

For Six Month Period Ending JUNE 29, 2004
(Insert date)

I - REGISTRANT

1. (a) Name of Registrant

(b) Registration No. **3544**

CHARLES E. BUTLER & ASSOCIATES

d/b/a Japan Steel Information Center
(c) Business Address(es) of Registrant

60 East 42nd Street
Room 757
New York, NY 10165

2. Has there been a change in the information previously furnished in connection with the following:

- | | | | |
|--|------------------------------|--|-----------|
| (a) If an individual: | | | |
| (1) Residence address | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> | |
| (2) Citizenship | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> | |
| (3) Occupation | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> | |
| | | | XX |
| (b) If an organization: | | | |
| (1) Name | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> | |
| (2) Ownership or control | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> | |
| (3) Branch offices | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> | |
| (c) Explain fully all changes, if any, indicated in items (a) and (b) above. | | | |

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OCT 15 AM 11:12
GENERAL INVESTIGATION UNIT

IF THE REGISTRANT IS AN INDIVIDUAL, OMIT RESPONSE TO ITEMS 3, 4, AND 5(a).

3. If you have previously filed Exhibit C¹, state whether any changes therein have occurred during this 6 month reporting period.
Yes No

If yes, have you filed an amendment to the Exhibit C? Yes No

If no, please attach the required amendment.

¹ The Exhibit C, for which no printed form is provided, consists of a true copy of the charter, articles of incorporation, association, and by laws of a registrant that is an organization. (a waiver of the requirement to file an Exhibit C may be obtained for good cause upon written application to the Assistant Attorney General, Criminal Division, Internal Security Section, U.S. Department of Justice, Washington, D.C. 20530.)

4. (a) Have any persons ceased acting as partners, officers, directors or similar officials of the registrant during this 6 month reporting period? Yes No

If yes, furnish the following information:

Name	Position	Date Connection Ended
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(b) Have any persons become partners, officers, directors or similar officials during this 6 month reporting period? Yes No

If yes, furnish the following information:

Name	Residence Address	Citizenship	Position	Date Assumed
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5. (a) Has any person named in item 4(b) rendered services directly in furtherance of the interests of any foreign principal? Yes No

If yes, identify each such person and describe his service.

(b) Have any employee or individuals, who have filed a short form registration statement, terminated their employment or connection with the registrant during this 6 month reporting? Yes No

If yes, furnish the following information:

Name	Position or connection	Date terminated
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(c) During this six month reporting period, has the registrant hired as employees or in any other capacity, any persons who rendered or will render services to the registrant directly in furtherance of the interests of any foreign principal(s) in other than a clerical or secretarial, or in a related or similar capacity? Yes No

If yes, furnish the following information:

Name	Residence Address	Citizenship	Position	Date Assumed
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6. Have short form registration statements been filed by all of the persons named in Items 5(a) and 5(c) of the supplemental statement? Yes No

If no, list names of persons who have not filed the required statement.

II - FOREIGN PRINCIPAL

Has your connection with any foreign principal ended during this 6 month reporting period?
 Yes No

If yes, furnish the following information:

Name of foreign principal

Date of termination

8. Have you acquired any new foreign principal² during this 6 month reporting period?
 Yes No

If yes, furnish following information:

Name and address of foreign principal

Date acquired

9. In addition to those named in Items 7 and 8, if any, list foreign principals² whom you continued to represent during the 6 month reporting period.

THE JAPAN IRON & STEEL FEDERATION (JISF)

10. EXHIBITS A AND B

(a) Have you filed for each of the newly acquired foreign principals in Item 8 the following:

Exhibit A ³	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Exhibit B ⁴	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

If no, please attach the required exhibit.

(b) Have there been any changes in the Exhibits A and B previously filed for any foreign principal whom you represented during this six month period? Yes No

If yes, have you filed an amendment to these exhibits? Yes No

If no, please attach the required amendment.

2 The term "foreign principal" includes, in addition to those defined in section 1(b) of the Act, an individual organization any of whose activities are directly or indirectly supervised, directed, controlled, financed, or subsidized in whole or in major part by a foreign government, foreign political party, foreign organization or foreign individual. (See Rule 100(a)(9)). A registrant who represents more than one foreign principal is required to list in the statements he files under the Act only those principals for whom he is not entitled to claim exemption under Section 3 of the Act. (See Rule 208.)

3 The Exhibit A, which is filed on form CRM-157 (Formerly OBD-67) sets forth the information required to be disclosed concerning each foreign principal.

4 The Exhibit B, which is filed on Form CRM-155 (Formerly OBD-65) sets forth the information concerning the agreement or understanding between the registrant and the foreign principal.

III - ACTIVITIES

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11. During this 6 month reporting period, have you engaged in any activities for or rendered any services to any foreign principal named in Items 7, 8, and 9 of this statement? Yes No

If yes, identify each such foreign principal and describe in full detail your activities and services:

(SEE ATTACHED -- QUESTION 11)

-
12. During this 6 month reporting period, have you on behalf of any foreign principal engaged in political activity⁵ as defined below? Yes No

If yes, identify each such foreign principal and describe in full detail all such political activity, indicating, among other things, the relations, interests and policies sought to be influenced and the means employed to achieve this purpose. If the registrant arranged, sponsored or delivered speeches, lectures or radio and TV broadcasts, give details as to dates, places, of delivery, names of speakers and subject matter.

(SEE ATTACHED -- QUESTION 12)

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13. In addition to the above described activities, if any, have you engaged in activity on your own behalf which benefits any or all of your foreign principals? Yes No

If yes, describe fully.

⁵ The term "political activities" means any activity that the person engaging in believes will, or that the person intends to, in any way influence any agency or official of the Government of the United States or any section of the public within the United States with reference to formulating, adopting or changing the domestic or foreign policies of the United States or with reference to political or public interests, policies, or relations of a government, a foreign country or a foreign political party.

IV - FINANCIAL INFORMATION

14. (a) RECEIPTS-MONIES

During this 6 month reporting period, have you received from any foreign principal named in Items 7, 8, and 9 of this statement, or from any other source, for or in the interests of any such foreign principal, any contributions, income or money either as compensation or otherwise? Yes No

If no, explain why.

If yes, set forth below in the required detail and separately for each foreign principal an account of such monies⁶

Date	From Whom	Purpose	Amount
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(SEE ATTACHED -- QUESTION 14a)

Total

(b) RECEIPTS - FUND RASING CAMPAIGN

During this 6 month reporting period, have you received, as part of a fund raising campaign⁷, any money on behalf of any foreign principal named in items 7, 8, and 9 of this statement? Yes No

If yes, have you filed an Exhibit D to your registration? Yes No

If yes, indicate the date the Exhibit D was filed. Date _____

(c) RECEIPTS-THINGS OF VALUE

During this 6 month reporting period, have you received any thing of value⁹ other than money from any foreign principal named in Items 7, 8, and 9 of this statement, or from any other source, for or in the interests of any such foreign principal?

Yes No

If yes, furnish the following information:

Name of foreign principal	Date received	Description of thing of value	Purpose
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^{6, 7} A registrant is required to file an Exhibit D if he collects or receives contributions, loans, money, or other things of value for a foreign principal, as part of a fund raising campaign. (See Rule 201(e).)

⁸ An Exhibit D, for which no printed form is provided, sets forth an account of money collected or received as a result of a fund raising campaign and transmitted for a foreign principal.

⁹ Things of value include but are not limited to gifts, interest free loans, expense free travel, favored stock purchases, exclusive rights, favored treatment over competitors, "kickbacks," and the like.

15. (a) **DISBURSEMENTS-MONIES**

During this 6 month reporting period, have you

(1) disbursed or expended monies in connection with activity on behalf of any foreign principal named in Items 7, 8, and 9 of this statement? Yes No

(2) transmitted monies to any such foreign principal? Yes No

If no, explain in full detail why there were no disbursements made on behalf of any foreign principal.

If yes, set forth below in the required detail and separately for each foreign principal an account of such monies, including monies transmitted, if any, to each foreign principal.

Date	To Whom	Purpose	Amount
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JISF

(SEE ATTACHED -- QUESTION 15)

Total

(b) **DISBURSEMENTS-THINGS OF VALUE**

During this 6 month reporting period, have you disposed of anything of value¹⁰ other than money in furtherance of or in connection with activities on behalf of any foreign principal named in Items 7, 8, and 9 of this statement?

Yes No

If yes, furnish the following information:

Date disposed	Name of person to whom given	On behalf of what foreign principal	Description of thing of value	Purpose
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(c) **DISBURSEMENTS-POLITICAL CONTRIBUTIONS**

During this 6 month reporting period, have you from your own funds and on your own behalf either directly or through any other person, made any contributions of money or other things of value¹¹ in connection with an election to any political office, or in connection with any primary election, convention, or caucus held to select candidates for political office?

Yes No

If yes, furnish the following information:

Date	Amount or thing of value	Name of political organization	Name of candidate
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^{10, 11} Things of value include but are not limited to gifts, interest free loans, expense free travel, favored stock purchases, exclusive rights, favored treatment over competitors, "kickbacks" and the like.

V - INFORMATIONAL MATERIALS

16. During this 6 month reporting period, did you prepare, disseminate or cause to be disseminated any informational materials¹²?
Yes No

IF YES, RESPOND TO THE REMAINING ITEMS IN SECTION V.

17. Identify each such foreign principal.

THE JAPAN IRON & STEEL FEDERATION

18. During this 6 month reporting period, has any foreign principal established a budget or allocated a specified sum of money to finance your activities in preparing or disseminating informational materials? Yes No

If yes, identify each such foreign principal, specify amount, and indicate for what period of time.

THE JAPAN IRON & STEEL FEDERATION (JISF)
FROM DEC. 29, 2004 - JUNE 29, 2004 (SEE PAGE 5 - QUESTION 14)

19. During this 6 month reporting period, did your activities in preparing, disseminating or causing the dissemination of informational materials include the use of any of the following:

- Radio or TV broadcasts
- Magazine or newspaper articles
- Motion picture films
- Letters or telegrams
- Advertising campaigns
- Press releases
- Pamphlets or other publications
- Lectures or speeches
- Internet
- Other (specify) _____

20. During this 6 month reporting period, did you disseminate or cause to be disseminated informational materials among any of the following groups:

- Public Officials
- Newspapers
- Libraries
- Legislators
- Editors
- Educational institutions
- Government agencies
- Civic groups or associations
- Nationality groups
- Other (specify) _____

21. What language was used in the informational materials:

- English
- Other (specify) _____

22. Did you file with the Registration Unit, U.S. Department of Justice a copy of each item of such informational materials disseminated or caused to be disseminated during this 6 month reporting period? Yes No

23. Did you label each item of such informational materials with the statement required by Section 4(b) of the Act? Yes No

12 The term informational materials includes any oral, visual, graphic, written or pictorial information or matter of any kind, including that published by means of advertising, books, periodicals, newspapers, lectures, broadcasts, motion pictures, or any means or instrumentality of interstate or foreign commerce or otherwise. Informational materials disseminated by an agent of a foreign principal as part of an activity in itself exempt from registration, or an activity which by itself would not require registration, need not be filed pursuant to Section 4(b) of the Act.

VI--EXECUTION

In accordance with 28 U.S.C. § 1746, the undersigned swear(s) or affirm(s) under penalty of perjury that he/she has (they have) read the information set forth in this registration statement and the attached exhibits and that he/she is (they are) familiar with the contents thereof and that such contents are in their entirety true and accurate to the best of his/her (their) knowledge and belief, except that the undersigned make(s) no representation as to truth or accuracy of the information contained in the attached Short Form Registration Statement(s), if any, insofar as such information is not within his/her (their) personal knowledge.

(Date of signature)

10/5/04

(Type or print name under each signature¹³)

Charles Butler 10/5/04

CHARLES BUTLER

2004 OCT 15 AM 11:13
CRM/ISS/REGISTRATION UNIT

¹³ This statement shall be signed by the individual agent, if the registrant is an individual, or by a majority of those partners, officers, directors or persons performing similar functions, if the registrant is an organization, except that the organization can, by power of attorney, authorize one or more individuals to execute this statement on its behalf.

III. ACTIVITIES

QUESTION 11

For the Registrant, The Japan Iron & Steel Federation (JISF), we followed various developments in the United States relating to U.S.-Japan steel trade and also exchanged views - for informational purposes - with a variety of audiences

The Registrant also reports on studies, comments, statistics, etc., on a regular basis.

Among the activities undertaken were the following:

- Tampa Port Authority (Feb. 12-13, Tampa, FL): Attended conference and provided report to client.
- AIIS Annual Convention (Mar. 14-15, Las Vegas, NA): Attended conference where Masato Mori, President, Nippon Steel USA, Inc. made a presentation and provided report to client.
- AISI Annual Meeting (May 2-4, San Francisco, CA): Attended conference and provided report to client.
- AWMI Chicago Chapter Meeting (May 12-13, Chicago, IL): Attended meeting where Atsushi Nakamura, President, Sumitomo Metal USA made a presentation and also provided report to client.
- ASD Regional Meeting (Atlantic City, NJ): Attended and gave report.
- Steel Success Strategies (June 22-23, New York City, NY): Attended this 2-day meeting and also provided reports on various speakers.

✦ Press Contacts:

Had a variety of contacts with press representatives during the period and provided background information and comments. These press individuals included a number of trade publications in Pittsburgh, daily newspapers in Pennsylvania, Ohio, Illinois, West Virginia, Alabama, Washington, DC, New York, California, among others. Contacts with various wire services, financial writers.

✦ **Intelligence Report:**

Provided one or two reports weekly to the client to provide them with information on developments in the U.S. Distribution was also made to various member companies and others.

✦ **Other Reports:**

Also gathered various information from newspapers and websites and provided to client.

III. ACTIVITIES

QUESTION 12

For the Registrant, The Japan Iron & Steel Federation (JISF), during the six-month period through June 29, 2004, the activities included:

- ✦ **Speeches:** On behalf of the Registrant, CBA developed speech opportunities including:
- American Institute for International Steel Convention (Mar. 15, Las Vegas, NV): Masato Mori, President & CEO, Nippon Steel U.S.A. spoke at this annual event.
 - Association of Women in the Metals Industries (May 12, Chicago, IL): Atsushi Nakamura, President of Sumitomo Metal U.S.A. Corp. made a speech at this event.
 - Steel Success Strategies (June 22, New York City, NY): Masato Mori, President & CEO of Nippon Steel U.S.A. Inc. spoke at this annual event co-sponsored by *American Metal Market* and World Steel Dynamics.

✦ **Press Contacts:**

Discussed steel trade issues with a number of journalists on several occasions over the 6-month period. Most of these discussions were via telephone although some occurred at industry meetings.

Among the press contacted: Nancy Kelly, *American Metal Market*, Tom Balcerek, *Metal Bulletin*, Richard Lawrence, *Journal of Commerce*, Guy Matthews, *The Wall Street Journal*, among others.

Others:

Some of the major subjects discussed either by telephone, in person or through news releases, included comments on steel trade case filing, import tonnage into the U.S., overcapacity in steel.

2004 OCT 15 AM 11:00
COMMUNICATIONS
REGISTRATION UNIT

IV. - FINANCIAL INFORMATON

Question 14 (a) Receipts-Monies

<u>Date</u>	<u>For Whom</u>	<u>Purpose</u>	<u>Amount</u>
From Jan. 1, 2003 Thru June 29, 2003	JISF (JAPAN IRON & STEEL FEDERATION TOKYO, JAPAN)	FEE	<u>\$42,000</u>
	JISF (JAPAN IRON & STEEL FEDERATION TOKYO, JAPAN)	EXPENSES	<u>\$14,455</u>
			<u>\$56,555</u>

2004 OCT 15 AM 11:13
CRM/ISS/REGISTRATION UNIT

IV. FINANCIAL INFORMATION

Question 15 (c) Disbursement-Monies

<u>DATE</u>	<u>PRINCIPAL SUPPLIERS</u>	<u>PURPOSE</u>	<u>AMOUNT</u>
For Period	Miscellaneous	Phone/Faxes & Machine/In-House Mail	\$ 3,900.00
" "	American Express	Luncheons, hotels, travel, others	6,712.00
" "	Various	Postage/FedEx	78.00
" "	AM M Steel Success Strategies	Registration	1,100.00
" "	Tampa Steel Conference	Registration	150
" "	Tampa Port Authority	Registration	150.00
" "	Cash Outlays	Cabs, cocktails, tips, copies	585.00
" "	Helmsley-Spear	Office Space	4,760.00
			<u>\$ 12,525.00</u>

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 CON/CS/REGISTRATION UNIT

Japan Steel Information Center

60 EAST 42ND STREET, NEW YORK, NEW YORK 10165/212-687-2481/212-687-3357 (FAX)

Presentation by

Masato Mori, President & CEO, Nippon Steel U.S.A., Inc.

At American Institute for International Steel Convention

March 15, 2004, Las Vegas, NV

2004 OCT 15 11:11 AM
CENTRAL REGISTRATION UNIT

I. Introduction:

Nippon Steel Corporation which I represent here has a long history of relationship with China. In 1974 we provided Wuhan Steel with technical assistance. Beginning in 1978 we have extended a full range of cooperation in the construction and start up of Shanghai Baosteel, which today remains the largest integrated steel company in China. Just last year we signed an agreement with Baosteel to form a joint venture company to produce and market automotive steel in China.

We have maintained good communications with the China Iron & Steel Association as well as our partner company. China depends a great deal on imports from Japan and we have a large number of customers there.

Having said that, to be honest with you, there are many questions about the possible future of the Chinese economy and its steel industry. Numerous reports and analyses have been written on China. Surely, it ought to be an intellectually challenging task to predict the future of that country.

II. Characteristics of Chinese Economy

Now, please see Table 1. The most salient fact that I want to show you in this table is the extremely high rate of investment in capital assets. Fixed capital formation constituted 47% of GDP, an extraordinarily high percentage. This compares with capital assets investment in the U.S. accounting for about 15%. The rate of growth of Chinese capital assets investment was a staggering 27%.

Table 2 shows where the capital assets investments occurred. The largest such investment was in real estate, followed by electric utilities. Also noteworthy were investments in chemicals and steel. In particular, steel investment was up 87%. With huge fixed capital investments, the Chinese economy creates an enormous demand for steel.

III. Steel Consumption in China

I have here with me some reports prepared by the Japan Technical Information Service, a wholly-owned subsidiary of Nippon Steel Corporation.

Please look at Fig. 1. In countries where per capita GDP is up to about \$15,000, the higher the GDP gets, the higher the steel consumption. We should note that China's GDP is still \$1,000 per head.

Let's look at Fig. 2. This chart shows the so-called "steel intensity" which is widely known. What is interesting here is the very high level of steel intensity in China. This may be explained by the large population, the need to build infrastructure and develop heavy industry as well as the lack of other materials. These figures indicate the possibility that steel consumption in China will greatly increase in the future.

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IV. China's Steel Industry Today:

Now, let us look at the present condition of the steel industry in China.

1. Production and Consumption

Please look at Table 3, showing the numbers compiled by CISA. According to this table, raw steel production in China during 2003 reached about 220 million tons. (By the way, all are in metric tons.) Thus, China became the world's largest steel producer for the 8th consecutive year. It was the first country in the world that alone produced raw steel in excess of 200 million tons.

The shipment of steel mill products came to about 240 million tons and apparent steel consumption totaled 271.4 million tons.

One word of caution. As Chinese themselves acknowledge, the above statistics include some double counting, which we suspect to be as much as 20 million tons. The correct apparent consumption, therefore, seems to be close to 250 million tons. CISA is now working to better organize their statistics with the help of the Japan Iron & Steel Federation.

2. Product category

As shown in Fig. 3, unlike in Japan, Chinese produce mostly long products, which supply most of the domestic market, including the construction market that alone represents about 60% of it. So, they import few long products.

On the other hand, they can supply only about 70% of the domestic flat-rolled market. Besides, they have quality problems. As a result, they rely on imports to meet their needs for higher-quality flat-rolled products. Fig. 4 shows the breakdown of imported products and Fig. 5 shows China's dependency on such imports.

3. Size of companies:

A remarkable feature of the Chinese steel industry is the large number of small-scale producers. Fig. 6 shows that the 25 largest Chinese producers account for no more than 65% of the market. This compares with an 80%-share held by 5 major producers in Japan and about the same share pattern in the U.S.

Small-scale producers are lagging behind in developing capability to produce high-quality steel which requires large capital spending and advanced technology.

V. Future of China's Steel Industry

Let us look at the forecast made by CISA last year. According to this, as shown in Table 5, there will be a huge surplus capacity in 2005 and 2010. Fig. 7 shows this situation in a graphic form. The demand for 2005 appears to level off from the present and the forecast for 2010 is not high. It is possible that this is a deliberately

subdued forecast intended to deter new plant construction. But this forecast gives us concern that we will face overcapacity in the future.

2. Outlook for 2004

Let's look at what's likely to happen during the balance of this year. In terms of general economy, it seems that GDP will grow by 7 to 8% in 2004, and capital assets investment and industrial production, each by about 15%.

Since both fixed assets investment and industrial production are projected to increase at a higher rate than GDP, they should provide the underpinnings for a strong expansion in steel demand. A downside risk may exist in disruptions in the upward trend of fixed capital formation and industrial production. However, given the continued expansion of the world economy, industrial production is less likely to suffer a setback. This would seem to mean that steel consumption can increase at 10% or more and reach 275 million tons or more, after deducting double counting.

On the other hand, due to short supply of electric power, water, and raw materials, we should anticipate reduced production on the part of steel users, as well as by steel makers.

Impact of a possible revaluation of the RMB cannot be underestimated. It would have negative effects, but it would also enhance China's buying power.

3. Near-term outlook for steel demand and supply

Now, let's turn to a near-term outlook. As demand goes up during the April - June period because of seasonal reasons, higher prices seem assured for all products.

Since it is unlikely that inventory buildup will occur through the end of June, prices are likely to stay high or go higher during and after the July - September period.

It is also true that continued economic growth will reinforce its structural contradictions, which could lead to adjustment. A temporary adjustment could occur during the July - September period when power shortage could get worse. If that should come to pass, real demand may fall temporarily and prices of some products may come down. However, given the underlying strength of steel demand continuing, prices may soon recover.

Market for long products being soft, there is a risk for lower prices. On the other hand, flat products are basically in short supply. Therefore, even if their prices should fall, the decline may be minor and the generally tight market should persist. It should be in the interest of both suppliers and users if prices become stabilized to reflect such market.

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Japan Steel Information Center

60 EAST 42ND STREET, NEW YORK, NEW YORK 10165/212-687-2481/212-687-3357 (FAX)

Presentation by

Atsushi Nakamura, President, Sumitomo Metal U.S.A. Corp.

at the

Association of Women in the Metal Industries

Chicago, IL, May 12, 2004

2004 OCT 15 11:00 AM
COMMUNICATIONS UNIT

Introduction:

It's a great pleasure to be here this evening to address the Association of Women in the Metal Industries Chicago Chapter. I understand that you've heard from other Japanese steel speakers in the past and that these meetings have been informative. I hope that you will also find my comments of interest. And I do look forward to your questions.

First though let me tell you a little about Sumitomo Metal Industries. We're the third largest steel producer in Japan and we produce a wide range of products including flat-rolled, seamless steel tubes and pipes, railway, automotive & machinery parts, wire rods.

I work for the U.S. subsidiary. We established Chicago office in 1968. And we relocated our head office to the heartland of American industrial production 10 years ago after being in New York for 35 years.

We are the only Japanese Steel manufacturer who has head office here in Chicago. I love Chicago land.

U.S. Trade:

In the distant past, Sumitomo Metals and other Japanese steelmakers exported several million tons of steel to the United States, but in recent years the tonnage has been very low. Last year it was a million tons.

This chart highlights the major foreign steel importers into the United States. This and other information is also contained in a fact sheet that has been distributed. As you can see last year we were shipped about the same amount as Turkey.

The popular history of steel trade would seem to indicate that our tonnage is much higher. Even China and Russia, two names that have been in the steel trade news for many years, are even lower than Japan.

So when you think of these statements made in recent years about unfair trading and dumping, you should know that your two neighbors, Canada and Mexico, account for almost 40 percent of total imports. On the other hand, Japan, China and Russia combined amount is less than 10 percent.

Japan Trade:

Our market for most of the past two decades has been Asia.

This chart shows our exports to Asia which accounted for almost 90 percent of total exports last year.

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Our major customers were Korea, China and Thailand. But all this does not imply that we don't hold the American market very important. We do have very specialized high valued steels which we continue to supply to our important customers. And many Japanese steel companies have joint ventures and other investments in the United States to provide required products to valued U.S. customers.

As for Sumitomo Metals, we have International Crankshaft Inc. which makes crankshafts in Kentucky. Western Tube & Conduit Corp. has a welded tubular mill in California and we have 5 other companies in United States.

For many years we were partners with LTV in two galvanizing lines. In recent years we sold our interest in both. It was personally sad when LTV closed because it absolutely made top quality steel. We had a profitable partnership.

China:

I understand from Ms. Atherton that your prime interest is our view on what's happening in China which has become the steel giant in just a few years.

To show you China's involvement in steel let me provide you with some statistics. Steel production in China is now double that of Japan and the United States. In just five years, China's steel output has almost doubled to 220 million tons and will continue to increase in the near future. In five more years some believe production could exceed 300 million tons.

China has a huge appetite for steel. Only 10 years ago the country consumed less than 100 million tons.

Steel demand is now over 250 million tons. That's more than the rest of Asia, including Japan.

This year China will consume about 30 percent of the world's steel. China Trade Statistics: China can't make enough steel to supply its needs and is the world's top importer of steel mill products. In the past five years steel imports have more than doubled and were 43 million tons last year. And, as you know, this situation has many Americans complaining - they blame China's appetite for steel as one of the reasons for higher prices.

I think it's somewhat ironic that this situation is now drawing complaints when it was only less than a decade ago that U.S. steelmakers were blaming Asia for low prices when the Asian Crisis occurred. China is the world's No. 1 importer of scrap and iron ore as well as steel.

Scrap imports have averaged between 8-10 million tons over the past few years. Iron ore imports in the past four years have more than doubled to around 150 million tons.

Iron ore and scrap prices have risen significantly as a result of China's demand. Also there is a shortage of ore carriers to provide the material to other customers.

Steel exports were less than 10 million tons and these are mostly long products made by small steelmakers.

On the other hand, Chinese mills can only supply about 70 percent of the flat-rolled market and they also have some quality problems. Therefore, Asian steel manufacturers have come to rely on imports to meet their needs for high quality flat-rolled materials. About 50 percent of value-added sheet consumed in China is imported.

About 70 percent of all imports are flat-rolled.

Investment in China:

Japanese steelmakers have set up a number of joint ventures with Chinese partners. Sumitomo Metal investments consist of a welded pipe mill which has been in operation for 3 years and a forging plant which will soon begin to produce crankshafts for automotive applications. We also recently announced our intent to construct a specialty steel plant to produce bars and forged products. We're very positive about the potential crankshaft business and expect to deal not only with Japanese transplants but also with American companies operating there.

Both Nippon Steel and JFE announced that they will be involved in a large-scale projects with Chinese producers. Nippon Steel's partner is Baoshan - China's largest producer and JFE is working with Guangzhou. Both projects involve the production of automotive steel. There are a number of other projects involving these and other Japanese steelmakers.

Small Steelmakers:

I have some additional thoughts on the Chinese steel industry: There is the large number of small-scale operations. The 25 largest Chinese producers account for no more than 65 percent of the market. In contrast, the top three producers in the United States account for more than half of this market and the situation is similar in Japan.

As I mentioned earlier, many producers are small tonnage operators and therefore they have problems developing capability to produce high quality steel since that requires a good deal of capital spending and the purchase of advanced technology.

Let me give you one example. In the province of Hebei, which contains Beijing, there are more than 300 blast furnaces and the average output per blast furnace is about 120,000 tons per year. As you know, that output is much smaller than a very small U.S. mini-mill. A typical Japanese blast furnace produces about 3-5 million tons a year. In the United States, the average blast furnaces are between 2 and 4 million tons. Furthermore, plans have been announced to build another 46 similar small-sized blast furnaces in the province.

Why build so small? Well the real problem is cost. These are all private independent operators who don't have the cash to invest in large-scale operations.

The government isn't happy with this situation and has made efforts to try to stop the construction of these small furnaces. Not only are they not as efficient as the larger operations but also they have major environmental problems since these operators can't afford to put the expensive environmental controls on these small-sized facilities.

Outlook:

Many ask if the Chinese growth in steel production and demand will continue into the future. My personal view is that the Chinese steel market will continue to make impressive gains for the near future. Some of the recent growth has come from additional steel demand created by infrastructure developments relating to the Beijing Olympics. Much more basic is the increase in manufacturing in China, especially automotive and appliance production. Since 2000, automotive production has more than doubled to about 4.5 million and passenger car output has tripled from about 600,000 to over 2 million.

Major manufacturers from the United States, Europe and Japan set up manufacturing operations. However, the current high prices in China for construction-type steel is encouraging additional expansion. These small-scale mills typically produce rebars, wire rods and other shapes for construction applications.

General Motors produced close to 150,000 vehicles last year. At the end of next year its Chinese capacity will be over 200,000 vehicles. Volkswagen is turning out almost 700,000 units and will produce 600,000 more within a few years.

Recently, General Motors said that its Asia earnings in 2003 quadrupled to \$275 million and most of that was due to demand in China.

Japanese carmakers, such as Toyota and Honda, plan to double their production within the next few years.

As Chinese wages continue to increase, consumers will be buying more and more luxury products made of steel. The Chinese economy is projected to maintain a strong pace. There will be more and more purchases.

Most believe that there is significant room for continued expansion, although there's always the problem of an overheated economy and short-term economic declines which will effect steel demand.

The GDP growth rate in China has been spectacular - in the past four years the average growth has been about eight percent. That compares with an average 2-3 percent growth rate for the rest of the world.

In the last several months, the GDP growth is running at an almost 10 percent rate and that concerns the Chinese government. They don't want an overheated economy and therefore they are now trying to cut lending as well as economic growth. Over the past few years, loans have increased substantially. Credit accounts are almost two-fifths of the country's GDP. There is a concern that huge and unsustainable investments could occur and there would be an asset bubble - similar to the bubble economy of Japan more than 10 years ago. There are some reports that real estate values have already begun to decline.

If this bubble breaks it would certainly affect steel demand and excess steel capacity would be created. What would certainly follow would be increased steel exports which, as mentioned, are now very low.

Let's just look at the investment in the Chinese steel industry alone. In the past two years Chinese steelmakers have spent \$7 billion annually for new equipment and this year and in the next few years it is expected that this amount will increase to \$9 billion a year.

Some analysts have evaluated the real value of this spending. Based on low costs in China they've come to a figure equivalent to around \$23 billion annually, if this spending level was applied to the United States.

The Chinese steel industry is competitive, even though they have such a large number of small steelmakers. Employment in steel has declined in the past five years despite the fact that production is has almost doubled. Trade restrictions have been basically removed and China is as liberal or more liberal than other Southeast Asian countries. They are competing in an open market.

The Japan-China Relationship

2003 OCT 15 AM 11:14
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Earlier I mentioned how much we depend on China for our own economic growth. Business Week, on April 26, estimated that 30 percent of Japan's economic output was tied directly to Mainland China. So what happens in China is closely related to what will happen in Japan today.

In Japan, we've seen the best economic recovery in more than a decade. Last year our GDP growth was up 2.7 percent in real terms and is likely to reach three percent this year. Manufacturers are doing well. Stock prices were up over 50 percent last year.

Steelmakers were running at full capacity due partly to strong exports, but also to a rebound in the Japanese economy. Domestic demand increased from the automotive, shipbuilding and industrial machinery sectors last year. Steel plates were up almost 15 percent because of growth in shipbuilding and sheet output was ahead by almost 2 percent.

Steel prices have been on the increase and Japanese steelmakers have been showing very good profits. China is at least partially responsible for most of these developments.

In Japan we do have problems such as non-performing loans but the real threat is the possible economic train wreck in China. This would have major repercussions not only for Japan but for all of Asia. We hope the government stays on top of that situation as it appears they have and that growth is steady and not erratic.

There has been some U.S. concern about the Chinese currency. There have been number of groups in the United States including steel associations, who want a free float of the yuan, rather than the current situation where it's pegged directly to the dollar. Manufacturers in the United States feel China has an unfair advantage and that its currency is undervalued.

But others note that if there's a sharp increase in the value of the currency, it could damage economic growth in China.

Here are some additional statistics on how the Chinese steel industry fits in with the rest of the world. China's steel demand increased almost 22 percent last year and is expected to go up another 13 percent this year to 290 million tons.

This table shows how China fits in with the other countries of Asia as well as the Pacific. While China has been growing at a 22 percent rate over the past 3 years, demand in Japan has been stagnant. Other countries, including Korea and Taiwan, have shown good gains.

Let me conclude by just showing another set of statistics. In 1999 China was the largest steelmaker in the world but still close to the United States and Japan. Look what has happened in just four years. And most think that growth rate will continue at least the next four to five years.

One final note: Japanese steel output last year - at almost 111 million tons - was the highest in more than a dozen years.

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2004 OCT 15 11:14
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Steel Success Strategies XIX - *"The Age of Metallics"*

Panel II - Global Steel: Upstream Integration The Key to Success

June 22, 2004, The Plaza Hotel, New York, N. Y

2004 OCT 15 AM 11: 14
CRIMES/REGISTRATION UNIT

1. Supply and Demand of Steel in the World

Today, you cannot talk about the world's steel industry without talking about China's impact on it. From 2001 to 2004 world steel demand is estimated to increase by 20%, due mostly to expanded demand in Asia. Asia will see an increase of 36%, while the rest of the world is expected to grow only by 5%. In particular, China's growth in demand is expected to be a remarkable 67%.

To respond to this increasing demand in Asia, production has been rising in Asia also. In 2003 China, Japan and Korea together produced 40% of the world crude steel.

2. Strengths of Nippon Steel

In addition to its proximity to growing East Asian markets, Nippon Steel enjoys certain inherent advantages: We have a large supply capability beginning with the procurement and processing of raw materials; the quality of our products and our capacity for technical development are highly reputed throughout the world; we have built a solid customer base with many internationally competitive steel users in Japan and abroad; we have strong partnerships, including joint ventures, with a number of leading steel companies around the world; and we have many subsidiaries and affiliates forming Nippon Steel Group with extensive expertise in distribution and processing.

3. Stable Sourcing of Raw Materials and Large-Blast Furnaces

One of the most important prerequisites of an integrated steel producer is its ability to procure raw materials on a stable basis. Prices of raw materials have surged recently due to the dramatic increase in demand in China.

Like everybody else, we have been impacted by an increase in costs due to soaring raw materials prices. Over many years, however, Nippon Steel has successfully secured a stable supply of raw materials by means of investments in mines as well as long-term contracts. For example, we recently signed a long-term 7 million-ton-per-year iron ore contract with CVRD in Brazil.

At the same time, we have increased our ability to use lower-grade materials and achieved cost reduction as a result.

We have taken steps to keep freight cost from rising. Approximately 80 to 90% of our raw materials are carried to Japan on vessels under long-term contracts; about 60% of the total shipments arrive on large-sized ships chartered for exclusive use by Nippon Steel.

The location of all of our steel works on the coast with deepwater port facilities gives us an added advantage in cost-saving by having large vessels unload raw materials directly into our plants.

All of these measures have helped us maintain our raw materials procurement on a stable and low-cost basis.

Nippon Steel operates a number of blast furnaces, each embodying the world's highest level of technology and has accumulated a wealth of operating know-how. Since 2000 we have relined 4 blast furnaces and fitted them with state-of-the-art equipment. Among them the one in the Oita Works now boasts the world's largest furnace volume. These up-to-date blast furnaces are the key to achieving a high-level of productivity.

In terms of capital spending, Nippon Steel has been consistent in allocating a significant portion of its overall budget for this purpose, while steadily reducing the interest-bearing debt at the same time. During the last 5 years its capital investment totaled about \$6 billion.

4. High Quality Products and High Market Share Favored by First-rate Customers

As an integrated producer, we have the technology, focused management and dedicated work force to produce a whole range of products whose reputation for high quality is known throughout the world.

In Japan we enjoy a top market share in high value-added products, such as high tensile strength steel, galvanized steel sheets for automobiles, electrical steel, rails, etc.

In Asia, we also supply high-quality steel to our customers establishing operations there and retain our top market share in automotive flat steel.

5. International Operations

By 2003, as a result of a series of industry consolidations, the makeup of the world's largest players has changed. I want to point out here that Nippon Steel has formed strategic alliances with almost all of the leading producers shown on this chart.

In keeping with the progress of economic globalization, many Japanese auto companies and appliance makers established their production facilities abroad. In response to their request to supply them with high-quality flat-rolled steel, Nippon Steel has established joint ventures with leading partners. For example, In the United States we operate I/N Tek and I/N Kote, both with Ispat Inland, and in China, we have a joint venture with Bao Steel, in which Arcelor is also participating.

6. Conclusion:

Nippon Steel expects to continue making maximum use of its ability to produce high-grade products made possible by its fully integrated operation.

Nippon Steel is charting its course as a global company, pursuing its strategic alliances and joint ventures, and endeavors to retain its top position in an industry undergoing consolidation.

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2004 OCT 15 AM 11: 14
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