# Consolidated Financial Results for the Year Ended March 31, 2018 [J-GAAP]

May 10, 2018
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Listed Company Name: Sumitomo Metal Mining Co., Ltd.
Code: 5713
Listings: Tokyo Stock Exchange
URL: http://www.smm.co.jp/
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Scheduled Ordinary General Meeting of Shareholders: June 26, 2018
Scheduled Date to Start Dividend Payment: June 27, 2018
Scheduled Date to Submit Securities Report: June 26, 2018
Preparation of Supplementary Explanation Materials for Financial Results: Yes
Briefing on Account Settlement: Yes (for institutional investors)

(Amounts less than one million yen are rounded off)

## 1. Consolidated Financial Results (From April 1, 2017, to March 31, 2018)

(1) Consolidated Operating Results

(% figures show year-on-year change)

| | Net sales | | Operating profit | | Ordinary profit (loss) | | Profit (loss) attributable to owners of parent | |
|---|---|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Year ended March 31, 2018 | 933,517 | 18.7 | 110,203 | 44.3 | 124,853 | — | 91,648 | — |
| Year ended March 31, 2017 | 786,146 | -8.1 | 76,390 | 27.9 | (1,565) | — | (18,540) | — |

(Note) Comprehensive income
Year ended March 31, 2018: ¥93,811 million (—%);
Year ended March 31, 2017: -¥27,997 million (—%)

| | Profit (loss) per share (Basic) | Profit per share (Diluted) | Return on equity | Ordinary profit (loss) to total assets | Operating profit to net sales |
|---|---|---|---|---|---|
| | Yen | Yen | % | % | % |
| Year ended March 31, 2018 | 332.42 | 299.94 | 9.2 | 7.4 | 11.8 |
| Year ended March 31, 2017 | (67.22) | — | -1.9 | -0.1 | 9.7 |

(Reference) Equity in earnings (loss) of affiliates
Year ended March 31, 2018: ¥11,367 million;
Year ended March 31, 2017: -¥85,972 million

(Notes) 1. The Company carried out a consolidation of share at the ratio of 2 shares to 1 share on October 1, 2017. Accordingly, profit per share (basic) and profit per share (diluted) have been calculated on the assumption that the said consolidation of share was carried out at the beginning of the previous fiscal year.
2. Profit per share (diluted) is not disclosed as loss per share (basic) for the year ended March 31, 2017 was recorded even though there are potentially dilutive shares.

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | Millions of yen | Millions of yen | % | Yen |
| As of March 31, 2018 | 1,699,037 | 1,120,008 | 61.0 | 3,771.69 |
| As of March 31, 2017 | 1,685,018 | 1,024,121 | 57.1 | 3,486.92 |

(Reference) Shareholders' equity
As of March 31, 2018: ¥1,036,437 million;
As of March 31, 2017: ¥961,690 million

(Note) The Company carried out a consolidation of share at the ratio of 2 shares to 1 share on October 1, 2017. Accordingly, net assets per share have been calculated on the assumption that the said consolidation of share was carried out at the beginning of the previous fiscal year.

(3) Consolidated Cash Flows

| | Net cash provided by operating activities | Net cash used in investing activities | Net cash provided by (used in) financing activities | Cash and cash equivalents at end of period |
|---|---|---|---|---|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Year ended March 31, 2018 | 79,405 | (22,994) | (90,095) | 135,045 |
| Year ended March 31, 2017 | 43,796 | (143,219) | 70,392 | 170,293 |

## 2. Dividends

| | Dividend per share | | | | | Total dividend amount (Annual) | Dividend payout ratio (Consolidated) | Dividends to net assets (Consolidated) |
|---|---|---|---|---|---|---|---|---|
| | First quarter-end | Second quarter-end | Third quarter-end | Year-end | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Millions of yen | % | % |
| Year ended March 31, 2017 | — | 5.00 | — | 6.00 | 11.00 | 6,068 | — | 0.6 |
| Year ended March 31, 2018 | — | 17.00 | — | 66.00 | — | 27,513 | 30.1 | 2.8 |
| Year ending March 31, 2019 (Forecast) | — | 51.00 | — | 52.00 | 103.00 | | 30.1 | |

(Note) The Company carried out a consolidation of share at the ratio of 2 shares to 1 share on October 1, 2017. As the second quarter-end dividend for the fiscal year ended March 31, 2018 was paid based on the number of shares prior to the consolidation of share, the dividend per share is shown in the amount prior to the consolidation of share. The year-end dividend per share for the fiscal year ended March 31, 2018 is shown in the amount based on the said consolidation of share and the full-year dividend is shown as "—". The full-year dividend per share calculated on a post-consolidation of share basis is ¥22 for the year ended March 31, 2017 and ¥100 for the year ended March 31, 2018.

## 3. Forecast of Consolidated Operating Results for the Year Ending March 31, 2019 (From April 1, 2018, to March 31, 2019)

| | Net sales | | Profit before tax | | Profit attributable to owners of parent | | Basic earnings per share |
|---|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Second quarter (cumulative) | 465,000 | — | 61,000 | — | 47,000 | — | 171.04 |
| Full year | 930,000 | — | 121,000 | — | 94,000 | — | 342.07 |

(Note) The Company has decided to voluntarily apply International Financial Reporting Standards (IFRS) effective from the fiscal year ending March 31, 2019. Consequently, the forecast of consolidated operating results for the year ending March 31, 2019 has been calculated based on IFRS. Therefore, year-on-year change (%) from the results for the year ended March 31, 2018, to which J-GAAP was applied, has been omitted.

Notes

(1) Change in Important Subsidiaries during the Period under Review (Change in specific subsidiaries that will accompany a change in scope of consolidation): None

(2) Changes in Accounting Policies or Estimates and Retrospective Restatements
1) Changes in accounting policies in accordance with revision of accounting standards: None
2) Changes in accounting policies other than item 1) above: None
3) Change in accounting estimates: None
4) Retrospective restatements: None

(3) Number of Outstanding Shares (Common stock)
1) Number of shares issued as of end of period (including treasury stock)
290,814,015 shares at March 31, 2018
290,814,015 shares at March 31, 2017
2) Number of shares of treasury stock as of end of period
16,020,099 shares at March 31, 2018
15,015,043 shares at March 31, 2017
3) Average number of shares during the period
275,702,987 shares for the year ended March 31, 2018
275,809,352 shares for the year ended March 31, 2017

(Note) The Company carried out a consolidation of share at the ratio of 2 shares to 1 share on October 1, 2017. Accordingly, the number of shares issued as of end of period, the number of shares of treasury stock as of end of period, and the average number of shares during the period have been calculated on the assumption that the said consolidation of share was carried out at the beginning of the previous fiscal year.

(Reference) Summary of Non-Consolidated Financial Results

Non-Consolidated Financial Results (From April 1, 2017, to March 31, 2018)

(1) Non-Consolidated Operating Results

(% figures show year-on-year change)

| | Net sales | | Operating profit | | Ordinary profit | | Profit (loss) | |
|---|---|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Year ended March 31, 2018 | 750,436 | 19.8 | 52,787 | 36.1 | 51,518 | 8.9 | 28,346 | — |
| Year ended March 31, 2017 | 626,177 | -10.6 | 38,782 | -20.8 | 47,322 | -27.6 | (188) | — |

| | Profit (loss) per share (Basic) | Profit per share (Diluted) |
|---|---|---|
| | Yen | Yen |
| Year ended March 31, 2018 | 102.81 | 93.38 |
| Year ended March 31, 2017 | (0.68) | — |

(Note) The Company carried out a consolidation of share at the ratio of 2 shares to 1 share on October 1, 2017. Accordingly, profit per share (basic) and profit per share (diluted) have been calculated on the assumption that the said consolidation of share was carried out at the beginning of the previous fiscal year.

(2) Non-Consolidated Financial Position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | Millions of yen | Millions of yen | % | Yen |
| As of March 31, 2018 | 1,026,746 | 636,000 | 61.9 | 2,314.46 |
| As of March 31, 2017 | 1,011,614 | 616,870 | 61.0 | 2,236.66 |

(Reference) Shareholders' equity
As of March 31, 2018: ¥636,000 million;
As of March 31, 2017: ¥616,870 million

(Note) The Company carried out a consolidation of share at the ratio of 2 shares to 1 share on October 1, 2017. Accordingly, net assets per share have been calculated on the assumption that the said consolidation of share was carried out at the beginning of the previous fiscal year.

<Reasons behind the difference between the non-consolidated financial results year ended March 31, 2018 and that of previous fiscal year>
Net sales increased from the previous fiscal year mainly due to the rise in nonferrous metal prices and yen depreciation.
Operating profit, ordinary profit and profit attributable to owners of parent increased from the previous fiscal year due to increase in revenue respectively.

<u>The consolidated financial results presented herein are not subject to audits by certified public accountants or audit corporations.</u>

<u>Explanation regarding appropriate use of operating results forecast and other special notes</u>

The forward-looking statements, including business results forecast, contained in these materials are based on information available to the Company and on certain assumptions deemed to be reasonable as of the date of release of this document and they are not meant to be a commitment by the Company. Also, actual business results may differ substantially due to a number of factors.

(Supplementary Explanation Materials for Financial Results)

The Supplementary Explanation Materials will be posted on the Company's website on Thursday, May 10, 2018.

Contents of the Attachment

## 1. Overview of Business Performance, etc.

(1) Overview of Business Performance in Fiscal 2017

1) Business performance in fiscal 2017 (Year ended March 31, 2018)

(a) General overview (Millions of yen)

| | Net sales | Operating profit | Ordinary profit (loss) | Profit (loss) attributable to owners of parent |
|---|---|---|---|---|
| Year ended March 31, 2018 | 933,517 | 110,203 | 124,853 | 91,648 |
| Year ended March 31, 2017 | 786,146 | 76,390 | (1,565) | (18,540) |
| Increase/decrease<br>[Rate of change: %] | 147,371<br>[18.7] | 33,813<br>[44.3] | 126,418<br>[−] | 110,188<br>[−] |

(Overseas market prices and foreign exchange rates)

| | Unit | FY2016 | FY2017 | Increase/decrease |
|---|---|---|---|---|
| Copper | $/t | 5,154 | 6,444 | 1,290 |
| Gold | $/TOZ | 1,258.0 | 1,285.2 | 27.2 |
| Nickel | $/lb | 4.56 | 5.06 | 0.50 |
| Exchange rate (TTM) | ¥/$ | 108.40 | 110.86 | 2.46 |

The overall global economy during fiscal 2017 shifted tracks from recovery to expansion. Although protectionism and antiforeignism grew in the United States, and geopolitical risks surrounding the situations in North Korea and the Middle East were heightened, global stock prices remained high reflecting improvements in corporate earnings and concerns eased over the slowdown in the Chinese economy.

In the nonferrous metals industry, both copper and nickel prices continued an upward trend in general, and rose year over year.

Exchange rates generally stayed within a narrow range. Compared to the previous fiscal year, in which the UK’s exit from the EU caused the yen to appreciate, the yen depreciated year on year on average. Meanwhile, intensifying protectionism in the United States administration caused the yen to appreciate toward the end of fiscal 2017.

In industries related to the Materials business, demand for automobile battery components continued to increase. As for components such as those for smartphones, the selling environment remained firm overall, although there was significant impact from customers’ prolonged inventory adjustment for crystal materials.

Under these circumstances, consolidated net sales in fiscal 2017 increased by ¥147,371 million year over year to ¥933,517 million, mainly due to the rise in major nonferrous metals prices and yen depreciation.

Consolidated operating profit amounted to ¥110,203 million, a year-over-year increase of ¥33,813 million, mainly due to an increase in net sales.

Consolidated ordinary profit increased by ¥126,418 million year over year to ¥124,853 million, mainly due to a decrease in share of loss of entities accounted for using equity method for the Sierra Gorda S.C.M., in addition to an increase in consolidated operating profit.

Profit attributable to owners of parent increased by ¥110,188 million year over year to ¥91,648 million, due mainly to an increase in consolidated ordinary profit.

(b) Reported segments

a) Mineral Resources segment (Millions of yen)

| | FY2016 | FY2017 | Increase/decrease | Rate of change (%) |
|---|---|---|---|---|
| Net sales | 123,370 | 159,067 | 35,697 | 28.9 |
| Segment income | (53,594) | 56,044 | 109,638 | — |

Segment income improved significantly year over year, mainly due to a decrease in share of loss of entities accounted for using equity method for the Sierra Gorda S.C.M. and an increase in copper prices, despite the reporting of royalties levied on mining companies for prior years at Sociedad Minera Cerro Verde S.A.A.

The status of our main mines are as follows.

Mining operations at the Hishikari mine remained steady, and the gold content in sold ore was in line with the planned amount, nearly unchanged from the previous fiscal year at 6 t.

Production levels at the Pogo gold mine (United States) (of which the Company holds an 85% interest) were nearly unchanged from the previous fiscal year at 8.4 t despite a decline in the grade of gold ore, due mainly to an increase in ore output.

Production levels at the Morenci copper mine (United States) (of which the Company holds a 25% interest, excluding non-controlling interest) declined year over year to 464,000 t, due mainly to a decline in the grade of copper ore.

Production levels at the Sierra Gorda copper mine (Chile) (of which the Company holds a 31.5% interest, excluding non-controlling interest) increased year over year to 97,000 t, due to improvements in operation capacity from increased recovery rate.

b) Smelting & Refining segment (Millions of yen)

| | FY2016 | FY2017 | Increase/decrease | Rate of change (%) |
|---|---|---|---|---|
| Net sales | 565,057 | 670,828 | 105,771 | 18.7 |
| Segment income | 33,258 | 51,545 | 18,287 | 55.0 |

(Output by the Company's major product)

| Product | Unit | FY2016 | FY2017 | Increase/decrease |
|---|---|---|---|---|
| Copper | t | 451,469 | 432,207 | -19,262 |
| Gold | kg | 21,040 | 21,151 | 111 |
| Electrolytic nickel | t | 62,186 | 60,325 | -1,861 |
| Ferronickel | t | 14,018 | 12,968 | -1,050 |

Note: Output includes the portions of commissioning and/or commissioned production.

Segment income grew compared to the previous fiscal year, due mainly to the rise in nonferrous metals prices as well as the yen depreciation.

Production levels and sales volume of gold increased year over year. However, production levels and sales volume of nickel, ferronickel and copper declined year over year.

Production levels at Coral Bay Nickel Corporation and Taganito HPAL Nickel Corporation remained mostly the same compared to the previous fiscal year.

c) Materials segment (Millions of yen)

| | FY2016 | FY2017 | Increase/decrease | Rate of change (%) |
|---|---|---|---|---|
| Net sales | 174,061 | 185,350 | 11,289 | 6.5 |
| Segment income | 12,066 | 15,264 | 3,198 | 26.5 |

Segment income grew compared to the previous fiscal year, due mainly to strong sales of battery materials amid growing demand, despite a year-over-year significant decline in the sales volume of crystal materials for components for smartphones due to prolonged inventory adjustment by customers, and the impact of withdrawal from the lead frame business.

2) Prospects for fiscal 2018

(a) General overview (Millions of yen)

| | Net sales | Profit before tax | Profit attributable to owners of parent |
|---|---|---|---|
| Projections for FY2018 (IFRS) | 930,000 | 121,000 | 94,000 |
| FY2017 (J-GAAP) | 933,517 | 105,795 | 91,648 |
| Increase/decrease<br>[Rate of change: %] | —<br>[—] | —<br>[—] | —<br>[—] |

(Note) The Company has decided to voluntarily apply IFRS from the fiscal year ending March 31, 2019. Consequently, the projections for fiscal 2018 are calculated based on IFRS. For this reason, increase/decrease and rate of change (%) for the fiscal year under review, to which J-GAAP was applied, are not stated.

(Projections for overseas market prices and foreign exchange rates)

| | Unit | FY2017 | FY2018 (Projections) | Increase/decrease |
|---|---|---|---|---|
| Copper | $/t | 6,444 | 6,500 | 56 |
| Gold | $/TOZ | 1,285.2 | 1,300.0 | 14.8 |
| Nickel | $/lb | 5.06 | 6.00 | 0.94 |
| Exchange rate (TTM) | ¥/$ | 110.86 | 105.00 | -5.86 |

The overall global economy is expected to continue its gradual growth, including strong performance in the United States, a continued gradual recovery in Japan and Europe, and continued economic upturns in China and other emerging nations. However, there is no small number of uncertain factors threatening an economic downturn, including the economic outlook of China and other emerging nations as well as resource-rich countries, increased protectionism and antiforeignism in the United States, the trend set off by the UK’s exit from the EU, and geopolitical risk.

In the business environment surrounding the SMM Group, supply and demand of copper and nickel are expected to remain in a near state of equilibrium or face a slight supply shortage in the nonferrous metals industry. Copper and nickel prices are expected to maintain appropriate levels in line with the balance of supply and demand. As for industries related to the Materials business, favorable showings are expected to continue in the areas of automotive applications and communications generally, despite the possibility of temporary adjustments.

Under these circumstances, the SMM Group will enhance competitiveness and further improve its corporate value in the final year of the “2015 3-Year Business Plan” (hereinafter, the “15 3-Yr Business Plan”) as announced in February 2016.

In fiscal 2018, the year ending March 31, 2019, although prices of nonferrous metals are expected to rise, net sales are expected to remain roughly on par with fiscal 2017 due mainly to the appreciation of the yen and lower volume of ore sold. As for segment income, please refer to the following (b) Reported segments.

(b) Reported segments (Millions of yen)

| | Mineral Resources | Smelting & Refining | Materials | Total | Other Businesses | Adjustments | Amounts Reported in the Consolidated Financial Statements |
|---|---|---|---|---|---|---|---|
| Net sales | 151,000 | 630,000 | 227,000 | 1,008,000 | 10,000 | (88,000) | 930,000 |
| Segment income | 51,000 | 61,000 | 15,000 | 127,000 | (2,000) | (4,000) | 121,000 |

The Company has decided to voluntarily apply IFRS from the fiscal year ending March 31, 2019. Consequently, the projections for fiscal 2018 are calculated based on IFRS. Accordingly, starting in fiscal 2018, reported segment income figures will be provided on the basis of profit before tax.

(2) Overview of Financial Position in Fiscal 2017

1) Overview for fiscal 2017

Consolidated Balance Sheet (Millions of yen)

| | As of March 31, 2017 | As of March 31, 2018 | Increase/decrease |
|---|---|---|---|
| Assets | 1,685,018 | 1,699,037 | 14,019 |
| Liabilities | 660,897 | 579,029 | -81,868 |
| Net assets | 1,024,121 | 1,120,008 | 95,887 |

Assets as of March 31, 2018 increased from those as of March 31, 2017. The main increases/decreases are described below.

Securities that are negotiable certificates of deposit, accounts receivable-other included in other under current assets, and long-term loans receivable decreased.

Meanwhile, notes and accounts receivable-trade increased as a result of increased consolidated net sales, due mainly to the rise in major nonferrous metals prices, and investment securities increased due to increased prices of listed stocks and posting of share of profit of entities accounted for using equity method. Additionally, mining right increased due to the acquisition of partial interests in the Côté Gold Project.

Liabilities as of March 31, 2018 decreased from those as of March 31, 2017. The main increases/decreases are described below.

Although newly issued convertible bond-type bonds with subscription rights to shares were posted, short-term loans payable decreased, and long-term loans payable were greatly reduced through lump-sum payments with the aim of reducing interest-bearing debt.

Consolidated Statement of Cash Flows (Millions of yen)

| | From April 1, 2016, to March 31, 2017 | From April 1, 2017, to March 31, 2018 | Increase/decrease |
|---|---|---|---|
| Net cash provided by operating activities | 43,796 | 79,405 | 35,609 |
| Net cash used in investing activities | (143,219) | (22,994) | 120,225 |
| Net cash provided by (used in) financing activities | 70,392 | (90,095) | -160,487 |
| Effect of exchange rate change on cash and cash equivalents | 1,499 | (1,564) | -3,063 |
| Cash and cash equivalents at beginning of period | 197,825 | 170,293 | -27,532 |
| Cash and cash equivalents at end of period | 170,293 | 135,045 | -35,248 |

Net cash provided by operating activities for the fiscal year ended March 31, 2018 increased from the previous fiscal year, despite an increase in notes and accounts receivable-trade and income taxes paid, mainly due to an increase in profit before income taxes and a decrease in inventories.

Net cash used in investment activities decreased from the previous fiscal year, mainly due to substantial payments made during the previous fiscal year for the additional acquisition of interests in the Morenci copper mine.

Net cash provided by financing activities was negative for the fiscal year ended March 31, 2018 (positive in the previous fiscal year), despite the issuance of convertible bond-type bonds with subscription rights to shares, due mainly to the lump-sum payments of long-term loans payable.

Cash flow indicators:

| Year ended | Mar. 31, 2014 | Mar. 31, 2015 | Mar. 31, 2016 | Mar. 31, 2017 | Mar. 31, 2018 |
|---|---|---|---|---|---|
| Equity ratio (%) | 58.1 | 60.4 | 60.3 | 57.1 | 61.0 |
| Equity ratio based on market capitalization (%) | 45.5 | 55.8 | 37.8 | 51.8 | 72.5 |
| Cash flows/Interest-bearing debt ratio (times) | 4.8 | 3.3 | 3.3 | 11.3 | 4.6 |
| Interest coverage ratio (times) | 22.7 | 33.9 | 22.3 | 9.2 | 12.8 |

Notes:

1. Equity ratio: Shareholders' equity/Total assets
   Equity ratio based on market capitalization: Market capitalization/Total assets
   Cash flows/Interest-bearing debt ratio: Interest-bearing debt/Cash flows
   Interest coverage ratio: Cash flows/Interest payment
2. All of the above indicators are calculated for their respective values on a consolidated basis.
3. Market capitalization is calculated based on the number of shares issued at the end of the fiscal year after deducting treasury shares.
4. Cash flows employs "Net cash provided by operating activities" in the Consolidated Statement of Cash Flows.
5. Interest-bearing debt indicates the liabilities for which interest is paid on all the liabilities posted in the Consolidated Balance Sheet. Interest payment corresponds to the amount of "Interest expenses paid" in the Consolidated Statement of Cash Flows.

2) Forecasts for the next fiscal year

Net cash provided by operating activities is expected to be maintained, due to the forecasted profit before tax for the next fiscal year. Net cash used in investment activities is expected to be the same level as the fiscal year under review, since there are yet no plans to make large scale investments in overseas mineral resources and nonferrous metals projects in the next fiscal year.

(3) Basic Policy Concerning the Distribution of Earnings and Current and Future Period Dividends

The Company works to determine the balance between dividends from surplus and the internal reserve while comprehensively taking into consideration such factors as future business development, ensuring financial strength, operating performance and the payout ratio.

The "15 3-Yr Business Plan" sets out the policy of maintaining a consolidated payout ratio of at least 30%, which is linked to operating performance, and maintaining a consolidated equity ratio of at least 50%.

The Company plans to distribute a year-end dividend of ¥66 per share.

The Company carried out a consolidation of share at the ratio of 2 shares to 1 share on October 1, 2017. When calculated based on standards after the consolidation of share, the full-year dividend for the fiscal year ended March 31, 2017 was ¥22 per share, and for the fiscal year ended March 31, 2018 was ¥100 per share, resulting in a year-over-year increase of ¥78 per share.

Based on the above policy and in view of these performance projections, the Company plans to distribute a full-year dividend of ¥103 per share for the fiscal year ending March 31, 2019.

(4) Business and Other Risks

The following section provides an overview of the risk factors that could exert a significant effect on the business performance and financial position of the SMM Group. All forward-looking statements in the text refer to management decisions of the Group based on the best information available at the end of the fiscal year ended March 31, 2018.

1) Fluctuations in nonferrous metals prices and exchange rates

(a) Price slump of nonferrous metals

The prices of copper, gold, nickel and other nonferrous metals are determined by the London Metal Exchange (LME) and other international markets (hereinafter, the "LME market price, etc." for prices determined at such markets). The LME market price, etc. are influenced by a number of factors, including international supply and demand, political and economic circumstances, speculative trading and competition from alternative materials. These factors can cause a considerable drop in the LME market price, etc. of copper, gold, nickel, and other nonferrous metals, and if this situation becomes prolonged, it could have a significant negative impact on the Group's financial position and business performance.

(b) Foreign exchange rates (Appreciation of the yen)

Imported raw materials such as copper concentrates and nickel matte, as well as the domestic prices of nonferrous metals, are determined based on LME market price, etc. which are denominated in U.S. dollars. Accordingly, the refining margins earned by the Company from its smelting and refining business are effectively denominated in U.S. dollars. In addition, returns on investments in overseas mining developments and revenues from exports of products, etc. are also denominated in foreign currencies. Substantial appreciation of the yen over a sustained period could exert a significant negative impact on the Group's financial position and business performance.

To mitigate these external risks, the SMM Group continues to make progress in boosting competitiveness in multiple aspects, including materials procurement and manufacturing.

2) Deterioration in terms of nonferrous metal ore purchasing contracts and supply disruptions

Some of the copper concentrates, nickel matte and other raw materials for nonferrous metal smelting and refining operations are procured by the SMM Group, based on long-term ore-purchasing contracts that are not backed by investment.

Although the SMM Group renegotiates the raw material purchasing conditions of these long-term ore-purchasing contracts each year, there are instances in which required volumes cannot be purchased due to a variety of market factors. Furthermore, it is not always feasible to pass along deterioration of raw material purchasing conditions to product prices, because product prices are largely determined by factors relating to nonferrous metals themselves, such as supply and demand. In addition, the supply of raw materials could be delayed or suspended due to situations beyond the control of the Company such as abnormal weather, major earthquakes, supplier operational accidents and industrial disputes. Such factors could impose various constraints on Group production volumes, which, as a result, could exert a negative impact on the Group's financial position and business performance.

To mitigate such risks, the Group continues to seek to invest in high-grade overseas mines to secure reliable (in-house) supplies of ore.

3) Uncertainty inherent in mining investments

As described above, the raw materials procurement policy of the SMM Group is to develop in-house mining resources to boost the proprietary ore ratio, with the goal of ensuring a stable supply of raw materials. However, the expected mineable ore and mining costs based on the results of exploratory surveys may differ from reality, or may differ in the future, which may prevent us from recovering our investment in line with expectations. With respect to mining development, the development costs of a mining project can rise as the result of delayed start of production caused by a variety of situations such as compliance with environmental or regulatory actions. Any additional investment or increase in the burden of mining costs arising from the inherent uncertainty associated with mining developments could have a negative impact on the Group's financial position and business performance.

To mitigate such risks, the Group employs a selective investment policy and undertakes strict assessments of the potential profitability of individual mining developments based on extensive experience in mining extraction and mine valuation accumulated over many years.

4) Environmental protection and regulatory compliance risks

SMM Group businesses, notably the mining and nonferrous metal smelting and refining operations, are subject to a broad range of laws and regulations in areas such as occupational safety and health, environmental protection, pollution prevention, mining and industrial waste disposal and management of potentially toxic substances. Due to these laws and regulations, operators may be required to pay compensation for resulting loss, or maintenance expense for suspended or abandoned mines, regardless of fault. Additionally, new environmental regulations, etc. could result in additional expenses. Mining and nonferrous metal smelting and refining operations are also responsible for responding to risks of environmental pollution and mining or industrial waste disposal. Ongoing regulatory compliance costs are substantial and subject to considerable increase as the result of the sudden emergence of previously unknown risks. These costs of ensuring regulatory compliance could therefore exert a negative impact on the Group's financial position and business performance.

To mitigate such risks, the Group seeks to ensure that operations are in full compliance with environmental protection and other laws and regulations through the operation of environmental and risk management systems based on strict standards, and the education of employees on these management systems.

5) Risks associated with market changes, new product development and intellectual property rights

In those markets targeted by the Materials business segment, the technologies used, customer requests, and product lifetimes are changing rapidly, while new product development may require longer periods of time and the investment of large amounts of financial and human resources. Furthermore, expected returns on investment may not materialize according to plan after the product is brought to market, if the product becomes obsolete due to technological progress, if it is unable to meet changing customer requests, or if a competitor's equivalent product increases its market share.

In addition, sales volumes of major products of the Materials business depend on the production levels of our customers that produce secondary batteries for automobiles and mobile devices, etc., which may change due to such factors as cyclical changes in demand of such products produced by our customers, the progress of technological innovation, or economic trends in general.

As a result of these factors, new product development and sales of existing products in the Materials business may not proceed as planned, and could have a negative impact on the Group's financial position and business performance.

The SMM Group recognizes the importance and value of acquiring intellectual property rights and managing such rights properly in accordance with related laws and regulations. Regarding intellectual property rights and management of such rights, although the Group strives to observe such laws, it remains exposed to risks such as failure to acquire certain rights, disputes with third parties, or damage to the results of the Group's R&D activities due to illegal actions by third parties.

To mitigate such risks, the Group strives to minimize related problems by structuring R&D activities to realize commercial opportunities as quickly as possible. The Group has also created dedicated in-house teams to manage issues related to intellectual property rights to ensure that such rights are acquired and protected properly.

6) Overseas investments

The SMM Group conducts business internationally, seeking overseas locations to manufacture its products and overseas markets in which to sell them. In the conduct of its business overseas, the Group is subject to a wide range of political and economic risks that vary by country, such as political instability, changes to laws and regulations regarding the environment, labor, taxes, currency controls, or trade, limited protection of legal rights or inadequate enforcement relating to intellectual property and other rights, foreign exchange fluctuations, and the forfeiture or nationalization of property. The emergence of various risks could prevent the Group from earning a suitable return on such overseas investments. Such risks include the development of mineral resource projects by organizations funded by national or regional governments against the backdrop of high nonferrous metals prices, the levying of higher taxes on such operations or increased environmental demands from various quarters.

To mitigate such risks, the Group makes overseas investment decisions based on careful consideration of all relevant country risks.

7) Disaster-related risks

The SMM Group locates manufacturing operations based on considerations such as customer relationships, raw material procurement, the links to other Group operations and the effective use of management resources. Unexpected large-scale natural disasters such as earthquakes or typhoons that affect the regions where such facilities are located could result in major financial losses arising from factors such as onsite damage and loss of production.

To mitigate such risks, the Group insures such facilities where this is possible at reasonable cost and has made plans regarding suitable structure and formulated countermeasures to minimize any secondary effects due to such disasters.

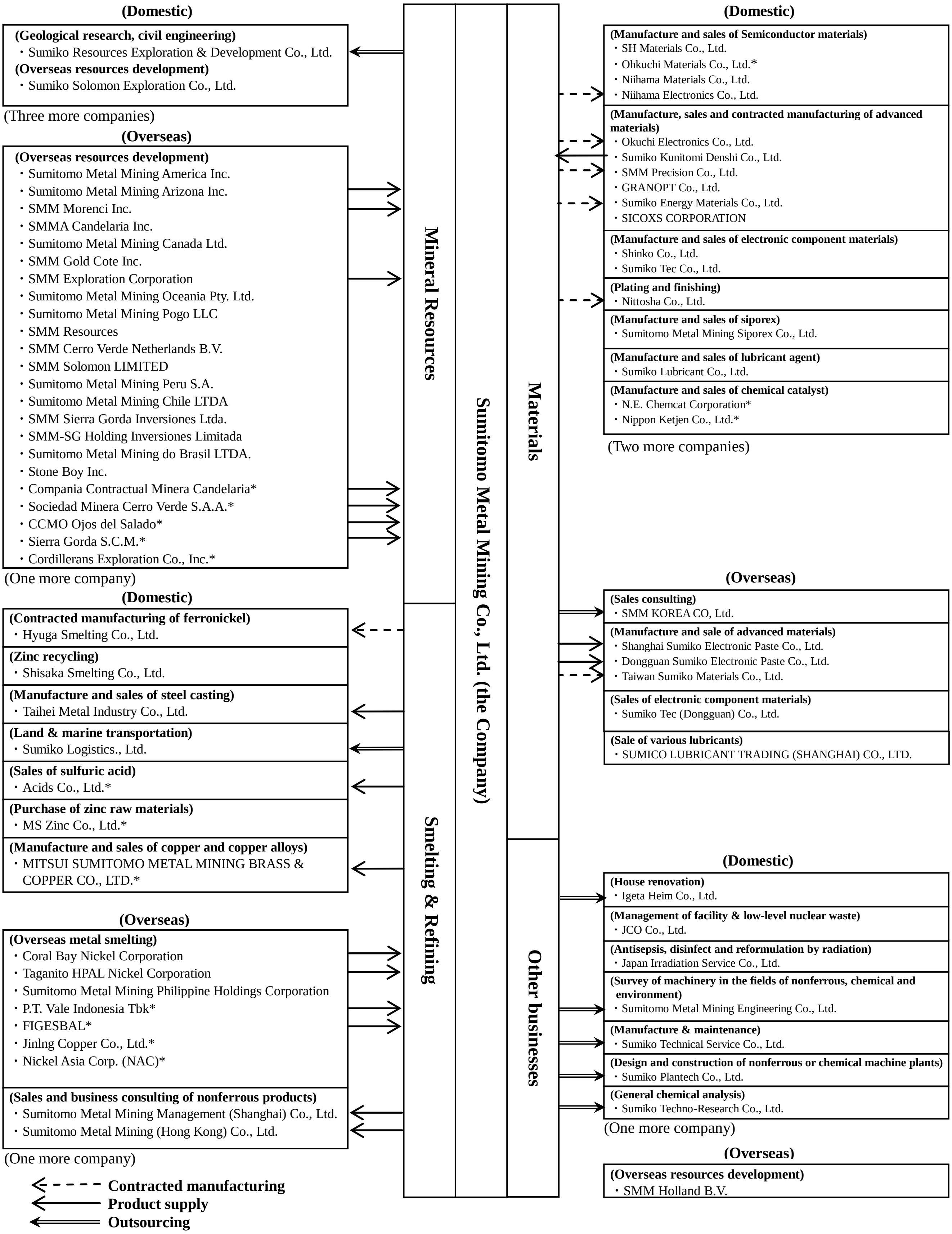
8) Information management

In the event of leakage of customer information or personal information, compensation for the loss resulting therefrom could have an impact on the Group's business performance and financial position.

To address such risks, the Group installs and updates security measures systems, and is implementing information security training for its employees.

## 2. Corporate Group

(1) Organization Chart




**Consolidated subsidiaries have no mark (57)**
**Equity-method affiliates are marked with* (15)**

## 3. Management Guidelines

(1) Basic Management Guidelines of the SMM Group

The SMM Group has formulated the basic management guidelines below.

SMM Group Corporate Philosophy

- The SMM Group, in accordance with the Sumitomo Business Spirit, shall, through the performance of sound corporate activities and the promotion of sustainable co-existence with the global environment, seek to make positive contributions to society and to fulfill its responsibilities to its stakeholders, in order to win ever greater trust.
- The SMM Group shall, based on respect for all individuals and recognizing each person's dignity and value, seek to be a forward-minded and vibrant company.

SMM Group Management Vision

- By developing and employing innovative technology, we shall fulfill our social responsibilities as a manufacturing enterprise.
- Based on the principles of compliance, environmental protection and operational safety, the SMM Group shall pursue maximum corporate value through the provision, via its global network, of high-quality materials such as nonferrous metals and electronics and advanced materials.

CSR Policy

1. The SMM Group shall work to combat global warming by promoting recycling and effective resource utilization while also targeting technological innovation and continuous improvements in energy efficiency.
2. The SMM Group shall promote sustainable co-existence with society by respecting the needs of local communities in which we operate around the world.
3. To continue sound business activities, The SMM Group shall respect human rights and shall try to be a company in which diverse human resources take active parts.
4. According safety the highest priority, The SMM Group shall provide safe, comfortable working environments and seek to eliminate occupational accidents.
5. The SMM Group shall strengthen communications with all stakeholders to build healthy, trust-based relationships.

(2) Targeted Management Indicators

In 15 3-Yr Business Plan, the SMM Group has determined to maintain an equity ratio above 50% as a financial indicator to prove its sound financial strength.

(3) Medium- and Long-Term Management Strategies and Our Tasks Ahead

Although the global economy is expected to continue to grow at a gradual pace, there are many causes for concern over economic downturns. Additionally, significant changes are under way in the business environment surrounding the SMM Group: resources that can be put to good use are becoming rarer and resource nationalism is growing, environmental regulations are strengthening, and exchange rates are fluctuating. Given these changes in the business environment, we are aiming to become "a world leader in the nonferrous metals industry" and "an excellent company of Japan" by achieving continuous growth in our three core businesses: Mineral Resources, Smelting & Refining, and Materials. We are therefore promoting a growth strategy aimed at annual nickel capacity of 150 ktpa, annual production output from our interests of 300 ktpa of copper and 30 tpa of gold, ordinary profit of ¥5 billion/year in our new materials products, consolidated net sales of ¥1 trillion/year, and profit attributable to owners of parent of ¥100 billion/year.

We started out in the copper smelting business. In our operations, we do not just secure interests of resources in good condition, but also believe that we can contribute to society and improve our corporate value by smelting and processing those resources and supplying high-quality metals and materials to the market.

Also, in order to become "an excellent company of Japan," to reach a size and level of profitability that reflects consolidated net sales of ¥1 trillion/year and profit attributable to owners of parent of ¥100 billion/year, we will maintain a solid business philosophy and business vision, and bolster our corporate governance and CSR efforts accordingly. It is by building on these strong foundations that we are striving to continuously develop and realize our growth strategies.

1) Mineral resources

In the Mineral Resources segment, as part of our long-term vision, we aim to achieve an annual production output from our interests of 300 ktpa of copper and 30 tpa of gold by fiscal 2021. We are now seeing the possibility of an annual production output from our interests of 300 ktpa of copper, thanks to the expansion of overseas copper mines already in operation, the start of commercial production in the Sierra Gorda Project, and the acquisition of additional interests in the Morenci copper mine. As for gold, we will promote exploration around our mining operations, consider participation in new joint ventures, and work to acquire new interests with a view toward M&As.

2) Smelting & refining
With regard to nickel refining, both the Taganito Project and the work to increase the production capacity of electrolytic nickel to 65 ktpa (finished in 2013) was completed, achieving 100 ktpa nickel production capacity. Since then, as a long-term vision, we have developed a blueprint for raising this amount to 150 ktpa by securing new nickel resources and increasing our nickel production capacity. We will also advance the commercialization of the recovery of new resources such as scandium and chromite.

In copper smelting, we will strive to bolster profitability through stable operation and by performing additional processing of secondary materials and reducing fixed costs.

In order to further strengthen our competitiveness of the Smelting & Refining business, we will work to achieve technological innovations in the fields of resources, smelting and refining at the Resource & Hydrometallurgy Process Center.

3) Materials
In the lead frame business, we are proceeding with withdrawal in order to respond to changes in the business environment and focus our management resources on growth fields. Moving forward, we will strive to ensure that our large-scale investments in battery and other materials are our dynamic force contributing to improved profits, and adapt the management of our other product businesses to changes in the business climate. We also aim to commercialize new products that will drive future growth through collaboration with the Materials/Research & Development divisions and close relationships with our customers.

4) Research and development
Based on the “15 3-Yr Business Plan” and as is conventionally done, the Group will continue to follow the policy of priority-based resource allocation, accelerate the development of new materials products, make innovations in resources, smelting, and refining technologies, and promote process development.

(4) Other Important Management Related Matters
JCO Co., Ltd., is devoted to the maintenance and management of its facilities, as well as the storage and control of low-level radioactive waste, and advancing measures to promote facility dismantlement and decontamination to prepare for the decommissioning of its facilities. The Company continues to fully support JCO so that it can take appropriate measures to address these challenging tasks.

## 4. Basic Concept Behind the Selection of Accounting Standards

Based on the “15 3-Yr Business Plan,” the Group plans to voluntarily apply IFRS from the first quarter of the fiscal year ending March 31, 2019 as part of its efforts to enhance management foundations and respond to globalization.

## 5. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Millions of yen)

| | FY2016 (as of March 31, 2017) | FY2017 (as of March 31, 2018) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | *3 81,317 | 73,589 |
| Notes and accounts receivable-trade | 103,886 | *5 148,761 |
| Securities | 89,000 | 63,125 |
| Merchandise and finished goods | 57,704 | 59,048 |
| Work in process | 96,524 | 102,858 |
| Raw materials and supplies | 64,307 | 71,278 |
| Deferred tax assets | 1,225 | 1,424 |
| Other | 100,425 | 68,005 |
| Allowance for doubtful accounts | (735) | (657) |
| Total current assets | 593,653 | 587,431 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 178,251 | 163,917 |
| Machinery, equipment and vehicles, net | 250,708 | 225,338 |
| Tools, furniture and fixtures, net | 2,348 | 3,276 |
| Land | 26,597 | 26,443 |
| Construction in progress | 25,552 | 45,440 |
| Total property, plant and equipment | *1,*8 483,456 | *1,*8 464,414 |
| Intangible assets | | |
| Mining right | 44,060 | 61,663 |
| Software | 1,677 | 1,513 |
| Other | 1,853 | 2,774 |
| Total intangible assets | 47,590 | 65,950 |
| Investments and other assets | | |
| Investment securities | *2,*3 422,226 | *2,*3 441,583 |
| Long-term loans receivable | *3 61,000 | 43,231 |
| Deferred tax assets | 5,666 | 14,597 |
| Net defined benefit asset | 263 | 242 |
| Other | *2,*3 71,361 | *2,*3 81,782 |
| Allowance for doubtful accounts | (197) | (193) |
| Total investments and other assets | 560,319 | 581,242 |
| Total non-current assets | 1,091,365 | 1,111,606 |
| Total assets | 1,685,018 | 1,699,037 |

(Millions of yen)

| | FY2016 (as of March 31, 2017) | FY2017 (as of March 31, 2018) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 47,306 | 45,756 |
| Short-term loans payable | *3 96,940 | 64,888 |
| Current portion of bonds | — | 30,000 |
| Income taxes payable | 17,274 | 4,022 |
| Deferred tax liabilities | 842 | 1,342 |
| Provision for bonuses | 3,435 | 3,630 |
| Provision for directors' bonuses | — | 62 |
| Provision for furnace repair works | 1,117 | 341 |
| Provision for loss on business restructuring | 600 | 497 |
| Provision for environmental measures | 232 | 30 |
| Other provision | 111 | 156 |
| Other | 42,986 | 67,039 |
| Total current liabilities | 210,843 | 217,763 |
| Non-current liabilities | | |
| Bonds payable | 40,000 | 10,000 |
| Convertible bond-type bonds with subscription rights to shares | — | 30,150 |
| Long-term loans payable | *3 358,564 | 257,409 |
| Deferred tax liabilities | 21,807 | 29,039 |
| Provision for directors' retirement benefits | 23 | 30 |
| Provision for loss on business restructuring | 1,004 | 1,346 |
| Allowance for decommissioning preparations | 7,799 | 13,418 |
| Provision for environmental measures | 383 | 286 |
| Other provision | 80 | 108 |
| Net defined benefit liability | 9,118 | 7,461 |
| Asset retirement obligations | 8,985 | 9,318 |
| Other | 2,291 | 2,701 |
| Total non-current liabilities | 450,054 | 361,266 |
| Total liabilities | 660,897 | 579,029 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 93,242 | 93,242 |
| Capital surplus | 86,504 | 86,530 |
| Retained earnings | 718,072 | 797,034 |
| Treasury shares | (32,877) | (37,959) |
| Total shareholders' equity | 864,941 | 938,847 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 36,700 | 47,602 |
| Deferred gains or losses on hedges | 1,601 | 532 |
| Foreign currency translation adjustment | 57,950 | 46,956 |
| Remeasurements of defined benefit plans | 498 | 2,500 |
| Total accumulated other comprehensive income | 96,749 | 97,590 |
| Non-controlling interests | 62,431 | 83,571 |
| Total net assets | 1,024,121 | 1,120,008 |
| Total liabilities and net assets | 1,685,018 | 1,699,037 |

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

| | FY2016 (from April 1, 2016, to March 31, 2017) | FY2017 (from April 1, 2017, to March 31, 2018) |
|---|---|---|
| Net sales | 786,146 | 933,517 |
| Cost of sales | *1 663,850 | *1 776,428 |
| Gross profit | 122,296 | 157,089 |
| Selling, general and administrative expenses | | |
| Sales, transportation and sundry expenses | 8,221 | 8,205 |
| Salaries and allowances | 11,074 | 10,198 |
| Provision for bonuses | 1,002 | 1,108 |
| Retirement benefit expenses | 1,053 | 920 |
| Provision for directors' retirement benefits | 4 | 4 |
| Research and development expenses | *2 5,241 | *2 5,109 |
| Other | 19,311 | 21,342 |
| Total selling, general and administrative expenses | 45,906 | 46,886 |
| Operating profit | 76,390 | 110,203 |
| Non-operating income | | |
| Interest income | 12,776 | 13,441 |
| Dividend income | 2,812 | 3,595 |
| Gain on valuation of derivatives | — | 306 |
| Share of profit of entities accounted for using equity method | — | 11,367 |
| Other | 3,393 | 1,489 |
| Total non-operating income | 18,981 | 30,198 |
| Non-operating expenses | | |
| Interest expenses | 5,042 | 6,232 |
| Foreign exchange losses | 284 | 3,582 |
| Suspended business management expense | 578 | 646 |
| Maintenance expense of suspended or abandoned mines | 658 | 640 |
| Loss on valuation of derivatives | 34 | — |
| Share of loss of entities accounted for using equity method | 85,972 | — |
| Other | 4,368 | 4,448 |
| Total non-operating expenses | 96,936 | 15,548 |
| Ordinary profit (loss) | (1,565) | 124,853 |
| Extraordinary income | | |
| Gain on sales of non-current assets | *3 272 | *3 83 |
| Gain on sales of investment securities | 1,115 | 46 |
| Gain on liquidation of investment securities | 5,851 | — |
| Gain on sales of shares of subsidiaries and associates | 2,604 | 95 |
| Gain on step acquisitions | — | 693 |
| Gain on liquidation of subsidiaries and associates | 200 | 398 |
| Subsidy income | 2,994 | — |
| Total extraordinary income | 13,036 | 1,315 |

(Millions of yen)

| | FY2016 (from April 1, 2016, to March 31, 2017) | FY2017 (from April 1, 2017, to March 31, 2018) |
|---|---|---|
| Extraordinary losses | | |
| Loss on sales of non-current assets | *4 32 | *4 12 |
| Loss on retirement of non-current assets | *5 485 | *5 717 |
| Loss on reduction of non-current assets | 3,050 | 91 |
| Impairment loss | *6 3,461 | *6 10,103 |
| Loss on sales of shares of subsidiaries and associates | 319 | 46 |
| Provision for loss on business restructuring | *7 741 | *7 876 |
| Loss on liquidation of subsidiaries and associates | 626 | 1,960 |
| Provision for environmental measures | *8 73 | *8 4 |
| Restructuring loss | — | 190 |
| Loss on disaster | 16 | 13 |
| Provision of allowance for decommissioning preparations | *9 8,667 | *9 6,361 |
| Total extraordinary losses | 17,470 | 20,373 |
| Profit (loss) before income taxes | (5,999) | 105,795 |
| Income taxes - current | 26,687 | 18,466 |
| Refund of income taxes | — | (4,397) |
| Income taxes - deferred | (3,641) | (4,603) |
| Total income taxes | 23,046 | 9,466 |
| Profit (loss) | (29,045) | 96,329 |
| Profit (loss) attributable to non-controlling interests | (10,505) | 4,681 |
| Profit (loss) attributable to owners of parent | (18,540) | 91,648 |

## Consolidated Statement of Comprehensive Income

(Millions of yen)

| | FY2016 (from April 1, 2016, to March 31, 2017) | FY2017 (from April 1, 2017, to March 31, 2018) |
|---|---|---|
| Profit (loss) | (29,045) | 96,329 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 16,362 | 10,810 |
| Deferred gains or losses on hedges | 3,138 | (1,124) |
| Foreign currency translation adjustment | 16,707 | (9,568) |
| Remeasurements of defined benefit plans, net of tax | 4,487 | 1,954 |
| Share of other comprehensive income of entities accounted for using equity method | (39,646) | (4,590) |
| Total other comprehensive income | 1,048 | (2,518) |
| Comprehensive income | (27,997) | 93,811 |
| (Comprehensive income attributable to) | | |
| Comprehensive income attributable to owners of parent | (13,381) | 92,490 |
| Comprehensive income attributable to non-controlling interests | (14,616) | 1,321 |

(3) Consolidated Statement of Changes in Equity

FY2016 (from April 1, 2016, to March 31, 2017)

(Millions of yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 93,242 | 86,067 | 744,886 | (32,827) | 891,368 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | (8,274) | | (8,274) |
| Loss attributable to owners of parent | | | (18,540) | | (18,540) |
| Purchase of treasury shares | | | | (53) | (53) |
| Disposal of treasury shares | | 1 | | 3 | 4 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | 436 | | | 436 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | — | 437 | (26,814) | (50) | (26,427) |
| Balance at end of current period | 93,242 | 86,504 | 718,072 | (32,877) | 864,941 |

| | Accumulated other comprehensive income | | | | | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|---|---|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of current period | 20,225 | (1,587) | 77,274 | (4,322) | 91,590 | 93,037 | 1,075,995 |
| Changes of items during period | | | | | | | |
| Dividends of surplus | | | | | | | (8,274) |
| Loss attributable to owners of parent | | | | | | | (18,540) |
| Purchase of treasury shares | | | | | | | (53) |
| Disposal of treasury shares | | | | | | | 4 |
| Change in ownership interest of 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) |
| Total changes of items during period | 16,475 | 3,188 | (19,324) | 4,820 | 5,159 | (30,606) | (51,874) |
| Balance at end of current period | 36,700 | 1,601 | 57,950 | 498 | 96,749 | 62,431 | 1,024,121 |

FY2017 (from April 1, 2017, to March 31, 2018)

(Millions of yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 93,242 | 86,504 | 718,072 | (32,877) | 864,941 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | (12,686) | | (12,686) |
| Profit attributable to owners of parent | | | 91,648 | | 91,648 |
| Purchase of treasury shares | | | | (5,084) | (5,084) |
| Disposal of treasury shares | | 1 | | 2 | 3 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | 25 | | | 25 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during period | — | 26 | 78,962 | (5,082) | 73,906 |
| Balance at end of current period | 93,242 | 86,530 | 797,034 | (37,959) | 938,847 |

| | Accumulated other comprehensive income | | | | | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|---|---|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of current period | 36,700 | 1,601 | 57,950 | 498 | 96,749 | 62,431 | 1,024,121 |
| Changes of items during period | | | | | | | |
| Dividends of surplus | | | | | | | (12,686) |
| Profit attributable to owners of parent | | | | | | | 91,648 |
| Purchase of treasury shares | | | | | | | (5,084) |
| Disposal of treasury shares | | | | | | | 3 |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | | 25 |
| Net changes of items other than shareholders' equity | 10,902 | (1,069) | (10,994) | 2,002 | 841 | 21,140 | 21,981 |
| Total changes of items during period | 10,902 | (1,069) | (10,994) | 2,002 | 841 | 21,140 | 95,887 |
| Balance at end of current period | 47,602 | 532 | 46,956 | 2,500 | 97,590 | 83,571 | 1,120,008 |

(4) Consolidated Statement of Cash Flows

(Millions of yen)

| | FY2016 (from April 1, 2016, to March 31, 2017) | FY2017 (from April 1, 2017, to March 31, 2018) |
|---|---|---|
| Cash flows from operating activities | | |
| Profit (loss) before income taxes | (5,999) | 105,795 |
| Depreciation | 44,232 | 46,865 |
| Impairment loss | 3,461 | 10,103 |
| Loss (gain) on sales of non-current assets | (240) | (71) |
| Loss on retirement of non-current assets | 485 | 717 |
| Loss on reduction of non-current assets | 3,050 | 91 |
| Loss (gain) on sales of investment securities | (1,115) | (46) |
| Loss (gain) on liquidation of investment securities | (5,851) | — |
| Loss (gain) on sales of shares of subsidiaries and associates | (2,285) | (49) |
| Loss (gain) on liquidation of subsidiaries and associates | (200) | (398) |
| Loss (gain) on step acquisitions | — | (693) |
| Loss (gain) on valuation of derivatives | 34 | (306) |
| Increase (decrease) in allowance for doubtful accounts | 134 | (82) |
| Increase (decrease) in provision for bonuses | (106) | 360 |
| Increase (decrease) in provision for directors' bonuses | — | 62 |
| Increase (decrease) in provision for furnace repair works | 867 | (776) |
| Increase (decrease) in provision for directors' retirement benefits | (8) | 7 |
| Increase (decrease) in provision for loss on business restructuring | 283 | 239 |
| Increase (decrease) in allowance for decommissioning preparations | 7,799 | 5,619 |
| Increase (decrease) in provision for environmental measures | (48) | (299) |
| Increase (decrease) in other provision | (226) | 73 |
| Increase (decrease) in net defined benefit liability | 1,561 | 1,019 |
| Interest and dividend income | (15,588) | (17,036) |
| Interest expenses | 5,042 | 6,232 |
| Foreign exchange losses (gains) | (583) | 2,555 |
| Share of (profit) loss of entities accounted for using equity method | 85,972 | (11,367) |
| Suspended business management expense | 578 | 646 |
| Subsidy income | (2,994) | — |
| Loss on disaster | 16 | 13 |
| Loss on liquidation of subsidiaries and associates | 626 | 1,960 |
| Loss on business restructuring | — | 190 |
| Decrease (increase) in notes and accounts receivable-trade | (23,858) | (39,928) |
| Decrease (increase) in inventories | (46,634) | (17,645) |
| Increase (decrease) in notes and accounts payable-trade | 2,766 | (264) |
| Increase (decrease) in accrued consumption taxes | (8,830) | 2,659 |
| Other, net | 9,598 | 5,086 |
| Subtotal | 51,939 | 101,331 |
| Interest and dividend income received | 8,660 | 17,524 |
| Interest expenses paid | (4,762) | (6,197) |
| Suspended business management expense paid | (578) | (646) |
| Disaster recovery expense paid | (16) | (13) |
| Income taxes paid | (13,224) | (34,950) |
| Income taxes refund | 1,777 | 2,356 |
| Net cash provided by (used in) operating activities | 43,796 | 79,405 |

(Millions of yen)

| | FY2016 (from April 1, 2016, to March 31, 2017) | FY2017 (from April 1, 2017, to March 31, 2018) |
|---|---|---|
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (50,619) | (42,403) |
| Proceeds from sales of property, plant and equipment | 779 | 520 |
| Purchase of intangible assets | (1,735) | (595) |
| Purchase of investment securities | (5,024) | (511) |
| Proceeds from sales of investment securities | 1,230 | 15,393 |
| Proceeds from liquidation of investment securities | 7,851 | — |
| Purchase of shares of subsidiaries and associates | (14,687) | (11,856) |
| Proceeds from sales of shares of subsidiaries and associates | 3,500 | — |
| Payments into time deposits | (953) | (1,594) |
| Proceeds from withdrawal of time deposits | 4,126 | — |
| Purchase of money held in trust | — | (10,610) |
| Payments of short-term loans receivable | (47) | (225) |
| Collection of short-term loans receivable | 8,376 | 565 |
| Payments of long-term loans receivable | (628) | (47) |
| Collection of long-term loans receivable | 716 | 15,191 |
| Proceeds from sales of loans receivable | — | 24,398 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | — | *2 (534) |
| Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation | — | *3 1,165 |
| Payments for sales of shares of subsidiaries resulting in change in scope of consolidation | — | *4 (1,219) |
| Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation | 10,051 | *5 490 |
| Payments for acquisition of interests | (106,155) | *6 (11,122) |
| Net cash provided by (used in) investing activities | (143,219) | (22,994) |
| Cash flows from financing activities | | |
| Increase (decrease) in short-term loans payable | 5,980 | (34,459) |
| Proceeds from long-term loans payable | 120,488 | 30,795 |
| Repayments of long-term loans payable | (24,018) | (117,459) |
| Proceeds from issuance of bonds | — | 30,150 |
| Redemption of bonds | (10,000) | — |
| Proceeds from share issuance to non-controlling shareholders | 3,231 | 26,239 |
| Repayments to non-controlling shareholders | — | (3,032) |
| Decrease (increase) in treasury shares | (49) | (5,081) |
| Purchase of treasury shares of subsidiaries | — | (8) |
| Cash dividends paid | (8,274) | (12,687) |
| Dividends paid to non-controlling interests | (3,858) | (4,553) |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | (13,108) | — |
| Net cash provided by (used in) financing activities | 70,392 | (90,095) |
| Effect of exchange rate change on cash and cash equivalents | 1,499 | (1,564) |
| Net increase (decrease) in cash and cash equivalents | (27,532) | (35,248) |
| Cash and cash equivalents at beginning of period | 197,825 | 170,293 |
| Cash and cash equivalents at end of period | *1 170,293 | *1 135,045 |

(5) Notes Relating to the Consolidated Financial Statements
(Note Relating to the Going Concern Assumption)
There are no pertinent items.

(Basis of Presenting the Consolidated Financial Statements)
1. Scope of Consolidation
(1) Number of consolidated subsidiaries: 57
As significant consolidated subsidiaries are stated in “2. Corporate Group,” their names are omitted.
Of the consolidated subsidiaries, SMM Gold Cote Inc. has been included in the scope of consolidation due to new incorporation, and GRANOPT Co., Ltd. and SICOXS CORPORATION have been included in the scope of consolidation due to the acquisition of shares, from the fiscal year under review.
SUMIC Nickel Netherlands B.V. and Sumiko Tape Materials Singapore Pte. Ltd., which were consolidated subsidiaries in the previous fiscal year, have been excluded from the scope of consolidation from the fiscal year under review due to the completion of liquidation. SH Precision Co., Ltd., Malaysian SH Precision Sdn. Bhd., and Suzhou SH Precision Co., Ltd., which were also consolidated subsidiaries in the previous fiscal year, have been excluded from the scope of consolidation from the fiscal year under review due to sales.
Additionally, Ohkuchi Materials Co., Ltd., formerly a consolidated subsidiary, became an equity-method affiliate due to loss of control as the Company sold its shares during the fiscal year under review.

(2) Names of principal unconsolidated subsidiaries:
Mie Siporex Service Co., Ltd.
(Reason for exclusion from consolidation)
The unconsolidated subsidiaries are all small in corporate size, and the impact of their respective total assets, net sales, profit (loss) (corresponding to the equity held by Sumitomo Metal Mining Co., Ltd.) and retained earnings (corresponding to the equity held by Sumitomo Metal Mining Co., Ltd.) on the consolidated total assets, consolidated net sales, consolidated profit (loss) and consolidated retained earnings are insignificant. For these reasons, the unconsolidated subsidiaries are excluded from the scope of consolidation.

2. Application of the Equity Method
(1) Number of affiliates accounted for by the equity method: 15
Compania Contractual Minera Candelaria, Sociedad Minera Cerro Verde S.A.A., CCMO Ojos del Salado, Sierra Gorda S.C.M., Cordillera Exploration Co., Inc., Acids Co., Ltd., MS Zinc Co., Ltd., MITSUI SUMITOMO METAL MINING BRASS & COPPER CO., LTD., Vale Indonesia Tbk PT, FIGESBAL, Jinlong Copper Co., Ltd., Nickel Asia Corp. (NAC), Ohkuchi Materials Co., Ltd., N.E. Chemcat Corporation, and Nippon Ketjen Co., Ltd.

(2) Names of principal, nonconsolidated subsidiaries and affiliates not accounted for by the equity method
Mie Siporex Service Co., Ltd., and Hishikari Spa Heat Corporation
(Reason for not applying the equity method)
The unconsolidated subsidiaries and affiliates, which are not accounted for by the equity method, are excluded from the application of the equity method because their respective profit (loss) and retained earnings have no significant impact on the consolidated profit (loss) and consolidated retained earnings, and they are immaterial on the whole.

(3) Matters deemed necessary to especially mention regarding the procedure of applying the equity method
Of the companies accounted for by the equity method, the financial statements for the respective fiscal years are used for those that have a closing date that differs from the consolidated closing date (March 31) for the fiscal year under review.

3. Fiscal Year, etc., of Consolidated Subsidiaries
The closing date is December 31 for the 27 consolidated subsidiaries below:
Sumitomo Metal Mining America Inc., Sumitomo Metal Mining Arizona Inc., SMM Morenci Inc., SMMA Candelaria Inc., Sumitomo Metal Mining Canada Ltd., SMM Exploration Corporation, Sumitomo Metal Mining Oceania Pty. Ltd., Sumitomo Metal Mining Pogo LLC, SMM Gold Cote Inc., SMM Resources, SMM Cerro Verde Netherlands B.V., SMM Solomon LIMITED, Sumitomo Metal Mining Peru S.A., Sumitomo Metal Mining Chile LTDA, SMM Sierra Gorda Inversiones Ltda., Sumitomo Metal Mining do Brasil LTDA., Stone Boy Inc., Sumitomo Metal Mining Philippine Holdings Corporation, Sumitomo Metal Mining Management (Shanghai) Co., Ltd., Sumitomo Metal Mining (Hong Kong) Co., Limited, SMM KOREA Co., Ltd., Shanghai Sumiko Electronic Paste Co., Ltd., Dongguan Sumiko Electronic Paste Co., Ltd, Sumiko Tec (Dongguan) Co., Ltd., SMM Holland B.V., SUMICO LUBRICANT TRADING (SHANGHAI) CO., LTD. and SMM-SG Holding Inversiones Limitada.
As the difference in the closing date for the consolidated subsidiaries above and the consolidated closing date is

only three months, consolidation was determined based on the financial statements for the relevant companies pertaining to their respective fiscal years. In preparing the consolidated financial statements, however, the financial statements of these consolidated subsidiaries are provided with necessary adjustments for consolidation purposes with regard to material transactions between their closing date (December 31) and the consolidated closing date (March 31).

The closing date for both Coral Bay Nickel Corporation and Taganito HPAL Nickel Corporation is December 31 of each year. Therefore, the financial statements based on provisional statements of account as of March 31, the consolidated closing date, have been used.

4. Summary of Significant Accounting Policies

(1) Valuation basis and method for important assets

(i) Securities

Other securities

Available-for-sale securities:

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, presented as a separate component of net assets.

Other available-for-sale securities with no available fair values (non-marketable securities) are stated at cost determined by the moving-average method.

(ii) Derivatives:

Derivative instruments are stated at fair value.

(iii) Inventories:

Mainly stated at cost determined by the first-in first-out (FIFO) method. (For figures shown on the balance sheet, values are written down to their book values based on their decreased profitability.)

At several overseas subsidiaries, other inventories are stated at the lower of cost or market determined by the gross average method.

(2) Depreciation method of major depreciable assets

(i) Property, plant and equipment (excluding leased assets)

The depreciation of property, plant and equipment (excluding mining sites and tunnels) at the Company and its consolidated subsidiaries is computed by the straight-line method, based on the estimated useful lives of the respective assets. Mining sites and tunnels are stated by the unit-of-production method. The depreciation period generally ranges from 1 year to 60 years for buildings and structures and 1 year to 30 years for machinery, equipment and vehicles.

(ii) Intangible assets

The amortization of mining rights (mineral rights) is computed by the unit-of-production method, mining rights (exploration rights) by the straight-line method and other intangible assets (excluding software) by the straight-line method.

Computer software for internal use is amortized by the straight-line method over the estimated useful life (5 years).

(iii) Leased assets

Leased assets are amortized by the straight-line method, assuming the lease period as the useful life and no residual value.

(3) Accounting for important reserves

(i) Allowance for doubtful accounts

The allowance for doubtful accounts is 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 such as nonperforming loans from customers who are experiencing financial difficulties.

(ii) Provision for bonuses

The provision for bonuses to employees and executive officers is an estimated amount accounted for as an expense in the accounting period in which such bonuses were incurred.

(iii) Provision for directors’ bonuses

The provision for directors’ bonuses is an estimated amount accounted for as an expense in the accounting period in which such bonuses were incurred.

(iv) Provision for furnace repair works

The provision for furnace repair works is an amount that corresponds to the works’ amount projected for the fiscal year under review to cover the expense for regular repair works of the furnaces at the Toyo Smelter & Refinery and other plants.

(v) Provision for directors’ retirement benefits

The Company sets the provision for directors’ retirement benefits at an amount deemed necessary to cover the total amount to be paid pursuant to the internal regulations thereof at the balance sheet date of the fiscal year under review.

(vi) Provision for loss on business restructuring

The provision for loss on business restructuring is an amount to cover the estimated loss of business reconstruction that might be experienced by the Company and any subsidiaries and/or affiliates.

(vii) Provision for environmental measures

The Company and several consolidated domestic subsidiaries set the provision for environmental measures that is an estimated amount expected to cover future potential costs, such as costs related to the disposal of wastes that contain polychlorinated biphenyl (PCB) and lead.

(viii) Allowance for decommissioning preparations

JCO Co., Ltd., a domestic consolidated subsidiary of the Company, is advancing measures to promote facility dismantlement and decontamination to prepare for the decommissioning of its facilities. The estimated amounts of losses to be incurred in the future, which can be reasonably measured, are posted.

(4) Accounting method for retirement benefits

(i) Attribution method for the estimated amount of retirement benefits

The Company applies the benefit formula basis in attributing the estimated retirement benefits to the period to the end of the current fiscal year in the calculation of retirement benefits.

(ii) Recognition of actuarial gains and losses and past service costs

Past service costs are recognized in expenses using the straight-line method over a certain number of years (10 years) within the average of the estimated remaining years of service life at the time of occurrence.

Actuarial gains and losses are recognized in expenses using the straight-line method over the average of the estimated remaining service lives of 10 years commencing with the following period.

(iii) Adoption of simplified method at small businesses

Some of the consolidated subsidiaries adopt a simplified method for calculating net defined benefit liability and retirement benefit expenses, in which the amount of retirement benefit required for voluntary termination at the end of fiscal year is recorded as retirement benefit obligations.

(5) Accounting standards for significant revenues and costs

Accounting standard for recognizing revenues and costs of construction contracts

When the outcome of an individual contract can be estimated reliably, the percentage-of-completion method (the percentage of completion at the end of the fiscal year is measured based on the percentage of the cost incurred to the estimated total cost) has been applied for that portion in progress through to the end of the fiscal year ended March 31, 2018. For other construction work, the completed-contract method has been applied.

(6) Translation of important assets and liabilities denominated in foreign currencies into yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates of the consolidated closing date, and differences arising from such translation are charged to income. The asset and liability accounts of the overseas subsidiaries are translated into Japanese yen at the spot exchange rate as of the closing date of the respective companies. The revenue and expense accounts of the overseas subsidiaries are translated into Japanese yen at the annual average exchange rate during the period as of the closing date of the respective companies. Differences arising from such translation are included in “Foreign currency translation adjustment” and “Non-controlling interests” as separate components of “Net Assets.”

(7) Significant hedge accounting

(i) Hedge accounting method

Deferred gains or losses on hedges are reported at the Company and its consolidated subsidiaries. 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.

(ii) Hedge instruments and hedged objects

Trade receivables and payables relating to production/marketing activities based on real demand are mainly used as hedged objects. Derivative transactions (primarily forward foreign exchange contracts and forward agreements) associated with currencies and merchandise are used as hedge instruments.

(iii) Hedging policy

As derivative transactions employed by the Company seek to provide hedges for certain types of risk exposure, their use is limited to within the scope of real demand and the value of receivables and payables with the aim of ensuring the previously projected gains or losses or cash flows.

(iv) Method of assessing the effectiveness of hedges

The derivative transactions as hedge instruments to be employed by the Company and its consolidated subsidiaries are selected after having obtained internal approval of the Company on the effectiveness via prior simulation-based calculations. While the transactions are being executed, the volume of the hedged objects and hedge instruments is appropriately managed to match each other. After the derivative transactions are completed, to evaluate hedge effectiveness monthly, the Company verifies whether the initially projected gains or losses and/or cash flows are obtained for each transaction by comparing cumulative changes in cash flows from or the changes in fair value of hedged objects and the corresponding changes in the hedging derivative instruments.

(v) Others

In cases where forward foreign exchange contracts are made to provide hedges for the risks of fluctuations in the foreign currency exchange rates of monetary receivables and payables denominated in foreign currencies, which are translated into Japanese yen at the spot exchange rates of the consolidated closing date, unrealized gains or losses on the foreign exchange contracts at the balance sheet date are recorded in accordance with the Accounting Standard for Financial Instruments.

(8) Amortization of goodwill

The amount of goodwill is equally amortized over 5 years on a straight-line basis. However, at the consolidated subsidiaries in the United States, it is equally amortized over 20 years on a straight-line basis.

(9) Scope of cash and cash equivalents in the Consolidated Statement of Cash Flows

Cash and cash equivalents in the Consolidated Statement of Cash Flows include cash on hand, readily available bank deposits and short-term, highly liquid investments with maturities not exceeding three months at the time of purchase, which are easily convertible into cash with little or no risk from fluctuation in value.

(10) Accounting for consumption taxes

Transactions subject to the consumption tax and local consumption taxes are recorded at amounts exclusive of the consumption tax. Undetectable consumption tax and local consumption taxes related to assets are primarily accounted for as expenses during the current fiscal year.

(Consolidated Balance Sheet)

*1 Accumulated depreciation of property, plant and equipment are as follows.

| | FY2016 (as of March 31, 2017) | FY2017 (as of March 31, 2018) |
|---|---|---|
| Accumulated depreciation | ¥493,964 million | ¥512,727 million |

*2 Those for unconsolidated subsidiaries and affiliates are as follows.

| | FY2016 (as of March 31, 2017) | FY2017 (as of March 31, 2018) |
|---|---|---|
| Investment securities | ¥282,201 million | ¥286,077 million |
| Investments and other assets | ¥10,505 million | ¥13,184 million |

Investment securities for the current fiscal year include ¥10,954 million (¥10,010 million for the previous fiscal year) invested to jointly controlled enterprises.

*3 Assets pledged as collateral and liabilities with collateral

Assets pledged as collateral are as follows.

| | FY2016 (as of March 31, 2017) | FY2017 (as of March 31, 2018) |
|---|---|---|
| Cash and deposits | ¥1 million | — million |
| Investment securities[Note] | ¥0 | ¥0 |
| Long-term loans receivable | ¥26,094 | — |
| Investments and other assets | ¥343 | ¥244 |
| Total | ¥26,438 | ¥244 |

Liabilities with collateral are as follows.

| | FY2016 (as of March 31, 2017) | FY2017 (as of March 31, 2018) |
|---|---|---|
| Long-term loans payable (including current portion redeemable within one year) | ¥26,094 million | — million |

Note: The Company provided the assets pledged as collateral for loans payable of ¥52,806 million (¥63,612 million in the previous fiscal year) that Sierra Gorda S.C.M. borrowed from financial institutions.

4 Commitments and contingent liabilities

1) The Company granted guarantees for loans payable as a guarantor from financial institutions, etc., signed up by the following subsidiaries and affiliates.

| | FY2016 (as of March 31, 2017) | FY2017 (as of March 31, 2018) |
|---|---|---|
| Sierra Gorda S.C.M. | ¥83,373 million | ¥72,138 million |
| MITSUI SUMITOMO METAL MINING BRASS & COPPER CO., LTD. | ¥850 | ¥1,850 |
| Total | ¥84,223 | ¥73,988 |

2) Other commitments and contingent liabilities are as follows.

| | FY2016 (as of March 31, 2017) | FY2017 (as of March 31, 2018) |
|---|---|---|
| Payment for Sociedad Minera Cerro Verde S.A.A., including taxes, in the amount corresponding to the Company's equity, in case the revocation of exemption measures for prior year taxes is finalized[Note] | ¥2,857 million[Note 1] | ¥7,309 million[Note 2] |
| Total | ¥2,857 | ¥7,309 |

JCO Co., Ltd., a consolidated subsidiary of the Company, is advancing measures to promote facility dismantlement and decontamination to prepare for the decommissioning of its facilities. Additional losses are anticipated to be incurred depending on the conditions of dismantlement and decontamination of its facilities in the future. Hence, the Company will post an allowance for decommissioning preparations each time such losses can be reasonably estimated.

(Note 1) Sociedad Minera Cerro Verde S.A.A. ("Cerro Verde"), an equity-method affiliate of the Company, had been making tax payments, assuming exemption from royalties levied on mining companies (enacted 2004), based on a tax rate stabilization agreement with the Peruvian government (valid from 1999 to 2013). However, Cerro Verde was given notice by Peruvian national tax authorities in October 2013 to the effect that said agreement did not apply to the copper mine development project (commenced in 2006), and was demanded payment for the amount corresponding to prior royalties (from 2006 to 2008) and interest on overdue royalties. The Company has reported, as per the above, the amount of payment corresponding to the equity interest of the Company, in case the demand for payment becomes finalized.

(Note 2) Although Cerro Verde made appeals to Peruvian government agencies claiming the validity of the tax rate stabilization agreement, in October 2017, the Peruvian Supreme Court rejected Cerro Verde's claims for exemption regarding the payment of royalties for 2008. Subsequently, Cerro Verde received notification of judgment to the effect that the decision by the Peruvian national tax authorities was valid.

In light of this decision, Cerro Verde posted a total of U.S. $393 million for royalties, penalties and interest on overdue royalties for the period from December 2006 to 2008, which it had been disputing with the Peruvian national tax authorities through judicial bodies, as well as royalties and other payments for the period from 2009 to 2013, which had similarly been disputed. Consequently, the Company posted ¥9,257 million (approximately U.S. $83 million), which is equivalent to its interests, as share of loss of entities accounted for using equity method in fiscal 2017. As a result, consolidated ordinary profit and profit attributable to owners of parent for fiscal 2017 decreased ¥9,257 million and ¥7,406 million, respectively.

Additionally, Cerro Verde has a total of U.S. $385 million in potentially unpaid penalties and interest on overdue royalties. The Company has reported, as per the above, the amount of payment corresponding to the equity interest of the Company, in case these additional amounts become finalized.

*5 Notes maturing at the end of the fiscal year

Notes maturing at the end of the fiscal year are accounted for as settled on the clearance date. As the end of the fiscal year under review fell on a bank holiday, the notes maturing at the end of the fiscal year, as stated below, are included in the balance at the end of the fiscal year.

| | FY2016 (as of March 31, 2017) | FY2017 (as of March 31, 2018) |
|---|---|---|
| Notes receivable-trade | — million | ¥210 million |

6 Notes and accounts receivable sold to factoring companies with recourse

| | FY2016 (as of March 31, 2017) | FY2017 (as of March 31, 2018) |
|---|---|---|
| Notes and accounts receivable sold to factoring companies with recourse | ¥24 million | — million |

7 Discount on export notes receivable

| | FY2016 (as of March 31, 2017) | FY2017 (as of March 31, 2018) |
|---|---|---|
| Discount on export notes receivable | ¥22 million | ¥11 million |

*8 With receipt of state subsidy, etc., reduction entry amount, which was deducted from the amount of purchase of property, plant and equipment, are as follows.

| | FY2016 (as of March 31, 2017) | FY2017 (as of March 31, 2018) |
|---|---|---|
| Buildings and structures | ¥2 million | ¥27 million |
| Machinery, equipment and vehicles | ¥3,137 | ¥3,203 |
| Total | ¥3,139 | ¥3,230 |

(Consolidated Statement of Income)

*1 Ending merchandise and finished goods indicate the amounts after values are written down to their book values based on their decreased profitability, and the following loss on valuation of inventories is included in the cost of sales.

| FY2016 (from April 1, 2016, to March 31, 2017) | FY2017 (from April 1, 2017, to March 31, 2018) |
|---|---|
| ¥(893) million | ¥1,475 million |

*2 Research and development expenses included in “General and administrative expenses”

| FY2016 (from April 1, 2016, to March 31, 2017) | FY2017 (from April 1, 2017, to March 31, 2018) |
|---|---|
| ¥5,241 million | ¥5,109 million |

*3 Gains due to sales of non-current assets and the breakdown by account title are as follows.

| | FY2016 (from April 1, 2016, to March 31, 2017) | FY2017 (from April 1, 2017, to March 31, 2018) |
|---|---|---|
| Machinery, equipment and vehicles | ¥90 million | ¥60 million |
| Tools, furniture and fixtures | ¥42 | ¥1 |
| Land | ¥139 | ¥22 |
| Other | ¥1 | — |
| Total | ¥272 | ¥83 |

*4 Losses due to sales of non-current assets and the breakdown by account title are as follows.

| | FY2016 (from April 1, 2016, to March 31, 2017) | FY2017 (from April 1, 2017, to March 31, 2018) |
|---|---|---|
| Buildings and structures | ¥18 million | — million |
| Machinery, equipment and vehicles | ¥14 | ¥12 |
| Total | ¥32 | ¥12 |

*5 Losses due to the retirement of non-current assets and the breakdown by account title are as follows.

| | FY2016 (from April 1, 2016, to March 31, 2017) | FY2017 (from April 1, 2017, to March 31, 2018) |
|---|---|---|
| Buildings and structures | ¥228 million | ¥313 million |
| Machinery, equipment and vehicles | ¥209 | ¥290 |
| Tools, furniture and fixtures | ¥28 | ¥7 |
| Other | ¥20 | ¥107 |
| Total | ¥485 | ¥717 |

*6 Impairment loss

The SMM Group's impairment loss of non-current assets, consists of the following:

FY2016 (from April 1, 2016, to March 31, 2017)

| Major use | Location | Asset category | Impairment loss (Millions of yen) |
|---|---|---|---|
| Research facilities | Niihama City, Ehime Prefecture, Japan | Structures<br>Machinery and equipment | 2<br>128 |
| Manufacturing facilities for crystal substrates | Isa City, Kagoshima Prefecture, Japan | Machinery and equipment | 56 |
| Manufacturing facilities for lead frames (Subject to withdrawal from the business) | Minato-ku, Tokyo, Japan<br>Niihama City, Ehime Prefecture, Japan | Buildings<br>Structures<br>Machinery and equipment<br>Vehicles<br>Tools, furniture and fixtures<br>Construction in progress<br>Software<br>Other | 416<br>107<br>147<br>1<br>62<br>123<br>3<br>8 |
| Manufacturing facilities for lead frames (Subject to sale of the business) | Yonezawa City, Yamagata Prefecture, Japan<br>Jiangsu, China<br>Negeri Sembilan, Malaysia | Buildings<br>Structures<br>Machinery and equipment<br>Vehicles<br>Tools, furniture and fixtures<br>Land<br>Construction in progress<br>Software<br>Other | 814<br>8<br>1,123<br>3<br>121<br>130<br>133<br>11<br>65 |
| Total | | | 3,461 |

The SMM Group categorized operating assets by business unit such as plants and manufacturing processes based on the division of managerial accounting.

The book values of research facilities were reduced to their recoverable amounts because of expectations that a part of such facilities would not be used in the future. The net sales prices of assets are used as their recoverable amounts for the measurement of impairment losses, which are posted under "Extraordinary losses." The net sales prices of these assets are recognized as zero, because their sale will be difficult.

The book values of manufacturing facilities for crystal substrates were reduced to their recoverable amounts because of expectations that a part of such facilities would cease to operate in the future. The net sales prices of assets are used as their recoverable amounts for the measurement of impairment losses, which are posted under "Extraordinary losses." The net sales prices of these assets are calculated based on the projected sales prices.

The book values of manufacturing facilities for lead frames (subject to withdrawal from the business) were reduced to their recoverable amounts because the decision was made to withdraw from this business. The value in use of assets is used as their recoverable amounts for the measurement of impairment losses, which are posted under "Extraordinary losses." As the estimated value in use of the assets based on future cash flows is negative, their recoverable amounts are recognized as zero.

With regard to the manufacturing facilities for lead frames (subject to sale of the business), the book values of the facilities owned by consolidated subsidiaries to be sold were reduced to their recoverable amounts because the Company concluded a stock sale and purchase agreement upon making a decision on the sale of the consolidated subsidiaries. The net sales prices of assets are used as their recoverable amounts for the measurement of impairment losses, which are posted under "Extraordinary losses." The recoverable amounts are calculated based on the projected sales prices. An asset group associated with the consolidated subsidiaries to be sold was categorized as the smallest unit of the group that generates cash flows independently.

FY2017 (from April 1, 2017, to March 31, 2018)

| Major use | Location | Asset category | Impairment loss (Millions of yen) |
|---|---|---|---|
| Manufacturing facilities for cast products | Yamato City, Kanagawa Prefecture, Japan | Buildings<br>Structures<br>Machinery and equipment<br>Vehicles<br>Tools, furniture and fixtures<br>Software<br>Other | 274<br>22<br>273<br>2<br>21<br>3<br>1 |
| Manufacturing facilities for thin film materials | Ome City, Tokyo, Japan | Buildings<br>Machinery and equipment<br>Tools, furniture and fixtures | 0<br>7<br>2 |
| Manufacturing facilities for crystal substrates | Iwanai-gun, Hokkaido, Japan<br>Isa City, Kagoshima Prefecture, Japan<br>Ome City, Tokyo, Japan | Buildings<br>Structures<br>Machinery and equipment<br>Vehicles<br>Tools, furniture and fixtures<br>Construction in progress<br>Software<br>Other | 2,559<br>143<br>5,545<br>3<br>33<br>428<br>8<br>3 |
| Manufacturing facilities for lead frames | Minato-ku, Tokyo, Japan<br>Niihama City, Ehime Prefecture, Japan | Buildings<br>Machinery and equipment<br>Tools, furniture and fixtures | 40<br>3<br>4 |
| Facilities for technical engineering | Naka-gun, Ibaraki Prefecture, Japan | Buildings<br>Structures<br>Machinery and equipment<br>Tools, furniture and fixtures<br>Other | 124<br>15<br>46<br>3<br>60 |
| — | Minato-ku, Tokyo, Japan | Goodwill | 481 |
| Total | | | 10,103 |

The SMM Group categorized operating assets by business unit such as plants and manufacturing processes based on the division of managerial accounting.

The book values of manufacturing facilities for cast products were reduced to their recoverable amounts because of the Group’s decision to withdraw from this business. The value in use of assets is used as their recoverable amounts for the measurement of impairment losses, which are posted under “Extraordinary losses.” As the estimated value in use of the assets based on future cash flows is negative, their recoverable amounts are recognized as zero.

The book values of part of the manufacturing facilities for thin film materials were reduced to their recoverable amounts because the decision was made to withdraw from this business for some products. The value in use of assets is used as their recoverable amounts for the measurement of impairment losses, which are posted under “Extraordinary losses.” As the estimated value in use of the assets based on future cash flows is negative, their recoverable amounts are recognized as zero.

The book values of manufacturing facilities for crystal substrates were reduced to their recoverable amounts because of the sharply worsening business environment. The net sales prices of assets are used as their recoverable amounts for the measurement of impairment losses, which are posted under “Extraordinary losses.” The net sales prices of these assets are determined based on the appraisal value by a third party of precious metals contained in the facilities, etc.

Impairment loss on the manufacturing facilities for lead frames was posted because the decision was made to withdraw from this business in fiscal 2017, and the book values of facilities acquired during the current fiscal year were similarly reduced to their recoverable amounts. The value in use of assets is used as their recoverable amounts for the measurement of impairment losses, which are posted under “Extraordinary losses.” As the estimated value in use of the assets based on future cash flows is negative, their recoverable amounts are recognized as zero.

With regard to the facilities for technical engineering, the book values of the facilities were reduced to their recoverable amounts due to a decrease in engineering-related business commissioned by nuclear energy-related companies. The net sales prices of assets are used as their recoverable amounts for the measurement of impairment losses, which are posted under “Extraordinary losses.” The net sales prices of these assets are recognized as zero, because their sale will be difficult.

On October 30, 2017, the Company acquired 51% of the shares of SICOXS CORPORATION, which was included in the scope of consolidation form the fiscal year under review. While goodwill of ¥481 million was recognized as a result of the difference between the acquisition cost and the net asset value of the acquired shares of SICOXS CORPORATION, all such amount was posted as an impairment loss in the fiscal year under review in light of conditions under which excess earning capacity is not necessarily expected.

*7 Refers to the provision to cover future potential costs, which the Company and consolidated subsidiaries are projected to experience in association with the business restructuring.

| FY2016 (from April 1, 2016, to March 31, 2017) | FY2017 (from April 1, 2017, to March 31, 2018) |
|---|---|
| ¥741 million | ¥876 million |

*8 Refers to the provision to cover future potential costs, which the Company and several consolidated domestic subsidiaries are projected to experience in association with the disposal of wastes that contain polychlorinated biphenyl (PCB) and lead.

| FY2016 (from April 1, 2016, to March 31, 2017) | FY2017 (from April 1, 2017, to March 31, 2018) |
|---|---|
| ¥73 million | ¥4 million |

*9 JCO Co., Ltd., a domestic consolidated subsidiary of the Company, is advancing measures to promote facility dismantlement and decontamination to prepare for the decommissioning of its facilities. Accordingly, the amount was posted to provide for future potential costs.

| FY2016 (from April 1, 2016, to March 31, 2017) | FY2017 (from April 1, 2017, to March 31, 2018) |
|---|---|
| ¥8,667 million | ¥6,361 million |

(Consolidated Statement of Comprehensive Income)

*Amount of recycling and tax-effect amount associated with the presentation of other comprehensive income

(Millions of yen)

| | FY2016 (from April 1, 2016, to March 31, 2017) | FY2017 (from April 1, 2017, to March 31, 2018) |
|---|---|---|
| Valuation difference on available-for-sale securities: | | |
| Amount that occurred during the period | 22,242 | 15,092 |
| Reclassification adjustment | (1,115) | (46) |
| Before tax-effect adjustment | 21,127 | 15,046 |
| Tax-effect amount | (4,765) | (4,236) |
| Valuation difference on available-for-sale securities | 16,362 | 10,810 |
| Deferred gains or losses on hedges: | | |
| Amount that occurred during the period | 1,176 | (2,980) |
| Reclassification adjustment | 3,447 | 1,215 |
| Before tax-effect adjustment | 4,623 | (1,765) |
| Tax-effect amount | (1,485) | 641 |
| Deferred gains or losses on hedges | 3,138 | (1,124) |
| Foreign currency translation adjustment: | | |
| Amount that occurred during the period | 16,365 | (11,003) |
| Reclassification adjustment | 517 | 1,326 |
| Before tax-effect adjustment | 16,882 | (9,677) |
| Tax-effect amount | (175) | 109 |
| Foreign currency translation adjustment | 16,707 | (9,568) |
| Remeasurements of defined benefit plans, net of tax: | | |
| Amount that occurred during the period | 4,722 | 1,319 |
| Reclassification adjustment | 1,811 | 1,445 |
| Before tax-effect adjustment | 6,533 | 2,764 |
| Tax-effect amount | (2,046) | (810) |
| Remeasurements of defined benefit plans, net of tax | 4,487 | 1,954 |
| Share of other comprehensive income of entities accounted for using equity method: | | |
| Amount that occurred during the period | (39,601) | (4,754) |
| Reclassification adjustment | (45) | 164 |
| Share of other comprehensive income of entities accounted for using equity method | (39,646) | (4,590) |
| Total other comprehensive income | 1,048 | (2,518) |

(Consolidated Statement of Changes in Equity)
FY2016 (from April 1, 2016, to March 31, 2017)

1. Matters Related to Shares Issued

| Class of shares | Number of shares at beginning of current fiscal year | Number of shares increased during the current fiscal year | Number of shares decreased during the current fiscal year | Number of shares at current fiscal year-end |
|---|---|---|---|---|
| Common stock (shares) | 581,628,031 | — | — | 581,628,031 |

2. Matters Related to Treasury Shares

| Class of shares | Number of shares at beginning of current fiscal year | Number of shares increased during the current fiscal year | Number of shares decreased during the current fiscal year | Number of shares at current fiscal year-end |
|---|---|---|---|---|
| Common stock (shares) | 29,996,055 | 36,851 | 2,820 | 30,030,086 |

(Overview of reasons for change)
A major cause of the increase in the number of treasury shares is as follows:
Increase due to the purchase of less-than-one-unit shares by the Company: 36,851 shares
A major cause of the decrease in the number of treasury shares is as follows:
Decrease due to the sale of less-than-one-unit shares by the Company: 2,820 shares

3. Matters Related to Dividends

(1) Cash dividends paid

| Resolution | Class of shares | Total dividend amount (Millions of yen) | Dividend per share (Yen) | Date of record | Effective date |
|---|---|---|---|---|---|
| Ordinary General Meeting of Shareholders held on June 27, 2016 | Common stock | 5,516 | 10 | March 31, 2016 | June 28, 2016 |
| Board meeting held on November 11, 2016 | Common stock | 2,758 | 5 | September 30, 2016 | December 6, 2016 |

(2) Dividends for which the date of record is during the current fiscal year but the effective date was in the following fiscal year

| Resolution | Class of shares | Total dividend amount (Millions of yen) | Source of dividends | Dividend per share (Yen) | Date of record | Effective date |
|---|---|---|---|---|---|---|
| Ordinary General Meeting of Shareholders held on June 27, 2017 | Common stock | 3,310 | Retained earnings | 6 | March 31, 2017 | June 28, 2017 |

FY2017 (from April 1, 2017, to March 31, 2018)

1. Matters Related to Shares Issued

| Class of shares | Number of shares at beginning of current fiscal year | Number of shares increased during the current fiscal year | Number of shares decreased during the current fiscal year | Number of shares at current fiscal year-end |
|---|---|---|---|---|
| Common stock (shares) (Note 1, 2) | 581,628,031 | — | 290,814,016 | 290,814,015 |

2. Matters Related to Treasury Shares

| Class of shares | Number of shares at beginning of current fiscal year | Number of shares increased during the current fiscal year | Number of shares decreased during the current fiscal year | Number of shares at current fiscal year-end |
|---|---|---|---|---|
| Common stock (shares) (Note 1, 3, 4) | 30,030,086 | 1,019,416 | 15,029,403 | 16,020,099 |

(Overview of reasons for change)

1. The Company carried out a consolidation of share at the ratio of 2 shares to 1 share on October 1, 2017.
2. The decrease of 290,814,016 outstanding shares of common stock is attributable to the consolidation of share.
3. The increase of 1,019,416 treasury shares of common stock is attributable to an increase of 35,816 shares due to the purchase of less-than-one-unit shares by the Company (27,169 shares before the consolidation of share plus 8,647 shares after the consolidation of share), and to an increase of 983,600 shares due to the purchase of treasury shares by the Company on February 28, 2018 as resolved by the Board of Directors.
4. The decrease of 15,029,403 treasury shares of common stock is attributable to a decrease of 15,028,076 shares due to the consolidation of share, and a decrease of 1,327 shares (1,103 shares before the consolidation of share plus 224 shares after the consolidation of share) which were sold in response to requests from shareholders to sell them less-than-one-unit shares.

3. Matters Related to Dividends

(1) Cash dividends paid

| Resolution | Class of shares | Total dividend amount (Millions of yen) | Dividend per share (Yen) | Date of record | Effective date |
|---|---|---|---|---|---|
| Ordinary General Meeting of Shareholders held on June 27, 2017 | Common stock | 3,310 | 6 | March 31, 2017 | June 28, 2017 |
| Board meeting held on November 9, 2017 | Common stock | 9,377 | 17 | September 30, 2017 | December 6, 2017 |

(Note) The Company carried out a consolidation of share at the ratio of 2 shares to 1 share on October 1, 2017. Dividend per share shows the amount before the said consolidation of share.

(2) Dividends for which the date of record is during the current fiscal year but the proposed effective date is in the following fiscal year

| Resolution | Class of shares | Total dividend amount (Millions of yen) | Source of dividends | Dividend per share (Yen) | Date of record | Proposed effective date |
|---|---|---|---|---|---|---|
| Ordinary General Meeting of Shareholders to be held on June 26, 2018 | Common stock | 18,136 | Retained earnings | 66 | March 31, 2018 | June 27, 2018 |

(Note) The Company carried out a consolidation of share at the ratio of 2 shares to 1 share October 1, 2017. Dividend per share shows the amount after the said consolidation of share.

(Consolidated Statement of Cash Flows)

*1 Relationship between cash and cash equivalents at end of period and the line item amounts stated on the Consolidated Balance Sheet

(Millions of yen)

| | FY2016 (from April 1, 2016, to March 31, 2017) | FY2017 (from April 1, 2017, to March 31, 2018) |
|---|---|---|
| Cash and deposits | 81,317 | 73,589 |
| Short-term investment securities | 89,000 | 63,125 |
| Time deposits with a maturity longer than three months | (24) | (1,669) |
| Cash and cash equivalents | 170,293 | 135,045 |

*2 Major breakdown of assets and liabilities owned by the entity that was converted into a consolidated subsidiary of the Company as a result of the acquisition of shares (Payments)

Following the acquisition of shares, SICOXS CORPORATION became a consolidated subsidiary of the Company. The breakdown of assets and liabilities at the acquisition of the shares, the acquisition price of the shares, and payments for such acquisition are listed as follows.

(Millions of yen)

| | |
|---|---|
| Current assets | 68 |
| Non-current assets | 370 |
| Goodwill | 481 |
| Current liabilities | (261) |
| Non-current liabilities | (25) |
| Non-controlling interests | (74) |
| Purchase amount of shares | 559 |
| Cash and cash equivalents | (25) |
| Net: Payments for (proceeds from) purchase of shares of subsidiaries resulting in change in scope of consolidation | 534 |

*3 Major breakdown of assets and liabilities owned by the entity that was converted into a consolidated subsidiary of the Company as a result of the acquisition of shares (Proceeds)

Following the acquisition of shares, GRANOPT Co., Ltd. became a consolidated subsidiary of the Company. The breakdown of assets and liabilities at the acquisition of the shares, the acquisition price of the shares, and proceeds from such acquisition are listed as follows.

(Millions of yen)

| | |
|---|---|
| Current assets | 1,967 |
| Non-current assets | 1,796 |
| Goodwill | 772 |
| Current liabilities | (397) |
| Non-current liabilities | (22) |
| Non-controlling interests | (1,639) |
| Gain on step acquisitions | (693) |
| Equity-method valuation before the acquisition of control | (1,674) |
| Purchase amount of shares | 110 |
| Cash and cash equivalents | (1,275) |
| Net: Payments for (proceeds from) purchase of shares of subsidiaries resulting in change in scope of consolidation | (1,165) |

*4 Major breakdown of assets and liabilities owned by the entities that ceased to be the Company's consolidated subsidiaries following the sale of shares (Payments)

Following the sale of shares, SH Precision Co., Ltd., Malaysian SH Precision Sdn. Bhd. and Suzhou SH Precision Co., Ltd. ceased to be the Company's consolidated subsidiaries. The breakdown of assets and liabilities at the sale of their shares, the sales amount, and payments for sales are listed as follows.

| | (Millions of yen) |
|---|---|
| Current assets | 4,074 |
| Non-current assets | 81 |
| Current liabilities | (3,830) |
| Non-current liabilities | (13) |
| Foreign currency translation adjustment | (77) |
| Gain on sales of shares of subsidiaries and associates | 95 |
| Sales amount of shares | 330 |
| Cash and cash equivalents | (1,549) |
| Net: Proceeds from (payments for) sales of shares of subsidiaries resulting in change in scope of consolidation | (1,219) |

*5 Major breakdown of assets and liabilities owned by the entities that ceased to be the Company's consolidated subsidiaries following the sale of shares (Proceeds)

Following the sale of shares, Ohkuchi Materials Co., Ltd. ceased to be the Company's consolidated subsidiary. The breakdown of assets and liabilities at the sale of the shares, the sales amount, and proceeds from sales are listed as follows.

| | (Millions of yen) |
|---|---|
| Current assets | 1,334 |
| Non-current assets | 1,190 |
| Current liabilities | (1,431) |
| Loss on sales of shares of subsidiaries and associates | (46) |
| Equity-method valuation at the loss of control | (557) |
| Sales amount of shares | 490 |
| Cash and cash equivalents | — |
| Net: Proceeds from (payments for) sales of shares of subsidiaries resulting in change in scope of consolidation | 490 |

*6 The breakdown of assets acquired and liabilities assumed by SMM Gold Cote Inc., the Company's consolidated subsidiary, as a result of the acquisition of interests in the Côté Gold Project, and the relations between the acquisition amount of interests and payments for acquisition of interests are listed as follows.

| | (Millions of yen) |
|---|---|
| Current assets | 8 |
| Non-current assets | 21,490 |
| Current liabilities | (10,342) |
| Non-current liabilities | (33) |
| Acquisition amount of interests | 11,123 |
| Cash and cash equivalents | (1) |
| Net: Payments for acquisition of interests | 11,122 |

(Segment Information and Others)
[Segment Information]
1. Summary of Reported Segments
(1) Decision method of the reported segments
The reported segments of the Company refer to constitutional 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 organ 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 within the Company and through the consolidated subsidiaries and equity-method affiliates over which it holds jurisdiction. The three aforementioned businesses are classified as “Business Segments” of the Company.

The Group has classified these business segments into three core reported segments: Mineral Resources, Smelting & Refining and Materials. In determining these reported segments, the mineral resource businesses were integrated into Mineral Resources; the metal businesses were integrated into Smelting & Refining; and the semiconductor materials and materials businesses were integrated into Materials, in accordance with the integration criteria and quantitative standards set forth in the “Accounting Standard for Disclosure of Segments of an Enterprise and Related Information” (ASBJ Statement No. 17; issued on March 27, 2009) and “Guidance on Accounting Standard for Disclosure of Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20; issued on March 21, 2008).

As described above, the Company consists of segments organized on the basis of business division–based products and services.

(2) Types of products and services that belong to each reported segment
In the Mineral Resources segment, the SMM Group mainly engages in the exploration, development and production of nonferrous metal resources in Japan and overseas, as well as sales of ores and products.

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

In the Materials segment, the Company mainly engages in manufacturing, processing and sales of semiconductor materials including tape materials, advanced materials including pastes, powder materials (e.g., nickel powder), battery materials (e.g., nickel hydroxide, lithium nickel oxide) and crystal materials (e.g., lithium tantalate substrates, lithium niobate substrates); and manufacturing and sales of automotive exhaust processing catalysts, chemical catalysts, petroleum refinery and desulfurization catalysts and autoclaved lightweight concrete (ALC) products.

2. Calculation Methods of Net Sales, Income (Loss), Assets and Liabilities and Other Items by Reported Segment
The accounting methods employed for the reported business segments are almost the same as those set forth in the “Basis of Presenting the Consolidated Financial Statements,” with the exception of the reporting by each reported segment of amounts corresponding to interest on internal loans, as determined in the balance sheet of each segment.

Income by Reported Segment is posted based on ordinary profit.

The inter-segment net sales are calculated based on arm’s length transaction prices.

3. Information on Net Sales, Income (Loss), Assets and Liabilities and Other Items by Reported Segment
FY2016 (from April 1, 2016, to March 31, 2017)

(Millions of yen)

| | Mineral Resources | Smelting & Refining | Materials | Total of the Reported Segments | Other Businesses[1] | Adjustments[2] | Amounts Reported in the Consolidated Financial Statements[3] |
|---|---|---|---|---|---|---|---|
| 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) |
| Segmental assets | 468,981 | 671,938 | 205,425 | 1,346,344 | 20,741 | 317,933 | 1,685,018 |
| Segmental 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 expenses | 1,207 | 3,740 | 364 | 5,311 | 10 | (279) | 5,042 |
| Share of profit (loss) of entities accounted for using equity method | (93,628) | 4,240 | 3,644 | (85,744) | — | (228) | (85,972) |
| Investment in entities accounted for using equity method | 142,787 | 96,776 | 27,134 | 266,697 | — | 25,914 | 292,611 |
| Increase in property, plant and equipment and intangible assets | 92,012 | 10,885 | 18,807 | 121,704 | 727 | 3,519 | 125,950 |

FY2017 (from April 1, 2017, to March 31, 2018)

(Millions of yen)

| | Mineral Resources | Smelting & Refining | Materials | Total of the Reported Segments | Other Businesses[1] | Adjustments[2] | Amounts Reported in the Consolidated Financial Statements[3] |
|---|---|---|---|---|---|---|---|
| Net sales: | | | | | | | |
| Outside customers | 121,727 | 638,159 | 168,178 | 928,064 | 5,453 | — | 933,517 |
| Inter-segment | 37,340 | 32,669 | 17,172 | 87,181 | 4,865 | (92,046) | — |
| Total | 159,067 | 670,828 | 185,350 | 1,015,245 | 10,318 | (92,046) | 933,517 |
| Segment income | 56,044 | 51,545 | 15,264 | 122,853 | (636) | 2,636 | 124,853 |
| Segmental assets | 474,602 | 654,676 | 236,234 | 1,365,512 | 28,968 | 304,557 | 1,699,037 |
| Segmental liabilities | 121,131 | 221,868 | 149,639 | 492,638 | 19,752 | 66,639 | 579,029 |
| Other items: | | | | | | | |
| Depreciation | 20,106 | 18,274 | 7,270 | 45,650 | 437 | 778 | 46,865 |
| Amortization of goodwill | 123 | — | 147 | 270 | — | — | 270 |
| Interest income | 1,186 | 575 | 12 | 1,773 | — | 11,668 | 13,441 |
| Interest expenses | 2,275 | 3,662 | 316 | 6,253 | 9 | (30) | 6,232 |
| Share of profit (loss) of entities accounted for using equity method | 2,967 | 5,557 | 3,262 | 11,786 | — | (419) | 11,367 |
| Investment in entities accounted for using equity method | 159,939 | 101,388 | 24,585 | 285,912 | — | 13,207 | 299,119 |
| Increase in property, plant and equipment and intangible assets | 32,413 | 19,168 | 18,970 | 70,551 | 809 | 3,229 | 74,589 |

Notes:

1. The Other Businesses segment refers to other profit-seeking business activities that are under the control of the Head Office divisions/departments and are engaged in by business segments other than those included in the reported segments. Other Businesses include real estate and technical engineering businesses.
2. The adjustments are as follows:

(1) The adjustments for segment income (loss) are as follows:

(Millions of yen)

| | FY2016 | FY2017 |
|---|---|---|
| Head Office expenses not allocated to each reported segment [a] | (674) | (1,695) |
| Internal interest rate | 269 | 378 |
| Eliminations of inter-segmental transactions among the reported segments | 2,802 | 8,115 |
| Non-operating income/expenses not allocated to each reported segment [b] | 4,373 | (4,162) |
| Total | 6,770 | 2,636 |

a. The Head Office expenses not allocated to each reported segment consist of general administrative expenses and research and development expenses, which are not attributable to the reported segments.

b. The non-operating income/expenses not allocated to each reported segment consist of foreign exchange gains/losses and interest expenses, which are not attributable to the reported segments.

(2) The adjustments on segmental assets are as follows: (Millions of yen)

| | FY2016 | FY2017 |
|---|---|---|
| Corporate assets not allocated to each reported segment* | 506,417 | 408,745 |
| Offsets and eliminations of inter-segmental receivables among the reported segments, including those toward Head Office divisions/departments | (188,484) | (104,188) |
| Total | 317,933 | 304,557 |

*The corporate assets not allocated to each reported segment refer to the assets under the control of the Administration Dept. at the Head Office, which are not attributable to the reported segments.

(3) The adjustments on segmental liabilities are as follows: (Millions of yen)

| | FY2016 | FY2017 |
|---|---|---|
| Corporate liabilities not allocated to each reported segment* | 264,533 | 204,300 |
| Offsets and eliminations of inter-segmental obligations among the reported segments, including those toward Head Office divisions/departments | (199,127) | (137,661) |
| Total | 65,406 | 66,639 |

*The corporate liabilities not allocated to each reported segment refer to the liabilities under the control of the Administration Dept. at the Head Office, which are not attributable to the reported segments.

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

(5) The 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.

(6) The adjustments on interest expenses consist of interest expenses at the Head Office divisions/departments, which are not allocated to the reported segments, and eliminations of transactions among the reported segments.

(7) The adjustments on share of profit (loss) of entities accounted for using equity method refer to the deduction of unrealized income relating to the inter-segmental transactions among the reported segments.

(8) The adjustments on investment in entities accounted for using equity method represent the amount corresponding to the foreign currency translation adjustment, which is included in the stocks of affiliates.

(9) The adjustments on increase in property, plant and equipment and intangible assets refer to increases thereof at the Head Office divisions/departments, which are not allocated to the reported segments.

3. Segment income (loss) is adjusted with ordinary profit (loss) in the Consolidated Financial Statements.

[Related Information]
FY2016 (from April 1, 2016, to March 31, 2017)

1. Information by Product/service
As for net sales to outside customers by product/service, relevant information disclosure is omitted as similar information is disclosed in the Segment Information.

2. Information by Region
(1) Net sales

(Millions of yen)

| Domestic | East Asia | Southeast Asia | United States | Others | Total |
|---|---|---|---|---|---|
| 472,427 | 148,879 | 64,752 | 82,078 | 18,010 | 786,146 |

Notes:
1. Net sales are segmented by country or region according to customers' location data.
2. 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 Statement of Income are separately listed.
3. Major countries or regions that belong to the segments are as follows:
   (1) East Asia: China, Taiwan, Hong Kong, South Korea, etc.
   (2) Southeast Asia: Indonesia, Malaysia, Thailand, Viet Nam, etc.
   (3) Others: Australia, India, Germany, Italy, Turkey, etc.

(2) Property, plant and equipment

(Millions of yen)

| Domestic | East Asia | The Philippines | United States | Others | Total |
|---|---|---|---|---|---|
| 155,693 | 404 | 216,057 | 106,438 | 4,864 | 483,456 |

Notes:
1. 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 Sheet are separately listed.
2. Major countries or regions that belong to the segments are as follows:
   (1) East Asia: China and Taiwan
   (2) Others: Australia, Solomon Islands, Peru, Chile and Brazil

3. Information by Major Customer

(Millions of yen)

| Customer's designation or name | Net sales | Related reported segments |
|---|---|---|
| Sumitomo Corporation | 104,256 | Smelting & Refining and Materials |
| Panasonic Corporation | 80,054 | Smelting & Refining and Materials |

FY2017 (from April 1, 2017, to March 31, 2018)

1. Information by Product/service

As for net sales to outside customers by product/service, relevant information disclosure is omitted as similar information is disclosed in the Segment Information.

2. Information by Region

(1) Net sales

(Millions of yen)

| Domestic | East Asia | Southeast Asia | United States | Others | Total |
|---|---|---|---|---|---|
| 528,656 | 155,872 | 78,133 | 145,831 | 25,025 | 933,517 |

Notes:

1. Net sales are segmented by country or region according to customers' location data.
2. 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 Statement of Income are separately listed.
3. Major countries or regions that belong to the segments are as follows:
   (1) East Asia: China, Taiwan, Hong Kong, South Korea, etc.
   (2) Southeast Asia: Indonesia, Malaysia, Thailand, Viet Nam, etc.
   (3) Others: Australia, India, Germany, Italy, Turkey, etc.

(2) Property, plant and equipment

(Millions of yen)

| Domestic | East Asia | The Philippines | United States | Others | Total |
|---|---|---|---|---|---|
| 161,562 | 630 | 202,712 | 94,941 | 4,569 | 464,414 |

Notes:

1. 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 Sheet are separately listed.
2. Major countries or regions that belong to the segments are as follows:
   (1) East Asia: China and Taiwan
   (2) Others: Australia, Solomon Islands, Canada, Peru, Chile and Brazil

3. Information by Major Customer

(Millions of yen)

| Customer's designation or name | Net sales | Related reported segments |
|---|---|---|
| Panasonic Corporation | 126,907 | Smelting & Refining and Materials |
| Sumitomo Corporation | 122,391 | Smelting & Refining and Materials |

[Information on Impairment Loss of Non-current Assets by Reported Segment]
FY2016 (from April 1, 2016, to March 31, 2017)

(Millions of yen)

| | Mineral Resources | Smelting & Refining | Materials | Total of the Reported Segments | Other Businesses | Adjustments | Amounts Reported in the Consolidated Statement of Income |
|---|---|---|---|---|---|---|---|
| Impairment loss | — | — | 3,331 | 3,331 | — | 130 | 3,461 |

FY2017 (from April 1, 2017, to March 31, 2018)

(Millions of yen)

| | Mineral Resources | Smelting & Refining | Materials | Total of the Reported Segments | Other Businesses | Adjustments | Amounts Reported in the Consolidated Statement of Income |
|---|---|---|---|---|---|---|---|
| Impairment loss | — | 596 | 9,259 | 9,855 | 248 | — | 10,103 |

[Information on Amortization of Goodwill and Unamortized Balance by Reported Segment]
FY2016 (from April 1, 2016, to March 31, 2017)

(Millions of yen)

| | Mineral Resources | Smelting & Refining | Materials | Total of the Reported Segments | Other Businesses | Adjustments | Amounts Reported in the Consolidated Financial Statements |
|---|---|---|---|---|---|---|---|
| Balance at current fiscal year-end | 130 | — | 31 | 161 | — | — | 161 |

Note: As for the amount of amortization of goodwill, relevant information is omitted as similar information is disclosed in the Segment Information.

FY2017 (from April 1, 2017, to March 31, 2018)

(Millions of yen)

| | Mineral Resources | Smelting & Refining | Materials | Total of the Reported Segments | Other Businesses | Adjustments | Amounts Reported in the Consolidated Financial Statements |
|---|---|---|---|---|---|---|---|
| Balance at current fiscal year-end | — | — | 656 | 656 | — | — | 656 |

Note: As for the amount of amortization of goodwill, relevant information is omitted as similar information is disclosed in the Segment Information.

[Information on Gain on Bargain Purchase by Reported Segment]
There are no pertinent items.

(Information on Related Parties)

1. Related Party Transactions

FY2016 (from April 1, 2016, to March 31, 2017)

Unconsolidated subsidiaries and affiliates, etc. of the Company filing the consolidated financial statements

| Type | Name of the company or person | Location | Capital (Thousands of U.S. dollars) | Segment | Voting rights held by the Company (%) | Description of the business relationship | Transaction detail | Transaction amount (Millions of yen) | Account item | Ending balance (Millions of yen) |
|---|---|---|---|---|---|---|---|---|---|---|
| Affiliate | Sierra Gorda S.C.M. | Santiago, Chile | 1,959,400 | Mineral resources | (Possessed) Indirectly 45.0 | Debt guarantee and pledge as security for loans, etc., from financial institutions, etc. | Debt guarantee | 83,373 (Note 1) | – | – |
| | | | | | | | Pledge as security | 63,612 (Note 2) | – | – |
| | | | | | | Financing support | Providing loans | – (Note 3) | Long-term loans receivable | 41,639 (Note 4) |
| | | | | | | | Interest on loans | 9,946 (Note 3) | Investments and other assets | 36,461 |

Notes:

1. The Company guarantees for loans, etc., from financial institutions, etc.
2. The Company pledges as security for the loan from the financial institution. The amounts of security are the debt balance as of March 31, 2017.
3. Terms and conditions of loan are determined based on the market interest rates, etc. Each amount includes foreign exchange gains/losses.
4. Long-term loans receivable on the Consolidated Balance Sheet show the figure after directly writing off ¥60,889 million as share of loss of entities accounted for using equity method.

FY2017 (from April 1, 2017, to March 31, 2018)

Unconsolidated subsidiaries and affiliates, etc. of the Company filing the consolidated financial statements

| Type | Name of the company or person | Location | Capital (Thousands of U.S. dollars) | Segment | Voting rights held by the Company (%) | Description of the business relationship | Transaction detail | Transaction amount (Millions of yen) | Account item | Ending balance (Millions of yen) |
|---|---|---|---|---|---|---|---|---|---|---|
| Affiliate | Sierra Gorda S.C.M. | Santiago, Chile | 2,189,400 | Mineral resources | (Possessed) Indirectly 45.0 | Debt guarantee and pledge as security for loans, etc., from financial institutions, etc. | Debt guarantee | 72,138 (Note 1) | – | – |
| | | | | | | | Pledge as security | 52,806 (Note 2) | – | – |
| | | | | | | Financing support | Providing loans | – (Note 3) | Long-term loans receivable | 40,009 (Note 4) |
| | | | | | | | Interest on loans | 11,054 (Note 3) | Investments and other assets | 46,504 |

Notes:

1. The Company guarantees for loans, etc., from financial institutions, etc.
2. The Company pledges as security for the loan from the financial institution. The amounts of security are the debt balance as of March 31, 2018.
3. Terms and conditions of loan are determined based on the market interest rates, etc. Each amount includes foreign exchange gains/losses.
4. Long-term loans receivable on the Consolidated Balance Sheet show the figure after directly writing off ¥59,447 million as share of loss of entities accounted for using equity method.

2. Information on Significant Affiliates

FY2016 (from April 1, 2016, to March 31, 2017)

Sociedad Minera Cerro Verde S.A.A. and Sierra Gorda S.C.M. are significant affiliates of the Company and their condensed financial statements are provided below.

| | Sociedad Minera Cerro Verde S.A.A. | Sierra Gorda S.C.M. |
|---|---|---|
| | (Millions of yen) | (Millions of yen) |
| Total current assets | 141,945 | 37,685 |
| Total non-current assets | 747,530 | 427,810 |
| Total current liabilities | 34,205 | 68,403 |
| Total non-current liabilities | 291,541 | 584,349 |
| Total net assets | 563,729 | (187,257) |
| Net sales | 259,372 | 69,473 |
| Profit (loss) before income taxes | 65,708 | (395,495) |
| Profit (loss) | 37,087 | (287,554) |

FY2017 (from April 1, 2017, to March 31, 2018)

Sociedad Minera Cerro Verde S.A.A., Compania Contractual Minera Candelaria and Sierra Gorda S.C.M. are significant affiliates of the Company and their condensed financial statements are provided below.

| | Sociedad Minera Cerro Verde S.A.A. | Compania Contractual Minera Candelaria | Sierra Gorda S.C.M. |
|---|---|---|---|
| | (Millions of yen) | (Millions of yen) | (Millions of yen) |
| Total current assets | 176,717 | 83,101 | 39,855 |
| Total non-current assets | 692,368 | 191,891 | 439,027 |
| Total current liabilities | 57,720 | 32,777 | 81,428 |
| Total non-current liabilities | 224,989 | 30,131 | 581,929 |
| Total net assets | 586,376 | 212,505 | (184,475) |
| Net sales | 359,273 | 133,069 | 108,547 |
| Profit (loss) before income taxes | 93,765 | 53,799 | (36,545) |
| Profit (loss) | 39,246 | 38,521 | (28,603) |

(Earnings per Share)

| FY2016<br>(from April 1, 2016, to March 31, 2017) | | FY2017<br>(from April 1, 2017, to March 31, 2018) | |
|---|---|---|---|
| Net assets per share | ¥3,486.92 | Net assets per share | ¥3,771.69 |
| Loss per share | ¥(67.22) | Profit per share | ¥332.42 |
| Diluted profit per share | — | Diluted profit per share | ¥299.94 |

Notes:

1. The Company carried out a consolidation of share at the ratio of 2 shares to 1 share on October 1, 2017. Accordingly, net assets per share, profit (loss) per share and diluted profit per share have been calculated on the assumption that the said consolidation of share was carried out at the beginning of the previous fiscal year.
2. Diluted profit per share is not disclosed as loss per share for fiscal 2016 was recorded even though there are potentially dilutive shares.
3. The basis for the calculation of net assets per share is as follows.

| | FY2016<br>(as of March 31, 2017) | FY2017<br>(as of March 31, 2018) |
|---|---|---|
| Total net assets (Millions of yen) | 1,024,121 | 1,120,008 |
| Amounts deducted from total net assets (Millions of yen) | 62,431 | 83,571 |
| [Including non-controlling interests] (Millions of yen) | [62,431] | [83,571] |
| Net assets attributable to shares of common stock at fiscal year-end (Millions of yen) | 961,690 | 1,036,437 |
| Number of common shares issued (Thousands of shares) | 290,814 | 290,814 |
| Number of common shares of treasury shares (Thousands of shares) | 15,015 | 16,020 |
| Year-end number of common shares used for the calculation of net assets per share (Thousands of shares) | 275,799 | 274,794 |

4. The basis for the calculation of profit (loss) per share and diluted profit per share is as follows.

| | FY2016<br>(from April 1, 2016, to March 31, 2017) | FY2017<br>(from April 1, 2017, to March 31, 2018) |
|---|---|---|
| Profit (loss) per share: | | |
| Profit (loss) attributable to owners of parent (Millions of yen) | (18,540) | 91,648 |
| Profit not attributable to common shareholders (Millions of yen) | — | — |
| Profit (loss) attributable to owners of parent of shares of common stock (Millions of yen) | (18,540) | 91,648 |
| Weighted average number of shares of common stock during the fiscal year (Thousands of shares) | 275,809 | 275,703 |
| | | |
| Diluted profit per share: | | |
| Adjustment of profit attributable to owners of parent (Millions of yen) | — | 272 |
| [Including interest expenses after deducting the amount corresponding to taxes] (Millions of yen) | [—] | [272] |
| Increase in shares of common stock (Thousands of shares) | — | 30,755 |
| [Including subscription rights to shares] (Thousands of shares) | [—] | [30,755] |
| Dilutive shares and contingent shares excluded from the computation of diluted profit per share, because they do not have dilutive effects | — | Euro/yen convertible bond-type bonds with subscription rights to shares subject to call due 2023 (¥30,000 million) |

(Significant Subsequent Event)

There are no pertinent items.

## 6. Non-consolidated Financial Statements and Primary Notes

(1) Non-consolidated Balance Sheet

(Millions of yen)

| | FY2016 (as of March 31, 2017) | FY2017 (as of March 31, 2018) |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 22,722 | 42,190 |
| Notes receivable-trade | 1,154 | 1,639 |
| Accounts receivable-trade | 75,274 | 117,677 |
| Securities | 89,000 | 63,125 |
| Merchandise and finished goods | 50,888 | 54,829 |
| Work in process | 70,856 | 82,969 |
| Raw materials and supplies | 39,451 | 47,013 |
| Advance payments-trade | 19,859 | 18,798 |
| Prepaid expenses | 631 | 842 |
| Deferred tax assets | 1,443 | 979 |
| Short-term loans receivable | 137,841 | 82,782 |
| Accounts receivable-other | 14,878 | 11,720 |
| Other | 12,920 | 22,553 |
| Allowance for doubtful accounts | (25,607) | (9,616) |
| Total current assets | 511,310 | 537,500 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings | 30,146 | 29,145 |
| Structures | 19,696 | 19,517 |
| Machinery and equipment | 31,778 | 36,622 |
| Vessels | 0 | 0 |
| Vehicles | 265 | 270 |
| Tools, furniture and fixtures | 1,135 | 1,029 |
| Mining land | 25 | 25 |
| General-purpose land | 18,380 | 18,381 |
| Construction in progress | 6,010 | 19,944 |
| Total property, plant and equipment | 107,435 | 124,933 |
| Intangible assets | | |
| Leasehold right | 84 | 84 |
| Mining right | 302 | 294 |
| Software | 986 | 993 |
| Other | 194 | 159 |
| Total intangible assets | 1,566 | 1,530 |
| Investments and other assets | | |
| Investment securities | 128,133 | 141,411 |
| Shares of subsidiaries and associates | 205,838 | 200,308 |
| Investments in capital | 6 | 6 |
| Investments in capital of subsidiaries and associates | 6,268 | 6,135 |
| Long-term loans receivable | 41,331 | 7,015 |
| Long-term prepaid expenses | 904 | 1,859 |
| Other | 11,319 | 9,259 |
| Allowance for doubtful accounts | (2,496) | (3,210) |
| Total investments and other assets | 391,303 | 362,783 |
| Total non-current assets | 500,304 | 489,246 |
| Total assets | 1,011,614 | 1,026,746 |

(Millions of yen)

| | FY2016 (as of March 31, 2017) | FY2017 (as of March 31, 2018) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable-trade | 40,493 | 40,572 |
| Short-term loans payable | 26,950 | 26,950 |
| Current portion of long-term loans payable | 8,350 | 5,249 |
| Current portion of bonds | — | 30,000 |
| Lease obligations | 1 | 1 |
| Accounts payable-other | 14,822 | 24,856 |
| Accrued expenses | 6,617 | 8,717 |
| Income taxes payable | 9,320 | 380 |
| Advances received | 182 | 334 |
| Deposits received | 269 | 353 |
| Deposits received from subsidiaries and associates | 25,868 | 60,507 |
| Provision for bonuses | 1,465 | 1,708 |
| Provision for directors' bonuses | — | 62 |
| Provision for furnace repair works | 1,117 | 341 |
| Provision for loss on business restructuring | 600 | 497 |
| Provision for environmental measures | — | 30 |
| Other | 6,682 | 7,279 |
| Total current liabilities | 142,736 | 207,836 |
| Non-current liabilities | | |
| Bonds payable | 40,000 | 10,000 |
| Convertible bond-type bonds with subscription rights to shares | — | 30,150 |
| Long-term loans payable | 184,043 | 107,814 |
| Lease obligations | 5 | 4 |
| Deferred tax liabilities | 13,544 | 15,240 |
| Provision for retirement benefits | 5,585 | 6,297 |
| Provision for metal mining pollution control | 45 | 45 |
| Provision for loss on business restructuring | 738 | 502 |
| Provision for loss on support to subsidiaries and associates | 6,320 | 11,180 |
| Provision for environmental measures | 375 | 274 |
| Asset retirement obligations | 386 | 395 |
| Other | 967 | 1,009 |
| Total non-current liabilities | 252,008 | 182,910 |
| Total liabilities | 394,744 | 390,746 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 93,242 | 93,242 |
| Capital surplus | | |
| Legal capital surplus | 86,062 | 86,062 |
| Other capital surplus | 6 | 7 |
| Total capital surplus | 86,068 | 86,069 |
| Retained earnings | | |
| Legal retained earnings | 7,455 | 7,455 |
| Other retained earnings | | |
| Reserve for overseas investment loss | 11,250 | 9,662 |
| Reserve for reduction entry | 4,012 | 3,869 |
| Reserve for exploration for minerals | 3,684 | 4,440 |
| General reserve | 413,000 | 410,000 |
| Retained earnings brought forward | 1,065 | 20,700 |
| Total retained earnings | 440,466 | 456,126 |
| Treasury shares | (32,877) | (37,959) |
| Total shareholders' equity | 586,899 | 597,478 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 29,075 | 38,213 |
| Deferred gains or losses on hedges | 896 | 309 |
| Total valuation and translation adjustments | 29,971 | 38,522 |
| Total net assets | 616,870 | 636,000 |
| Total liabilities and net assets | 1,011,614 | 1,026,746 |

## (2) Non-consolidated Statement of Income

(Millions of yen)

| | FY2016 (from April 1, 2016, to March 31, 2017) | FY2017 (from April 1, 2017, to March 31, 2018) |
|---|---|---|
| Net sales | 626,177 | 750,436 |
| Cost of sales | 558,695 | 668,322 |
| Gross profit | 67,482 | 82,114 |
| Selling, general and administrative expenses | 28,700 | 29,327 |
| Operating profit | 38,782 | 52,787 |
| Non-operating income | | |
| Interest income | 2,629 | 3,095 |
| Dividend income | 9,452 | 11,816 |
| Gain on valuation of derivatives | — | 312 |
| Guarantee commission received | 2,083 | 2,028 |
| Other | 1,344 | 1,060 |
| Total non-operating income | 15,508 | 18,311 |
| Non-operating expenses | | |
| Interest expenses | 1,612 | 2,226 |
| Interest on bonds | 377 | 357 |
| Loss on valuation of derivatives | 35 | — |
| Foreign exchange losses | 368 | 4,107 |
| Out-of-cost amortization | 2 | 2 |
| Provision of allowance for doubtful accounts | 1,324 | 9,532 |
| Maintenance expense of suspended or abandoned mines | 677 | 650 |
| Dismantlement cost | 1,163 | 1,029 |
| Other | 1,410 | 1,677 |
| Total non-operating expenses | 6,968 | 19,580 |
| Ordinary profit | 47,322 | 51,518 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 97 | 23 |
| Gain on sales of investment securities | — | 32 |
| Gain on liquidation of investment securities | 5,851 | — |
| Gain on sales of shares of subsidiaries and associates | — | 0 |
| Gain on liquidation of shares of subsidiaries and associates | 817 | 46 |
| Total extraordinary income | 6,765 | 101 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | 1 | 1 |
| Loss on retirement of non-current assets | 254 | 487 |
| Loss on reduction of non-current assets | — | 84 |
| Impairment loss | 130 | 257 |
| Loss on sales of shares of subsidiaries and associates | 152 | — |
| Loss on valuation of shares of subsidiaries and associates | 131 | 1,809 |
| Loss on valuation of investments in capital of subsidiaries and associates | 36,570 | 8,564 |
| Loss on liquidation of subsidiaries and associates | 147 | 201 |
| Provision for loss on business restructuring | 475 | — |
| Loss on support to subsidiaries and associates | 2,470 | 2,200 |
| Provision for loss on support to subsidiaries and associates | 4,380 | 4,860 |
| Provision for environmental measures | 73 | — |
| Total extraordinary losses | 44,783 | 18,463 |
| Profit before income taxes | 9,304 | 33,156 |
| Income taxes - current | 11,752 | 6,196 |
| Income taxes - deferred | (2,260) | (1,386) |
| Total income taxes | 9,492 | 4,810 |
| Profit (loss) | (188) | 28,346 |

(3) Non-consolidated Statement of Changes in Equity
FY2016 (from April 1, 2016, to March 31, 2017)

(Millions of yen)

| | Shareholders' equity | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Capital surplus | | | Retained earnings | | | | |
| | | | | | | Other retained earnings | | | |
| | Capital stock | Legal capital surplus | Other capital surplus | Total capital surplus | Legal retained earnings | Various reserves | Retained earnings brought forward | Total other retained earnings | Total retained earnings |
| Balance at beginning of current period | 93,242 | 86,062 | 5 | 86,067 | 7,455 | 426,528 | 14,945 | 441,473 | 448,928 |
| Changes of items during period | | | | | | | | | |
| Provision of various reserves | | | | | | 7,072 | (7,072) | — | — |
| Reversal of various reserves | | | | | | (1,654) | 1,654 | — | — |
| Dividends of surplus | | | | | | | (8,274) | (8,274) | (8,274) |
| Loss | | | | | | | (188) | (188) | (188) |
| Purchase of treasury shares | | | | | | | | | |
| Disposal of treasury shares | | | 1 | 1 | | | | | |
| Net changes of items other than shareholders' equity | | | | | | | | | |
| Total changes of items during period | — | — | 1 | 1 | — | 5,418 | (13,880) | (8,462) | (8,462) |
| Balance at end of current period | 93,242 | 86,062 | 6 | 86,068 | 7,455 | 431,946 | 1,065 | 433,011 | 440,466 |

| | Shareholders' equity | | Valuation and translation adjustments | | | |
|---|---|---|---|---|---|---|
| | Treasury shares | Total shareholders' equity | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Total valuation and translation adjustments | Total net assets |
| Balance at beginning of current period | (32,827) | 595,410 | 19,305 | (1,749) | 17,556 | 612,966 |
| Changes of items during period | | | | | | |
| Provision of various reserves | | — | | | | — |
| Reversal of various reserves | | — | | | | — |
| Dividends of surplus | | (8,274) | | | | (8,274) |
| Loss | | (188) | | | | (188) |
| Purchase of treasury shares | (53) | (53) | | | | (53) |
| Disposal of treasury shares | 3 | 4 | | | | 4 |
| Net changes of items other than shareholders' equity | | | 9,770 | 2,645 | 12,415 | 12,415 |
| Total changes of items during period | (50) | (8,511) | 9,770 | 2,645 | 12,415 | 3,904 |
| Balance at end of current period | (32,877) | 586,899 | 29,075 | 896 | 29,971 | 616,870 |

FY2017 (from April 1, 2017, to March 31, 2018)

(Millions of yen)

| | Shareholders' equity | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Capital surplus | | | Retained earnings | | | | |
| | | | | | | Other retained earnings | | | |
| | Capital stock | Legal capital surplus | Other capital surplus | Total capital surplus | Legal retained earnings | Various reserves | Retained earnings brought forward | Total other retained earnings | Total retained earnings |
| Balance at beginning of current period | 93,242 | 86,062 | 6 | 86,068 | 7,455 | 431,946 | 1,065 | 433,011 | 440,466 |
| Changes of items during period | | | | | | | | | |
| Provision of various reserves | | | | | | 2,121 | (2,121) | — | — |
| Reversal of various reserves | | | | | | (6,096) | 6,096 | — | — |
| Dividends of surplus | | | | | | | (12,686) | (12,686) | (12,686) |
| Profit | | | | | | | 28,346 | 28,346 | 28,346 |
| Purchase of treasury shares | | | | | | | | | |
| Disposal of treasury shares | | | 1 | 1 | | | | | |
| Net changes of items other than shareholders' equity | | | | | | | | | |
| Total changes of items during period | — | — | 1 | 1 | — | (3,975) | 19,635 | 15,660 | 15,660 |
| Balance at end of current period | 93,242 | 86,062 | 7 | 86,069 | 7,455 | 427,971 | 20,700 | 448,671 | 456,126 |

| | Shareholders' equity | | Valuation and translation adjustments | | | |
|---|---|---|---|---|---|---|
| | Treasury shares | Total shareholders' equity | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Total valuation and translation adjustments | Total net assets |
| Balance at beginning of current period | (32,877) | 586,899 | 29,075 | 896 | 29,971 | 616,870 |
| Changes of items during period | | | | | | |
| Provision of various reserves | | — | | | | — |
| Reversal of various reserves | | — | | | | — |
| Dividends of surplus | | (12,686) | | | | (12,686) |
| Profit | | 28,346 | | | | 28,346 |
| Purchase of treasury shares | (5,084) | (5,084) | | | | (5,084) |
| Disposal of treasury shares | 2 | 3 | | | | 3 |
| Net changes of items other than shareholders' equity | | | 9,138 | (587) | 8,551 | 8,551 |
| Total changes of items during period | (5,082) | 10,579 | 9,138 | (587) | 8,551 | 19,130 |
| Balance at end of current period | (37,959) | 597,478 | 38,213 | 309 | 38,522 | 636,000 |

[Note in the Margin of the Non-consolidated Statement of Changes in Equity]
Note: The breakdown of “Various reserves” of “Other retained earnings” is as follows:

| | Balance at April 1, 2016 | Provision | Reversal | Total changes during the fiscal year | Balance at March 31, 2017 |
|---|---|---|---|---|---|
| Reserve for overseas investment loss | 11,250 | — | — | — | 11,250 |
| Reserve for reduction entry | 4,137 | 44 | (169) | (125) | 4,012 |
| Reserve for exploration for minerals | 3,141 | 2,028 | (1,485) | 543 | 3,684 |
| General reserve | 408,000 | 5,000 | — | 5,000 | 413,000 |
| Total various reserves (Millions of yen) | 426,528 | 7,072 | (1,654) | 5,418 | 431,946 |

| | Balance at April 1, 2017 | Provision | Reversal | Total changes during the fiscal year | Balance at March 31, 2018 |
|---|---|---|---|---|---|
| Reserve for overseas investment loss | 11,250 | — | (1,588) | (1,588) | 9,662 |
| Reserve for reduction entry | 4,012 | 13 | (156) | (143) | 3,869 |
| Reserve for exploration for minerals | 3,684 | 2,108 | (1,352) | 756 | 4,440 |
| General reserve | 413,000 | — | (3,000) | (3,000) | 410,000 |
| Total various reserves (Millions of yen) | 431,946 | 2,121 | (6,096) | (3,975) | 427,971 |

(4) Notes Relating to the Non-consolidated Financial Statements
(Note Relating to the Going Concern Assumption)
There are no pertinent items.

## 7. Others

Sales

Sales Volume, Unit Price and Net Sales for Major Products (the Company)

| | | | A | B | B-A |
|---|---|---|---|---|---|
| Segment | Product | Unit | FY2016 | FY2017 | Increase/decrease |
| Mineral Resources | Gold and silver ores | t | 143,998 | 134,103 | -9,895 |
| | | ¥1,000/DMT | 169 | 190 | 21 |
| | | ¥million | 24,303 | 25,413 | 1,110 |
| | (Gold content) | (kg) | (6,000) | (6,000) | (0) |
| Smelting & Refining | Copper | t | 459,924 | 447,673 | -12,251 |
| | | ¥1,000/t | 570 | 721 | 151 |
| | | ¥million | 261,981 | 322,734 | 60,753 |
| | Gold | kg | 21,553 | 21,631 | 78 |
| | | ¥/g | 4,381 | 4,576 | 195 |
| | | ¥million | 94,426 | 98,982 | 4,556 |
| | Silver | kg | 209,118 | 216,338 | 7,220 |
| | | ¥1,000/kg | 62 | 61 | -1 |
| | | ¥million | 12,948 | 13,120 | 172 |
| | Nickel | t | 77,842 | 74,538 | -3,304 |
| | | ¥1,000/t | 1,117 | 1,265 | 148 |
| | | ¥million | 86,981 | 94,295 | 7,314 |
| Materials | Semiconductor materials and advanced materials | ¥million | 84,086 | 114,351 | 30,265 |

Notes:
1. The Company mainly engages in project production for these major products because the ratio of build-to-order production is low.
2. Nickel above includes ferronickel.