



**NIPPON STEEL &
SUMITOMO METAL**

Enhancement of Strategic Partnership with Vallourec

February 1st, 2016

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Enhancement of Strategic Partnership with Vallourec



From the existing partnership to a more comprehensive partnership
Enhance the synergy creation for NSSMC and Vallourec to expand profits of each of them even under the current severe market conditions driven by the low oil price levels

Existing Limited Partnership

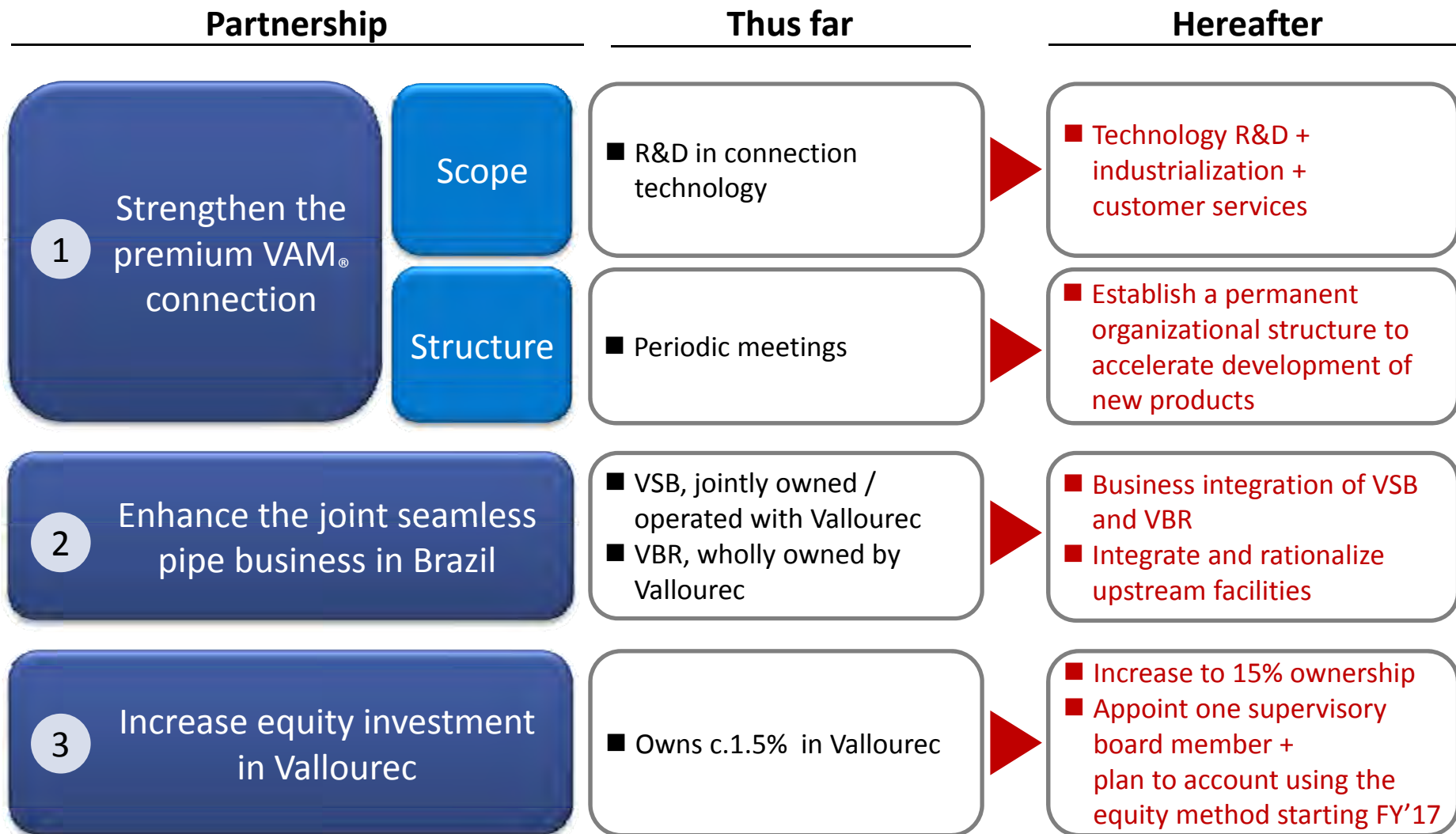
- More than 40 years of the partnership in premium VAM® threaded connection
- Operation of JVs (VSB and threaded connection processing companies)

Develop to Comprehensive Partnership

- 1 Strengthen the VAM® premium connection
- 2 Enhance the joint seamless pipe business in Brazil
- 3 Increase equity investment in Vallourec



Enhancement of Strategic Partnership with Vallourec



1 Strengthening of the VAM® Premium Connection

Scope	Thus far	Hereafter
R&D	<ul style="list-style-type: none"> ● Reporting at periodic meetings of progresses in development themes which are individually assigned to either company 	<ul style="list-style-type: none"> ● Establish a permanent organizational structure ● Accelerate development of new products through enhanced test facilities and engineers to satisfy customers' needs
Industrialization	<ul style="list-style-type: none"> ● Each company handled separately 	<ul style="list-style-type: none"> ● Both companies bring in its mass-production technology to accelerate industrialization to deal with increasing number of new products
Customer Service	<ul style="list-style-type: none"> ● Conducted by Vallourec ● NSSMC outsources to Vallourec 	<ul style="list-style-type: none"> ● NSSMC participates in customer service to meet requirements of more advanced and diversified products. Improve customer satisfaction through appropriately reflecting our customers' needs

Improve customer satisfaction in VAM® and increase sales and profitability



“VAM®” is the brand name of seamless pipe connection co-developed by NSSMC and Vallourec. Developed by Vallourec in 1965, and NSSMC (former Sumitomo Metal Industries, Ltd.) began co-development with Vallourec in 1985. With more than 200 repair shops around the globe, VAM® has earned great customer satisfaction.

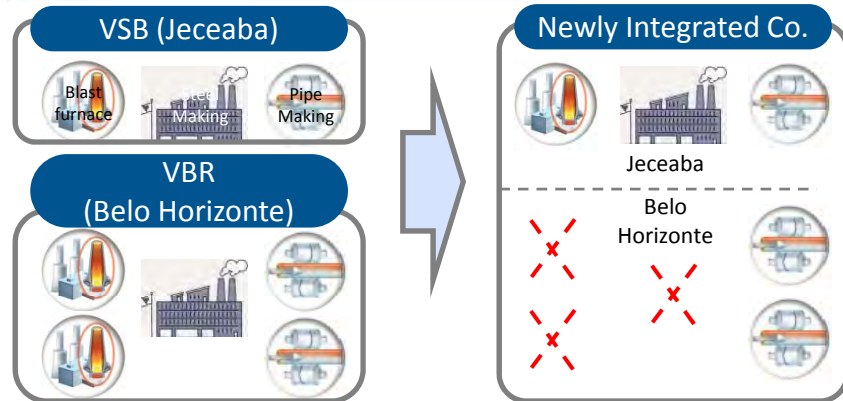


2 Enhance the Joint Seamless Pipe Business in Brazil

Partnership

- Integration of VSB (a joint venture) and VBR (a wholly owned subsidiary of Vallourec)
 - Post-integration, NSSMC and Vallourec will jointly co-manage the Jeceaba plants (current VSB), and NSSMC will continue to retain the right to purchase 300kt per year for distribution, half of the total seamless pipe manufacturing capacity
- Create synergies from the integration
 - Asset rationalization, with the cessation of operation of 2 blast furnaces and 1 steel mill of VBR
 - Administrative & tax merit
- Leverage VSB's superior competitive position
 - Aim for high profitability taking advantage of the "state-of-the-art" mill and weak Brazilian Real

Overview of the Facilities Integration



Overview of Newly Integrated Company

- Company Name: Vallourec Soluções Tubulares do Brasil ("VSB")
- Formation: Expected to be within 2016
- Ownership:

Vallourec	84.6%
NSSMC	15.0%
Sumitomo Corporation	0.4%

	VSB	VBR
Company Name	Vallourec & Sumitomo Tubos Do Brasil LTDA.	Vallourec Tubos Do Brasil S.A.
Location	Jeceaba, Minas Gerais, Brazil	Belo Horizonte, Minas Gerais, Brazil
Foundation	2007	1952
Ownership	Vallourec 56.0% NSSMC 40.4% Sumitomo Corp 3.6%	Vallourec 100%
Business	Manufacturing of seamless pipe by integrated steelworks	Manufacturing and sale of seamless pipe by integrated steelworks
Capacity	Seamless Pipe: 600kt/yr	Seamless Pipe: 550kt/yr
# Employee	Approx. 2,200	Approx. 4,300

3 Increase Equity Investment in Vallourec

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Vallourec's Capital Increase

Capital increase up to €1,000 million in total

- Through rights issue and mandatory convertible bonds

NSSMC supports capital increase by Vallourec, and will raise its ownership to 15%

- NSSMC to increase ownership to 15%, alongside BPI, through the acquisition of new shares in the form of rights issue and mandatory convertible bonds (approximately €350 million investment in total)
- 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
- Mandatory convertible bonds will be converted into ordinary shares upon approval from antitrust authorities
- NSSMC's current **1.5% ownership will be increased to 15%** after conversion. Voting rights will be capped at 15%
- Have the right to present a Supervisory Board member for shareholders' approval at the first shareholders' meeting after NSSMC increases its ownership to 15% of the share capital. Upon the election of NSSMC's representative, account for its investment in Vallourec using the equity method starting from FY2017

Target Transaction Timeline

April 6, 2016

Vallourec shareholders' meeting to vote for rights issue and mandatory convertible bonds

April - June

Execution of rights issue and mandatory convertible bonds

Upon approval from
antitrust authorities

Conversion of mandatory convertible bonds into ordinary shares

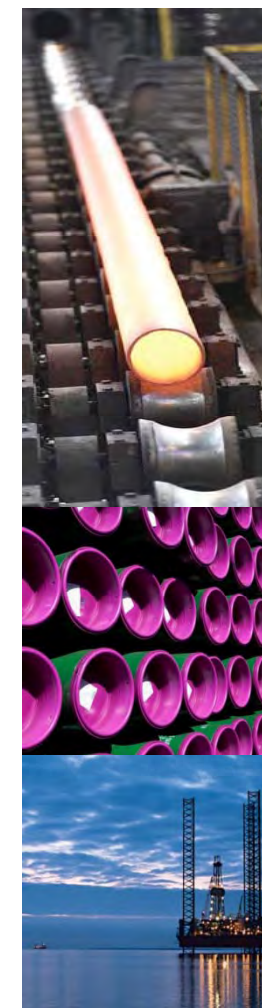
Shareholders' meeting
in 2017

Appointment of a supervisory board member nominated by NSSMC
➤ Plan to account for investment in Vallourec under equity method accounting from FY2017

Appendix I: Vallourec at a Glance

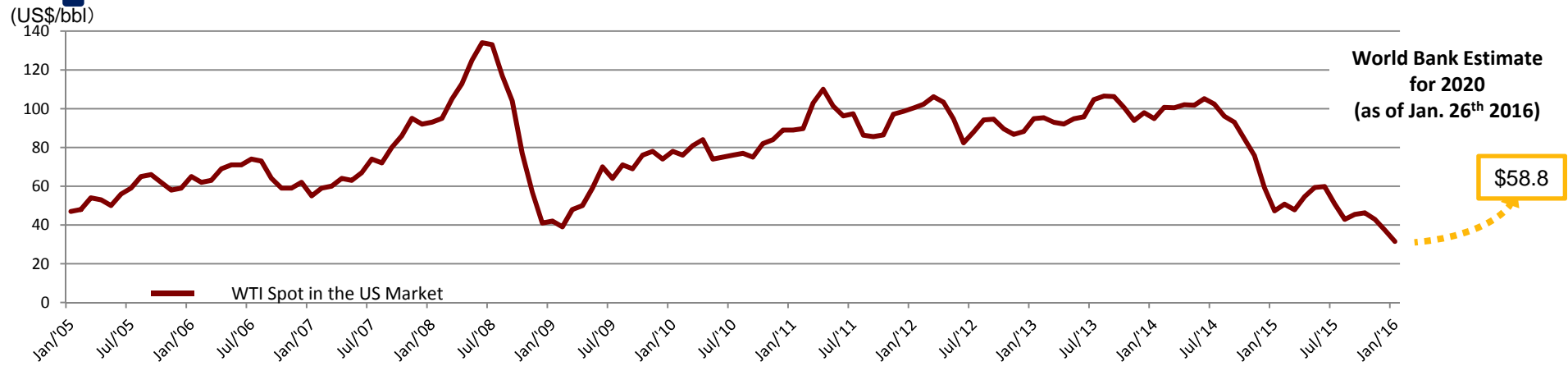
Overview of Vallourec

Company Name	Vallourec S. A.
Headquarters	France
Foundation	1899
Business	<ul style="list-style-type: none"> • Leading OCTG seamless pipe manufacturer, positioned on high value added product • €5.7bn revenues in FY2014, of which two thirds are from Oil & Gas sector
Shareholders (as of December 31, 2014)	Group employees: 7.61% Bpi/CDC: 7.47% NSSMC: 1.51% Treasury shares: 1.36% Others: 82.05%
Total Asset	€7,379 million (as of September 30, 2015)
Share Capital	€261 million (as of December 31, 2014)
Manufacturing Capacity	Approx. 2,900kt (EU 1,350kt; US 750kt; Brazil 800kt)
Employees	Over 20,000 (in 2015)



Appendix II: Oil Price / NSSMC Seamless Pipe Shipment Volume

Oil Price



Rig Count vs. Shipment Volume and Sales Price of Seamless Pipe

