

**For Immediate Release**

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**Announcement of  
Recognition of Loss on Business of Subsidiaries and Affiliates**

Nippon Steel & Sumitomo Metal Corporation (the “Company”) posted a loss on business of subsidiaries and affiliates as a special loss in its consolidated financial statements for the first three quarters of fiscal 2014 (April 1, 2014—December 31, 2014). The details are as follows:

**1. Details of the loss on business of subsidiaries and affiliates**

**(1) Reason for the loss**

The Company’s affiliated company accounted for by equity method, VALLOUREC & SUMITOMO TUBOS DO BRASIL LTDA. (“VSB”), is now in the process of achieving full operation, but the recent rapid decline in oil prices is expected to impair the business environment surrounding the oil and gas related markets and future profits of VSB.

In view of such changes in the business environment, the Company has revised its forecasts for VSB’s future profits and cash flows. The Company reduced its book value of investment in VSB and posted a loss on business of subsidiaries and affiliates under consolidated special loss, equivalent to the amount of the loss calculated by re-evaluating the VSB’s fixed assets to their recoverable value.

The Company and its partner for VSB, Vallourec, will continue to implement every measure to improve profitability of VSB project. The measures include maximizing efforts to improve productivity and reduce costs and shifting VSB’s production focus to more high-end area. In addition to such measures, both partners are considering together all the possibilities to enhance VSB’s performance.

**(2) The amount of the loss**

68.6 billion yen

## **[Outline of VSB]**

<u>Corporate name:</u>	VALLOUREC & SUMITOMO TUBOS DO BRASIL LTDA.
<u>Location:</u>	Jeceaba, Minas Gerais State, Brazil
<u>Establishment:</u>	July 2007
<u>Capital:</u>	BRL 5,376 million
<u>Investment ratios:</u>	Vallourec group: 56.0%, Nippon Steel & Sumitomo Metal Corporation group: 40.4%, Sumitomo Corporation: 3.6%
<u>Business activities:</u>	Production of seamless pipes and other related products
<u>Production capacity:</u>	600Kt / year of seamless pipes
<u>Major facilities:</u>	Upstream facilities for iron & steel making process Seamless pipe mill and finishing facilities
<u>Employees:</u>	Approximately 2,400

For more information, please contact:

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