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Eleven-Year Financial Summary

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Millions of yen (except per share amounts and key ratios)

Years ended March 31	2017	2016	2015	2014	2013	2012*2	2011	2010	2009	2008	2007
Results for the year:											
Net sales	**¥ 786,146**	¥ 855,407	¥ 921,334	¥ 830,546	¥ 808,540	¥ 847,897	¥ 864,077	¥ 725,827	¥ 793,797	¥ 1,132,372	¥ 966,764
Gross profit	**122,296**	113,862	174,257	124,822	140,650	132,421	138,810	105,956	56,887	198,147	203,180
Operating income	**76,390**	59,720	125,779	75,418	95,785	88,577	96,038	66,265	10,534	155,394	162,632
Other income (expenses)	**(82,389)**	(59,161)	(2,518)	35,588	26,670	(615)	27,356	16,511	12,408	61,110	42,985
Income (loss) before income taxes	**(5,999)**	559	123,261	111,006	122,455	87,962	123,394	82,776	22,942	216,504	205,617
Net income (loss) attributable to owners of the parent	**(18,540)**	(309)	91,113	80,258	86,640	65,286	83,962	53,952	21,974	137,808	126,054
Equity in earnings (losses) of affiliated companies	**(85,972)**	(73,223)	23,943	29,770	17,100	23,217	34,832	26,090	31,536	73,956	46,708
Capital expenditures	**125,950**	51,013	55,232	66,441	59,291	73,143	53,105	26,414	47,723	65,145	51,567
Depreciation	**44,232**	46,141	38,125	32,426	27,578	31,132	34,625	34,746	34,268	30,505	25,693
Net interest expenses	**10,546**	8,927	6,250	3,530	(144)	663	257	(654)	(271)	(2,209)	(2,606)
Net cash flows from operating activities	**43,796**	119,704	120,003	80,014	114,665	144,999	102,458	44,153	128,000	157,383	95,985
Net cash flows from investing activities	**(143,219)**	(92,876)	(105,024)	(126,937)	(88,745)	(135,932)	(75,735)	(75,443)	(28,386)	(126,413)	(77,429)
Net cash flows from financing activities	**70,392**	(4,003)	(39,047)	81	21,549	50,314	7,379	(19,322)	(74,086)	55,727	(10,073)
Free cash flows	**(99,423)**	26,828	14,979	(46,923)	25,920	9,067	26,723	(31,290)	99,614	30,970	18,556
Financial position at year-end:											
Total assets	**¥ 1,685,018**	¥ 1,630,800	¥ 1,740,246	¥ 1,572,367	¥ 1,351,153	¥ 1,146,759	¥ 1,052,353	¥ 981,458	¥ 880,001	¥ 1,091,716	¥ 929,208
Net assets	**1,024,121**	1,075,995	1,158,945	1,019,053	844,547	726,039	684,103	629,684	547,251	640,345	528,921
Shareholders' equity *1	**—**	—	—	—	—	—	—	—	—	—	—
Long-term loans due after one year	**358,564**	248,036	245,000	243,130	212,323	157,119	135,128	132,311	141,716	169,394	93,800
Interest-bearing debt	**495,504**	400,559	394,094	383,580	330,073	265,951	210,969	200,939	218,534	258,054	189,910
Working capital	**382,810**	313,812	307,436	314,198	338,866	312,542	267,072	229,259	206,123	266,250	103,791
Amounts per share:											
Net income (loss)											
—Basic	**¥ (33.61)**	¥ (0.56)	¥ 165.11	¥ 145.35	¥ 155.58	¥ 116.17	¥ 149.38	¥ 96.26	¥ 38.87	¥ 238.13	¥ 220.49
—Diluted	**—**	—	149.44	129.71	142.40	106.84	136.98	88.75	36.18	231.50	213.67
Shareholders' equity	**1,743.46**	1,781.91	1,905.50	1,653.83	1,393.02	1,173.97	1,121.19	1,043.50	913.92	1,017.96	859.82
Cash dividends	**11.0**	31.0	48.0	37.0	34.0	28.0	32.0	20.0	13.0	30.0	27.0
Key ratios:											
ROA (%)	**(1.12)**	(0.02)	5.50	5.49	6.94	5.94	8.26	5.80	2.23	13.64	14.81
ROE (%) *1	**(1.93)**	(0.03)	9.28	9.54	12.13	10.12	13.80	9.89	4.02	25.39	28.99
Equity ratio (%) *1	**57.1**	60.3	60.4	58.1	56.9	57.5	59.9	59.8	57.3	54.0	53.4
Interest-bearing debt to total asset ratio (%)	**29.4**	24.6	22.6	24.4	24.4	23.2	20.0	20.5	24.8	23.6	20.4
Debt-to-equity ratio (times) *1	**0.52**	0.41	0.37	0.42	0.43	0.40	0.33	0.34	0.43	0.44	0.38
Current ratio (times)	**2.82**	2.39	2.29	2.40	2.60	2.67	2.30	2.19	2.17	2.04	1.39

*1 Shareholders' equity is defined by the following equation.
Shareholders' equity = Total shareholders' equity + Accumulated other comprehensive income

*2 The Company applied the new accounting method retrospectively and restated the consolidated financial statements for the year ended March 31, 2012.

Consolidated Balance Sheets

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

ASSETS

As of March 31, 2017 and 2016	Millions of yen 2017	2016	Thousands of U.S. dollars (Note 1) 2017
Current assets:			
Cash and cash equivalents (Notes 3 and 8)	¥ 170,293	¥ 197,825	$ 1,517,898
Time deposits (Note 3)	24	5,049	214
Notes and accounts receivable (Note 3):			
Trade	102,168	94,101	910,669
Unconsolidated subsidiaries and affiliated companies	1,718	4,803	15,313
Allowance for doubtful accounts	(735)	(598)	(6,551)
Inventories (Note 6)	218,535	161,974	1,947,901
Deferred tax assets (Note 9)	1,225	1,455	10,919
Other current assets	100,425	74,470	895,134
Total current assets	593,653	539,079	5,291,497
Investments and long-term receivables:			
Investment securities (Notes 3, 4 and 8):			
Unconsolidated subsidiaries and affiliated companies	292,706	325,905	2,609,020
Others	140,164	132,602	1,249,345
Long-term loans receivable (Notes 3 and 8)			
Unconsolidated subsidiaries and affiliated companies	57,382	122,236	511,472
Others	3,618	3,988	32,249
Other long-term receivables (Note 8)	60,980	40,626	543,542
Allowance for doubtful accounts	(197)	(200)	(1,756)
Total investments and long-term receivables	554,653	625,157	4,943,872
Property, plant and equipment (Note 8):			
Land	29,311	29,320	261,262
Buildings and structures	310,755	282,616	2,769,899
Machinery and equipment	611,802	596,369	5,453,267
Construction in progress	25,552	34,242	227,757
	977,420	942,547	8,712,185
Accumulated depreciation	(493,964)	(489,013)	(4,402,924)
Net property, plant and equipment	483,456	453,534	4,309,261
Deferred tax assets (Note 9)	5,666	3,648	50,504
Other assets	47,590	9,382	424,190
Total assets	¥ 1,685,018	¥ 1,630,800	$ 15,019,324

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS

As of March 31, 2017 and 2016	Millions of yen 2017	2016	Thousands of U.S. dollars (Note 1) 2017
Current liabilities:			
Bank loans (Notes 3 and 8)	¥ 79,513	¥ 77,590	$ 708,735
Long-term debt due within one year (Notes 3 and 8)	17,427	34,933	155,335
Notes and accounts payable:			
Trade (Note 3)	40,583	37,822	361,735
Unconsolidated subsidiaries and affiliated companies (Note 3)	6,723	7,611	59,925
Others	15,959	12,083	142,250
Accrued income taxes	17,274	3,840	153,971
Accrued expenses	4,552	3,791	40,574
Advances received	445	416	3,966
Accrued restructuring charges	600	417	5,348
Accrued environmental measures	232	338	2,068
Deferred tax liabilities (Note 9)	842	195	7,505
Other current liabilities	26,693	46,231	237,927
Total current liabilities	210,843	225,267	1,879,339
Long-term liabilities:			
Long-term debt (Notes 3 and 8)	398,564	288,036	3,552,580
Deferred tax liabilities (Note 9)	21,807	15,912	194,376
Accrued environmental measures	383	325	3,414
Accrued restructuring charges	1,004	904	8,949
Provision for discontinued operations	7,799	—	69,516
Other accruals	103	257	918
Net defined benefit liability (Note 10)	9,118	14,128	81,273
Asset retirement obligations (Note 16)	8,985	7,831	80,087
Other long-term liabilities	2,291	2,145	20,421
Total long-term liabilities	450,054	329,538	4,011,534
Contingent liabilities (Note 13)			
Net assets (Note 12):			
Shareholders' equity:			
Common stock			
Authorized -1,000,000,000 shares			
Issued - 581,628,031 shares	93,242	93,242	831,108
Capital surplus	86,504	86,067	771,049
Retained earnings	718,072	744,886	6,400,499
Treasury stock, at cost	(32,877)	(32,827)	(293,048)
Total shareholders' equity	864,941	891,368	7,709,608
Accumulated other comprehensive income:			
Net unrealized holding gains on securities	36,700	20,225	327,124
Deferred gains or losses on hedges	1,601	(1,587)	14,270
Foreign currency translation adjustments	57,950	77,274	516,534
Remeasurements of defined benefit plans	498	(4,322)	4,439
Total accumulated other comprehensive income	96,749	91,590	862,367
Non-controlling interests	62,431	93,037	556,476
Total net assets	1,024,121	1,075,995	9,128,451
Total liabilities and net assets	¥ 1,685,018	¥ 1,630,800	$ 15,019,324

Consolidated Statements of Operations

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2017 and 2016	Millions of yen 2017	2016	Thousands of U.S. dollars (Note 1) 2017
Net sales (Note 15)	¥ 786,146	¥ 855,407	$7,007,273
Costs and expenses:			
Cost of sales	663,850	741,545	5,917,194
Selling, general and administrative expenses (Note 11)	45,906	54,142	409,181
Total costs and expenses	709,756	795,687	6,326,375
Operating income	76,390	59,720	680,898
Other income (expenses):			
Interest and dividend income	15,588	13,800	138,943
Interest expenses	(5,042)	(4,873)	(44,942)
Loss on sale and disposal of property, plant and equipment	(245)	(380)	(2,184)
Loss on impairment of fixed assets (Note 7)	(3,461)	(813)	(30,849)
Gain on sales or liquidation of investment securities	6,966	—	62,091
Gain on sales or liquidation of subsidiaries and affiliated companies	1,859	—	16,570
Exchange loss	(284)	(6,800)	(2,531)
Provision for environmental measures	(73)	(131)	(651)
Maintenance cost for ceased projects	(578)	(605)	(5,152)
Casualty loss	(16)	(100)	(143)
Equity in losses of affiliated companies	(85,972)	(73,223)	(766,307)
Loss from valuation of derivative instruments	(34)	(194)	(303)
Reversal (Provision) for allowance for losses on investments	—	16,350	—
Provision for restructuring charges	(741)	(53)	(6,605)
Provision for discontinued operations	(8,667)	—	(77,253)
Other, net	(1,689)	(2,139)	(15,054)
Total other income (expenses)	(82,389)	(59,161)	(734,370)
Income (loss) before income taxes	(5,999)	559	(53,472)
Income taxes (Note 9):			
Current	26,687	16,977	237,873
Deferred	(3,641)	3,379	(32,454)
Total income taxes	23,046	20,356	205,419
Net income (loss)	(29,045)	(19,797)	(258,891)
Net loss attributable to non-controlling interests	10,505	19,488	93,636
Net income (loss) attributable to owners of the parent	¥ (18,540)	¥ (309)	$ (165,255)

	Yen		U.S. dollars (Note 1)
Amounts per share of common stock:			
Net income (loss) (Note 20)			
—Basic	¥ (33.61)	¥ (0.56)	$ (0.30)
—Diluted	—	—	—
Cash dividends applicable to the year	11.00	31.00	0.10

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Comprehensive Income

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2017 and 2016	Millions of yen 2017	2016	Thousands of U.S. dollars (Note 1) 2017
Net income (loss)	¥ (29,045)	¥ (19,797)	$ (258,891)
Other comprehensive income			
Net unrealized holding gains (losses) on securities	16,362	(26,228)	145,842
Deferred gains (losses) on hedges	3,138	(1,783)	27,970
Foreign currency translation adjustments	16,707	(9,104)	148,917
Remeasurements of defined benefit plan	4,487	(4,289)	39,995
Share of other comprehensive income of affiliated companies accounted for using equity method	(39,646)	(3,834)	(353,383)
Total other comprehensive income	1,048	(45,238)	9,341
Comprehensive income (Note 14)	(27,997)	(65,035)	(249,550)
Comprehensive income attributable to:			
Owners of the parent	(13,381)	(43,369)	(119,271)
Non-controlling interests	(14,616)	(21,666)	(130,279)

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Net Assets

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

		Shareholders' equity				
For the years ended March 31, 2017 and 2016	Number of shares issued (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity Millions of yen
Balance at April 1, 2015	581,628	¥ 93,242	¥ 86,066	¥ 770,020	¥ (32,753)	¥ 916,575
Cash dividends paid		—	—	(24,825)	—	(24,825)
Net loss		—	—	(309)	—	(309)
Acquisition of treasury stock		—	—	—	(79)	(79)
Sale of treasury stock		—	1	—	5	6
Net changes of items other than shareholders' equity		—	—	—	—	—
Balance at April 1, 2016	581,628	¥ 93,242	¥ 86,067	¥ 744,886	¥ (32,827)	¥ 891,368
Cash dividends paid		—	—	(8,274)	—	(8,274)
Net loss		—	—	(18,540)	—	(18,540)
Acquisition of treasury stock		—	—	—	(53)	(53)
Sale of treasury stock		—	1	—	3	4
Change in ownership interest of the parent due to transactions with non-controlling interests		—	436	—	—	436
Net changes of items other than shareholders' equity		—	—	—	—	—
Balance at March 31, 2017	581,628	¥ 93,242	¥ 86,504	¥ 718,072	¥ (32,877)	¥ 864,941

	Shareholders' equity				
For the year ended March 31, 2017	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity Thousands of U.S. dollars (Note 1)
Balance at April 1, 2016	$ 831,108	$ 767,154	$ 6,639,504	$ (292,602)	$ 7,945,164
Cash dividends paid	—	—	(73,750)	—	(73,750)
Net loss	—	—	(165,255)	—	(165,255)
Acquisition of treasury stock	—	—	—	(472)	(472)
Sale of treasury stock	—	9	—	26	35
Change in ownership interest of the parent due to transactions with non-controlling interests	—	3,886	—	—	3,886
Net changes of items other than shareholders' equity	—	—	—	—	—
Balance at March 31, 2017	$ 831,108	$ 771,049	$ 6,400,499	$ (293,048)	$ 7,709,608

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Net Assets (continued)

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

	Accumulated other comprehensive income						
	Net unrealized holding gains on securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumu-lated other comprehensive income	Non-controlling interests	Total net assets
For the years ended March 31, 2017 and 2016							Millions of yen
Balance at April 1, 2015	¥ 46,679	¥ 247	¥ 87,288	¥ 435	¥ 134,649	¥ 107,721	¥1,158,945
Cash dividends paid	—	—	—	—	—	—	(24,825)
Net loss	—	—	—	—	—	—	(309)
Acquisition of treasury stock	—	—	—	—	—	—	(79)
Sale of treasury stock	—	—	—	—	—	—	6
Net changes of items other than shareholders' equity	(26,454)	(1,834)	(10,014)	(4,757)	(43,059)	(14,684)	(57,743)
Balance at April 1, 2016	¥ 20,225	¥ (1,587)	¥ 77,274	¥ (4,322)	¥ 91,590	¥ 93,037	¥1,075,995
Cash dividends paid	—	—	—	—	—	—	(8,274)
Net loss	—	—	—	—	—	—	(18,540)
Acquisition of treasury stock	—	—	—	—	—	—	(53)
Sale of treasury stock	—	—	—	—	—	—	4
Change in ownership interest of the parent due to transactions with non-controlling interests	—	—	—	—	—	—	436
Net changes of items other than shareholders' equity	16,475	3,188	(19,324)	4,820	5,159	(30,606)	(25,447)
Balance at March 31, 2017	¥ 36,700	¥ 1,601	¥ 57,950	¥ 498	¥ 96,749	¥ 62,431	¥1,024,121

	Accumulated other comprehensive income						
	Net unrealized holding gains on securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumu-lated other comprehensive income	Non-controlling interests	Total net assets
For the year ended March 31, 2017							Thousands of U.S. dollars (Note 1)
Balance at April 1, 2016	$ 180,275	$ (14,146)	$ 688,778	$ (38,524)	$ 816,383	$ 829,281	$9,590,828
Cash dividends paid	—	—	—	—	—	—	(73,750)
Net loss	—	—	—	—	—	—	(165,255)
Acquisition of treasury stock	—	—	—	—	—	—	(472)
Sale of treasury stock	—	—	—	—	—	—	35
Change in ownership interest of the parent due to transactions with non-controlling interests	—	—	—	—	—	—	3,886
Net changes of items other than shareholders' equity	146,849	28,416	(172,244)	42,963	45,984	(272,805)	(226,821)
Balance at March 31, 2017	$ 327,124	$ 14,270	$ 516,534	$ 4,439	$ 862,367	$ 556,476	$9,128,451

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

	Millions of yen		Thousands of U.S. dollars (Note 1)
For the years ended March 31, 2017 and 2016	2017	2016	2017
Cash flows from operating activities:	¥ (5,999)	¥ 559	$ (53,472)
Income (loss) before income taxes			
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation	44,232	46,141	394,260
Loss on impairment of fixed assets	3,461	813	30,849
Loss on sale and disposal of property, plant and equipment	245	380	2,184
Loss from valuation of derivative instruments	34	194	303
Decrease (Increase) in allowance for losses on investments	—	(16,350)	—
Interest and dividend income	(15,588)	(13,800)	(138,943)
Interest expense	5,042	4,873	44,942
Equity in losses (earnings) of affiliated companies	85,972	73,223	766,307
Casualty loss	16	100	143
Decrease (Increase) in trade receivables	(23,858)	16,415	(212,657)
Decrease (Increase) in inventories	(46,634)	37,948	(415,670)
Increase (Decrease) in trade payables	2,766	18,128	24,655
Others	2,250	(7,982)	20,055
Sub-total	51,939	160,642	462,956
Interest and dividend received	8,660	10,647	77,190
Interest paid	(4,762)	(5,364)	(42,446)
Payments for maintenance costs for ceased projects	(578)	(605)	(5,152)
Payments for recovery costs	(16)	(100)	(143)
Payments for income taxes	(11,447)	(45,516)	(102,032)
Net cash provided by operating activities	43,796	119,704	390,373
Cash flows from investing activities:			
Payments for acquisition of property, plant and equipment	(50,619)	(42,880)	(451,190)
Proceeds from sale of property, plant and equipment	779	775	6,944
Payments for acquisition of intangible assets	(1,735)	(455)	(15,465)
Payments for purchases of investment securities	(5,024)	(702)	(44,781)
Proceeds from sales or liquidation of investment securities	9,081	2	80,943
Payments for purchase of securities of subsidiaries and affiliated companies	(11,187)	(25,523)	(99,715)
Payments into time deposits	(953)	(553)	(8,495)
Proceeds from withdrawal of time deposits	4,126	208	36,777
Payments for loans lended	(675)	(25,079)	(6,017)
Collection of loans repaid	9,092	394	81,041
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	10,051	—	89,589
Payments for purchase of mining rights	(106,155)	—	(946,206)
Others	0	937	0
Net cash used in investing activities	(143,219)	(92,876)	(1,276,575)
Cash flows from financing activities:			
Net decrease (increase) in bank loans	5,980	(1,664)	53,303
Proceeds from long-term debt	120,488	37,299	1,073,965
Repayments of long-term debt	(24,018)	(21,035)	(214,083)
Redemption of bonds	(10,000)	—	(89,135)
Contribution from non-controlling interests	3,231	10,507	28,799
Increase in treasury stocks	(49)	(73)	(437)
Cash dividends paid	(8,274)	(24,825)	(73,750)
Cash dividends paid to non-controlling interests	(3,858)	(4,212)	(34,388)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(13,108)	—	(116,838)
Net cash provided by (used in) financing activities	70,392	(4,003)	627,436
Effect of changes in exchange rate on cash and cash equivalents	1,499	(2,720)	13,361
Net increase (decrease) in cash and cash equivalents	(27,532)	20,105	(245,405)
Cash and cash equivalents at beginning of year	197,825	177,720	1,763,303
Cash and cash equivalents at end of year	¥ 170,293	¥ 197,825	$ 1,517,898

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

1 Basis of presenting consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRSs").

The accounts of the Company's overseas subsidiaries and affiliated companies are based on their accounting records maintained in conformity with generally accepted accounting principles prevailing in the respective countries of domicile and make necessary amendments for consolidated financial statements required by Practical Issues Task Force No. 18 and No. 24 issued by ASBJ. The accompanying consolidated financial statements have been restructured and translated into English with some expanded descriptions from the consolidated financial statements of Sumitomo Metal Mining Co., Ltd. (the "Company") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Act. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2017, which was ¥112.19 to US$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2 Summary of significant accounting policies

Consolidation — The consolidated financial statements include the accounts of the Company and its significant subsidiaries (61 subsidiaries in 2017, 68 in 2016). All significant inter-company balances and transactions have been eliminated. Investments in affiliated companies of which the Company has the ability to exercise significant influence over financial and operating policies, are accounted for by the equity method (15 affiliated companies in 2017, 16 in 2016).

Investments in the remaining unconsolidated subsidiaries and affiliated companies are carried at cost because of their immaterial effect on the consolidated financial statements.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling interests, are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries.

Goodwill (consolidation difference between the investment cost and the underlying equity in its net assets at the date of acquisition) is amortized over five years on a straight-line basis. With respect to subsidiaries in the United States, goodwill is amortized over twenty years on a straight-line basis.

Cash and cash equivalents and cash flow statements — Cash on hand, readily available bank deposits, negotiable certificates of deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

Allowance for doubtful accounts — The allowance for doubtful accounts is provided at an amount determined based on the historical experience of bad debt with respect to ordinary accounts, plus an estimate of uncollectible amount determined by reference to specific doubtful accounts from customers who are experiencing financial difficulties.

Investment securities — Securities are classified into two categories based on the intent of holding: available-for-sale securities; and securities issued by unconsolidated subsidiaries and affiliated companies.

Available-for-sale securities with available fair values (marketable securities) are stated at the fair value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. The cost of securities sold is determined by the moving-average method. Other available-for-sale securities with no available fair values (non-marketable securities) are stated at moving-average method. Securities issued by unconsolidated subsidiaries and affiliated companies other than those accounted for by the equity method are carried at cost.

Derivatives and hedge accounting — Derivative instruments are stated at fair value. Changes in the fair values are recognized as gains and losses unless derivative transactions are used for hedging purposes.

If derivative transactions are used as hedges and meet certain hedging criteria, the Company and its consolidated subsidiaries defer recognition of gains or losses resulting from changes in fair value of derivative transactions until the related losses or gains on the hedged items are recognized.

If interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

The Company evaluates hedge effectiveness monthly by comparing the cumulative changes in cash flows from or the changes in fair value of hedged items and the corresponding changes in the hedging derivative instruments.

Foreign currency translation — Receivables and payables denominated in foreign currencies are translated into Japanese yen at the year-end rates.

Balance sheets of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rates except for account components of net assets, which are translated at historical rates. Income statements of consolidated overseas subsidiaries are translated at average rates except for transactions with the Company, which are translated at the rates used by the Company.

Inventories — Inventories are mainly stated at the lower of cost determined by the first-in first-out (FIFO) method or net selling value of inventories regarded as the decreased profitability of assets, whose write-downs are included in cost of sales.

Property, plant and equipment — Property, plant and equipment are stated at cost.

Depreciation of property, plant and equipment is computed by the straight-line method, based on the estimated useful lives of respective assets. The depreciation period generally ranges from 1 year to 60 years for buildings and structures and 1 year to 22 years for machinery and equipment.

Accrued restructuring charges — Accrued restructuring charges are provided by the Company and its consolidated subsidiaries to cover the costs of business reconstruction.

Accrued environmental measures — Provisions for environmental measures are estimated and recorded to provide for future potential costs, such as costs related to the disposal of polychlorinated biphenyl (PCB) and lead.

Provision for discontinued operations — JCO Co., Ltd., a consolidated subsidiary of the Company, is preparing for decommissioning by dismantlement and decontamination of its facilities. JCO Co., Ltd. provided the expenses for future losses that can be reasonably estimated.

Retirement benefits — In calculating projected benefits obligations the benefits formula basis is used to attribute the expected benefit attributable to the respective years. Actuarial gains and losses are recognized in expenses using the straight-line method over 10 years within the average remaining service years commencing from the following period.

Prior service costs are recognized in expenses using the straight-line method over 10 years within the average remaining service period.

Some domestic consolidated subsidiaries use the simplified method for the calculation of projected benefit obligations.

Research and development expense — Research and development expense is charged to income as incurred.

Accounting for certain lease transactions — Finance leases, except for certain immaterial leases, are capitalized and depreciated over the lease term.

Income taxes — Deferred tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and the tax bases, and measured using the statutory tax rates which will be in effect when the differences are expected to be realized.

Sales — Sales of merchandise and finished products are recognized when the products are shipped to customers.

Additional information — The Company and its consolidated domestic subsidiaries have adopted "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) from the current year.

Amount per share of common stock — Basic net income per share is computed based on the weighted-average number of shares of common stock issued during each year.

Diluted net income per share assumes that outstanding convertible bonds were converted into common stock at the beginning of the period at the current conversion price.

Cash dividends per share represent the actual amount applicable to the respective year.

3 Notes to financial instruments

(1) Status of financial instruments

(i) Policies on the handling of financial instruments

The Group procures the funds necessary for its capital expenditure, investment and loan plans mainly through bank loans and the issuance of bonds. Short-term operating funds are funded through bank loans as required. In the event of a need for new funds, the Group, in principle, looks to the issuance of short-term bonds (commercial paper). This is supplemented by bank loans and the use of liquidation schemes applicable to notes and accounts receivable. The Group takes great care to monitor the status of its funding needs and financial position. This is to ensure that the Group does not overly rely on specific procurement methods and financial instruments. Accordingly, steps are taken to ensure a balanced funding portfolio from both the short and long term as well as direct and indirect financing perspectives.

Temporary surplus funds are utilized only for highly safe financial assets for which there is a low probability of a loss of principal.

Derivative transactions are only used to avoid the risks attributable to fluctuations in the prices of non-ferrous metals as well as foreign currency exchange and interest rates. The Group does not engage in derivative translations for speculative purposes.

(ii) Details of and risks associated with financial instruments

Notes and accounts receivable, which are trade receivables, are exposed to the credit risk of customers. In addition, foreign currency-denominated trade receivables, which are generated by global business operations, are also exposed to fluctuations in foreign currency exchange rates. Turning to the metals business, trade receivables are also exposed to the risk of movements in the prices of non-ferrous metals. Investment securities, which largely represent shares of companies with whom the Group trades or has formed an equity alliance, are exposed to the risk of changes in their market prices.

Notes and accounts payable, which are trade obligations, generally have maturity dates of one year or less. In similar fashion to trade receivables, trade obligations in the metals business are subject to the risk of movements in the prices of non-ferrous metals. A certain portion of trade obligations are related to the import of raw and other materials and as such are denominated in foreign currencies. On this basis, they too are open to the risk of fluctuations in the foreign currency exchange rates. Within loans and bonds payable, bank loans payable primarily represent funding applicable to operating transactions while long-term debt (with a maximum maturity up to June 15, 2031) and bonds mainly concern funding relating to capital expenditures. A certain portion of loans and bonds payable is provided on a floating rate of interest basis. Accordingly, this portion is exposed to the risk of fluctuation in interest rates.

Derivative transactions employed in an effort to offset the aforementioned risks include forward foreign currency exchange rate contracts; forward and option transaction agreements; interest rate swap transaction agreements; and interest rate cap transaction agreements, which seek to provide hedges for the risks of fluctuations in the foreign currency exchange rates of trade receivables and trade obligations; the prices of non-ferrous metals applicable to non-ferrous metal trade receivables and trade obligations; and interest rates applicable to loans and bonds payable, respectively. For hedging instruments and hedged items, hedging policy, the method of assessing the effectiveness of hedges and other details in connection with hedge accounting, refer to the “Derivatives and hedge accounting” described in the Note 2 Summary of significant accounting policies.

(iii) Risk management systems relating to financial instruments

(a) Management of credit risk (risk relating to nonperformance of a contract obligation by a counterparty, etc.)

With respect to trade receivables, each operating department and division within the Group is guided by its own set of management rules and regulations. Sales and marketing departments and divisions regularly monitor the status of customers, managing due dates and balances on an individual customer basis. In this manner, every effort is made to ensure early detection and the mitigation of concerns regarding collection due to deterioration in financial standing or other factors. With respect to the use of derivative transactions, steps are taken to engage in transactions with highly rated financial institutions only. These steps are taken with the aim of mitigating counterparty risk.

The maximum amount of the credit risk is shown in the value of financial assets on the balance sheet which are subject to credit risk.

(b) Management of market risks (risks associated with fluctuations in the price of non-ferrous metals, foreign currency exchange as well as interest rates, etc.)

The Group employs commodity forward transaction and commodity option transaction agreements, which seek to provide hedges for the risks of fluctuations in the prices of imported raw materials with respect to non-ferrous metals as well as the sales prices of commodity metals and copper concentrate on international commodities markets.

At the same time, the Group utilizes forward foreign currency exchange rate contracts in an effort to offset the risks of movements in foreign currency exchange rates in connection with trade receivables and obligations denominated in foreign currencies, interest rate swap transaction agreements, and interest rate cap transaction agreements aimed at hedging the risks of fluctuations in interest rate.

With respect to investment securities, the Group regularly monitors fair values as well as the financial status of issuers (counterparties), and reviews its holdings on a continuous basis taking into consideration its relationships with counterparties.

As for derivative transactions, in accordance with derivative transaction management rules and regulations that outline the purpose and objectives of derivative transactions while providing authority and setting limits and scope, individual departments and divisions are responsible for formulating operating rules with respect to the implementation of derivative transactions, executing and booking transactions and reconciling balances with counterparties on a regular basis. Consolidated subsidiaries also adhere to the Company’s derivative transaction management rules and regulations while working to build the aforementioned management structure under which derivative transactions are managed.

(c) Management of liquidity risks associated with the procurement of funds (the risk of being unable to make payments on due dates)

The Group manages liquidity risk by preparing and updating a cash management plan six months in advance based on reports from each department and division. Certain domestic consolidated subsidiaries have adopted a cash management system and are efficiently maintaining appropriate levels of liquidity and cash on hand.

(iv) Supplementary explanation for fair values, etc. of financial instruments

Fair values of financial instruments are determined by market prices. If no market price is available, the fair value is based on the value that is calculated in a reasonable manner. The determination of such values contains variable factors and as such the adoption of wide ranging and differing assumptions may cause values to change. In addition, with respect to contract and other amounts applicable to derivative transactions outlined as follows in “(2) Fair values, etc. of financial instruments” such amounts themselves do not indicate the size of market risks associated with derivative transactions.

(2) Fair values, etc. of financial instruments

Amounts on the consolidated balance sheets, fair values and the differences between the two as of March 31, 2017 and 2016 are shown as follows. Certain financial instruments were excluded from the following table as the fair values were not available (refer to the table shown in (ii) below).

	Millions of Yen			Thousands of U.S. dollars		
2017	Book values of consolidated balance sheets	Fair values	Difference	Book values of consolidated balance sheets	Fair values	Difference
Cash and cash equivalents	¥170,293	¥170,293	¥ —	$1,517,898	$1,517,898	$ —
Time deposits	24	24	—	214	214	—
Notes and accounts receivable	103,886	103,886	—	925,983	925,983	—
Investment securities	280,420	342,563	62,143	2,499,510	3,053,418	553,908
Long-term loans receivable	61,000	63,979	2,979	543,720	570,274	26,554
Total Assets	¥615,623	¥680,745	¥ 65,122	$5,487,325	$6,067,787	$580,462
Notes and accounts payable	47,306	47,306	—	421,660	421,660	—
Bank loans and long-term debt due within one year	96,940	96,940	—	864,070	864,070	—
Long-term debt due after one year	398,564	400,616	2,052	3,552,580	3,570,870	18,290
Total Liabilities	542,810	544,862	2,052	4,838,310	4,856,600	18,290
Derivative transactions	¥ 2,785 *1	¥ 2,785 *1	¥ —	$ 24,824 *1	$ 24,824 *1	$ —

	Millions of Yen		
2016	Book values of consolidated balance sheets	Fair values	Difference
Cash and cash equivalents	¥197,825	¥197,825	¥ —
Time deposits	5,049	5,049	—
Notes and accounts receivable	98,904	98,904	—
Investment securities	252,007	307,085	55,078
Long-term loans receivable	126,224	131,166	4,942
Total Assets	¥680,009	¥740,029	¥ 60,020
Notes and accounts payable	45,433	45,433	—
Bank loans and long-term debt due within one year	112,523	112,536	13
Long-term debt due after one year	288,036	291,074	3,038
Total Liabilities	445,992	449,043	3,051
Derivative transactions	¥ (1,664)*1	¥ (1,761)*1	¥ (97)

*1 Net receivables and obligations arising from derivative transactions are shown as a net amount and items for which aggregated results lead to net obligations are shown in parentheses.

(i) Fair values of financial instruments, and matters pertaining to securities and derivative transactions

Assets

(a) Cash and cash equivalents

The book values approximate to the fair values due to their high liquidity.

(b) Time deposits

The book values approximate to the fair values due to their high liquidity.

(c) Notes and accounts receivable

The book values approximate to the fair values due to short-term maturities of these instruments.

(d) Investment securities

The fair values of investment securities are based on the market prices of securities exchanges on which shares are listed.

For details regarding securities on an individual holding purpose basis refer to the Note 4 Securities.

(e) Long-term loans receivable

The fair values of floating-rate long-term loans receivable are based on their book values because the fair values of floating-rate long-term loans receivable reflect market interest rates within a short period of time and closely approximate their book values. The fair values of fixed-rate long-term loans receivable are based on a method of calculation whereby the total principal and interest are discounted at the contracted rates as adjusted considering the market rate.

Liabilities

(a) Notes and accounts payable

The book values approximate to the fair values due to short-term settlement of these instruments.

(b) Bank loans

The book values approximate to the fair values due to short-term settlement of these instruments.

(c) Bonds

The fair values are based on market prices.

(d) Long-term debt

The discounted cash flow method was used to estimate the fair values, based on marginal borrowing rates as discount rate.

Derivative transactions

Refer to the Note 5 Derivative transactions.

(ii) The financial instruments excluded from the above table as of March 31, 2017 and 2016 are as follows:

	Millions of Yen		Thousands of U.S. dollars
	2017	2016	**2017**
	Book values of consolidated balance sheets	Book values of consolidated balance sheets	Book values of consolidated balance sheets
Unlisted equity securities	**¥ 141,806**	¥ 196,722	**$ 1,263,981**

These instruments are not included in "Investment securities" (refer to above table) as the fair values are not available.

(iii) The aggregate maturities subsequent to March 31, 2017 and 2016 for financial assets are as follows:

2017	Millions of yen: Due within 1 year	Due after 1 year and within 5 years	Due after 5 years and within 10 years	Due over 10 years	Thousands of U.S. dollars: Due within 1 year	Due after 1 year and within 5 years	Due after 5 years and within 10 years	Due over 10 years
Cash and cash equivalents	¥170,293	¥ —	¥ —	¥ —	$1,517,898	$ —	$ —	$ —
Time deposits	24	—	—	—	214	—	—	—
Notes and accounts receivable	103,886	—	—	—	925,983	—	—	—
Long-term loans receivable	-	1,291	13,826	45,883	-	11,507	123,237	408,976
Total	¥274,203	¥ 1,291	¥ 13,826	¥ 45,883	$2,444,095	$ 11,507	$123,237	$408,976

2016	Millions of yen: Due within 1 year	Due after 1 year and within 5 years	Due after 5 years and within 10 years	Due over 10 years
Cash and cash equivalents	¥197,825	¥ —	¥ —	¥ —
Time deposits	5,049	—	—	—
Notes and accounts receivable	98,904	—	—	—
Long-term loans receivable	—	1,351	18,187	106,686
Total	¥301,778	¥ 1,351	¥ 18,187	¥106,686

(iv) The amount scheduled to be repaid after March 31, 2017 of long-term debt

Refer to the Note 8 Bank loans and long-term debt.

4 Securities

(1) The following tables summarize acquisition costs and book values (available fair values) as of March 31, 2017 and 2016:

Available-for-sale securities

Securities with book values (available fair values) exceeding acquisition costs

Millions of yen	2017 Acquisition cost	2017 Book value	2017 Difference	2016 Acquisition cost	2016 Book value	2016 Difference
Equity securities	¥ 72,152	¥ 125,922	¥ 53,770	¥ 55,032	¥ 89,818	¥ 34,786

Thousands of U.S. dollars	2017 Acquisition cost	2017 Book value	2017 Difference
Equity securities	$ 643,123	$1,122,400	$ 479,277

Securities with book values (available fair values) not exceeding acquisition costs

Millions of yen	2017 Acquisition cost	2017 Book value	2017 Difference	2016 Acquisition cost	2016 Book value	2016 Difference
Equity securities	¥ 15,098	¥ 12,267	¥ (2,831)	¥ 28,428	¥ 22,556	¥ (5,872)

Thousands of U.S. dollars	2017 Acquisition cost	2017 Book value	2017 Difference
Equity securities	$ 134,575	$ 109,341	$ (25,234)

(2) The following table summarizes book values of the securities with no available fair values as of March 31, 2017 and 2016:

Available-for-sale securities

	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars 2017
Unlisted equity securities	¥ 1,836	¥ 20,088	$ 16,365

(3) Total sales of available-for-sale securities sold during the year ended March 31, 2017 amounted to ¥1,230 million (US$10,964 thousand) and related gains amounted to ¥1,115 million (US$9,939 thousand).

No losses on sales of available-for-sale securities were recognized for the period.

Total sales of available-for-sale securities sold during the year ended March 31, 2016 amounted to ¥2 million (US$18 thousand) and related gains amounted to ¥2 million (US$18 thousand).

No losses on sales of available-for-sale securities were recognized for the period.

(4) Total liquidations of available-for-sale securities liquidated during the year ended March 31, 2017 amounted to ¥7,851 million (US$69,980 thousand) and related gains amounted to ¥5,851 million (US$52,153 thousand).

No losses on liquidations of available-for-sale securities were recognized for the period.

There was no liquidation of available-for-sale securities during the year ended March 31, 2016.

No losses on liquidations of available-for-sale securities were recognized for the period.

(5) There was no impairment loss on available-for-sale securities during the year ended March 31, 2017.

Impairment losses on available-for-sale securities amounted to ¥1,463 million (US$12,991 thousand) during the year ended March 31, 2016.

If the fair value of available-for-sale securities declines by over 50% compared to the acquisition cost thereof, the Company and its consolidated subsidiaries write down the book value of such securities. If the fair value of available-for-sale securities declines between 30% and 50% compared to the acquisition cost thereof, the Company and its consolidated subsidiaries write down the book value of the securities considering the possibilities for recovery of the fair value.

5 Derivative transactions

The following tables summarize the market value information as of March 31, 2017 and 2016 of derivative transactions for which hedge accounting has not been applied:

Millions of yen

	2017				2016			
	Contracted amount and others				Contracted amount and others			
	Total	Over 1 year	Fair value	Recognized gains (losses)	Total	Over 1 year	Fair value	Recognized gains (losses)
Currency:								
Forward contracts:								
Buy position—U.S. dollars	¥ 4,980	¥ —	¥ (52)	¥ (52)	¥ 7,676	¥ —	¥ (26)	¥ (26)
Buy position—Sterling pound	4,271	3,441	(8)	(8)	—	—	—	—
Total	¥ 9,251	¥ 3,441	¥ (60)	¥ (60)	¥ 7,676	¥ —	¥ (26)	¥ (26)
Interest:								
Interest rate cap contracts:								
Buy position	¥ 1,350	¥ —	¥ 1	¥ (1,349)	¥ 1,350	¥ —	¥ 14	¥ (1,336)
Total	¥ 1,350	¥ —	¥ 1	¥ (1,349)	¥ 1,350	¥ —	¥ 14	¥ (1,336)
Commodity:								
Forward contracts:								
Sell position—Metal	¥ 7,719	¥ 653	¥ (162)	¥ (162)	¥ 1,231	¥ —	¥ 559	¥ 559
Buy position—Metal	—	—	—	—	5,264	—	—	—
Total	¥ 7,719	¥ 653	¥ (162)	¥ (162)	¥ 6,495	¥ —	¥ 559	¥ 559

Thousands of U.S. dollars

	2017			
	Contracted amount and others			
	Total	Over 1 year	Fair value	Recognized gains (losses)
Currency:				
Forward contracts:				
Buy position—U.S. dollars	$ 44,389	$ —	$ (464)	$ (464)
Buy position—Sterling pound	38,069	30,671	(71)	(71)
Total	$ 82,458	30,671	$ (535)	$ (535)
Interest:				
Interest rate cap contracts:				
Buy position	$ 12,033	$ —	$ 9	$ (12,024)
Total	$ 12,033	$ —	$ 9	$ (12,024)
Commodity:				
Forward contracts:				
Sell position—Metal	$ 68,803	$ 5,820	$ (1,444)	$ (1,444)
Buy position—Metal	—	—	—	—
Total	$ 68,803	$ 5,820	$ (1,444)	$ (1,444)

Derivative transactions for which hedge accounting has been applied for the years ended March 31, 2017 and 2016 consisted of the following:

Millions of yen

2017			Contracted amount and others		
Type of transaction	Type of derivative transaction	Major hedged items	Total	Over 1 year	Fair value
Interest	Interest rate swap contracts:				
	Paid fixed/received floating	Short-term loans	¥ 1,290	¥ —	¥ 2
		Long-term loans	20,386	20,386	678
	Interest rate cap contracts:				
	Buy position	Long-term loans	20,386	20,386	772
	Total		¥ 42,062	¥ 40,772	¥ 1,452
Commodity	Forward contracts:				
	Sell position—Metal	Accounts receivable	¥ 20,566	¥ —	¥ 91
	Buy position—Metal	Accounts receivable, Accounts payable	19,239	612	1,203
	Option contracts:				
	Sell position				
	Call position—Metal*1	Accounts receivable	15,274	—	261
	Total		¥ 55,079	¥ 612	¥ 1,555

*1 Commodity call option contracts are based on zero cost option contracts. There is no transfer of option fees.

Millions of yen

2016			Contracted amount and others		
Type of transaction	Type of derivative transaction	Major hedged items	Total	Over 1 year	Fair value
Interest	Interest rate swap contracts:				
	Paid fixed/received floating	Long-term loans	¥ 3,885	¥ 1,295	¥ (4)
	Total		¥ 3,885	¥ 1,295	¥ (4)
Commodity	Forward contracts:				
	Sell position—Metal	Accounts receivable	¥ 12,503	¥ —	¥ (452)
	Buy position—Metal	Accounts receivable, Accounts payable	27,616	1,190	(2,074)
	Option contracts:				
	Sell position				
	Call position—Metal*1	Accounts receivable	16,951	—	319
	Total		¥ 57,070	¥ 1,190	¥ (2,207)
Interest	Interest rate swap contracts*2:				
	Paid fixed/received floating	Long-term loans	¥ 11,542	¥ 3,847	¥ (97)
	Total		¥ 11,542	¥ 3,847	¥ (97)

*1 Commodity call option contracts are based on zero cost option contracts. There is no transfer of option fees.

*2 The interest rate swap contracts are used as hedges and meet certain hedging criteria. The net amount to be paid or received under these interest rate swap contracts is added to or deducted from the interests on the assets or liabilities for which these interest rate swap contracts were executed.
Main items hedged are long-term loans.

2017			Thousands of U.S. dollars		
			Contracted amount and others		
			Total	Over 1 year	Fair value
Type of transaction	Type of derivative transaction	Major hedged items			
Interest	Interest rate swap contracts:				
	Paid fixed/received floating	Short-term loans	$ 11,498	$ —	$ 18
		Long-term loans	181,710	181,710	6,043
	Interest rate cap contracts:				
	Buy position	Long-term loans	181,710	181,710	6,881
	Total		$ 374,918	$ 363,420	$ 12,942
Commodity	Forward contracts:				
	Sell position—Metal	Accounts receivable	$ 183,314	$ —	$ 811
	Buy position—Metal	Accounts receivable, Accounts payable	171,486	5,455	10,723
	Option contracts:				
	Sell position				
	Call position—Metal*1	Accounts receivable	136,144	—	2,326
	Total		$ 490,944	$ 5,455	$ 13,860

*1 Commodity call option contracts are based on zero cost option contracts. There is no transfer of option fees.

6 Inventories

Inventories as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Merchandise and finished products	¥ 57,704	¥ 47,648	$ 514,342
Work in process	96,524	60,197	860,362
Raw materials and supplies	64,307	54,129	573,197
Total	¥ 218,535	¥ 161,974	$ 1,947,901

7 Loss on impairment of fixed assets

(1) Loss on impairment of fixed assets for the year ended March 31, 2017 consisted of the following:

2017			Millions of yen	Thousands of U.S. dollars
Location	Major use	Asset category	Loss	Loss
Niihama City, Ehime Prefecture, Japan	Laboratory facilities	Machinery and other assets	¥ 130	$ 1,159
Isa City, Kagoshima Prefecture, Japan	Manufacturing facilities for crystal substrates	Machinery	56	499
Minato City, Tokyo Metropolis, Japan Niihama City, Ehime Prefecture, Japan	Manufacturing facilities for lead frames (to be withdrawn)	Building, machinery and other assets	867	7,728
Yonezawa City, Yamagata Prefecture, Japan Jiangsu, China Negeri Sembilan, Malaysia	Manufacturing facilities for lead frames (to be sold)	Machinery, building and other assets	2,408	21,463
Total			¥ 3,461	$ 30,849

The Company categorizes its operating assets by such business units as plants and manufacturing processes based on the divisions of managerial accounting.

Loss on impairment was recognized for the following reasons:

(i) The book values of laboratory facilities were reduced to their recoverable amounts because it is not anticipated that they will be utilized in the future.

The net sales price (fair value less cost to sell) of the assets was used as recoverable amounts for the measurement of impairment losses.

As sale of these assets was expected to be difficult, the net sales price was assessed as zero.

(ii) The book values of manufacturing facilities for crystal substrates were reduced to their recoverable amounts due to the expectation that they would no longer be in use.

The net sales price (fair value less cost to sell) of the assets was used as the recoverable amount for the measurement of impairment loss. It was based on the expected contract price.

(iii) The book values of manufacturing facilities for lead frames were reduced to their recoverable amounts because the Company decided to withdraw the subsidiaries that own such facilities from business.

The values in use of assets were used as recoverable amounts for the measurement of impairment losses.

Since future cash flow was expected to be negative, it was assumed that there was no recoverable value.

(iv) The book values of manufacturing facilities for lead frames were reduced to their recoverable amounts because the Company decided to sell the subsidiaries that own such facilities.

The net sales price (fair value less cost to sell) of the assets was used as the recoverable amount for the measurement of impairment loss. It was based on the expected contract prices. (Such subsidiaries are grouped into one independent cash-generating unit.)

(2) Loss on impairment of fixed assets for the year ended March 31, 2016 consisted of the following:

2016			Millions of yen
Location	Major use	Asset category	Loss
Ome City, Tokyo Metropolis, Japan	Manufacturing facilities for thin-film paste	Machinery and other assets	¥ 233
Isa City, Kagoshima Prefecture, Japan	Manufacturing facilities for sapphire substrates	Machinery and other assets	348
Jiangsu, China	Manufacturing facilities for lead frames	Machinery and other assets	64
Hyuga City, Miyazaki Prefecture, Japan	Manufacturing facilities for ferronickel	Machinery and other assets	143
Kaohsiung, Taiwan	Building for thin-film paste manufacturing	Building	25
Total			¥ 813

The Company categorizes its operating assets by such business units as plants and manufacturing processes based on the divisions of managerial accounting.

Loss on impairment was recognized for the following reasons:

(i) The book values of manufacturing facilities for thin-film paste were reduced to their recoverable amounts because the sales volume of ITO target will not be expected to recover.

The values in use of assets were used as recoverable amounts for the measurement of impairment losses.

Since future cash flow was expected to be negative, it was assumed that there was no recoverable value.

(ii) The book values of manufacturing facilities for sapphire substrates were reduced to their recoverable amounts due to the withdrawal from sapphire substrate business.

The net sales price (fair value less cost to sell) of the assets was used as the recoverable amount for the measurement of impairment loss. As sale of these assets was expected to be difficult, the net sales price was assessed as zero.

(iii) The book values of manufacturing facilities for lead frames were reduced to their recoverable amounts due to the adverse market environment.

The net sales price (fair value less cost to sell) of the assets was used as the recoverable amount for the measurement of impairment loss. It was based on third-party appraisal or by similar means.

(iv) The book values of manufacturing facilities for ferronickel were reduced to their recoverable amounts because one of the electric furnaces was mothballed.

The values in use of assets were used as recoverable amounts for the measurement of impairment losses.

Since the resuming of the furnace is not yet determined, it was assumed that there was no recoverable value.

(v) The book value of the building for thin-film paste manufacturing was reduced to its recoverable amount due to the relocation of the factory.

The net sales price (fair value less cost to sell) of the asset was used as the recoverable amount for the measurement of impairment loss. As sale of the asset was expected to be difficult, the net sales price was assessed as zero.

8 Bank loans and long-term debt

Bank loans are generally represented by short-term notes (most of which are unsecured) and bank overdrafts, and bore interest at annual weighted average rate of 1.16% and 1.01% as of March 31, 2017 and 2016, respectively.

(1) Long-term debt as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Long-term loans:			
Due within one year *1	**¥ 17,427**	¥ 24,933	**$ 155,335**
Due after one year, maturing through 2031 *2	**358,564**	248,036	**3,196,042**
0.48% domestic bonds due in 2016	**—**	10,000	**—**
0.77% domestic bonds due in 2018	**30,000**	30,000	**267,404**
1.26% domestic bonds due in 2021	**10,000**	10,000	**89,134**
Total	**415,991**	322,969	**3,707,915**
Amount due within one year	**(17,427)**	(34,933)	**(155,335)**
Total	**¥ 398,564**	¥ 288,036	**$ 3,552,580**

*1 Weighted average interest rate at March 31, 2017 is 1.97%

*2 Weighted average interest rate at March 31, 2017 is 0.88%

(2) The aggregate annual maturities of long-term debt as of March 31, 2017 are as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2018	¥ 17,427	$ 155,335
2019	54,629	486,933
2020	128,984	1,149,692
2021	30,084	268,152
2022	46,027	410,259
Thereafter	138,840	1,237,544
Total	¥ 415,991	$ 3,707,915

(3) Assets pledged as collateral for bank loans and long-term debt as of March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Cash and cash equivalents	**¥ 1**	¥ 1	**$ 9**
Property, plant and equipment, at net book value and other assets	**—**	39,153	**—**
Investment securities	**0**	34,654	**0**
Long-term loans receivable	**26,094**	25,227	**232,588**
Others	**343**	338	**3,057**
Total	**¥ 26,438**	¥ 99,373	**$ 235,654**

9 Income taxes

Income taxes in the accompanying consolidated statements of operations comprise corporation taxes, inhabitants' taxes and enterprise taxes. Consolidated overseas subsidiaries are subject to income taxes of the countries in which they are domiciled.

The following table summarizes the significant differences between the statutory tax rate and the Company's and its consolidated subsidiaries' effective tax rate for financial statement purposes for the years ended March 31, 2017 and 2016:

	2017	2016
Statutory tax rate	**—%**	33.1%
Loss of consolidated subsidiaries	**—**	4,387.3
Permanently nontaxable dividends received	**—**	(2,783.4)
Effect of eliminating intercompany dividends received	**—**	2,285.7
Difference of statutory tax rate in subsidiaries	**—**	1,541.1
Decrease (Increase) in valuation allowance	**—**	(709.3)
Equity in earnings of unconsolidated subsidiaries and affiliated companies	**—**	(486.1)
Difference in local tax system	**—**	(197.9)
Undistributed earnings of foreign subsidiaries	**—**	(169.2)
Tax credit	**—**	(133.3)
Effect of mining taxes	**—**	(118.1)
Permanently non-deductible items, including entertainment expenses	**—**	34.5
Others	**—**	(42.9)
Effective tax rate	**—%**	3,641.5%

Information for the year ended March 31, 2017 is not provided because income before income taxes is negative.

Significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Deferred tax assets:			
Overseas exploration costs	**¥ 5,251**	¥ 5,370	**$ 46,805**
Net defined benefit liability	**5,050**	6,786	**45,013**
Provision for discontinued operations	**2,676**	—	**23,852**
Loss on impairment of fixed assets	**2,640**	2,067	**23,532**
Asset retirement obligations	**2,478**	2,382	**22,088**
Provision for losses caused by subsidiaries and affiliates	**1,939**	595	**17,283**
Net operating losses carry forwards	**1,670**	2,079	**14,885**
Unrealized profits	**1,626**	2,836	**14,493**
Contribution gains on securities to employee retirement benefits trust	**1,356**	1,238	**12,087**
Allowance for bonus payable	**1,051**	1,084	**9,368**
Others	**7,440**	4,965	**66,316**
Gross deferred tax assets	**33,177**	29,402	**295,722**
Less valuation allowance	**(6,178)**	(4,616)	**(55,068)**
Deferred tax assets after deducting valuation allowance	**26,999**	24,786	**240,654**
Deferred tax liabilities:			
Net unrealized holding gains on available-for-sale securities	**(14,351)**	(9,585)	**(127,917)**
Depreciation	**(10,027)**	(11,592)	**(89,375)**
Reserve for losses on overseas investment	**(4,973)**	(4,973)	**(44,327)**
Accumulated earnings of overseas subsidiaries	**(4,787)**	(4,507)	**(42,669)**
Deferred gains on properties for tax purpose	**(1,840)**	(1,899)	**(16,401)**
Reserve for explorations	**(1,629)**	(1,402)	**(14,520)**
Depletion	**(1,016)**	—	**(9,056)**
Gains on securities contributed to employee retirement benefits trust	**(542)**	(535)	**(4,831)**
Others	**(3,592)**	(1,297)	**(32,016)**
Deferred tax liabilities	**(42,757)**	(35,790)	**(381,112)**
Net deferred tax assets (liabilities)	**¥ (15,758)**	¥ (11,004)	**$ (140,458)**

10 Retirement benefits and pension costs

(1) Outline of retirement benefits and pension costs

The Company and certain consolidated subsidiaries have a defined benefit pension plan and a defined contribution pension plan.

The defined benefit pension plan is based upon years of service, compensation at the time of severance and other factors.

Such retirement benefits are provided through a lump-sum benefit or a funded pension plan. The Company has a retirement benefit trust.

Some domestic consolidated subsidiaries use the simplified method for the calculation of projected benefit obligations. Also, certain consolidated subsidiaries enroll in multiemployer pension plans. Such plans are recognized as defined contribution plans.

(2) Defined benefit plans

The detailed notes relating to retirement benefit plans for the 12-month period ended March 31, 2017 and 2016 are as follows:

(i) Movements in retirement benefit obligations, excluding plans to which the simplified method is applied

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Balance at beginning of year	**¥ 63,576**	¥ 59,972	**$ 566,682**
Service costs	**2,253**	2,051	**20,082**
Interest costs	**349**	550	**3,111**
Actuarial gains and losses	**74**	3,211	**660**
Benefits paid	**(2,230)**	(2,282)	**(19,877)**
Prior service costs	**749**	(19)	**6,676**
Others	**(32)**	93	**(286)**
Balance at end of year	**¥ 64,739**	¥ 63,576	**$ 577,048**

(ii) Movements in plan assets, excluding plans to which the simplified method is applied

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Balance at beginning of year	**¥ 50,731**	¥ 53,370	**$ 452,188**
Expected return on plan assets	**1,119**	1,156	**9,974**
Actuarial gains and losses	**5,542**	(3,332)	**49,398**
Contributions paid by the employer	**719**	818	**6,409**
Benefits paid	**(1,336)**	(1,281)	**(11,908)**
Balance at end of year	**¥ 56,775**	¥ 50,731	**$ 506,061**

(iii) Movements in liability (asset) for retirement benefits to which the simplified method is applied

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Balance at beginning of year	**¥ 1,094**	¥ 830	**$ 9,751**
Retirement benefit costs	**178**	642	**1,587**
Benefits paid	**(190)**	(200)	**(1,694)**
Contributions paid by the employer	**(164)**	(178)	**(1,462)**
Other	**(27)**	—	**(241)**
Balance at end of year	**¥ 891**	¥ 1,094	**$ 7,941**

(iv) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Funded retirement benefit obligations	**¥ 67,911**	¥ 66,858	**$ 605,321**
Plan assets	**(60,800)**	(54,555)	**(541,938)**
	¥ 7,111	¥ 12,303	**$ 63,383**
Unfunded retirement benefit obligations	**1,744**	1,636	**15,545**
Total net liability for retirement benefits at end of year	**¥ 8,855**	¥ 13,939	**$ 78,928**
Liability for retirement benefits	**¥ 9,118**	¥ 14,128	**$ 81,273**
Asset for retirement benefits	**(263)**	(189)	**(2,344)**
Total net liability for retirement benefits at end of year	**¥ 8,855**	¥ 13,939	**$ 78,929**

(v) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Service costs	**¥ 2,253**	¥ 2,051	**$ 20,081**
Interest costs	**349**	550	**3,111**
Expected return on plan assets	**(1,119)**	(1,156)	**(9,974)**
Net actuarial gains and losses amortization	**1,732**	(135)	**15,438**
Prior service costs amortization	**79**	154	**704**
Retirement benefit costs based on the simplified method	**178**	642	**1,587**
Total retirement benefit costs for the year	**¥ 3,472**	¥ 2,106	**$ 30,947**

(vi) Other comprehensive income on defined retirement benefit plans, before tax

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Prior service costs	**¥ 670**	¥ (154)	**$ 5,972**
Actuarial gains and losses	**(7,203)**	6,438	**(64,204)**
Total	**¥ (6,533)**	¥ 6,284	**$ (58,232)**

(vii) Accumulated other comprehensive income on defined retirement benefit plans, before tax

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Unrecognized prior service costs	**¥ 702**	¥ 47	**$ 6,257**
Unrecognized actuarial gains and losses	**(2,048)**	5,161	**(18,255)**
Total	**¥ (1,346)**	¥ 5,208	**$ (11,998)**

(viii) Plan assets

(a) Plan assets consisted of the following:

	2017	2016
Bonds	**32.5%**	35.7%
Equity securities	**58.2**	53.8
Cash and cash equivalents	**1.2**	4.7
Others	**8.1**	5.8
Total	**100.0**	100.0

Plan assets include the retirement benefit trusts that were established in regards to lump-sum payment plans of 40.2% at March 31, 2017 and 35.1% at March 31, 2016.

(b) Long-term expected rate of return

Current and target asset allocations, and historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

Assumptions used in calculating the above numbers are as follows:

		2017	2016
Discount rate	(Mainly)	**0.6%**	0.5%
Expected long-term return on plan assets	(Mainly)	**3.5%**	3.5%

(c) Defined contribution plans

The amount of required contributions to the defined contribution plans of the Company and certain consolidated subsidiaries for the years ended March 31, 2017 and 2016 were ¥401 million (US$3,574 thousand) and ¥404 million, respectively.

(d) Multiemployer pension plans

The amount of required contributions to the multiemployer plans which are recognized as defined contribution plans for the years ended March 31, 2017 and 2016 were ¥42 million (US$374 thousand) and ¥70 million, respectively.

The funded status of the multiemployer pension plans at March 31, 2016 and 2015, to which contributions were recorded as net periodic retirement benefit costs, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Plan assets	**¥ 256,616**	¥ 329,141	**$ 2,287,334**
Actuarial liability based on pension plan finance calculation and minimum actuarial reserve	**287,428**	361,482	**2,561,974**
Balance*1	**¥ (30,812)**	¥ (32,341)	**$ (274,640)**

*1 The principle factor relating to the balance was the prior service obligations in pension financing which were –¥28,990 million (–US$258,401 thousand) at March 31, 2016 and –¥32,939 million at March 31, 2015. The multiemployer pension plan (Japan Electronics Packaging and Circuits Employees' Pension Insurance), in which Shinko Co., Ltd. had been enrolled, was dissolved on March 31, 2017, with the approval of the Minister of Health, Labour and Welfare who acted to return the contracted-out portion back to the government, which has been handling it since April 2017. Consequently, it is not included in those assets at March 31, 2016. The impact of dissolution of the plan on operating income and loss before income taxes was immaterial.

The percentage of the Group's contribution to the multiemployer pension plans at March 31, 2016 and 2015 were 0.46% and 0.40%, respectively.

11 Research and development expense

Research and development expense included in selling, general and administrative expenses for the years ended March 31, 2017 and 2016 are ¥5,241 million (US$46,715 thousand) and ¥5,772 million, respectively.

12 Net assets

Net assets comprise three subsections, which are shareholders' equity, accumulated other comprehensive income, and non-controlling interests.

Under the Japanese Companies Act (the "Act"), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Act, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of dividend or excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Act, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit, or could be capitalized by a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve should not be distributed as dividends. Under the Act, however, all additional paid-in capital and all of the legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

13 Contingent liabilities

Contingent liabilities as of March 31, 2017 are as follows:

	Millions of yen	Thousands of U.S. dollars
Notes and accounts receivable sold to factoring companies with recourse	¥ 24	$ 214
As guarantor for loans of:		
Non-consolidated subsidiaries and affiliated companies	84,223	750,718
As a stockholder for future payment of:		
The mining royalty tax, interests and penalties of Cerro Verde S.A.A.	2,857	25,466
Total	¥ 87,104	$ 776,398

JCO Co., Ltd., a consolidated subsidiary of the Company, is preparing for decommissioning by dismantlement and decontamination of its facilities. Whenever the expenses for future loss can be reasonably estimated, JCO Co., Ltd. will provide the expenses.

Pursuant to the Agreement of Guarantees and Measures to Promote Investments with the Government of Peru (the "1998 Stability Agreement"), which was effective from 1999 through 2013, Sociedad Minera Cerro Verde S.A.A. ("Cerro Verde"), the Company's affiliated company accounted for by the equity method, has paid taxes based on the assumption that the mining royalty tax regime of 2004 did not apply to Cerro Verde.

In October 2013, the Peruvian national tax authority issued to Cerro Verde a payment order of taxes for the years 2006 through 2008, plus interests and penalties thereon, because the tax authority decided that the 1998 Stability Agreement did not exempt the Copper Sulfide Ores Development Project, which commenced in 2006 (the "Project"), from the mining royalty tax regime.

Although Cerro Verde has made an appeal to related agencies that the 1998 Stability Agreement exempted the Project, the Company's share of the payment being demanded in case such demand is validated is described above.

Cerro Verde had continued to pay taxes for 2009 and onward based on the same assumption that the 1998 Stability Agreement had been effective and had exempted the Project. Although the tax authority claims that the 1998 Stability Agreement also does not exempt the Project for 2009 or onward, the tax authority has not issued to Cerro Verde a payment order of taxes for such years.

14 Comprehensive Income

Amounts reclassified to net income in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Net unrealized holding gains on securities			
Increase during the year	¥ 22,242	¥ (38,582)	$ 198,253
Reclassification adjustments	(1,115)	1,464	(9,939)
Sub-total, before tax	21,127	(37,118)	188,314
Tax effect	(4,765)	10,890	(42,473)
Sub-total, net of tax	¥ 16,362	¥ (26,228)	$ 145,841
Deferred gains or losses on hedges			
Increase during the year	¥ 1,176	¥ (3,728)	$ 10,482
Reclassification adjustments	3,447	1,160	30,725
Sub-total, before tax	4,623	(2,568)	41,207
Tax effect	(1,485)	785	(13,236)
Sub-total, net of tax	¥ 3,138	¥ (1,783)	$ 27,971
Foreign currency translation adjustments			
Increase during the year	¥ 16,365	¥ (9,104)	$ 145,869
Reclassification adjustments	517	—	4,608
Sub-total, before tax	16,882	(9,104)	150,477
Tax effect	(175)	—	(1,560)
Sub-total, net of tax	¥ 16,707	¥ (9,104)	$ 148,917
Remeasurements of defined benefit plans			
Increase during the year	¥ 4,722	¥ (6,303)	$ 42,089
Reclassification adjustments	1,811	19	16,143
Sub-total, before tax	6,533	(6,284)	58,232
Tax effect	(2,046)	1,995	(18,237)
Sub-total, net of tax	¥ 4,487	¥ (4,289)	$ 39,995
Share of other comprehensive income of affiliated companies accounted for using equity method			
Increase during the year	¥ (39,601)	¥ (3,798)	$ (352,982)
Reclassification adjustments	(45)	(36)	(401)
Sub-total	¥ (39,646)	¥ (3,834)	$ (353,383)
Total other comprehensive income	¥ 1,048	¥ (45,238)	$ 9,341

15 Segment information

(1) General information about reported segments

(i) Basis of decision about reported segments

The reported segments of the Group refer to business units, for which separate financial information is available and that are subject to periodic reviews by the Board of Directors as the supreme, managerial decision-making body to determine the allocation of management resources and assess their respective operating results.

The Company currently has three business divisions— Mineral Resources Div., Non-Ferrous Metals Div., Materials Div.— in the pursuit of effective business operations by products and services. Each of these business divisions plans its own comprehensive strategies to be carried out in Japan and overseas for its own product and service lines and engages in diverse business activities.

The three aforementioned business divisions are classified as "business segments" of the Group.

The Group integrated these three business segments into three reported segments: "Mineral Resources" "Smelting & Refining," "Materials." In determining these reported segments, in accordance with the integration criteria and quantitative standards set forth in the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17 issued on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20 issued on March 21, 2008).

As described above, the Group consists of three segments identified by products and services based on the business divisions.

(ii) Types of products and services of each reported segment

In the Mineral Resources segment, the Group mainly engages in the exploration, development and production of non-ferrous metal resources in Japan and overseas, as well as sales of ores and other products.

In the Smelting & Refining segment, the Group mainly engages in smelting and sales of copper, nickel, ferro-nickel and zinc, as well as smelting and sales of precious metals such as gold, silver and platinum.

In the Materials segment, the Group mainly engages in manufacturing, processing and sales of semiconductor materials such as lead frames and tape materials, as well as of advanced materials such as pastes, powder materials (e.g., nickel powder), battery materials (e.g., nickel hydroxide, lithium nickel oxide) and crystalline materials (e.g., lithium tantalate, lithium niobate), manufacturing and sales of automotive exhaust processing catalysts, chemical catalysts, petroleum refinery and desulfurization catalysts, as well as autoclaved lightweight concrete (ALC) products.

(2) Basis of measurement regarding reported segment income (loss), segment assets and other material items

The accounting methods for each reported segment are basically the same as those set forth in Note 2, entitled the "Summary of significant accounting policies," excepting the allocation of the amount equivalent to the interest on the internal loan payable to each segment.

Inter-segment net sales are calculated based on the prices of arm's length transactions.

(3) Information about reported segment income (loss), segment assets and other material items

Segment information as of and for the years ended March 31, 2017 and 2016 are as follows:

Millions of yen

2017	Mineral Resources	Smelting & Refining	Materials	Total of reported segments	Others*1	Adjustment*2	Consolidated
Net sales:							
Outside customers	¥ 77,857	¥ 543,079	¥ 159,913	¥ 780,849	¥ 5,297	¥ —	¥ 786,146
Inter segment	45,513	21,978	14,148	¥ 81,639	5,045	(86,684)	—
Total	¥ 123,370	¥ 565,057	¥ 174,061	¥ 862,488	¥ 10,342	¥ (86,684)	¥ 786,146
Segment income (loss)	¥ (53,594)	¥ 33,258	¥ 12,066	¥ (8,270)	¥ (65)	¥ 6,770	¥ (1,565)
Segment assets	¥ 468,981	¥ 671,938	¥ 205,425	¥1,346,344	¥ 20,741	¥ 317,933	¥1,685,018
Segment liabilities	¥ 155,441	¥ 300,310	¥ 124,429	¥ 580,180	¥ 15,311	¥ 65,406	¥ 660,897
Other items:							
Depreciation	¥ 16,095	¥ 17,822	¥ 9,089	¥ 43,006	¥ 388	¥ 838	¥ 44,232
Amortization of goodwill	121	—	23	144	—	—	144
Interest income	816	836	80	1,732	1	11,043	12,776
Interest expense	1,207	3,740	364	5,311	10	(279)	5,042
Equity in earnings (losses) of affiliated companies	(93,628)	4,240	3,644	(85,744)	—	(228)	(85,972)
Investment in equity-method affiliated companies	142,787	96,776	27,134	266,697	—	25,914	292,611
Capital expenditures	92,012	10,885	18,807	121,704	727	3,519	125,950

*1 The "Others" segment refers to businesses other than those included in the reported segments and other profit-seeking business directly operated by Head Office divisions/departments.

Other businesses include real estate businesses and technical engineering.

*2 Notes to the various items of the "Adjustment" segment are below. (i–viii)

Millions of yen

2016	Mineral Resources	Smelting & Refining	Materials	Total of reported segments	Others*1	Adjustment*2	Consolidated
Net sales:							
Outside customers	¥ 70,448	¥ 622,523	¥ 158,302	¥ 851,273	¥ 4,134	¥ —	¥ 855,407
Inter segment	49,303	19,409	13,295	82,007	11,157	(93,164)	—
Total	¥ 119,751	¥ 641,932	¥ 171,597	¥ 933,280	¥ 15,291	¥ (93,164)	¥ 855,407
Segment income (loss)	¥ (44,317)	¥ 25,258	¥ 5,972	¥ (13,087)	¥ (828)	¥ 1,151	¥ (12,764)
Segment assets	¥ 315,902	¥ 657,742	¥ 189,302	¥1,162,946	¥ 20,767	¥ 447,087	¥1,630,800
Segment liabilities	¥ 25,528	¥ 297,361	¥ 100,127	¥ 423,016	¥ 10,526	¥ 121,263	¥ 554,805
Other items:							
Depreciation	¥ 13,972	¥ 21,673	¥ 8,014	¥ 43,659	¥ 386	¥ 2,096	¥ 46,141
Amortization of goodwill	135	—	23	158	—	—	158
Interest income	344	280	130	754	—	10,038	10,792
Interest expense	123	4,119	372	4,614	19	240	4,873
Equity in earnings (losses) of affiliated companies	(79,720)	2,885	2,856	(73,979)	—	756	(73,223)
Investment in equity-method affiliated companies	146,649	93,250	29,127	269,026	—	56,799	325,825
Capital expenditures	11,648	15,230	21,632	48,510	366	2,137	51,013

*1 The "Others" segment refers to businesses other than those included in the reported segments and other profit-seeking business directly operated by Head Office divisions/departments.

Other businesses include real estate businesses and technical engineering.

*2 Notes to the various items of the "Adjustment" segment are below. (i–viii)

Thousands of U.S. dollars

2017	Mineral Resources	Smelting & Refining	Materials	Total of reported segments	Others*1	Adjustment*2	Consolidated
Net sales:							
Outside customers	$ 693,975	$4,840,708	$1,425,377	$ 6,960,060	$ 47,213	$ —	$ 7,007,273
Inter segment	405,678	195,900	126,107	727,685	44,969	(772,654)	—
Total	$1,099,653	$5,036,608	$1,551,484	$ 7,687,745	$ 92,182	$ (772,654)	$ 7,007,273
Segment income (loss)	$ (477,707)	$ 296,444	$ 107,550	$ (73,713)	$ (580)	$ 60,343	$ (13,950)
Segment assets	$4,180,239	$5,989,286	$1,831,045	$12,000,570	$ 184,874	$2,833,880	$15,019,324
Segment liabilities	$1,385,516	$2,676,798	$1,109,092	$ 5,171,406	$ 136,474	$ 582,993	$ 5,890,873
Other items:							
Depreciation	$ 143,462	$ 158,856	$ 81,014	$ 383,332	$ 3,458	$ 7,470	$ 394,260
Amortization of goodwill	1,079	—	205	1,284	—	—	1,284
Interest income	7,273	7,452	713	15,438	9	98,431	113,878
Interest expense	10,759	33,336	3,244	47,339	90	(2,487)	44,942
Equity in earnings (losses) of affiliated companies	(834,549)	37,793	32,481	(764,275)	—	(2,032)	(766,307)
Investment in equity-method affiliated companies	1,272,725	862,608	241,858	2,377,191	—	230,983	2,608,174
Capital expenditures	820,144	97,023	167,635	1,084,802	6,480	31,367	1,122,649

*1 The "Others" segment refers to businesses other than those included in the reported segments and other profit-seeking business directly operated by Head Office divisions/departments.

Other businesses include real estate businesses and technical engineering.

*2 Notes to the various items of the "Adjustment" segment are below. (i–viii)

(i) Adjustments for segment income

		Millions of yen 2017		2016		Thousands of U.S. dollars 2017
Head Office expenses not allocated to each reported segment*1	¥	(674)	¥	(90)	$	(6,009)
Internal interest expense		269		562		2,398
Eliminations of inter-segmental transactions among the reported segments		2,802		267		24,975
Non-operating income/expenses not allocated to each reported segment*2		4,373		412		38,979
Total	¥	6,770	¥	1,151	$	60,343

*1 Head Office expenses not allocated to each reported segment mainly consist of general administrative expenses and R&D expenses, which are not attributable to the reported segments.

*2 Non-operating income/expenses not allocated to each reported segment mainly consist of foreign exchange gains/losses and interest expenses, which are not attributable to the reported segments.

(ii) Adjustments for segment assets and liabilities

		Millions of yen 2017		2016		Thousands of U.S. dollars 2017
Corporate assets not allocated to each reported segment*1	¥	506,417	¥	482,978	$	4,513,923
Offset and eliminations of inter-segmental receivables among the reported segments, including those toward Head Office divisions/departments		(188,484)		(98,562)		(1,680,043)
Total	¥	317,933	¥	384,416	$	2,833,880

		Millions of yen 2017		2016		Thousands of U.S. dollars 2017
Corporate liabilities not allocated to each reported segment*1	¥	264,533	¥	197,656	$	2,357,902
Offset and eliminations of inter-segmental payables among the reported segments, including those toward Head Office divisions/departments		(199,127)		(139,064)		(1,774,909)
Total	¥	65,406	¥	58,592	$	582,993

*1 Corporate assets and liabilities not allocated to each reported segment mainly refer to the assets and liabilities under the control of the Administration Dept. at the Head Office, which are not allocated to the reported segments.

(iii) Adjustments on depreciation refer to depreciation at the Head Office divisions/departments, which are not allocated to the reported segments.

(iv) Adjustments on interest income consist of interest income at the Head Office divisions/departments, which is not allocated to the reported segments, and eliminations of transactions among the reported segments.

(v) Adjustments on interest expense consist of interest expense at the Head Office divisions/departments, which are not allocated to the reported segments, and eliminations of transactions among the reported segments.

(vi) Adjustments on equity in earnings (losses) of affiliated companies refer to the deduction of unrealized income relating to the inter-segmental transactions among the reported segments.

(vii) Adjustments on investment in equity-method affiliated companies represent the amount corresponding to “Foreign currency translation adjustments.”

(viii) Adjustments on capital expenditures refer to increases thereof at the Head Office divisions/departments, which are not allocated to the reported segments.

(4) From the current consolidated fiscal year, certain assets and liabilities are netted in the same segment to manage the financial condition of each segment more appropriately.

The segment information for the previous fiscal year is prepared based on the methods after this change.

Related information

(1) Information about geographic areas

(i) Sales

2017						Millions of yen
	Japan	East Asia	Southeast Asia	North America	Others	Total
	¥ 472,427	¥ 148,879	¥ 64,752	¥ 82,588	¥ 17,500	¥ 786,146
2016						**Millions of yen**
	Japan	East Asia	Southeast Asia	North America	Others	Total
	¥ 515,177	¥ 175,901	¥ 70,140	¥ 73,384	¥ 20,805	¥ 855,407
2017						**Thousands of U.S. dollars**
	Japan	East Asia	Southeast Asia	North America	Others	Total
	$ 4,210,955	$ 1,327,026	$ 577,164	$ 736,144	$ 155,984	$ 7,007,273

- Net sales are segmented by country or region according to customers' location data.
- Regions are segmented based on their geographical proximity, and only those countries for which the net sales amount accounts for more than 10% of the net sales stated in the consolidated statements of operations are separately listed.
- Major countries or regions that belong to the segments are as follows:
  - · East Asia: China, Taiwan, Hong Kong, South Korea, etc.
  - · Southeast Asia: Indonesia, Malaysia, Thailand, Vietnam, etc.
  - · North America: United States, Mexico and Canada
  - · Others: Australia, India, Germany, Italy, Turkey, etc.

(ii) Property, plant and equipment

2017							Millions of yen
	Japan	East Asia	Philippines	Southeast Asia	United States	Others	Total
	¥ 155,693	¥ 404	¥ 216,057	¥ —	¥ 106,438	¥ 4,864	¥ 483,456
2016							**Millions of yen**
	Japan	East Asia	Philippines	Southeast Asia	United States	Others	Total
	¥ 152,008	¥ 7,112	¥ 222,680	¥ 2,004	¥ 64,280	¥ 5,450	¥ 453,534
2017							**Thousands of U.S. dollars**
	Japan	East Asia	Philippines	Southeast Asia	United States	Others	Total
	$ 1,387,762	$ 3,601	$ 1,925,813	$ —	$ 948,730	$ 43,355	$ 4,309,261

- Regions are segmented based on their geographical proximity, and only those countries for which the property, plant and equipment amount accounts for more than 10% of the property, plant and equipment stated in the consolidated balance sheets are separately listed.
- Major countries or regions that belong to the segments are as follows:
  - · East Asia: China and Taiwan
  - · Southeast Asia: Malaysia and Singapore
  - · Others: Australia, Solomon Islands, Peru, Chile and Brazil

(2) Information about major customers

Customer's designation or name	Millions of yen 2017 Sales	Millions of yen 2016 Sales	Thousands of U.S. dollars 2017 Sales	Related reported segments
Sumitomo Corporation	¥ 104,256	¥ 133,912	$ 929,281	Smelting & Refining, Materials
MITSUI & CO., LTD.	¥ —	¥ 63,915	$ —	Smelting & Refining
Panasonic Corporation	¥ 80,054	¥ —	$ 713,557	Smelting & Refining, Materials

(3) Information about impairment loss of fixed assets by reported segment

Millions of yen

2017	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
Loss on impairment of fixed assets	¥ —	¥ —	¥ 3,331	¥ —	¥ 130	¥ 3,461

Millions of yen

2016	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
Loss on impairment of fixed assets	¥ —	¥ 143	¥ 670	¥ —	¥ —	¥ 813

Thousands of U.S. dollars

2017	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
Loss on impairment of fixed assets	$ —	$ —	$ 29,691	$ —	$ 1,158	$ 30,849

(4) Information about unamortized balance of goodwill by reported segment

Millions of yen

2017	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
Balance at end of year	¥ 130	¥ —	¥ 31	¥ —	¥ —	¥ 161

Millions of yen

2016	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
Balance at end of year	¥ 268	¥ —	¥ 54	¥ —	¥ —	¥ 322

Thousands of U.S. dollars

2017	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
Balance at end of year	$ 1,159	$ —	$ 276	$ —	$ —	$ 1,435

16 Asset retirement obligations

(1) Asset retirement obligations that are recorded in the consolidated balance sheets

With regard to mines and quarries in operation in Japan, the Company is required by the Mining Safety Act, the Law on Special Measures for Mine Damages Caused by the Metal Mining Industry, etc., the Quarrying Act and leasing agreements to undertake mine pollution prevention activities for post-use specified facilities and to restore such facilities to their original condition. Based on these requirements, the Company records as asset retirement obligations a rational estimate of the expenses required for mine pollution prevention activities and any removal expenses.

For the domestic facilities of the Group in Japan, the Company makes rational estimates of the costs of demolishing and conducting surveys in accordance with requirements regarding special removal methods and obligations to conduct environmental surveys under asbestos damage prevention regulations of asbestos-related regulations and occupational health and safety regulations of dioxin-related regulations, and posts these amounts as asset retirement obligations.

Sumitomo Metal Mining Pogo LLC, Sumitomo Metal Mining Arizona Inc., SMM Morenci Inc., Sumitomo Metal Mining Oceania Pty. Ltd., Coral Bay Nickel Corporation and Taganito HPAL Nickel are subject to the U.S. GAAP or International Financial Reporting Standards, as well as the mining laws and regulations of the United States, Australia and the Republic of the Philippines, respectively. Based on its business plans, the Company determines asset retirement obligations by making rational estimates of its obligations under such regulations of restoring operating mines and smelters to their original condition and the expenses of fulfilling these obligations. Asset retirement obligations are calculated based on determining the estimated period until expenditure, the remaining useful life of facilities and the mine life (13 to 69) and discounted by the rates of 1.5% to 11.0%.

The asset retirement obligations as of March 31, 2017 and 2016 are as follows:

	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars 2017
Balance at beginning of year	¥ 7,831	¥ 7,525	$ 69,801
Adjustment due to passage of time	399	421	3,556
Decrease due to fulfillment of obligations	—	(57)	—
Increase due to change in estimates	(32)	64	(285)
Others	942	(30)	8,396
Foreign exchange adjustment	(155)	(92)	(1,381)
Balance at end of year	¥ 8,985	¥ 7,831	$ 80,087

(2) Asset retirement obligations other than those recorded in the balance sheets

The Group is required under leasing agreements to restore certain facilities on borrowed buildings and sites to their original condition at the time of removal. In cases where the period of use for lease assets is unclear or for which no relocation plans are in existence, asset retirement obligations cannot be rationally estimated. Furthermore, certain sites at our facilities employ hazardous substances specified under the Water Pollution Control Act, and at the time of removing its facilities the Company is required to conduct soil remediation surveys in accordance with the Soil Contamination Countermeasures Law. However, as the responsibility for fulfilling this obligation is estimated to be deferred, the timing for performing such surveys is unclear. Therefore, asset retirement obligations cannot be rationally estimated. Consequently, no corresponding asset retirement obligations are included in these obligations.

17 Information for certain leases

(1) Finance leases

Lease assets — Primarily, the production management server at the headquarters (machinery and equipment)

For lease assets related to finance leases that do not transfer ownership, depreciation of leased assets is computed over the lease period using the straight-line method with no residual value.

(2) Operating leases

Future minimum lease payments as of March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Due within one year	**¥ 241**	¥ 247	**$ 2,148**
Due after one year	**1,257**	1,498	**11,204**
Total	**¥ 1,498**	¥ 1,745	**$ 13,352**

18 Business combination

(Business divestitures)

The Company's subsidiary SH Materials Co., Ltd. ("SH Materials") sold all the shares of SH Asia Pacific, Pte. Ltd. ("SH Asia Pacific") on March 17, 2017. From the next fiscal year, SH Asia Pacific and its subsidiaries (Malaysian SH Electronics Sdn. Bhd., SH Electronics Taiwan Co., Ltd., SH Electronics Suzhou Co., Ltd., SH Electronics Chengdu Co., Ltd., SH Precision Chengdu Co., Ltd.) will be excluded from consolidated financial statements.

(1) Outline of transaction

(i) Purchaser company

Chang Wah Electromaterials Inc. and Chang Wah Technology Co., Ltd.

(ii) Contents of divested business

Lead frame business

(iii) Main reason for determining the separating business

The lead frame market shifted from a period of high growth to maturation. In addition, commoditization of lead frames as a product has proceeded and the competition in the lead frame industry is getting more intense with the rise of Chinese companies.

Under such circumstances, the Company decided to withdraw from the business.

(iv) Date of business divestiture

March 17, 2017

(v) Legal form of business divestiture

Stock transfer paid in properties such as cash

(2) Outline of applied accounting treatment

(i) The amount of transfer gain

Gain on sales or liquidation of subsidiaries and affiliated companies: ¥2,604 million (US$23,211 thousand)

(ii) Book values of assets and liabilities separated

	Millions of yen	Thousands of U.S. dollars
	2017	**2017**
Current assets	**¥ 16,731**	**$ 149,131**
Non - Current assets	**5,259**	**46,876**
Total amount of assets	**21,990**	**196,007**
Current liabilities	**8,593**	**76,593**
Long-term liabilities	**30**	**267**
Total amount of liabilities	**¥ 8,623**	**$ 76,860**

(iii) Accounting treatment

The difference between sales amounts of shares and book values of shares estimated in consolidated financial statements is allocated as "Gain on sales or liquidation of subsidiaries and affiliated companies" in statements of operations.

(3) Reported segments including separated divestiture

Materials segment

(4) Estimated effect on consolidated statements of operations

Net sales: ¥20,887 million (US$186,175 thousand)

Operating income: ¥2,442 million (US$21,767 thousand)

19 Related party transaction

(1) Related party transaction

Related party transaction for the years ended March 31, 2017 and 2016 are as follows:

2017

Name of related party	Location	Capital investment	Segment	Voting interest	Description of the business relationship	Transaction detail	Amounts		Accounts	Balance	
		Thousands of U.S. dollars					Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars
Sierra Gorda S.C.M.	Santiago, Chile	**$1,959,400**	Mineral Resources	Indirectly **45.0%**	Debt guarantee and pledge as security for the loan etc. from the financial institution and others	Debt guarantee*1	**¥ 83,373**	**$ 743,141**	—	**¥ —**	**$ —**
						Pledge as security*2	**63,612**	**567,002**	—	**—**	**—**
					Loans	Loans*3	**—**	**—**	Long-term loans receivable*4	**41,639**	**371,147**
					Loans	Interest receivables	**9,946**	**88,653**	Other long-term receivables	**36,461**	**324,993**

*1 The Company guarantees the loan etc. from the financial institution.

*2 The Company pledges its owned shares in Sierra Gorda S.C.M. as security for the loan from the financial institution to finance developments of the Sierra Gorda copper project. The amounts of security are the debt balance as of March 31, 2017 and 2016.

*3 The Company determined terms and conditions of loan based on market interest rates, etc. The amounts include exchange gains and losses.

*4 In consolidated balance sheets, long-term loans receivable is reduced by ¥60,889 million (US$542,731 thousand) as equity in losses (earnings) of affiliated companies. The amounts include exchange gains and losses.

2016

Name of related party	Location	Capital investment	Segment	Voting interest	Description of the business relationship	Transaction detail	Amounts	Accounts	Balance
		Thousands of U.S. dollars					Millions of yen		Millions of yen
Sierra Gorda S.C.M.	Santiago, Chile	$1,659,400	Mineral Resources	Indirectly 45.0%	Debt guarantee and pledge as security for the loan etc. from the financial institution and others	Debt guarantee*1	¥ 89,948	—	¥ —
						Pledge as security*2	71,739	—	—
					Loans	Loans*3	—	Long-term loans receivable	106,084
					Loans	Interest receivables	10,405	Other long-term receivables	26,706

*1 The Company guarantees the loan etc. from the financial institution.

*2 The Company pledges its owned shares in Sierra Gorda S.C.M. as security for the loan from the financial institution to finance developments of the Sierra Gorda copper project. The amounts of security are the debt balance as of March 31, 2017 and 2016.

*3 The Company determined terms and conditions of loan based on market interest rates, etc. The amounts include exchange gains and losses.

(2) Condensed financial information of major affiliated companies

Pursuant to the relevant accounting standards, condensed financial information of major affiliated companies which are disclosed for the years ended December 31, 2016 and 2015 are as follows:

Sociedad Minera Cerro Verde S.A.A.

	Millions of yen		Thousands of U.S. dollars
	2016/12	2015/12	2016/12
Total current assets	¥ 141,945	¥ 127,342	$ 1,265,220
Total long-term assets	747,530	819,144	6,663,072
Total current liabilities	34,205	66,112	304,885
Total long-term liabilities	291,541	338,183	2,598,636
Total net assets	563,729	542,191	5,024,770
Net sales	259,372	135,112	2,311,899
Net income before tax	65,708	9,632	585,685
Net income	37,087	4,031	330,573

Sierra Gorda S.C.M.

	Millions of yen		Thousands of U.S. dollars
	2016/12	2015/12	2016/12
Total current assets	¥ 37,685	¥ 33,230	$ 335,903
Total long-term assets	427,810	687,588	3,813,263
Total current liabilities	68,403	54,348	609,707
Total long-term liabilities	584,349	577,797	5,208,566
Total net assets	(187,257)	88,673	(1,669,106)
Net sales	69,473	34,686	619,244
Net loss before tax	(395,495)	(157,068)	(3,525,225)
Net loss	(287,554)	(112,221)	(2,563,098)

20 Earnings per share

Reconciliation of the difference between basic and diluted net income per share for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Basic net income (loss) per share calculation			
Numerator:			
Net income (loss) attributable to owners of the parent	¥ (18,540)	¥ (309)	$ (165,255)
Denominator (thousands of shares):			
Weighted average number of shares	551,619	551,653	—
Basic net income (loss) per share (yen and U.S. dollars)	¥ (33.61)	¥ (0.56)	$ (300.00)
Diluted net income per share calculation			
Numerator:			
Net income (loss) attributable to owners of the parent	¥ (18,540)	¥ (309)	$ (165,255)
Adjusted net income (loss)	—	—	—
Denominator (thousands of shares):			
Weighted average number of shares	551,619	551,653	—
Assumed conversion of convertible bonds	—	—	—
Adjusted weighted average number of shares	551,619	551,653	—
Diluted net income per share*1 (yen and U.S. dollars)	¥ —	¥ —	$ —

*1 Diluted net income per share for the year ended March 31, 2017 and 2016 is not calculated because of the net loss for the year although dilutive bonds exist.

21 Subsequent events

(1) Consolidation of shares and change in number of shares constituting one unit

At a meeting of board members held on May 24, 2017, the Company resolved to propose a consolidation of shares at the 92nd ordinary general meeting of shareholders (hereafter "the general meeting of shareholders") held on June 27, 2017. At the same time, the Company issued a resolution concerning a change to the number of shares constituting one unit, on the condition that the proposal for the consolidation of shares is approved at the general meeting of shareholders.

(i) Purpose of consolidation and change in number of shares constituting one unit

Acting under a plan to aggregate sales units for stock trading, stock exchanges nationwide are undertaking efforts to consolidate the unit of trading (number of shares constituting one unit) of ordinary shares of domestic companies listed on national stock exchanges to 100 shares.

As a company listed on the Tokyo Stock Exchange, the Company has decided to change the number of shares constituting one unit from 1,000 shares to 100 shares. And the Company has decided to implement a consolidation of 2 shares of the Company's stock into 1 share, for the purpose of adjusting the number of shares constituting one unit (the purchase amount per number of shares constituting one unit) to an appropriate level.

(ii) Details of the consolidation

(a) Type of shares to be consolidated: Common stock

(b) Consolidation ratio: Shares will be consolidated at a ratio of 1 share per 2 shares held by shareholders who are recorded in the final Register of Shareholders on September 30 (effectively September 29), 2017, with October 1, 2017 as the effective date of the consolidation.

(c) Number of shares decreased due to consolidation

Total number of issued shares prior to consolidation (March 31, 2017)	581,628,031 shares
Number of shares decreased due to the consolidation	290,814,016 shares
Total number of issued shares following consolidation	290,814,015 shares

Note: The "number of shares decreased due to the consolidation" and "total number of issued shares following consolidation" are theoretical values calculated from the "total number of issued shares prior to consolidation" under the share consolidation ratio.

(iii) Handling of fractions of less than 1 share

When the consolidation results in a fraction of a share, the Company will dispose of the fractional shares in bulk in accordance with the provisions of Article 235 of the Companies Act, and will pay the proceeds of the sale to shareholders in proportion to the fractions held.

(iv) Total number of authorized shares to be issued following consolidation: 500 million shares (prior to consolidation: 1 billion shares)

The provisions of the Articles of Incorporation that stipulate the total number of authorized shares to be issued will be deemed as having been amended as above, as of the effective date of the consolidation (October 1, 2017).

(v) Details of the change in number of shares constituting one unit

The number of shares constituting one unit will be changed from 1,000 shares to 100 shares as of the effective date of the consolidation.

(vi) Schedule of consolidation of shares and change in number of shares constituting one unit

Meeting of the Board of Directors	May 24, 2017
General Meeting of Shareholders	June 27, 2017
Effective date of consolidation of shares and change in number of shares constituting one unit	October 1, 2017

(vii) Effect on per share information

Per share information for the years ended March 31, 2017 and 2016 on the assumption that the consolidation of shares had been implemented as of April 1, 2015, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Net assets per share	**¥ 3,486.92**	¥ 3,563.82	**$ 31,080**
Net income (loss) per share	**(67.22)**	(1.12)	**(599.00)**

Note: Diluted net income per share for the year ended March 31, 2017 and 2016 is not calculated because of the net loss for the year although dilutive bonds exist.

(2) Completion of acquisition of interest in a gold project in Canada

On June 20, 2017, the Company completed procedures for acquisition of a 27.75% interest of the Cote Gold Project in Ontario, Canada through SMM Gold Cote Inc., a subsidiary of the Company. This 27.75% interest is a 30.0% interest of IAMGOLD Corporation, which owns a 92.5% interest of the overall project.

(i) Reason of acquisition

In its long-term vision, the Company is aiming to increase its attributable gold production to 30 tonnes per year. The acquisition of interest in the project represents a step forward in its efforts to attain this goal.

(ii) Percentage of shares subject to be acquired

27.75% of the overall Cote Gold Project in Ontario, Canada

(iii) Percentage of shares after acquisition

The Company has a 27.75% interest of the project.

(iv) Acquisition price

US$195 million

(v) Timing of acquisition

June 20, 2017

(3) Appropriation of retained earnings

The following appropriation of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2017, was approved at a shareholders' meeting held on June 27, 2017:

	Millions of yen	Thousands of U.S. dollars
Year-end dividends of ¥6.00 per share	**¥ 3,310**	**$ 29,504**

Independent Auditor's Report

Independent Auditor's Report

To the Board of Directors of Sumitomo Metal Mining Co., Ltd.:

We have audited the accompanying consolidated financial statements of Sumitomo Metal Mining Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2017 and 2016, and the consolidated statements of income and comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sumitomo Metal Mining Co., Ltd. and its consolidated subsidiaries as at March 31, 2017 and 2016, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2017 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

July 11, 2017
Tokyo, Japan

Glossary

Mineral Resources Business and Smelting & Refining Business

Metal Trading

London Metal Exchange (LME)
The LME specializes in trading of non-ferrous metals such as copper, nickel, aluminum, lead and zinc. The LME trading prices for metals are used as the international pricing benchmarks for sales of refined metal and purchases of refining ores.

Treatment Charge (TC) and Refining Charge (RC)
These are commonly used in the terms of purchase for copper concentrate or nickel ore for refining. They are amounts designed to cover refining costs. For example, copper concentrate contracts may define a purchase price based on the LME price at a certain date, minus the TC or RC being used at the time.

London fixing
Gold is not traded on the LME. Its price is determined for each transaction between market participants. The financial institutions in the London Bullion Market Association (LBMA) agree on a standard price for gold based on these transactions and publish it on the morning and afternoon of each trading day. This "London fixing" price is the benchmark for trading in gold.

Pound (lb)
Part of the imperial system of measures, the pound is the standard unit of weight used in measuring and pricing base metals such as copper and nickel, and in TC/RC calculations. One pound equals approximately 453.59 g; a metric ton equals approximately 2,204.62 lb.

Troy ounce (toz)
The troy ounce is the standard unit of weight for precious metals such as gold and silver. It equals approximately 31.1 g. It is named after Troyes, a city in the Champagne region of central France that was the site of a major market in Europe in medieval times. Originally used as a unit of exchange for valuing goods in terms of gold or silver weights, the troy ounce is still used today in gold trading.

Metal Refining

Smelting and refining
Refining processes extract valuable metals from ores or other raw materials. They fall into two basic types: pyrometallurgical (dry) and hydrometallurgical (wet). At SMM's Toyo site (Saijo, Ehime Prefecture) copper concentrate preprocessing (treatment processes) is pyrometallurgical, while the nickel plant (Niihama, Ehime Prefecture) makes use of hydrometallurgical processes throughout. The term "smelting" is used for the extraction of metal from ores using melting and heating (pyrometallurgy). The term "refining" refers to any process that increases the grade or purity of a metal.

Pyrometallurgical refining
The precursor ore is melted at high temperature in a furnace, and refining techniques are applied to separate the metal in a molten state. While this technique allows large-volume ore processing, it also requires periodic furnace maintenance.

Hydrometallurgical refining
The ore and impurities are dissolved in a solution, and chemical reactions are used to separate out the metal. This refining method is stable and allows for continuous refining, but the solutions required are costly.

Metal Ores

Sulfide ores
These ores contain copper, nickel or other metals chemically bonded to sulfur. Since the application of heat breaks these bonds, releasing the sulfur, such ores are generally refined using pyrometallurgical techniques.

Oxide ores
These ores contain metals in oxidized forms. Unlike sulfide ores, oxides need much more energy to achieve melting. For this reason, the hydrometallurgical approach is generally used to refine these ores.

Copper concentrates
Used as raw materials in copper smelting, copper concentrates have a copper content of about 30% by weight. The remainder consists mostly of sulfur and iron. Copper concentrates are made mostly from sulfide ores. Ores extracted from overseas mines have a typical grade of about 1%. The ores are then "dressed" at the mine to increase the purity and produce concentrate. Most of the copper ores imported by SMM for smelting in Japan are concentrates.

Nickel oxide ores
Whilst the higher-grade sulfide ores are used predominantly in nickel refining, nickel oxide ores are more prevalent than nickel sulfides. The sulfide-oxide ratio in current nickel reserves is believed to be about 3:7. High refining costs and technical issues have limited use of oxide ores in nickel refining to date, but SMM has succeeded in refining nickel from low-grade oxide ores based on HPAL technology.

Mixed sulfide (MS) ores
CBNC and Taganito produce a mixed nickel-cobalt sulfide intermediate containing about 55–60% nickel by weight. This is used as a raw material in electrolytic nickel production.

Matte
A matte is another term for metal sulfides. For raw material, electrolytic nickel production at SMM also uses a nickel matte (of about 75–80% purity) sourced from P.T. Vale Indonesia.

Resource Reserves

Gold
Canadian standard
• Reserve
Amount of ore evaluated to have purity at or above the level indicated in the prefeasibility study that is judged to be economically recoverable.

• Resource
Ore of purity or quality that is estimated to be economically extractable.

Japanese standard (JIS)
• Recoverable ore
Amount of ore expected to be recovered, consisting of actually recoverable ore plus slag.

• Identified resources
Total ore identified at the site.

Copper and Nickel
Reserve according to standards of the respective country.

Nickel Production Process

Coral Bay Nickel Corporation (CBNC)
Based in the Philippines, this SMM subsidiary produces mixed nickel-cobalt sulfides using HPAL technology and exports the raw materials to the SMM Group's nickel refining facilities in Niihama, Ehime Prefecture.

High Pressure Acid Leach (HPAL)
HPAL technology enables the recovery of nickel from low-grade nickel oxide ores that traditionally were difficult to process. SMM was the first company in the world to apply it successfully on a commercial scale. The oxide ores are subjected to high temperature and pressure and reacted under stable conditions with sulfuric acid to produce a nickel-rich refining intermediate.

Matte Chlorine Leach Electrowinning (MCLE)
Matte Chlorine Leach Electrowinning (MCLE) is the technology used in the manufacturing process at SMM's nickel refinery. The matte and mixed sulfide ores are dissolved in chlorine at high temperature to produce high-grade nickel using electrolysis. MCLE is competitive in cost terms, but poses significant operational challenges, and only two other producers besides SMM have commercialized it, using similar technology.

Main Applications for Metals

Copper
Copper is fabricated into wires, pipes and other forms. Besides power cables, copper is used widely in consumer applications such as wiring in vehicles or houses, and in air conditioning systems.

Electrolytic nickel
This form of nickel, which has a purity of at least 99.99%, is used in specialty steels, electronics materials and electroplating, among other applications. SMM is the only producer of electrolytic nickel in Japan.

Ferronickel
Ferronickel is an alloy containing nickel (about 20%) and iron. Its main use is in the manufacture of stainless steel, which is about 10% nickel by weight. Based in Hyuga, Miyazaki Prefecture, SMM Group firm Hyuga Smelting Co., Ltd. produces ferronickel.

Gold
Gold is in demand worldwide for investment and decorative purposes. Gold is widely used in Japanese industry within the electronics sector because of its high malleability and ductility.

Materials Business

Copper-clad polyimide film (CCPF)
CCPF is a polyimide film that is coated using a copper base. It is used as a material for making COF substrates.

Lead frames
Lead frames are electronic packaging materials used to form connections in semiconductor chips and printed circuit boards. They contain thin strips of a metal alloy containing mostly nickel or copper.

Secondary batteries
Secondary batteries are ones that can be recharged and used again. SMM supplies battery materials that are used in the cathodes of nickel metal hydride batteries and lithium-ion rechargeable batteries, which supply power for electric vehicles, hybrid vehicles or notebook computers, among other consumer applications.

Consolidated Companies and Equity-Method Affiliated Companies

Consolidated companies (61), equity-method affiliated companies (15)

at March 31, 2017

Mineral Resources	Voting Shares (%)	Location	Operations
Consolidated companies			
Sumiko Resources Exploration & Development Co., Ltd.	100	Japan	Geological surveys of resources, test boring
Sumitomo Metal Mining America Inc.	100	USA	Exploration, management of mining subsidiaries in USA
Sumitomo Metal Mining Arizona Inc.	80	USA	Mining and related operations
SMM Morenci Inc.	100	USA	Mining and related operations
SMMA Candelaria Inc.	100	USA	Investment in local company in Chile operating Candelaria Mine
Sumitomo Metal Mining Canada Ltd.	100	Canada	Exploration, consulting
Sumitomo Metal Mining Oceania Pty. Ltd.	100	Australia	Resource surveys, mine development and related operations in Oceania
Sumitomo Metal Mining Pogo LLC	100	USA	Investment in Pogo Mine
SMM Resources Inc.	100	Canada	Mineral resources business
SMM Cerro Verde Netherlands B.V.	80	Netherlands	Investments in local Peruvian companies engaged in the Cerro Verde Mine operation
SMM Exploration Corporation	100	USA	Mineral resources business
SMM Solomon Ltd.	100	Solomon Islands	Exploration in Solomon Islands
Sumitomo Metal Mining Peru S.A.	100	Peru	Exploration in South America
Sumitomo Metal Mining Chile Ltda.	100	Chile	Exploration in South America
Sumiko Solomon Exploration Co., Ltd.	70	Japan	Exploration in Solomon Islands
Sumac Mines Ltd.	100	Canada	Exploration
Stone Boy Inc.	80	USA	Exploration
SMM Sierra Gorda Inversiones Ltda.	70	Chile	Investment in Sierra Gorda Project
SMM-SG Holding Inversiones LTDA.	100	Chile	Investment in Sierra Gorda Project
Sumitomo Metal Mining do Brasil Ltda.	100	Brazil	Exploration in Brazil
Equity-method affiliated companies			
Sociedad Minera Cerro Verde S.A.A.	21	Peru	Cerro Verde Mine
Compania Contractual Minera Candelaria	20	Chile	Candelaria Mine
Compania Contractual Minera Ojos Del Salado	20	Chile	Ojos Del Salade Mine
Sierra Gorda S.C.M.	45	Chile	Sierra Gorda Mine
Cordillera Exploration Co., Inc.	25	Philippines	Exploration in the Philippines

Smelting & Refining	Voting Shares (%)	Location	Operations
Consolidated companies			
Hyuga Smelting Co., Ltd.	60	Japan	Ferro-nickel smelting
Shisaka Smelting Co., Ltd.	100	Japan	Manufacture of crude zinc oxide
Sumiko Logistics Co., Ltd.	100	Japan	Maritime trading, harbor transportation and services, land transportation
Sumic Nickel Netherlands B.V.	52	Netherlands	Investment in nickel and cobalt development businesses, sale of nickel and cobalt
Coral Bay Nickel Corporation	54	Philippines	Manufacture of nickel and cobalt
Taganito HPAL Nickel Corporation	75	Philippines	Manufacture of nickel and cobalt
Sumitomo Metal Mining Philippine Holdings Corporation	100	Philippines	Regional headquarters for the nickel business
Sumitomo Metal Mining Management (Shanghai) Co., Ltd.	100	China	Sales of SMM and SMM group company products in China, provision of management business service for Chinese group companies, business consulting
Sumitomo Metal Mining (Hong Kong) Co., Ltd.	100	China	Sales of SMM and SMM group company products in China
Taihei Metal Industry Co., Ltd.	97	Japan	Manufacture of heat-, corrosion- and friction-resistant steel castings and precision castings
Equity-method affiliated companies			
Jinlong Copper Co., Ltd.	27	China	Manufacture and sale of electrolytic copper and sulfuric acid
Acids Co., Ltd.	50	Japan	Manufacture and sale of sulfuric acid and related products
PT Vale Indonesia Tbk.	20	Indonesia	Nickel ore mining, nickel smelting
Nickel Asia Corporation	25	Philippines	Nickel ore mining
Figesbal SA	26	New Caledonia	Nickel ore mining, harbor transportation
MS Zinc Co., Ltd.	50	Japan	Manufacture and sale of zinc and related operations
Mitsui Sumitomo Metal Mining Brass & Copper Co., Ltd.	50	Japan	Manufacture and sale of copper and brass products and processed copper and brass products

Materials	Voting Shares (%)	Location	Operations
Consolidated companies			
SH Materials Co., Ltd.	100	Japan	Manufacture and sale of lead frames
Ohkuchi Electronics Co., Ltd.	100	Japan	Recovery and recycling of non-ferrous metals, manufacture of functional inks
Ohkuchi Materials Co., Ltd.	100	Japan	Manufacture of lead frames
Niihama Electronics Co., Ltd.	100	Japan	Manufacture of flexible circuit materials
Niihama Materials Co., Ltd.	100	Japan	Manufacture of lead frames
SH Precision Co., Ltd.	100	Japan	Manufacture of lead frames
Shinko Co., Ltd.	97	Japan	Design, manufacture, and sale of printed circuit boards
Sumiko Tape Materials Singapore Pte. Ltd.	100	Singapore	Regional headquarters for international tape materials operations
Malaysian SH Precision Sdn. Bhd.	100	Malaysia	Manufacture and sale of lead frames
Taiwan Sumiko Materials Co., Ltd.	100	Taiwan	Manufacture of thin film materials
Suzhou SH Precision Co., Ltd.	100	China	Manufacture of lead frames
Sumiko Tec Co., Ltd.	100	Japan	Terminals and connectors for electronic and electric equipment; components, electric wire, power cords and pressure bonding machines relating to the above and their maintenance; manufacture and sale of formed products for optical equipment, etc.
Sumiko Tec (Dongguan) Co., Ltd.	100	China	Sales, quality service and export management service of terminals, connectors and electronic circuit boards, also related jigs for these products
Nittosha Co., Ltd.	100	Japan	Plating of metal products, surface treatment processing and distribution; electromagnetic shielding processing to electronics resin products through a dry plating method
Sumiko Kunitomi Denshi Co., Ltd.	100	Japan	Manufacture of crystal products and magnetic materials
Sumiko Energy Materials Co., Ltd.	100	Japan	Manufacture of battery materials
Shanghai Sumiko Electronic Paste Co., Ltd.	69	China	Manufacture and sale of thick-film paste
Dongguan Sumiko Electronic Paste Co., Ltd.	85	China	Manufacture and sale of thick-film paste
SMM KOREA Co., Ltd.	100	Korea	Sales support for advanced materials and business operations
SMM Precision Co., Ltd.	100	Japan	Manufacture and sale of optical communications components
Sumico Lubricant Co., Ltd.	100	Japan	Manufacture and sale of various lubricants
Sumico Lubricant Trading (Shanghai) Co., Ltd.	100	China	Sale of various lubricants
Sumitomo Metal Mining Siporex Co., Ltd.	100	Japan	Manufacture and sale of ALC (autoclaved lightweight aerated concrete) and other construction materials
Equity-method affiliated companies			
N.E. Chemcat Corporation	50	Japan	Manufacture of precious metal catalysts, recovery and refining of precious metals
Nippon Ketjen Co., Ltd.	50	Japan	Manufacture and sale of desulphurization catalysts for petroleum processing
GRANOPT Co., Ltd.	50	Japan	Manufacture and sale of rare earth iron garnet (RIG)

Others	Voting Shares (%)	Location	Operations
Consolidated companies			
Sumiko Techno-Research Co., Ltd.	100	Japan	Environmental measurement verification operations such as water quality, air, soil, noise and vibration, etc.; data collection, adjustment and product evolution as well as technological development
Sumiko Technical Service Co., Ltd.	100	Japan	Commission-based work in area of non-ferrous smelting, personnel agency business
Sumitomo Metal Mining Engineering Co., Ltd.	100	Japan	Survey, design, manufacture, repair and maintain machinery, equipment and plants in the environment sector
Sumiko Plantech Co., Ltd.	100	Japan	Manufacture of machinery and equipment and repair work for non-ferrous metal smelting and chemical plants, etc.; installation of machinery and equipment and piping work; steel structure work
JCO Co., Ltd.	100	Japan	Management of facilities using uranium and related wastes
Igeta Heim Co., Ltd.	100	Japan	Construction of steel frame and reinforced concrete apartments and condominiums
Japan Irradiation Service Co., Ltd.	100	Japan	Irradiation sterilization service for pharmaceutical products, medical instruments, and pharmaceutical containers, etc.; modification of various industrial materials
SMM Holland B.V.	100	Netherlands	Investment in nickel and cobalt development businesses