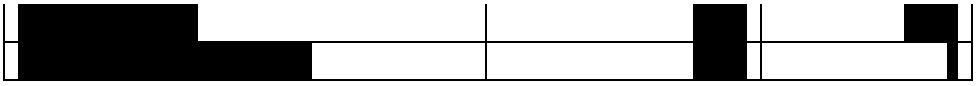


Table 3: JFE's Sales of Everhard and HiTen to Australia

4.3 Australian Market

JFE explained that its sales of Q&T steel plate to Australia were predominantly for use in the mining and construction businesses. Its Australian customer, supplies the mining and construction equipment industries further processes approximately of its Q&T steel plate into as per customer requirements. **[CONFIDENTIAL INFORMATION DELETED – customer information]**

JFE's customer, is an and directly uses the Q&T steel plate imported from JFE in mining and construction equipment. also to the Q&T steel plate for subsequent sale for use in mining and construction equipment. JFE's Australian customer, , is a and on sells its imports. **[CONFIDENTIAL INFORMATION DELETED – customer information]**

JFE provided us with an overview the applications for Q&T steel plate in the mining and construction sector (**Confidential Attachment EXP2**). Examples include:

- buckets
- dump body and vessels
- machinery liner
- conveyor systems

4.4 Export sales process

JFE explained its export sales process to Australia as follows:

- JFE receives an order inquiry from . JFE explained that it for export sales to Australia.
- Following (pricing is discussed further below), the places an order with JFE through its ordering system.
- JFE subsequently provides an order confirmation and the sends the order for production. JFE advised that and all products are assigned to through the production process.
- When a shipment is ready, as per the . Goods are shipped either from its at the , or from a .

- At the time of shipping, JFE invoices [redacted] and also provides commercial documents such as the packing list, mill certificate and bill of lading. The [redacted] is listed as the shipper and takes control of the products.
- The [redacted] pays [redacted] to the agreed terms ([redacted]).

4.5 Pricing

JFE explained that it maintained [redacted] (**Confidential Attachment EXP3**). However, JFE explained the [redacted] is [redacted] and that the agreed prices [redacted]. In setting the price, JFE take into consideration [redacted]. Subsequent to the visit, JFE stated [redacted]

JFE explained that it [redacted] in the Australian market for [redacted], [redacted]. The visit team observed this [redacted] in the selling prices [redacted] in the Australian export sales spread sheet.

[redacted] **[CONFIDENTIAL INFORMATION DELETED - pricing policy]**

JFE stated that there was [redacted] in the price for sales made to [redacted], compared with [redacted]. An assessment by the visit team of JFE's selling price to [redacted] and to [redacted] showed that prices were comparable. **[CONFIDENTIAL INFORMATION DELETED - pricing policy]**

4.6 Export sales terms

Sales to Australia were either made on [redacted] or [redacted] terms during the investigation period. JFE explained that it preferred to ship goods [redacted] but this was only possible for shipments of [redacted]. [redacted] were shipped [redacted] from a [redacted]. **[CONFIDENTIAL INFORMATION DELETED – export sales terms]**

JFE explained that sales to Australia were made in [redacted] Its accounting systems rely on the exchange rate from t[redacted] to convert sales from [redacted] to [redacted].

JFE also stated that payment terms for all Australian export sales were [redacted]. **[CONFIDENTIAL INFORMATION DELETED – export sales terms]**

4.6.1 Discounts, rebates and allowances

JFE stated in its EQR that it [redacted] discounts, rebates or allowances. [redacted] it did explain that [redacted] both for export and domestic sales [redacted]. The invoice issued to [redacted] was already [redacted] of this [redacted], as was the amount recorded in the Australian export and domestic sales spread sheets. **[CONFIDENTIAL INFORMATION DELETED - allowances provided]**

4.7 Export sales verification

4.7.1 Upwards verification to the audited financial accounts

To verify the completeness and relevance of both the Australian export and domestic sales sheets, the visit team traced the information each contained upwards through management reports to JFE's audited financial statements. The methodology used to reconcile the domestic and Australian sales spreadsheets to JFE's financial accounts resulted in both segments being reconciled simultaneously; therefore this section will cover both reconciliations.

JFE firstly explained its accounting system. It stated that goods are classified in its system using [redacted] JFE explained [redacted]:

- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]

[CONFIDENTIAL INFORMATION DELETED - internal product classification]

JFE provided a report showing the breakdown [redacted] in **Confidential Attachment EXP4.**

JFE explained that while the Australian export and domestic sales spreadsheets recorded product by grade, [redacted] did not equate to [redacted]. It therefore

provided a report from its system of the Australian export and domestic sales by the relevant [redacted] The visit team reconciled this report to the Australian export and domestic sales spreadsheets.

The visit team randomly selected model [redacted] for the period of January to March 2013 to trace upwards to the audited financial statements. JFE provided a report for this mill and model and period, which showed the export sales volumes of [redacted] by country. The visit team reconciled the volume of this model sold to Australia from the previous report to the report by country. Next, JFE provided a complete list of [redacted] sales (categorised by domestic and export sales) for this period and the visit team reconciled the total export volume for [redacted] to this report. These reports are at **Confidential Attachment EXP5**.

The visit team obtained a summary report of all export and domestic sales broken down by plant and quarter (**Confidential Attachment EXP6**). The visit team reconciled the complete sales listing [redacted] for January to March 2013. The visit team were also able to reconcile the quarterly values recorded in the report to the sales values listed in the trial balances [redacted]. The visit team then reconciled the consolidated company amounts to the sales value listed in the consolidated trial balance for the company (**Confidential Attachment EXP7**).

As the investigation period does not match the financial year for reporting, JFE calculated the totals for the investigation period by using the 2012 figures as its starting point and subtracting the total sales of the goods for the first three quarters of 2012 and adding the total sale of the goods for the first three quarters of 2013. A breakdown of these calculations for both domestic and export sales is at **Confidential Attachment EXP8**. In doing so, the visit team reconciled the trial balance to the audited financial statement (**Confidential Attachment GEN3**).

Having regard to the above, the visit team is satisfied that the Australian export and domestic sales spread sheets were complete and relevant.

4.7.2 Downwards verification to source documents

Prior to the visit, the visit team selected eight invoices from the Australian export sales spread sheet:

Invoice number	Product
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]

[redacted]	[redacted]

Table 4: Australian export invoices selected for verification

[CONFIDENTIAL INFORMATION DELETED - Invoice numbers and product codes]

JFE were requested to provide the following supporting commercial documents in relation to the eight selected invoices shown in table 4:

- purchase order;
- sales contract;
- commercial invoice;
- evidence of payment;
- inland freight invoice and evidence of payment (where applicable); and
- [redacted]invoices for handling and other[redacted]related charges.

These documents, with the exception of[redacted]in relation to[redacted]as discussed below, were provided and are at **Confidential Attachment EXP9**.

The visit team traced the documents provided to the export sales data in the Australian export sales spread sheet and found no discrepancies in relation to products, customers, dates, prices and quantities. The visit team therefore considers that the sales data is an accurate and relevant record of JFE's sales to Australia.

4.7.3 Inland freight

JFE explained that it [redacted] for individual transactions. However, it was able to allocate costs on a [redacted] according to the terms of sale and the [redacted]. For export sales, it provided an extract from its [redacted] system which showed the volume of plate shipped to Australia during the period (this included both goods under consideration and non-goods under consideration), the total [redacted] cost and a unit [redacted] cost. These costs were calculated by [redacted] method [redacted] or [redacted]) and by [redacted] or [redacted]). The visit team reconciled the [redacted] costs shown with the [redacted] [redacted] costs recorded in the Australian export sales spread sheet. **[CONFIDENTIAL INFORMATION DELETED –allocation of transportation costs]**

JFE were asked to provide further detail of the total transportation cost listed for each of the [redacted] [redacted]. JFE provided further extracts which showed the breakdown of the total transportation costs. For example, for[redacted] shipments that were transported to [redacted]costs were included for [redacted] The visit team is therefore satisfied that transport costs were reasonably allocated. **CONFIDENTIAL INFORMATION DELETED –allocation of transportation costs]**

Documents relating to export transportation costs are at **Confidential Attachment EXP10**.

4.7.4 [redacted] fees

JFE explained [redacted] on the export and domestic market [redacted] fee'. This was [redacted] from [redacted]. The visit team confirmed this by comparing the purchase order price to the invoice price/payment information and noting the [redacted]. The visit team is therefore satisfied that the invoiced price listed in the sales listing was [redacted]. [**CONFIDENTIAL INFORMATION DELETED – details of fees]**

4.7.5 Credit Terms

Credit terms for export customers are [redacted] and for domestic customers, [redacted]. The payment information provided by JFE confirmed these credit terms.

4.7.6 Date of sale

JFE considered that the date of sale was [redacted]. The visit team used [redacted] date as the date of sale in our calculations.

4.8 The exporter

On the basis of the above, for all export sales during the investigation period, the visit team considers JFE to be the exporter of the goods because JFE:

- is the manufacturer of the goods;
- sets price for the sale of the goods;
- owns the goods at the time prior to export;

  [redacted] **[CONFIDENTIAL INFORMATION DELETED - information on transport]**
- is the principal in the transaction located in the country of export from where the goods were shipped that gave up responsibility by knowingly placing the goods in the hands of a freight forwarder for delivery to Australia; and
- sent the goods for export to Australia and was aware of the identity of the purchaser of the goods.

4.9 The importer

While at the visit, the visit team verified JFE sales [redacted]. JFE stated that the importers in Australia of its goods were [redacted]. The visit team notes that the sales documents provided list these customers. The visit team considers these companies to be the beneficial owners of the goods at the time importation and therefore are the importers of the goods exported by JFE during the investigation period.

4.10 Arms length transactions

In determining export prices under s. 269TAB(1)(a) and normal values under s. 269TAC, the legislation requires that the relevant sales are arms length transactions.

Section 269TAA outlines the circumstances in which the price paid or payable shall not be treated as arms length. These are where:

- there is any consideration payable in respect of the goods other than price;
- the price is influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller;
- in the opinion of the Minister, the buyer, or an associate of the buyer, will, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

The visit team found no evidence to suggest that the prices negotiated between JFE [redacted] were influenced by any relationship or arrangement, commercial or otherwise during the investigation period. The visit team did not find any evidence to indicate that any consideration, compensation or other benefit passes between JFE [redacted] in relation to the goods other than the price negotiated, reflected in executed sales agreements and listed for payment in commercial invoices. The visit team therefore considers that the sales were arms length under s269TAA.

4.11 Export price preliminary assessment

The visit team considers that for export sales to Australia by JFE:

- the goods have been exported to Australia otherwise than by the importer;
- the goods have not been purchased by the importer from the exporter; and
- the purchases of the goods were arms length transactions.

Therefore, the visit team considers that export price for export sales from JFE can be established under section 269TAB(1)(c), having regard to the circumstances of exportation. In particular, it is considered that the price [redacted] can be used, [redacted] to establish an ex-works (EXW) export price.

Export price calculations are included at **Confidential Appendix 1**.

5 COST TO MAKE & SELL

5.1 General

In the EQR, JFE provided domestic and Australian export cost to make and sell (CTMS) spread sheets. These spreadsheets categorised costs by level of trade. As explained further in Chapter 6, JFE categorised goods sold on the domestic market [redacted]. Sales to Australia are also considered to be a separate (export) level of trade.

Prior to the visit the Commission asked JFE to revise these spread sheets to present costs by model, [redacted]. JFE subsequently provided revised spread sheets. During the course of the verification visit, JFE identified that a glitch in the spread sheets have resulted in some data being recorded incorrectly and once again provided revised CTMS spread sheets (**Confidential Attachment CTMS1**).

The visit team sought to verify the completeness, accuracy and relevance of the information in the revised CTMS spread sheets upwards to the audited financial statements and downwards to source documents.

5.1.1 Cost codes

JFE explained that it used standard costs and subsequently took into account variances. As noted in section 4.7, JFE's accounting system categorised products using [redacted]. Goods were classified to product codes based on [redacted] and [redacted] were applied to export and domestic sales. Due to this methodology, an [redacted] may incorporate a variety of [redacted]. Similarly, due to [redacted], [redacted] of the [redacted] may be recorded under [redacted] product codes. A list of the product codes and their meanings are at **Confidential Attachment EXP4**. The visit team noted that Q&T steel plate sold on the domestic market and exported to Australia was recorded under the following product codes:

[redacted]

In these codes [redacted]

[CONFIDENTIAL INFORMATION DELETED - information on product codes]

5.1.2 Standard costs and variances

JFE explained that each [redacted] of the production process constituted a [redacted], such as the [redacted]. It further stated that costs were categorised as either [redacted], such as [redacted], such as [redacted]. It explained that [redacted] were allocated to [redacted] on the basis of [redacted]. [redacted] were allocated on the basis of [redacted] allocated to the [redacted], [redacted]. JFE provided an overview of its method at **Confidential Attachment CTMS2**. **[CONFIDENTIAL INFORMATION DELETED - information on standard costs and variances]**

JFE explained that its accounting system was based on standard costs. It developed standard costs for each of the [redacted] by making [redacted] about the [redacted] of product it would be manufacturing under each [redacted]

JFE explained that it [redacted] record variances [redacted] but only recorded the [redacted] variances generated by [redacted] It then calculated the variance [redacted] as a [redacted] as demonstrated by table 5 below:

[CONFIDENTIAL INFORMATION DELETED – details of production costs]

Table 5: Variable Cost Calculation

JFE used the calculated [redacted] to adjust the standard costs in the CTMS spread sheet to reflect the actual costs. JFE provided a table which listed the total standard and variable costs [redacted] demonstrating this calculation (**Confidential Attachment CTMS3**). Due to the timing of the financial year in Japan, the time periods were January – March 2013, April – September 2013 and October – December 2013. These time periods are used through the cost verification process.

The visit team linked the variance calculated to the variance used in the CTMS spread sheet. As discussed in section 5.2 below, the visit team linked the total values of the standard costs and variances to the company's trial balance.

JFE were asked to explain how variances were recorded. It explained that they were recorded in [redacted] including [redacted] at the end of the financial year. As a result, it was very difficult to reconcile the standard costs to the actual costs (including the variance) other than using the method described above. JFE provided the ledger account for the [redacted] for [redacted] for the months of January, February and March 2013 in which the visit team could see the difference in the standard costs and the variances (**Confidential Attachment CTMS4**). We noted that for this cost centre the variances were [redacted] respectively.

5.2 Upwards verification to audited financial statements

The visit team sought to reconcile the CTMS spread sheets provided to the audited financial statements. JFE explained that the CTMS spread sheets provided listed the standard costs with the[redacted] as described above for the cost variances. To substantiate this, it provided a manufacturing cost summary report from its accounting system which showed the quarterly standard cost by [redacted] for each model of Q&T steel plate sold domestically and exported to Australia, the [redacted] for the variance and the production/sales volume (**Confidential Attachment CTMS5**). The visit team reconciled the total of the standard cost and cost variances in this report to the CTMS spread sheet.

JFE then provided us with a standard cost report which listed the production volume and total standard cost of each of the [redacted] cost models produced at [redacted] for the period of January to March 2013 (**Confidential Attachment CTMS6**). The visit team reconciled the [redacted] standards costs shown in the manufacturing cost summary report to the standard [redacted] costs shown in the standard cost report. The standard cost report listed the [redacted] standard cost for production at [redacted] for the first quarter of 2013. The visit team reconciled this figure to the standard costs listed for [redacted] in its trial balance for that period (**Confidential Attachment EXP7**).

JFE provided a table showing the [redacted] standard cost and variable cost for [redacted] and [redacted] works where the GUC were produced, and JFE as a whole (**Confidential Attachment CTMS2**). The visit team reconciled the standard and variable costs provided to the standard and variable costs listed in the trial balances for [redacted] and JFE in total for the relevant periods (**Confidential Attachment EXP7**). This table also contained the calculation of the variance that was applied to production by [redacted]. The visit team reconciled the cost variance as a percentage from this table to the CTMS spread sheet.

Having traced the CTMS spread sheet to the trial balance the visit team sought to link the information in the trial balance to the audited financial statements. JFE provided its audited financial statements for the 2012-2013 financial year, the April-December 2012 statements and the April–December 2013 statements (**Confidential Attachment GEN3**). By deducting the April–December 2012 statements from the 2012-2013 FY statements and adding the April-December 2013 statements, the visit team identified the amount for the investigation period in the audited financial statements. We were therefore satisfied that the costs recorded were complete and relevant.

5.3 Downwards verification to source documents

5.3.1 Raw materials

The visit team sought to verify raw material costs to source documents. As noted above, JFE uses standard costs and [redacted] record [redacted] by [redacted] or [redacted] JFE, therefore, firstly demonstrated how the standard costs were allocated.

JFE demonstrated the standard costing of a particular model [redacted] for the two six month periods of October 2012 to March 2013 and April-September 2013 quarter. In doing so, it showed how costs were traced through a number of [redacted] to contribute to the final standard cost (**Confidential Attachment CTMS7**). The visit team reconciled the final standard cost for this model in the two periods to the manufacturing summary cost report and to the CTMS spread sheets.

JFE then provided a breakdown costing report for model [redacted] which listed all the allocated costs for this model by [redacted] by cost centre for each period (**Confidential Attachment CTMS8**). JFE then provided further breakdowns of the raw material cost inputs and costs that were recorded against different costs centres (**Confidential Attachment CTMS9**). For example, iron ore fines cost for the blast furnace [redacted] listed the different types of [redacted] used, the consumption of these [redacted] and the unit and total price of the [redacted]. The visit team reconciled the total iron ore fine cost from this report to the breakdown costing report for model [redacted].

JFE were asked to demonstrate actual iron ore costs. JFE provided standard, variable and actual cost reports for January, February and March 2013 for the iron ore [redacted] (**Confidential Attachment CTMS10**). From this the visit team identified the standard and actual cost of iron ore used in this [redacted]. JFE also provided the iron ore raw material ledger which showed the [redacted] of iron ore for the month of January 2013. It explained that [redacted] value of iron ore included the [redacted], as well as the cost associated with the purchase, such as [redacted]. JFE demonstrated this using one particular type of iron ore – [redacted]. It provided a ledger which broke down the purchase cost for this ore by [redacted] and provided invoices for each of these cost items. These documents, as well as the iron ore raw material ledger are at **Confidential Attachment CTMS11**.

In order to assess the reasonableness of the standard costing, the visit team compared the actual iron ore prices with the standard costs. The visit team found that the difference between the standard and variable costs in the iron ore blending cost centre was minimal. Furthermore, a comparison of the purchase prices of iron ore fines in January 2013 indicated that standard costs for the period were [redacted] than the actual cost of iron ore fines. The visit team therefore considers the ore material costs were reasonable.

5.3.2 Depreciation

The visit team sought to verify depreciation costs. To do this model [redacted] was once again used. From the standard cost report for this model (**Confidential Attachment CTMS7**) the visit team identified the depreciation costs at the [redacted] JFE

then provided a report of the depreciation costs for the [redacted] for March to September 2013. This report listed unit and total value of depreciation for each product produced at the [redacted] (which reconciled for [redacted]) and the depreciation cost in total for the cost centre. JFE next provided a complete cost report for the [redacted] for the March – September 2013 period (**Confidential Attachment CTMS12**). From this the visit team identified and reconciled the depreciation cost. JFE finally provided its assets register for the [redacted] which listed each asset allocated to that cost centre, the value and rate of depreciation and overall deprecation value for the March-September 2013 period. The visit team reconciled this total to the total depreciation cost listed in the [redacted] report. Having done so, the visit team was satisfied that depreciation costs were recorded accurately.

Documents relating to depreciation are at **Confidential Attachment CTMS13**.

5.3.3 Overhead costs

The visit team next sought to reconcile overhead costs and in particular energy costs. Similar to depreciation costs, model [redacted] was used. From the standard cost report for this model (**Confidential Attachment CTMS7**) the visit team identified the electricity costs at the [redacted]. JFE then provided a report of the electricity costs for the [redacted] for March to September 2013. This report listed unit and total value of electricity for each [redacted] at the [redacted] (which reconciled for [redacted]) and the electricity cost in total [redacted]. As noted above, JFE provided a complete cost report for the [redacted] for the March – September 2013 period (**Confidential Attachment CTMS12**). From this the visit team identified and reconciled the electricity cost. The visit team was unable to reconcile electricity costs any further because, JFE explained that its electricity costing methodology was very complex as it [redacted] and also [redacted] to other [redacted].

As the visit team was unable to verify electricity costs any further, we instead sought to verify another input item and selected LNG costs from the [redacted] standard and actual cost report for January 2013 (**Confidential Attachment CTMS4**). This report showed the consumption and total cost of LNG. JFE then provided its energy usage report which listed the volume and value of LNG used at [redacted] of the [redacted] and in total. The visit team reconciled the volume and value of LNG used at [redacted] to the standard and actual cost report. JFE also provided an inventory report for fuels which listed the purchase value and volume of different fuel types and its consumption. The visit team linked these figures to the figures recorded in JFE's month [redacted]. JFE then supplied the LNG purchase details for the month in the form of the [redacted] and the invoice which was linked to the inventory report [redacted]. Documents relating to LNG verification are at **Confidential Attachment CTMS14**.

The visit team were therefore satisfied that, while standard costs formed the basis of JFE's costing system, actual costs were also accurately captured.

5.4 Selling, general and administrative (SG&A) costs

JFE recorded selling expenses (such as transportation, storage fees etc.), general & administrative expenses and finance expenses. JFE explained that, like manufacturing costs, SG&A was allocated on the basis of standard costs, plus a cost variance calculated

using the overall variance. [redacted]. It stated that standard costs were allocated on the basis of [redacted]. For example, the cost of [redacted] was allocated to domestic sales, while the cost of [redacted] was allocated to export sales.

JFE provided a calculation of the SG&A costs on a [redacted] basis in **Confidential Attachment CTMS5**. The visit team reconciled the SG&A costs (consisting of the standard cost and variable cost) to the costs listed in the CTMS spread sheets.

To support these calculations, JFE provided a summary report which listed the total SG&A cost for the company as a whole over the investigation period (**Confidential Attachment SG&A1**). It showed the standard and variable costs and the calculation of the variances as a percentage of standard costs. The visit team reconciled the total SG&A costs to the trial balance for the company as whole over the relevant periods and to the audited financial statements.

To assess the reasonableness of the SG&A allocations, SG&A allocated by JFE was compared to the amount of SG&A that would be allocated to the goods if:

[redacted]

[CONFIDENTIAL INFORMATION DELETED - SGA costs]

The visit team found the SG&A amounts calculated using any of these methods to be similar to the amount calculated by JFE and therefore are satisfied that the SG&A costs submitted by JFE are reasonable. These calculations are at **Confidential Attachment SG&A2**.

5.4.1 Adjustments for different selling expenses for domestic and export sales

JFE requested that adjustment be made between the export and domestic sales to account for the higher SG&A expenses incurred on the domestic market. In particular, JFE identified that the cost of [redacted] was higher and that it incurred an extra expense due to the [redacted] for the [redacted] market. JFE provided an overview of the [redacted] for the domestic and export markets and we could see that significantly more [redacted] (**Confidential Attachment SG&A3**). The visit team therefore considered it reasonable to make an adjustment for the selling cost differences between the domestic and export market, as based on the difference between the SG&A costs. This difference is calculated by JFE at **Confidential Attachment SG&A4**.

5.5 Conclusion

In verifying JFE's data, the visit team found that standard costs in relation to specific models can be traced from the CTMS spread sheet to the trial balance and to the audited financial statements. Variances, however, are not allocated on a [redacted] basis

but rather are recorded in total at [redacted] and apportioned as a [redacted].

While this method meant there were difficulties in reconciling standard, variable and actual costs at the [redacted], the visit team is satisfied that total standard and variable costs had been captured by JFE. After assessing the variances captured by JFE, the visit team also consider that the costing methodology used reasonably reflects competitive market costs associated with the production of the goods.

On this basis the visit team consider that sufficient information was obtained and verified to determine:

- the cost of goods to assess ordinary course of trade (OCOT) under section 269TAAD of the Act; and
- a constructed normal value under section 269TAC(2)(c) of the Act for the investigation period if required.

The CTMS spread sheets form **Confidential Appendix 2**.

6 DOMESTIC SALES

6.1 General

In its EQR, JFE provided a detailed domestic sales spreadsheet which included the following information:

- Customer name;
- Level of trade;
- Model;
- Invoice number;
- Invoice date;
- Date of sale;
- Order number;
- Shipping terms;
- Payment terms;
- Quantity;
- Gross invoice value;
- Rebates
- Net invoice value; and
- Inland transport.

At the visit, JFE provided a revised domestic sales spread sheet. It explained that it had identified a glitch had resulted in some data being incorrectly recorded. The revised spreadsheet also contained details of the thickness, width and length of Q&T steel plate sold. This revised spreadsheet is at **Confidential Attachment DOM1**.

In the domestic market JFE sold to approximately [redacted] customers [redacted] JFE's customers are [redacted] which are:

[redacted]

Sales to these different sectors were all made [redacted]

[CONFIDENTIAL INFORMATION DELETED - customer information]

The total tonnes sold during the investigation period for each level of trade were:

Level of trade	Quantity (MT)
[redacted]	[redacted]
[redacted]	[redacted]

[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]

Table 6: Domestic sales by level of trade

Both Everhard and HiTen was sold across all market sectors [redacted] The sales volumes of these two types of product are as follows:

Level of trade	Everhard (MT)	HiTen (MT)	Total (MT)
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]

Table 7: Domestic sales of Everhard and HiTen

In the Japanese market [redacted] were identified as affiliated with JFE. One customer [redacted] was also identified as affiliated with JFE.

JFE explained that on the [redacted], unlike [redacted], a number of customers had [redacted] when purchasing Q&T steel plate. These included [redacted] such as [redacted]. JFE provided [redacted] examples at **Confidential Attachment DOM2**. It explained that [redacted] were generally in relation to customers in the [redacted] levels of trade.

[CONFIDENTIAL INFORMATION DELETED - details of domestic sales]

6.2 Domestic sales process

JFE outlined its domestic sales process in **Confidential Attachment DOM3**. Below is a summary of the process:

- [redacted]
- [redacted] a purchase order is received by JFE from [redacted]
- [redacted] Following acceptance of the order by JFE, it sends an order confirmation to the [redacted] Once the purchase order has been agreed [redacted] production commences.
- [redacted] Upon completion of production, JFE sends [redacted] to the customer notifying that the goods are ready for shipment.
- [redacted] Shipment is made to [redacted]
- [redacted] At the same time of shipment [redacted] is sent by JFE to the [redacted] for quality control.

- The invoice is sent to the for payment, the invoice price is Payment is made according to the agreed payment terms.

6.3 Price

JFE explained that . JFE provided this document at **Confidential Attachment DOM4**. **[CONFIDENTIAL INFORMATION DELETED – details of pricing].** Similarly to export sales, price at any particular point in time takes into account the .

The visit team noted that did not in most cases of Q&T steel plate. We found the prices shown in the domestic sales listing to be consistent with this.

. [CONFIDENTIAL INFORMATION DELETED – pricing practices]

6.4 Domestic sales terms

Sales to domestic customers during the investigation period were

JFE's payment terms on the domestic market were .

6.5 Discounts, rebates and allowances

, during the investigation period.

.

.

During verification the visit team confirmed that and that the amounts shown in the domestic sales listing were accurate. **[CONFIDENTIAL INFORMATION DELETED** – explanation on discounts, rebates, and allowances]

[redacted][CONFIDENTIAL INFORMATION DELETED – explanation on discounts, rebates, and allowances]

6.6 Domestic Sales Verification

6.6.1 Completeness and Relevance

The verification of the domestic sales spread sheet upwards to audited accounts is outlined above at section 4.7.

6.6.2 Accuracy

Prior to the visit, the visit team selected eight invoices from the domestic sales spread sheet.

Invoice number	Product
[redacted]	[redacted]

Table 8: Domestic invoices selected for verification

JFE were requested to provide supporting commercial documents in relation to the following selected invoices:

- purchase order;
- sales contract;
- commercial invoice;
- evidence of payment;
- inland freight invoice and evidence of payment (where applicable); and
- discount and rebate source documents (where applicable).

These documents, with the exception of documents relating to [redacted] were provided and are at **Confidential Attachment DOM5**.

The visit team traced the details in these documents to the domestic sales spreadsheet and found no discrepancies in relation to products, customers, dates, prices and quantities. The visit team therefore consider that the sales data was an accurate and relevant record of JFE's sales on the Japanese domestic market.

6.6.3 Inland freight

As with inland freight costs for export sales, [redacted], it was able to allocate costs [redacted]

[redacted] JFE explained that [redacted] **[CONFIDENTIAL INFORMATION DELETED – details of the reason for inland freight cost]**

JFE provided a report from its system [redacted] which allowed for the calculation of [redacted] The visit team reconciled these unit costs to the domestic sales listing and were satisfied that domestic inland transport costs were allocated on a reasonable basis. **[CONFIDENTIAL INFORMATION DELETED – details of the reason for inland freight cost]**

The visit team also identified a few instances where a [redacted] inland freight cost was recorded in the domestic sales listing. JFE explained that in certain instances [redacted]. The visit team considered this explanation to be reasonable and noted that [redacted] freight amounts only applied to a small number of sales. **[CONFIDENTIAL INFORMATION DELETED – details of the reason for inland freight cost]**

6.6.4 Salesman and technical service cost

JFE explained that [redacted] This resulted in higher selling costs [redacted] Analysis of these claims are in section 5.4 above. **[CONFIDENTIAL INFORMATION DELETED – details of sales cost]**

6.6.5 Credit terms

On the domestic market, JFE offered **[CONFIDENTIAL INFORMATION DELETED – details of credit terms offered by JFE]** [redacted]

The visit team confirmed these payment terms with the payment documents provided and consider them to be accurate.

6.6.6 Date of sale

JFE considers the date of sale is the [redacted] JFE usually [redacted] The visit team used the invoice date as the date of sale in our calculations.

6.7 Arm's length transactions

In respect of JFE's domestic sales of the goods under consideration, the visit team found no evidence that:

- there is any consideration payable for or in respect of the goods other than their price; or
- the price is influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, will, subsequent to the purchase or sale, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

[redacted] **[CONFIDENTIAL INFORMATION DELETED – details of related parties]** The visit team's analysis of the sales data showed that there were no significant differences between the net invoice price to affiliated and unaffiliated customers.

The visit team is therefore satisfied that the domestic sales of the goods by JFE were arm's length transactions.

6.8 Ordinary course of trade

The visit team compared the net selling value (the net invoice value minus any applicable rebates) for each domestic sale to the CTMS for that particular model for the corresponding quarter.

[redacted] **[CONFIDENTIAL INFORMATION DELETED – profitability of sales]**

The visit team therefore considers that all sales of Q&T steel plate in the Japanese domestic market were in the OCOT.

6.9 Volume and suitability of domestic sales

For normal value to be ascertained under s. 269TAC(1), the Commission first examines whether there are suitable sales of like goods for home consumption in the country of export by the exporter, made in the OCOT and at arms-length over the investigation period. Model matching criteria will be followed in order to identify identical goods sold on the exporter's domestic market; or absent identical goods, goods which most closely resemble the goods under consideration. Section 269TAC(2) of the Act provides that certain domestic sales may be unsuitable for use in determining normal value because of factors in the market. One such factor is where there is an absence, or low volume, of sales of like goods in the domestic market.

Low volume is defined in s. 269TAC(14) of the Act as less than 5% of the total volume of the goods under consideration that are exported to Australia.

The visit team found that the volume of domestic sales made in OCOT for the models that were exported to Australia was approximately [redacted] of the volume of exports to Australia. We then conducted the test individually for each model and found that there was a sufficient volume of domestic sales for all models except the following:

[redacted]

[CONFIDENTIAL INFORMATION DELETED – models with insufficient volume]

Where there were insufficient volumes of domestic sales the visit team applied model matching criteria as the basis of the normal value, taking into account adjustment for price differences, as discussed in Chapter 8. The OCOT and sufficiency test calculations are at **Confidential Appendix 3**.

7 THIRD COUNTRY SALES

JFE provided a listing of its third country sales. The visit team considers that sufficient domestic sales and cost information was available to use as the basis of normal value and did not seek to verify third country sales further.

8 ADJUSTMENTS

8.1 General

In calculating dumping margins, the Commission will make adjustments for differences that affect 'price comparability' between the normal value and the export price. The visit team considers that, as JFE exported Q&T steel plate to Australia on [redacted], it was most appropriate to calculate the export price and corresponding normal value at an EXW level.

The visit team then sought to make adjustments to the normal value, as discussed below, ensure that the normal value is properly compared to the export price.

8.2 Inland freight

In order to compare domestic selling prices with an EXW export price, [redacted] to determine an EXW normal value.

8.3 Selling expenses

JFE explained that domestic sales incurred additional selling expenses [redacted] The difference between the domestic and export selling expenses [redacted] as well as [redacted]. [CONFIDENTIAL INFORMATION DELETED - selling expenses]

8.4 Credit terms

The visit team identified different credit terms for the domestic and export markets. Domestic customers have credit terms that were [redacted] The visit team therefore [redacted] the costs associated with these credit terms [redacted] the price of domestic sales and export sales, using the prime rate of [redacted] as this is reflective of a credit rate that JFE could obtain.

8.5 Level of trade

JFE argues that while its sales on the domestic market to the [redacted] do not constitute different levels of trades in the traditional sense (which relates to differences such as [redacted] there were [redacted] Given the pricing factors at play, it considered that the most appropriate domestic sales for normal value purposes where the sales to the [redacted]

JFE argues that sales to Australia were characterised as being:

- [redacted]
- [redacted]
- [redacted]

JFE argues that these factors all affect price and that the sales to Australia are most comparable in these regards to the sales to the [redacted] It stated that sales to [redacted] and the [redacted] were to [redacted] **[CONFIDENTIAL INFORMATION DELETED – Level of trade information]**

The visit team examined the sales price of Q&T steel plate to each level of trade in the Japanese domestic market and found that the price to the [redacted] was the lowest. However, while the weighted average price was lower, we found [redacted] in this sector. We therefore did not consider that there were consistent and distinct price differences in the different levels of trade that would warrant us categorising goods in this manner.

However, the visit team also sought to examine these factors (refer below) raised by JFE individually that it claimed affected price to assess the most appropriate sales to use as the basis for normal value.

[redacted]

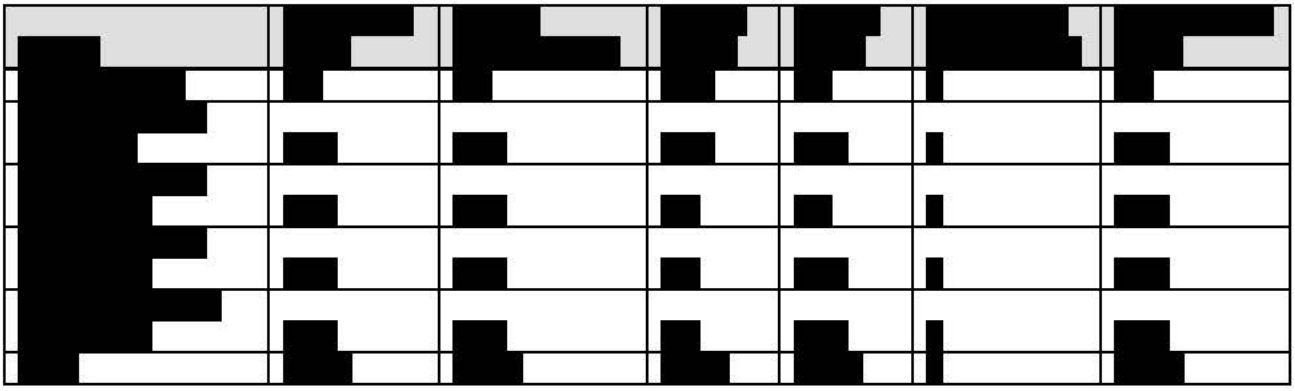
JFE argues that [redacted] of Q&T steel plate sold on the [redacted] than those [redacted] and that this [redacted]. It provided a spreadsheet showing the dimension differences between Australia sales and the different sectors in the Japanese market (**Confidential Attachment ADJ1**).

In the visit team's analysis of export sales we noted that customers [redacted] of Q&T steel plate, but there was no price difference [redacted]. On the other hand, in our analysis of the domestic market, we found that customers were rarely [redacted] and the [redacted] also did not list a difference, except in one or two instances.

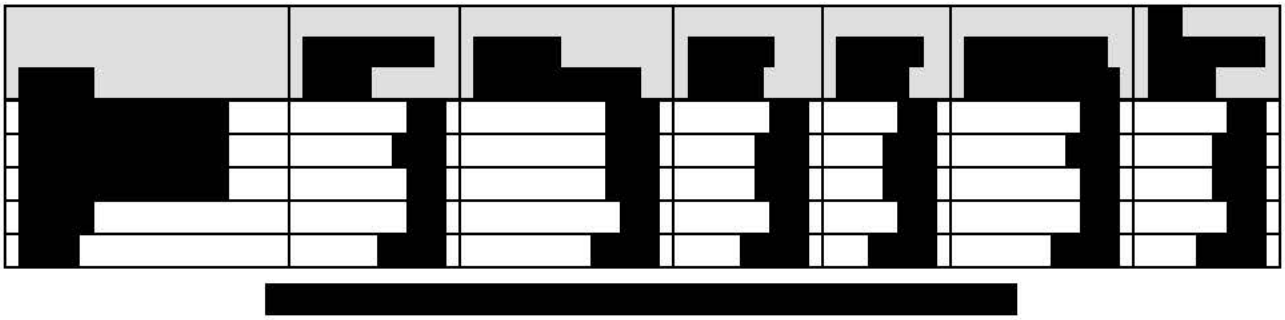
However, JFE stated that it took into account [redacted] of Q&T steel plate generally purchased by a customer when [redacted]. The visit team compared [redacted] of Q&T steel plate exported to Australia and sold on the domestic market. In doing so, we determined that the proportion of sales to Australia, sales to each sector in the Japanese market and in total by categories in relation [redacted]. The results are shown in the tables below.

[redacted]

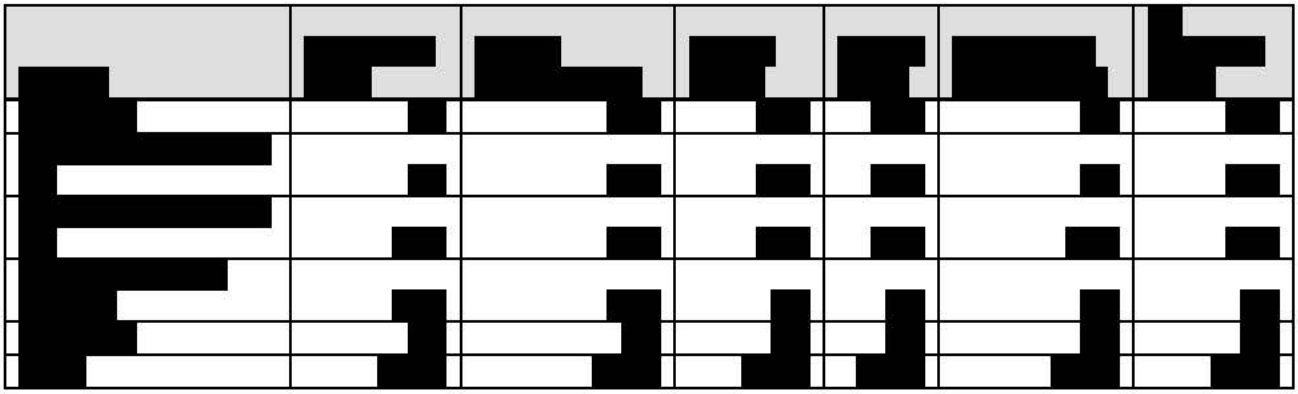
[redacted]



[redacted]



[redacted]



[redacted]

The visit team found a range of [redacted] and that there was no one [redacted]. We have also been unable to quantify JFE's claims that [redacted] mix of product effects price to particular customers. We therefore consider that there are not sufficient grounds to only use sales to [redacted] sector [redacted].

The visit team's assessment of [redacted] and the affect they have on price is at **Confidential Attachment ADJ2**.

[redacted]

JFE advised that on the [redacted] customers often had [redacted] in relation to the Q&T steel plate purchased. JFE provided examples [redacted], with the applicable customer and grade at **Confidential Attachment DOM2,** which included:

- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]

Based on the information provided in this list it was identified that there were sales in all levels of trade which had [redacted] and those that did not. An assessment of selling prices did not show a trend that product with [redacted] was priced higher. In addition, JFE did not demonstrate that [redacted] incurred additional costs. The visit team therefore considers there are insufficient grounds to only use sales to the [redacted] sector on the basis of [redacted].

The visit team's assessment of the affect that [redacted] have on price is at **Confidential Attachment ADJ3**.

[redacted]

JFE argued that sales to the [redacted] sector were also most comparable to Australian sales [redacted]. The visit team assessed [redacted] in the different sectors and found that there were also [redacted] customers in the [redacted]. Our analysis showed that [redacted] companies in the [redacted] sector made up [redacted] of JFE's domestic sales of Q&T steel plate, while the [redacted] companies in the [redacted] sector accounted for [redacted] of sales. We therefore did not consider that the [redacted] sector alone should be used for normal value [redacted].

The visit team then assessed prices to all customers, by grade taking into account [redacted]. We did not identify consistent prices differences for different customers [redacted].

The visit team's assessment of the affect [redacted] is at **Confidential Attachment ADJ3**.

Based on the above analysis, the visit team do not consider that the normal value should only take into account to the [redacted] sector. We note that sales to this sector are lower priced, but it is inevitable that in any market sales price to one particular sector will

lower. In examining the factors JFE put forward to account for the price difference, we have been unable to identify consistent trends to support the arguments raised and subsequently did not make any adjustments based on this claim.

8.6 Specification differences

As noted in section 6.9, there were insufficient domestic sales of the following models to use as the basis of normal value:

[redacted]

For these grades, the visit team sought to use alternative models sold on the domestic market with adjustments to account for price differences.

For the [redacted] was used as the surrogate model. This was because [redacted] was the model with the largest volume sold on the domestic market and because it was a similar product to [redacted]

[redacted] was identified as model most closely resembling the properties of [redacted] However this surrogate model did not pass the sufficiency test [redacted] was used as the surrogate model.

[redacted] as the surrogate model for [redacted] the Commission considers most closely resembling the properties of [redacted]

The visit team made adjustments to account for the price difference recorded on the [redacted], or when the model was not [redacted], by using the price difference [redacted]. The adjustments are outlined in Table 13 below:

[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]

Table 13: Specification adjustments

[CONFIDENTIAL TEXT DELETED - outline on product specifications]

8.7 Adjustments – Conclusion

The visit team is satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with s. 269TAC(8) of the Act, and considers these adjustments are necessary to ensure a fair comparison of normal values and the deductive export prices as follows:

Domestic inland freight	**Deduct** the actual cost of inland freight where applicable.
Domestic selling adjustment	**Deduct** an amount for domestic selling expenses
Credit cost adjustment	**Deduct** to get domestic sales to get to cash credit terms
Specification differences	**Add** to adjust normal value for surrogate models

9 NORMAL VALUE

Based on the information provided by JFE, and the verification processes conducted on site, the visit team is satisfied that prices paid in respect of those domestic sales of Q&T steel plate are suitable for assessing normal value under s. 269TAC(1). We have calculated normal values using JFE's sales to all sectors, with adjustments to ensure fair comparison with EXW export prices under s. 269TAC(8). The normal values are expressed EXW with adjustments made for:

- Inland freight;
- Selling expenses;
- Credit terms; and
- Specification differences.

Normal value calculations are at **Confidential Appendix 4**.

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10 DUMPING MARGIN

Dumping has been assessed by comparing the weighted average of export prices to a corresponding weighted average of normal values for the investigation period. The weighted average combined product dumping margin, for Q&T steel plate exported to Australia by JFE is **27**%.

The dumping margins are shown at **Confidential Appendix 5**.

11 OTHER COMMENTS

JFE stated that it produced better quality Q&T steel plate than the Australian industry as it was an integrated steel producer and can control the composition of its steel through the production process from start to finish. Bisalloy on the other hand purchased greenfeed plate from BlueScope Steel Limited or imported it from China and then heat treated the plate. JFE argued that that this means that means Bisalloy has less control over the quality of the end product.

JFE stated that as an integrated producer, it had lower production costs [redacted]

JFE stated that Bisalloy could not produce the range of Q&T steel plate products it could and provided a chart comparing the grades it produced with Bisalloy's comparable grades (**Confidential Attachment OTHER1**). JFE asked that its grades for which Bisalloy could not produce an equivalent product be excluded from the dumping calculations. The visit team explained that all exports to Australia that fall within the goods description must be included in our calculations but that there were avenues available under s. 8(7) of the *Customs Tariff (Anti-Dumping) Act 1975* for goods to be exempt from measures if certain criteria were met, following an application from an interested party.

12 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Export price
Confidential Appendix 2	CTMS
Confidential Appendix 3	OCOT and suitability test
Confidential Appendix 4	Normal value
Confidential Appendix 5	Dumping margin
Confidential Attachment EQR1	JFE exporter questionnaire response
Confidential Attachment GEN1	JFE organisation chart
Confidential Attachment GEN2	Company brochure of operations
Confidential Attachment GEN3	Consolidated financial statements
Confidential Attachment GEN4	Unconsolidated financial statements
Confidential Attachment GOODS1	Technical specifications
Confidential Attachment GOODS2	Table of [redacted] grades and [redacted] equivalents
Confidential Attachment GOODS3	Production processes for different grades and dimensions
Attachment GOODS4	JFE TMCP research report No. 11
Confidential Attachment GOODS5	JFE presentation [redacted]
Confidential Attachment EXP1	Revised export sales spreadsheet
Confidential Attachment EXP2	Uses of Q&T in Australia
Confidential Attachment EXP3	[redacted]
Confidential Attachment EXP4	[redacted]
Confidential Attachment EXP5	Sales reports for [redacted]
Confidential Attachment EXP6	Domestic and export sales report by quarter and mill
Confidential Attachment EXP7	Trial balances

Confidential Attachment EXP8	Reconciliation to financial statements
Confidential Attachment EXP9	Selected export sales documents
Confidential Attachment EXP10	Inland freight allocation
Confidential Attachment CTMS1	Revise CTMS spreadsheets
Confidential Attachment CTMS2	Cost allocation methodology
Confidential Attachment CTMS3	Variable cost calculation
Confidential Attachment CTMS4	Plate mill ledger
Confidential Attachment CTMS5	Manufacturing cost summary report
Confidential Attachment CTMS6	Standard cost report [redacted]
Confidential Attachment CTMS7	Standard cost allocation for [redacted]
Confidential Attachment CTMS8	Standard cost allocation for [redacted]
Confidential Attachment CTMS9	Raw material inputs
Confidential Attachment CTMS10	Iron ore [redacted] cost report
Confidential Attachment CTMS11	Iron ore source documents
Confidential Attachment CTMS12	Cost report for [redacted]
Confidential Attachment CTMS13	Documents relating to depreciation
Confidential Attachment CTMS14	Documents relating to LNG costs
Confidential Attachment SG&A1	SG&A summary report
Confidential Attachment SG&A2	SG&A reasonableness calculations
Confidential Attachment SG&A3	Domestic and export sales [redacted]
Confidential Attachment SG&A4	Difference in cost between export and domestic selling expenses
Confidential Attachment DOM1	Revised domestic sales spreadsheet
Confidential Attachment DOM2	Customer specific requirements
Confidential Attachment DOM3	Domestic sales process
Confidential Attachment DOM4	[redacted]

Confidential Attachment DOM5	Selected domestic sales documents
Confidential Attachment DOM6	[redacted]
Confidential Attachment ADJ1	[redacted]
Confidential Attachment ADJ2	Assessment of [redacted] differences
Confidential Attachment ADJ3	Assessment of level of trade, [redacted] and the affect this has on price
Confidential Attachment OTHER1	[redacted]