

February 1, 2016

Nippon Steel & Sumitomo Metal Corporation

Enhancement of Strategic Partnership with Vallourec

Nippon Steel & Sumitomo Metal Corporation (hereinafter “NSSMC”) is pleased to announce that, on February 1, NSSMC has reached an agreement with Vallourec S.A. (“Vallourec”), an important strategic partner in the pipe and tube business, to enhance our strategic partnership through expansion of their existing business cooperation.

1. Expansion of the Business Cooperation with Vallourec

Since more than 40 years ago, NSSMC and Vallourec have enjoyed the partnership for the VAM® premium connection, as well as operation of joint ventures in the U.S., Brazil, and Asian regions, and thereby strengthened individual businesses. NSSMC and Vallourec will significantly expand the business cooperation as described below; in particular for VAM®, we will transform the current scope of collaboration into a more comprehensive partnership. This initiative would help enhance the synergy creation for each of NSSMC and Vallourec to individually expand profits even under the current severe market conditions driven by the low oil price levels.

(1) Strengthening of the VAM® Premium Connection

The newly expanded scope of collaboration for VAM® will include not only the R&D of connection technology, which is the existing scope of the current VAM® partnership, but also the acceleration of product development/industrialization, and customer services, and thereby form a comprehensive cooperation. Furthermore, NSSMC and Vallourec have agreed to transform the current periodic R&D meetings into a permanent organizational structure with a view to accelerating development of new products. Increased resource commitment for test facilities and engineers, both of which are required for shortening the cycle of developing new products, are also envisaged to be implemented.

In the field of oil tubular connection business, as customer’s drilling activities take place in a more diversified environment, it is necessary to satisfy customers’ needs by providing a wide variety of customized products and to provide various technical support when connecting pipes and utilizing them at drilling sites.

The expansion of partnership is expected to help enable NSSMC to efficiently and promptly address demands of individual customers worldwide, and to further improve customer satisfaction in the VAM® premium connection, thereby increasing NSSMC's profitability.

*VAM® is the brand name of the seamless pipe premium connection, under which products are co-developed by NSSMC and Vallourec. With more than 200 repair shops around the globe ensuring product distribution and services, as well as high-quality connection function, VAM® has earned great appreciation from customers.

(2) Enhanced Joint Operation of the Seamless Pipe Business in Brazil

NSSMC and Vallourec have agreed to integrate Vallourec & Sumitomo Tubos do Brasil Limitada ("VSB", a pipe manufacturing joint venture in Brazil owned by Vallourec, NSSMC and SUMITOMO CORPORATION), and Vallourec Tubos do Brasil S.A. ("VBR", a pipe manufacturing and sales company wholly owned by Vallourec). This integration will lead to the closure of two blast furnaces and one steel mill and rationalization of administrative departments, with a view to enhancing profitability. Closing of this integration will be subject to antitrust approval.

Post-integration, NSSMC and Vallourec will continue to co-manage the Jeceaba plants (current VSB), and NSSMC will continue to retain the right to purchase 300kt per year for distribution, which is half of the total seamless pipe manufacturing capacity of the Jeceaba plants.

<Newly Integrated Company (as planned)>

Company Name:	Vallourec Soluções Tubulares do Brasil S.A. ("VSB")
Location:	Belo Horizonte, Minas Gerais in Brazil
Ownership:	Vallourec Group 84.6%, NSSMC 15.0%, Sumitomo Corporation 0.4%
Formation:	Expected to be within 2016

2. Equity Investment in Vallourec

Given the deterioration of operating environment driven by the low oil price levels, Vallourec, specialized in pipe business, will pursue strategic initiatives to strengthen its operations.

Vallourec will, subject to Vallourec shareholders' approval at its general meeting scheduled for April 6, 2016, launch a rights issue to be equally subscribed by all the shareholders, as well as the issuance of mandatory convertible bonds to be subscribed by NSSMC and Banque Publique d'Investissement ("Bpi France"), in the aggregate amount of €1.0 billion, and thereby ensuring the financial resource for the implementation of the above-mentioned strategic initiatives and the recovery of profitability.

NSSMC's subscription to the rights issue and the mandatory convertible bonds is expected to amount to approximately €350 million. The rights issue subscription price will be determined after Vallourec's general meeting of shareholders. The mandatory convertible bonds comprise two tranches – one will be

converted into shares at a conversion price of €11 per share, and the other at the rights issue subscription price.

As the enhanced business cooperation between NSSMC and Vallourec will also lead to opportunities to enhance synergy between them, NSSMC has decided to support the capital increase of its strategic partner, Vallourec. NSSMC's subscription to the mandatory convertible bonds will be subject to the completion of the rights issue. The conversion of the mandatory convertible bonds into ordinary shares will be conditional upon approval by antitrust authorities. Through the conversion and subscription to the rights issue, NSSMC's shareholding ratio in Vallourec will increase to 15%, alongside Bpi France, who will also increase its shareholding ratio in Vallourec to 15%.

NSSMC will have the right to present a candidate for Supervisory Board member who will be proposed by Vallourec for approval at the first shareholders meeting to be held after NSSMC increases its shareholding ratio to 15%. Upon the election of NSSMC's representative, NSSMC would account for its investment in Vallourec using the equity method of accounting, starting from fiscal year 2017.

For inquiries, please contact NSSMC Public Relations Center at +81-3-6867-2977, 2135, 2146

<<Supplementary Material>>

<Overview of Vallourec>

Company Name: Vallourec S.A.
Location: France, Paris
Shareholders: Group Employees 7.61%, Bpi France/CDC 7.47%, NSSMC 1.51%,
Treasury Shares 1.36%, Others 82.05% (as of December 31, 2014)
Establishment: 1899
Business: Manufacturing and sales of seamless pipes
Share Capital: EUR 261 million
Capacity: 2.9 million tons p.a.
Employee: Over 20,000 (in 2015)

<Overview of VSB>

Company Name: Vallourec & Sumitomo Tubos do Brasil LTDA. (“VSB”)
Location: Jeceaba, Minas Gerais in Brazil
Establishment: 2007
Ownership: Vallourec Group 56.0%, NSSMC 40.4%, Sumitomo Corporation 3.6%
Business: Manufacturing of seamless pipes and other products by integrated steelworks,
starting from the production stage using blast furnace
Capacity: 600kt p.a. of seamless pipes
Employee: Approximately 2,200

<Overview of VBR>

Company Name: Vallourec Tubos do Brasil S.A. (“VBR”)
Location: Belo Horizonte, Minas Gerais in Brazil
Establishment: 1952
Ownership: Vallourec Group 100%
Business: Manufacturing of seamless pipes and other products by integrated steelworks,
starting from the production stage using blast furnace
Capacity: 550kt p.a. of seamless pipes
Employee: Approximately 4,300