



News Release

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Nippon Steel Corporation

Equity Investment in Vallourec S.A. through the Rights Issue and Transfer of Shares in Vallourec Soluções Tubulares do Brasil S.A.

Nippon Steel Corporation (Nippon Steel) is pleased to announce that it has reached an agreement with Vallourec S.A. (Vallourec), an important strategic partner in the pipe and tube business, regarding Nippon Steel's participation in the share capital increase proposed by Vallourec in the form of a rights offering to subscribe to new Vallourec shares, with preferential subscription rights for existing shareholders (Rights Issue).

For more than 40 years, Nippon Steel and Vallourec have established and maintained strong partnership through cooperation in developing VAM® premium joints for OCTG business, as well as operating joint ventures in Brazil, USA and Asia. Since 2016, Nippon Steel and Vallourec have accelerated the VAM® premium joint development programs, and have expanded the scope of cooperation to include industrialization and enhanced customer service capabilities.

In April, 2020, Vallourec's general meeting approved to raise new equity of EUR 800 million through a Rights Issue in order to strengthen its balance sheet. However, the rapid change in the market environment, impacted by the spread of COVID-19 worldwide, had made it difficult for Vallourec to implement the planned Rights Issue. In September 2020, Vallourec commenced a financial restructuring process under the French law. Vallourec has announced its agreement with some of its key creditors on the main terms and conditions of Vallourec's financial restructuring plan, including a new Rights Issue of EUR 300 million, which will be implemented subject to approvals by the creditors' committees, general meeting of shareholders and the French Commercial Court.

The strengthened financial stability of Vallourec will provide a robust foundation for Nippon Steel to continue the cooperation with Vallourec, which is an important strategic partner in the pipe and tube business. Nippon Steel will pursue to increase the profitability of its pipe and tube business by enhancing and accelerating, together with Vallourec, the development, industrialization and customer service regarding VAM® premium joints. With this objective, Nippon Steel has decided to subscribe to the new shares to be issued by Vallourec through the Rights Issue for an amount of EUR 35 million.

In Brazil, Nippon Steel and Vallourec have continued efforts to improve the financial performance of Vallourec Soluções Tubulares do Brasil S.A., a pipe manufacturing joint venture among Nippon Steel, Sumitomo Corporation and Vallourec (VSB). However, the demand for carbon OCTG pipes produced

by VSB for Nippon Steel has declined since last year. As it is not economically viable for Nippon Steel to maintain its allocated annual capacity of 300 thousand tons at VSB, Nippon Steel has exercised a put option pursuant to the joint venture agreement of VSB to sell all of the 15% shares in VSB owned by Nippon Steel group to Vallourec. The transfer of shares is scheduled to be completed by the end of March 2021. The allocated capacity of VSB for Nippon Steel will gradually decrease and terminate in 2022.

By implementing the above plans, Nippon Steel will concentrate its production of OCTG pipes to Kansai Works and improve the cost competitiveness, as well as enhancing the high-grade product capability, and further strengthening the profitability of the OCTG pipe business.

For inquiries

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