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## Iron and Steel News

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### METI to Support Industry's Competitiveness, Minister Edano

Minister Yukio Edano of Ministry of Economy, Trade and Industry said at press interview in night of Thursday the government should make permanent law on duty exemption of oil, coal and coking coal earlier. He emphasized METI tries to improve tax system to encourage domestic industry to keep domestic operations. He secures equal footing to prevent offshore shift of the manufacturing and resources for better competitiveness for the industry.

Mr. Edano said Japanese steel and automobile industry should change business model while Japanese industry had grown through export by utilizing better price competitiveness since Meiji period. He said the industry should seek higher value products while Japanese industry should be severe in low price oriented markets. He said Japanese industry should focus on domestic market as base cargo for Japanese economy when Japanese economic entities have built wealth accumulation for 60 years since World War II. He said Japanese government should encourage better domestic demand in various economic policies while the government improves social security in longer term.

Mr. Edano offshore shift is based on each business condition. However, he said equal footing can prevent some of the shift to keep domestic employment. He said Japanese tax system is unreasonable especially on automobile and METI tries to revise the system to prevent offshore shift while he recognizes Japanese corporate tax is handicap for international competitiveness.

Mr. Edano Japanese buyers should diversify sources of rare earth to minimize the sourcing risk. He said METI secures own offshore mining rights including iron ore and coal by utilizing higher yen rate. He expects with the captive resource advantage, Japanese industry can secure international competitiveness even with domestic operations.

Mr. Edano said Japanese dependence on oil could increase in mid-term when oil price should increase under higher demand by China and emerging countries. He said METI tries to secure stable supply of oil despite of the effort to reduce the oil dependence.

Mr. Edano said rebuilding of damaged area by the major earthquake should be managed in balanced functions including energy, food and medical and caring services while the rebuilding is led by the special agency of Japanese government. He said METI also supports the rebuilding activity for better living environment through tie-up with local governments.



## High Ferrous Scrap Price in Tokyo Compared with Osaka

Ferrous scrap market price is strong around Tokyo and around Osaka. Electric furnace steel makers increased ferrous scrap purchase price in September when the scrap supply gets tighter due to higher crude steel output with two three-day weekends in the month. However, the market price around Osaka is lower than the price around Tokyo when some makers around Osaka keep the purchase price unchanged.

A trading firm source sees some electric furnaces keep ferrous scrap purchase price unchanged under low steel selling price while the dealers are building inventory with expectation for price increase.

Electric furnaces' ferrous scrap purchase price around Tokyo is 35,500-36,500 yen per tonne for H2 grade and higher price is 37,500 yen. The price increased by 2,500-3,000 yen from the beginning of September. Local electric furnaces increase the scrap consumption when they increase the operation rate while the scrap supply stays at low level. The local scrap exporters' purchase price would gradually increase from around FAS 35,000 yen.

Electric furnaces' ferrous scrap purchase price is 35,000-35,500 yen per tonne for H2 grade around Osaka and some makers pay around 36,000 yen. One dealer source sees the makers could keep the purchase price unchanged in September while the dealers' scrap stock would decrease due to shipping for the joint export.

## Asia Hot Coil Market Price Rises by US\$ 20-30/t

Asian hot coil market price has increased by US\$ 20-30 to around CFR US\$ 740 per tonne in the latest month, according to Japanese large dealer source. Chinese, Taiwanese and Japanese steel makers recently launched price hike in order to improve their profitability. The market price maintained weak since 2Q 2011. Steel users are relatively positive against the hike offers, mainly in Southeast Asia entering the demand season.

On the other hand, European steel makers seem increasing hot coil export to West Asia, India or Middle and Near East due to uncertainty of European economy or downtrend of Euro exchange rate. Asian steel market is not stable.

Japanese integrated steel makers are trying to penetrate price hike. JFE Steel offered hot coil export price hike by US\$ 50 for September-October shipment. Other Japanese steel makers are also raising the offer prices when yen exchange rate stays at historically high level.

## Japan Imported Flat Steel Inventory Hit First Drop in 6 months

Japanese imported flat rolled steel inventory at quay around Tokyo and Osaka decreased by 4.7% or 8,000 tonnes to 162,000 tonnes at the end of August from July, which decreased for the first time in 6 months, according to Japanese major steel trading firm, Hanwa Co. The inventory decreased due to lower import. The inventory increased by 9.4% or 14,000 tonnes from a year earlier.

The flat rolled steel inventory decreased by 11.2% or 11,000 tonnes to 87,000 tonnes around Osaka at the end of August from July. The stock decreased by 11.1% or 1,000 tonnes to 8,000 tonnes for plate steel, by 11.1% or 4,000 tonnes to 32,000 tonnes for hot rolled coil and by 14.7% or 6,000 tonnes to 47,000 tonnes for cold rolled coil.

The inventory increased by 4.1% or 3,000 tonnes to 75,000 tonnes around Tokyo at the end of August from July. The stock was 10,000 tonnes for plate as July. The stock increased by 14.2% or 5,000 tonnes to 40,000 tonnes for hot rolled coil while the stock decreased by 7.4% or 2,000 tonnes to 25,000 tonnes for cold rolled coil.

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## Non Ferrous Metal News

### FEIC Strengthens Collaboration with Furukawa Electric Group's Offshore Bases

Furukawa Electric Industrial Cable (FEIC), Japanese major electric cable maker and a wholly-owned subsidiary of Furukawa Electric, is strengthening business collaboration with Furukawa Electric's overseas sites. FEIC plans to send engineers to Huatong Furukawa (Tangshan) Cable, a joint rubber cable company in China while seeks organic cooperation with Furukawa Electric's sales base in Indonesia. Meanwhile, FEIC smoothly started OEM (original equipment manufacturing) of 6kV XLPE cable in China and the first OEM cables will be delivered to Japanese electric contractor this autumn.

Furukawa Electric has currently advanced out-out strategy to manufacture electric wires and cables at overseas and sell the products to overseas market. FEIC is regarded as one of core companies of this Group strategy.

Huatong Furukawa (Tangshan) Cable is operated by Hebei Huatong Wires & Cables Group, Chinese major

electric cable maker, with 55% controlling shares and Furukawa Electric Group with rest 45% shares. FEIC holds 30% shares.

The joint company plans to supply rubber electric cables mainly in China where investment is expanding to electric power and industrial infrastructures. Furukawa Electric also aims to sell rubber cables and other related items in Southeast Asia, the U.S.A., Russia and the Middle and Near East. FEIC plans to send a few engineers to the joint company in order to provide more technological services to broad customers.

In Indonesia, Furukawa Electric opened a sales office in Jakarta at the end of 2010. FEIC eyes local demand growth for electric wires and cables used for infrastructures in Indonesia and Southeast Asia. FEIC tries to deepen business collaboration with Furukawa Electric's sales office and Furukawa Electric's affiliate company in Indonesia, PT Sucaco, to follow the market expansion.

As for OEM of 6kV XLPE cables mainly used inside buildings and plants, FEIC commits the production to Hebei Huatong Wires & Cables Group. The trade volume is expected to reach 40 tonnes per month in future.

FEIC estimates its annual cable sales volume would total almost same year-on-year in fiscal 2011 ending in March 2012 while the full-year operating profit could reach 200 million yen and improve from the loss in fiscal 2010. FEIC plans to raise the sales ratio of high functional cables with high values, for example, electric cables for high speed railways, fast chargers for electric vehicles or power supply cables for pressure pumps under water.

## Weak Demand for Copper Alloy Products in Industrial Fields

Market demand maintains weak for copper alloy products such as plate, busbar and bar those which are used mainly in industrial fields. The demand was expected to increase for redevelopment of disaster areas hit by the Japan Earthquake. However, Tokyo based dealer source said the demand increased very temporarily just after the earthquake and turned downward after the momentary boom. The demand is also weak for overseas plants due to hyper-strong yen trend.

Copper and copper alloy plates and bars are mainly used for heavy electric facilities as well as for industrial facilities including electric power generation and transmission and semiconductor manufacturing equipments. The demand was expected to increase for restoration and reconstruction of buildings, plants, electrical substations and telecommunication bases in disaster areas of North Japan.

The orders sharply increased from the users and wholesalers just after the earthquake in mid March through April. One copper plate maker said the production volume temporarily increased by about 20% compared with the pre-disaster level. However, the momentary boom settled down in mid May and the orders gradually decreased by August.

The demand seems to be hitting bottom in September. Car makers and related component makers are aggressively raising operation rate and then the demand is generating for expendable parts in production facilities. Meanwhile, the demand is not as strong as the pre-disaster level yet. One copper alloy product dealer in Tokyo is concerned that the demand may decrease for exporting plant machines and cars due to hyper-strong yen trend against US dollar.

## Yazaki Establishes New Auto Wiring Harness JV in Zhejiang

Yazaki Corporation announced on September 13 the firm established a new automotive wiring harness joint company in China in cooperation with Chinese major automaker, Geely Automobile and Geely Group's automotive wiring harness maker, Geely Electric Appliance Factory. The joint company will launch the plant construction at the end of September and start commercial supply of automotive wiring harness to Geely Automobile in July 2012. The joint company plans to hire total 3,500 employees and aims annual revenue at 1 billion yuan (approximately 12 billion yen) in 2016.

The joint company is headed in Cixi City, Zhejiang Province of China. The capital fund is 75 million yuan, 60% of share controlled by Yazaki (China) Investment Corporation, Yazaki's wholly-owned subsidiary in China, and rest 40% by Geely Group.

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