



# Consolidated Financial Statements

SUMITOMO METAL MINING CO., LTD.

For the Years ended March 31, 2022  
Together with Independent Auditors' Report

KPMG AZSA LLC  
July 2022



# Independent auditor's report

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

## Opinion

We have audited the accompanying consolidated financial statements of Sumitomo Metal Mining Co., Ltd. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

## Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We determined that “Reasonableness of the estimated fair value of financial assets for the contingent consideration arising from the agreement to transfer interests in SMM-SG Holding Inversiones SpA and SMM Holland B.V.” was a key audit matter in our audit of the consolidated financial statements for the current fiscal year.

On the other hand, we determined that “Reasonableness of the estimate of the allowance for doubtful accounts for loans receivable to Sierra Gorda S.C.M.,” which was a key audit matter in our audit of the consolidated financial statements for the previous fiscal year, was no longer a key audit matter, due to a transfer of the interests in SMM Holland B.V., a consolidated subsidiary, that had provided loans to Sierra Gorda S.C.M., in the current fiscal year.

**Reasonableness of the estimated fair value of financial assets for the contingent consideration arising from the agreement to transfer interests in SMM-SG Holding Inversiones SpA and SMM Holland B.V.**

The key audit matter	How the matter was addressed in our audit
<p>As described in Note 34, “Financial Instruments” to the consolidated financial statements, Sumitomo Metal Mining Co., Ltd. (the “Company”) transferred its interests in the Sierra Gorda Copper Mine (hereinafter, the “SG Mine”) located in the Republic of Chile in its entirety in the current fiscal year, by transferring its entire interests in SMM-SG Holding Inversiones SpA and SMM Holland B.V., both of which were consolidated subsidiaries of the Company. The consideration for the transfer included the right to receive up to US \$350 million if certain thresholds are met for copper prices and production of the SG Mine during the period through the end of 2025 (hereinafter, the right is referred to as the “contingent consideration”). As described in Note 16, “Other Financial Assets” to the consolidated financial statements, financial assets recognized for the contingent consideration are reported as part of financial assets in the consolidated statement of financial position, and the balance of the financial assets for the contingent consideration at the end of the current fiscal year was ¥4,234 million.</p> <p>Considerations for a transaction that causes a loss of control of a subsidiary, including financial assets for contingent consideration, are measured at fair value. As described in Note 3, “Summary of Significant Accounting Policies, (4) Financial instruments” to the consolidated financial statements, subsequent changes in the fair value of financial assets for contingent consideration are recognized in profit or loss.</p> <p>The fair value of financial assets for the contingent consideration was calculated at the discounted present value of future cash flows estimated using Monte Carlo simulations with inputs such as estimated future copper prices and the estimated future production volume of the SG Mine for the period through the end of 2025. The estimate of the future cash flows included estimated future copper prices as the key assumption, which involved a high degree of uncertainty. Accordingly, management’s judgment on the estimated future copper prices had a</p>	<p>The primary procedures we performed to assess the reasonableness of the estimated fair value of financial assets for the contingent consideration arising from the agreement to transfer interests in SMM-SG Holding Inversiones SpA and SMM Holland B.V. included the following:</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to the process of measuring fair value of financial assets for contingent consideration. In this assessment, we focused our testing on the following:</p> <ul style="list-style-type: none"> <li>● controls designed to prevent and/or detect the use of an unreasonable assumption for estimated future copper prices, which is the key assumption; and</li> <li>● controls relevant to the use of external experts by management including the selection of external valuation experts and the provision of materials and data to them.</li> </ul> <p>(2) Assessment of the reasonableness of the estimated fair value of financial assets for the contingent consideration</p> <p>We assessed the reasonableness of the estimated future copper prices, which was the key assumption in estimating the fair value of financial assets for the contingent consideration, by performing the following procedures, among others:</p> <ul style="list-style-type: none"> <li>● inspected the relevant materials supporting the estimated future copper prices and compared the supporting materials with copper price forecasts published by external organizations, which were used by management as the basis for the estimate; and</li> <li>● compared the estimated future copper prices with the data of copper price forecasts we obtained independently.</li> </ul> <p>In addition, we performed the following procedure, among others, by involving valuation specialists within our domestic network firms who assisted in our assessment:</p> <ul style="list-style-type: none"> <li>● assessed the appropriateness of the selection of the valuation model used to estimate the fair value considering the requirements of accounting standards.</li> </ul>

significant effect on the estimated fair value of financial assets for the contingent consideration.

In addition, the estimate of fair value of financial assets for the contingent consideration required a high level of expertise in selecting valuation models.

We, therefore, determined that our assessment of the reasonableness of the estimated fair value of financial assets for the contingent consideration arising from the agreement to transfer interests in SMM-SG Holding Inversiones SpA and SMM Holland B.V. was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

## Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited financial statements, but does not include the financial statements and our auditor's report thereon.

We do not perform any work on the other information as we determine such information does not exist.

## Responsibilities of Management and Audit & Supervisory Board members and the Audit & Supervisory Board for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error

and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year

ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

### Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.



Kensuke Sodekawa

Designated Engagement Partner

Certified Public Accountant



Takahiro Akiyama

Designated Engagement Partner

Certified Public Accountant



Yukihiro Kase

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

July 29, 2022

# 1 Consolidated Financial Statements

## (1) Consolidated Financial Statements

### 1) Consolidated Statement of Financial Position

	Notes	FY2020	FY2021	
		(As of March 31, 2021)	(As of March 31, 2022)	
		Millions of yen	Millions of yen	Thousands of U.S. dollars
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	8	158,373	213,977	1,748,035
Trade and other receivables	9, 34	153,645	187,310	1,530,185
Other financial assets	16, 34	3,995	49,342	403,088
Inventories	10	323,229	420,136	3,432,203
Other current assets	17	34,494	44,354	362,340
<b>Total current assets</b>		<b>673,736</b>	<b>915,119</b>	<b>7,475,852</b>
<b>Non-current assets</b>				
Property, plant and equipment	11	457,662	507,822	4,148,534
Intangible assets and goodwill	12	53,180	56,586	462,266
Investment property	14	3,477	3,477	28,405
Investments accounted for using equity method	15	311,768	368,751	3,012,425
Other financial assets	16, 34	354,465	387,507	3,165,648
Deferred tax assets	18	8,693	1,645	13,438
Other non-current assets	17, 23	23,018	27,849	227,506
<b>Total non-current assets</b>		<b>1,212,263</b>	<b>1,353,637</b>	<b>11,058,222</b>
<b>Total assets</b>	<b>6</b>	<b>1,885,999</b>	<b>2,268,756</b>	<b>18,534,074</b>

	Notes	FY2020	FY2021	
		(As of March 31, 2021)	(As of March 31, 2022)	
		Millions of yen	Millions of yen	Thousands of U.S. dollars
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	19, 34	151,128	206,013	1,682,975
Bonds and borrowings	20, 34	120,725	120,983	988,342
Other financial liabilities	20, 21, 34	6,794	7,027	57,405
Income taxes payable		22,544	24,940	203,742
Provisions	22	4,952	6,101	49,841
Other current liabilities	24	19,179	19,727	161,155
<b>Total current liabilities</b>		<b>325,322</b>	<b>384,791</b>	<b>3,143,461</b>
<b>Non-current liabilities</b>				
Bonds and borrowings	20, 34	239,702	210,249	1,717,580
Other financial liabilities	20, 21, 34	11,499	9,579	78,253
Provisions	22	22,650	25,107	205,106
Retirement benefit liability	23	5,851	5,310	43,379
Deferred tax liabilities	18	57,041	75,631	617,850
Other non-current liabilities	24	951	671	5,482
<b>Total non-current liabilities</b>		<b>337,694</b>	<b>326,547</b>	<b>2,667,650</b>
<b>Total liabilities</b>		<b>663,016</b>	<b>711,338</b>	<b>5,811,110</b>
<b>Equity</b>				
Share capital	25	93,242	93,242	761,719
Capital surplus	7, 25	87,604	90,213	736,974
Treasury shares	25	(38,027)	(38,056)	(310,890)
Other components of equity		25,148	124,304	1,015,473
Retained earnings	25	945,956	1,175,626	9,604,003
<b>Total equity attributable to owners of parent</b>		<b>1,113,923</b>	<b>1,445,329</b>	<b>11,807,279</b>
Non-controlling interests		109,060	112,089	915,685
<b>Total equity</b>		<b>1,222,983</b>	<b>1,557,418</b>	<b>12,722,964</b>
<b>Total liabilities and equity</b>		<b>1,885,999</b>	<b>2,268,756</b>	<b>18,534,074</b>



2) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income  
Consolidated Statement of Profit or Loss

	Notes	FY2020	FY2021	
		(From April 1, 2020 to March 31, 2021)	(From April 1, 2021 to March 31, 2022)	Thousands of U.S. dollars
		Millions of yen	Millions of yen	
Net sales	27	926,122	1,259,091	10,285,851
Cost of sales	28	(775,246)	(1,001,297)	(8,179,863)
Gross profit		150,876	257,794	2,105,988
Selling, general and administrative expenses	28	(46,297)	(52,711)	(430,610)
Finance income	29	22,955	31,884	260,469
Finance costs	29	(4,757)	(2,969)	(24,255)
Share of profit of investments accounted for using equity method	15	8,719	57,537	470,035
Other income	30	5,757	81,850	668,655
Other expenses	30	(13,874)	(15,951)	(130,308)
Profit before tax	6	123,379	357,434	2,919,974
Income tax expense	18	(24,670)	(58,903)	(481,194)
Profit		98,709	298,531	2,438,780
Profit attributable to:				
Owners of parent		94,604	281,037	2,295,866
Non-controlling interests		4,105	17,494	142,913
Profit		98,709	298,531	2,438,780
Earnings per share				
		Yen	Yen	U.S. dollars
Basic earnings per share	32	344.29	1,022.80	8.36
Diluted earnings per share	32	344.29	1,022.80	8.36

## Consolidated Statement of Comprehensive Income

	Notes	FY2020 (From April 1, 2020 to March 31, 2021)	FY2021 (From April 1, 2021 to March 31, 2022)	
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit		98,709	298,531	2,438,780
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Financial assets measured at fair value through other comprehensive income	31	44,921	39,748	324,712
Remeasurements of defined benefit plans	31	8,639	3,660	29,900
Share of other comprehensive income of investments accounted for using equity method	15, 31	304	137	1,119
Total of items that will not be reclassified to profit or loss		<u>53,864</u>	<u>43,545</u>	<u>355,731</u>
Items that will be reclassified to profit or loss:				
Cash flow hedges	31	(1,005)	1,167	9,534
Exchange differences on translation of foreign operations	31	(14,539)	46,922	383,318
Share of other comprehensive income of investments accounted for using equity method	15, 31	(7,080)	25,130	205,294
Total of items that will be reclassified to profit or loss		<u>(22,624)</u>	<u>73,219</u>	<u>598,146</u>
Other comprehensive income, net of tax		<u>31,240</u>	<u>116,764</u>	<u>953,876</u>
Comprehensive income		<u><u>129,949</u></u>	<u><u>415,295</u></u>	<u><u>3,392,656</u></u>
Comprehensive income attributable to:				
Owners of parent		128,758	387,078	3,162,144
Non-controlling interests		1,191	28,217	230,512
Comprehensive income		<u><u>129,949</u></u>	<u><u>415,295</u></u>	<u><u>3,392,656</u></u>

3) Consolidated Statement of Changes in Equity  
FY2020 (From April 1, 2020 to March 31, 2021)

Notes	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2020	93,242	87,598	(38,002)	(26,376)	(916)	27,198
Profit	-	-	-	-	-	-
Other comprehensive income	31	-	-	(18,707)	(1,071)	44,946
Total comprehensive income	-	-	-	(18,707)	(1,071)	44,946
Purchase of treasury shares	25	-	(25)	-	-	-
Disposal of treasury shares	25	1	0	-	-	-
Dividends	26	-	-	-	-	-
Changes in ownership interest in subsidiaries	-	5	-	-	-	-
Obtaining of control of subsidiaries	-	-	-	-	-	-
Transfer to retained earnings	16	-	-	-	-	74
Transactions with owners - total	-	6	(25)	-	-	74
As of March 31, 2021	93,242	87,604	(38,027)	(45,083)	(1,987)	72,218

Notes	Equity attributable to owners of parent					
	Other components of equity			Total	Non-controlling interests	Total equity
	Remeasurements of defined benefit plans	Total	Retained earnings			
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2020	-	(94)	859,202	1,001,946	108,914	1,110,860
Profit	-	-	94,604	94,604	4,105	98,709
Other comprehensive income	31	8,986	34,154	34,154	(2,914)	31,240
Total comprehensive income	-	8,986	94,604	128,758	1,191	129,949
Purchase of treasury shares	25	-	-	(25)	-	(25)
Disposal of treasury shares	25	-	-	1	-	1
Dividends	26	-	(16,762)	(16,762)	(3,224)	(19,986)
Changes in ownership interest in subsidiaries	-	-	-	5	2,151	2,156
Obtaining of control of subsidiaries	-	-	-	-	28	28
Transfer to retained earnings	16	(8,986)	8,912	-	-	-
Transactions with owners - total	-	(8,986)	(7,850)	(16,781)	(1,045)	(17,826)
As of March 31, 2021	-	25,148	945,956	1,113,923	109,060	1,222,983

FY2021 (From April 1, 2021 to March 31, 2022)

	Notes	Equity attributable to owners of parent					Financial assets measured at fair value through other comprehensive income
		Share capital	Capital surplus	Treasury shares	Other components of equity		
					Exchange differences on translation of foreign operations	Cash flow hedges	
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
As of April 1, 2021		93,242	87,604	(38,027)	(45,083)	(1,987)	72,218
Profit		-	-	-	-	-	-
Other comprehensive income	31	-	-	-	61,489	1,043	39,737
Total comprehensive income		-	-	-	61,489	1,043	39,737
Purchase of treasury shares	25	-	-	(29)	-	-	-
Disposal of treasury shares	25	-	0	0	-	-	-
Dividends	26	-	-	-	-	-	-
Changes in ownership interest in subsidiaries	7	-	2,609	-	-	-	-
Loss of control of subsidiaries		-	-	-	-	-	-
Transfer to retained earnings	16	-	-	-	-	-	(3,113)
Transactions with owners - total		-	2,609	(29)	-	-	(3,113)
As of March 31, 2022		93,242	90,213	(38,056)	16,406	(944)	108,842

	Notes	Equity attributable to owners of parent					Non-controlling interests	Total equity
		Other components of equity		Retained earnings	Total			
		Remeasurements of defined benefit plans	Total					
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen			
As of April 1, 2021		-	25,148	945,956	1,113,923	109,060	1,222,983	
Profit		-	-	281,037	281,037	17,494	298,531	
Other comprehensive income	31	3,772	106,041	-	106,041	10,723	116,764	
Total comprehensive income		3,772	106,041	281,037	387,078	28,217	415,295	
Purchase of treasury shares	25	-	-	-	(29)	-	(29)	
Disposal of treasury shares	25	-	-	-	0	-	0	
Dividends	26	-	-	(58,252)	(58,252)	(12,053)	(70,305)	
Changes in ownership interest in subsidiaries	7	-	-	-	2,609	(13,119)	(10,510)	
Loss of control of subsidiaries		-	-	-	-	(16)	(16)	
Transfer to retained earnings	16	(3,772)	(6,885)	6,885	-	-	-	
Transactions with owners - total		(3,772)	(6,885)	(51,367)	(55,672)	(25,188)	(80,860)	
As of March 31, 2022		-	124,304	1,175,626	1,445,329	112,089	1,557,418	

Equity attributable to owners of parent						
Notes	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of April 1, 2021	761,719	715,660	(310,653)	(368,295)	(16,232)	589,968
Profit	–	–	–	–	–	–
Other comprehensive income	31	–	–	502,320	8,521	324,622
Total comprehensive income	–	–	–	502,320	8,521	324,622
Purchase of treasury shares	25	–	(237)	–	–	–
Disposal of treasury shares	25	0	0	–	–	–
Dividends	26	–	–	–	–	–
Changes in ownership interest in subsidiaries	7	21,314	–	–	–	–
Loss of control of subsidiaries	–	–	–	–	–	–
Transfer to retained earnings	16	–	–	–	–	(25,431)
Transactions with owners - total	–	21,314	(237)	–	–	(25,431)
As of March 31, 2022	761,719	736,974	(310,890)	134,025	(7,712)	889,159

Equity attributable to owners of parent						
Notes	Other components of equity			Total	Non-controlling interests	Total equity
	Remeasurements of defined benefit plans	Total	Retained earnings			
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of April 1, 2021	–	205,441	7,727,767	9,099,935	890,940	9,990,875
Profit	–	–	2,295,866	2,295,866	142,913	2,438,780
Other comprehensive income	31	30,814	866,277	866,277	87,599	953,876
Total comprehensive income	–	30,814	866,277	3,162,144	230,512	3,392,656
Purchase of treasury shares	25	–	–	(237)	–	(237)
Disposal of treasury shares	25	–	–	0	–	0
Dividends	26	–	(475,876)	(475,876)	(98,464)	(574,340)
Changes in ownership interest in subsidiaries	7	–	–	21,314	(107,173)	(85,859)
Loss of control of subsidiaries	–	–	–	–	(131)	(131)
Transfer to retained earnings	16	(30,814)	56,245	–	–	–
Transactions with owners - total	–	(30,814)	(419,631)	(454,799)	(205,768)	(660,567)
As of March 31, 2022	–	1,015,473	9,604,003	11,807,279	915,685	12,722,964

#### 4) Consolidated Statement of Cash Flows

	Notes	FY2020	FY2021	
		(From April 1, 2020 to March 31, 2021)	(From April 1, 2021 to March 31, 2022)	Thousands of U.S. dollars
		Millions of yen	Millions of yen	
Cash flows from operating activities				
Profit before tax		123,379	357,434	2,919,974
Depreciation and amortization		45,729	46,455	379,503
Loss (gain) on sale of property, plant and equipment		(174)	(1,364)	(11,143)
Impairment losses		262	269	2,198
Share of loss (profit) of investments accounted for using equity method		(8,719)	(57,537)	(470,035)
Loss (gain) on sale of subsidiaries		–	(74,374)	(607,581)
Increase or decrease in retirement benefit asset or liability		(14,646)	(5,100)	(41,663)
Increase (decrease) in provisions		(2,392)	(56)	(457)
Finance income		(22,955)	(31,884)	(260,469)
Finance costs		4,757	2,969	24,255
Decrease (increase) in trade and other receivables		(30,489)	(28,260)	(230,863)
Decrease (increase) in inventories		(70,653)	(92,717)	(757,430)
Increase (decrease) in trade and other payables		52,133	44,663	364,864
Decrease (increase) in advance payments to suppliers		3,144	(9,401)	(76,799)
Increase (decrease) in accrued consumption taxes		(187)	904	7,385
Other		8,587	15,787	128,968
Subtotal		87,776	167,788	1,370,705
Interest received		4,034	3,483	28,454
Dividends received		11,931	33,248	271,612
Interest paid		(3,834)	(2,419)	(19,761)
Income taxes paid		(8,463)	(42,632)	(348,272)
Income taxes refund		78	21	172
Net cash provided by (used in) operating activities		91,522	159,489	1,302,908
Cash flows from investing activities				
Payments into time deposits		(21,401)	(43,185)	(352,790)
Proceeds from withdrawal of time deposits		24,736	83	678
Purchase of property, plant and equipment		(39,267)	(55,408)	(452,643)
Proceeds from sale of property, plant and equipment		375	1,647	13,455
Purchase of intangible assets		(1,203)	(1,162)	(9,493)
Proceeds from sale of investment securities		821	7,483	61,131
Purchase of shares of subsidiaries and associates		(4,566)	(9,777)	(79,871)
Proceeds from sale of shares of subsidiaries and associates		9,943	25	204
Collection of short-term loans receivable		253	278	2,271
Payments for long-term loans receivable		(3,424)	(29,144)	(238,085)
Collection of long-term loans receivable		1,596	26,419	215,824
Proceeds from sale of interests in subsidiaries resulting in change in scope of consolidation	33	–	113,002	923,144

		FY2020 (From April 1, 2020 to March 31, 2021)	FY2021 (From April 1, 2021 to March 31, 2022)	
	Notes	Millions of yen	Millions of yen	Thousands of U.S. dollars
Purchase of shares of subsidiaries resulting in change in scope of consolidation		(249)	–	–
Other		(7)	(465)	(3,799)
Net cash provided by (used in) investing activities		(32,393)	9,796	80,026
Cash flows from financing activities				
Proceeds from short-term borrowings	33	252,439	190,212	1,553,893
Repayments of short-term borrowings	33	(256,969)	(184,833)	(1,509,950)
Proceeds from long-term borrowings	33	1,350	15,412	125,905
Repayments of long-term borrowings	33	(32,908)	(47,688)	(389,576)
Proceeds from issuance of bonds	33	–	64,007	522,890
Redemption of bonds	33	–	(84,007)	(686,276)
Proceeds from share issuance to non-controlling shareholders		2,158	8,865	72,421
Purchase of treasury shares		(25)	(29)	(237)
Dividends paid	26	(16,762)	(58,252)	(475,876)
Dividends paid to non-controlling shareholders		(3,224)	(12,053)	(98,464)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	7	–	(19,374)	(158,271)
Other	33	(1,817)	(1,878)	(15,342)
Net cash provided by (used in) financing activities		(55,758)	(129,618)	(1,058,884)
Net increase (decrease) in cash and cash equivalents		3,371	39,667	324,050
Cash and cash equivalents at beginning of period	8	155,530	158,373	1,293,791
Effect of exchange rate changes on cash and cash equivalents		(528)	15,937	130,194
Cash and cash equivalents at end of period	8	158,373	213,977	1,748,035

## Notes to Consolidated Financial Statements

### 1. Reporting Entity

Sumitomo Metal Mining Co., Ltd. (hereinafter the “Company”) is a company based in Japan, and its shares are listed on the Tokyo Stock Exchange. The address of head office is 11-3, Shimbashi 5-chome Minato-ku, Tokyo. The Company’s consolidated financial statements, which were prepared with the end of the fiscal year on March 31, 2022, represent the Company and its subsidiaries (hereinafter the “SMM Group”) as well as the Company’s interests in its associates and joint ventures.

The ultimate parent of the SMM Group is the Company. Description of the SMM Group’s main businesses and activities is included in operating segments section (6. Operating Segments).

### 2. Basis of Preparation

#### (1) Statement of compliance with International Financial Reporting Standards

The consolidated financial statements of the SMM Group meet the requirements for a “Specified Company Complying with Designated International Accounting Standards” as prescribed in Article 1-2 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976), and thus are prepared in accordance with International Financial Reporting Standards (hereinafter “IFRS”) pursuant to the provisions of Article 93 of the aforementioned Ministry of Finance Order.

#### (2) Approval of the consolidated financial statements

The consolidated financial statements of the SMM Group were approved on June 24, 2022, by Akira Nozaki, President and Representative Director.

#### (3) Basis of measurement

The consolidated financial statements of the SMM Group are prepared based on acquisition cost, except for the financial instruments stated in the significant accounting policies section (3. Summary of Significant Accounting Policies).

#### (4) Presentation currency

The consolidated financial statements of the SMM Group are presented in Japanese yen, which is the functional currency adopted by the Company, and figures less than one million yen are rounded to the nearest million yen. The totals of the related items in Japanese yen in the notes may not match the corresponding line items in the financial statements due to rounding.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate as of March 31, 2022, which was ¥122.41 to U.S. \$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange. The totals of U.S. dollars conversions of the Japanese yen item amounts may not match the totals due to rounding.

#### (5) Changes in accounting policies

Significant accounting policies applied in the consolidated financial statements of the SMM Group are the same as those applied in the consolidated financial statements for FY2020.



### 3. Summary of Significant Accounting Policies

Unless otherwise specified, significant accounting policies applied in the consolidated financial statements are the same as those applied in all the periods stated.

#### (1) Basis for consolidation

These consolidated financial statements are prepared based on the financial statements of the Company, its subsidiaries, associates and joint ventures.

##### 1) Subsidiaries

Subsidiaries refer to the companies under the control of the SMM Group. Financial statements of subsidiaries are included in the SMM Group's consolidated financial statements in the period between the date when control is obtained and the date when the control is lost. Some of the subsidiaries use financial statements based on the provisional settlement conducted at the end of the reporting period of the parent. The aforementioned subsidiaries include those unable to adopt the parent's closing date in practice due to the requirement to use specific closing dates other than the parent's under the local laws and regulations, or those unable to conduct provisional settlement in practice due to the environment surrounding their local accounting systems or their business characteristics. The gap between the end of the reporting period of such subsidiaries and that of the parent does not exceed three months, while adjustments are made as appropriate for the significant transactions or events during such gap period. Changes in ownership interests in subsidiaries that do not result in loss of control are accounted for as equity transactions. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received are directly recognized in equity attributable to owners of parent. Balances of receivables and payables and transactions within the SMM Group, as well as the unrealized gains or losses arising from the transactions within the SMM Group, are eliminated at the time when the consolidated financial statements are prepared.

##### 2) Associates and joint agreement

Associates refer to the companies over which the SMM Group does not have control or joint control, but has a significant influence over the decisions on financial and operating policies.

Joint control exists only when decisions about the relevant activities require, by prior contractual arrangements, the unanimous consent of the parties sharing control. Joint arrangements are classified, depending on the rights and obligations of the parties that have joint control, into either joint operations or joint ventures. A joint operation refers to an arrangement in which parties that have joint control have rights to the assets, and obligations to the liabilities arising under the arrangement, while a joint venture is a joint arrangement in which parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates or joint ventures are recognized at cost at the time of acquisition, and accounted for by using equity method. The consolidated financial statements of the SMM Group include investments in equity-method associate with various closing dates, as it is impracticable to unify closing date due to the consideration for the relationship with other shareholders. The gap between the end of the reporting period of such equity method companies and that of the SMM Group does not exceed three months, while adjustments are made as appropriate for the significant transactions or events during such gap period.

Unrealized gains derived from the transactions with such equity method companies are deducted from the investments to the extent of the SMM Group's interest in the investee. Unrealized losses are deducted from the investments in the same way as unrealized gains, subject to absence of evidence of impairment.

For investments in joint operations, the SMM Group recognizes its assets, including its share of any assets held jointly, its liabilities, including its share of any liabilities incurred jointly, its revenue from the sale of its share of the output arising from the joint operation, its share of revenue from the sale of the output by the joint operation, and its expenses, including its share of any expenses incurred jointly.

### 3) Business combinations and goodwill

Business combinations are accounted for by the acquisition method. Identifiable assets and liabilities of the acquiree are measured in principle at fair value as of the acquisition date. Goodwill is measured as the excess, if any, of the aggregate of the consideration transferred in a business combination, the amount of non-controlling interest in the acquiree, and the fair value of the acquirer's previously-held equity interest in the acquiree, over the net of the identifiable assets and liabilities as of the acquisition date. The consideration transferred in a business combination is calculated as the sum of the fair values of the assets transferred by the acquirer, liabilities incurred by the acquirer to former owners of the acquiree and equity interests issued by the acquirer as of the acquisition date.

The SMM Group decides whether to measure the non-controlling interest at fair value or at the non-controlling interest's proportional share of identifiable net assets of the acquiree for each business combination on a case-by-case basis. Acquisition-related costs are accounted for as expenses in the period in which the costs are incurred.

Additional acquisition of non-controlling interest after the acquisition of control is accounted for as equity transaction, for which no goodwill is recognized.

### (2) Foreign currency translation

#### 1) Foreign currency denominated transactions

Foreign currency denominated transactions are translated into the functional currency by the exchange rate on the transaction date or the exchange rate approximate thereto. Foreign currency denominated monetary items on the closing date are translated into the functional currency by the exchange rate on the closing date, while the non-monetary items measured at fair value are translated into the functional currency by the exchange rate on the date when such fair value is calculated. Exchange differences arising from such translation or settlement are recognized in profit or loss, provided, however, that equity instruments measured at fair value through other comprehensive income and the effective portion of hedging in the exchange difference arising from the hedging instrument for cash flow hedges against foreign currency risks are recognized in other comprehensive income.

#### 2) Foreign operations

Assets and liabilities in the statement of financial position at foreign operations are translated by the exchange rate on the date of such statement, while revenues and costs of respective statements presenting profit or loss and other comprehensive income are translated by the average exchange rate during the period unless exposed to significant exchange rate fluctuations. Exchange differences resulting from such translation are recognized in other comprehensive income. In the event of disposal of a foreign operation, the cumulative amount of exchange differences related to such foreign operation is reclassified to profit or loss for the period in which such disposal is carried out.

### (3) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposit, and short-term investments with maturities not exceeding three months from the purchase date, that are readily convertible into cash and subject to an insignificant risk of changes in value.

### (4) Financial instruments

#### 1) Non-derivative financial assets

##### (i) Initial recognition and measurement

The SMM Group classifies non-derivative financial assets into financial assets measured at fair value through profit or loss, or other comprehensive income, and financial assets measured at amortized cost. The SMM Group determines such classification at the time of initial recognition. A regular way purchase or sale of financial assets is recognized or derecognized on the date of transaction.

Unless classified into those measured at fair value through profit or loss, all financial assets are measured at fair value added with transaction costs directly attributable thereto, provided, however,

that trade receivables not containing a significant financing component are subject to initial measurement at transaction price.

(a) Financial assets measured at amortized cost

Financial assets that meet both of the following conditions are classified into financial assets measured at amortized cost.

- Financial assets are held based on the business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Financial assets measured at fair value

Financial assets other than those measured at amortized cost are classified into financial assets measured at fair value.

Of the financial assets measured at fair value, equity instruments are individually measured at fair value through profit or loss, unless the SMM Group makes an irrevocable election to present subsequent changes in fair value in other comprehensive income.

(ii) Subsequent measurement

Measurement of financial assets after the initial recognition are as follows, depending on respective classifications.

(a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are, subsequent to initial recognition, measured at amortized cost by using the effective interest method. Amortization by using the effective interest method, as well as gains and losses associated with derecognition, are recognized as part of finance income through profit or loss in the current period.

(b) Financial assets measured at fair value

Financial assets other than those measured at amortized cost are measured at fair value, where changes in fair value are recognized in profit or loss, or in other comprehensive income, depending on the classification of such financial assets. Dividends from such financial assets are recognized as part of finance income through profit or loss in the current period.

(iii) Impairment of financial assets

To determine the recoverability of financial assets measured at amortized cost, expected credit loss is estimated at the end of each period.

For the financial assets with no significant increase in credit risk associated therewith since initial recognition, an amount equal to the expected credit loss in the next 12 months is recognized as allowance for doubtful accounts, while for the financial assets with significant increase in credit risk associated therewith since initial recognition, an amount equal to the lifetime expected credit loss is recognized as allowance for doubtful accounts. On the other hand, for trade receivables, etc., allowance for doubtful accounts is measured at an amount equal to the lifetime expected credit loss without exception. Expected credit loss is measured based on the present value of the difference between all contractual cash flows payable to a company, and all contractual cash flows expected to be received by a company.

In determining whether there has been a significant increase in credit risk as a result of a change in default risk, considerations include information concerning the deterioration of the obligor's business performance, etc., apart from past due information.

Any situation in which recovery of a financial asset is wholly or partially impossible, or is deemed to be extremely difficult, is considered as default.

If the asset is deemed as default or if the issuer or obligor meets with extreme financial difficulty, it is judged to be a credit-impaired financial asset.

For the financial assets with evidence of impairment of credit thereof, interest revenue is measured at an amount calculated by subtracting allowance for doubtful accounts from gross carrying amount, then multiplying by the effective interest rate.

In the event of a decrease in credit risk in later period, which can be associated objectively with an actual event that occurred subsequent to the recognition of impairment, reversal of the previously recognized impairment loss is recognized in profit or loss.

Allowance for doubtful accounts is directly deducted from financial assets measured at amortized cost.

(iv) Derecognition of financial assets

The SMM Group derecognizes financial assets if the contractual rights to cash flows arising from the financial assets expire, or if the SMM Group transfers the rights to receive cash flows from the financial assets and substantially all the risks and rewards of ownership of the financial assets.

2) Non-derivative financial liabilities

(i) Initial recognition and measurement

The SMM Group classifies non-derivative financial liabilities into financial liabilities measured at amortized cost. The SMM Group determines such classification at the time of initial recognition of the financial liabilities. Financial liabilities measured at amortized cost are measured at an amount after deduction of transaction costs directly attributable thereto.

(ii) Subsequent measurement

Financial liabilities measured at amortized cost are, subsequent to initial recognition, measured at amortized cost by using the effective interest method. Amortization by using the effective interest method, as well as gains and losses associated with derecognition, are recognized as part of finance costs through profit or loss in the current period.

(iii) Derecognition

The SMM Group derecognizes financial liabilities when they are extinguished, namely when the obligation specified in the contract is discharged or cancelled or expires.

3) Derivatives and hedge accounting

In order to hedge foreign currency risk, interest rate risk, and commodity price risk, the SMM Group uses derivatives including forward exchange contract, interest rate swap contract, and commodity futures contract. Documentation regarding the relationship between hedging instruments and hedged items, and the SMM Group's risk management objective and strategy for undertaking the hedge is provided at the start of trading. Evaluation is carried out at the commencement of hedging and then on a continual basis thereafter to determine whether the derivative used for the hedging transactions meets the hedge accounting requirements in offsetting the fluctuations in the fair value or the cash flows of the hedged items.

Derivatives are subjected to initial recognition at fair value. For some of the derivatives that do not meet the requirements of hedge accounting, fluctuations in fair value subsequent to their initial recognition are recognized in profit or loss. For the derivatives that meet the requirements of hedge accounting, changes in fair value are accounted for as follows.

(i) Fair value hedges

Changes in fair value of the derivatives designated as fair value hedges, thus meeting the requirements thereof, along with the changes in fair value of the hedged assets or liabilities corresponding to the hedged risks, are recognized in profit or loss.

(ii) Cash flow hedges

Changes in fair value of the derivatives designated as cash flow hedges, thus meeting the requirements thereof, are recognized in other comprehensive income, provided, however, that the ineffective portion of hedging in changes in fair value of such derivatives is recognized in profit or loss.

The amount accumulated in other components of equity is reclassified into profit or loss in the period in which hedged items affect profit or loss.

In either case of fair value hedges or cash flow hedges, if the derivatives no longer meet the hedge accounting requirements, or when hedging instruments are lapsed, sold, terminated or exercised, adoption of hedge accounting is discontinued thereafter.

4) Embedded derivatives

Sales contracts for copper concentrates, etc. generally include provisional price terms at the time of shipment, and the final prices are determined based on the monthly average price of copper on the London Metal Exchange (LME) over certain future period. Such sales based on provisional price is considered as sales contracts with a nature of commodity futures contract, where delivery month is the month in which price is determined, and thus deemed to contain embedded derivatives with sales of copper concentrates, etc., as a host. In the case of such embedded derivatives involving a post-shipment price adjustment process, the host (non-derivative component) of the host contract is a financial asset, and therefore such embedded derivatives are accounted for as an integral part of the whole pursuant to IFRS 9 “Financial Instruments” (hereinafter “IFRS 9”).

Revenues from provisional price-based sales are recognized at estimated fair value of the consideration received, and are re-estimated at the end of the reporting period. The difference between the fair value at the time of shipment and that at the end of the reporting period is recognized as adjustment to revenues.

5) Financial assets for the contingent consideration

Financial assets for the contingent consideration are initially recognized at fair value on the date of acquisition, and subsequent changes in the fair value are recognized in profit or loss.

(5) Inventories

Inventories are measured at the lower of cost and net realizable value. Cost of inventories includes purchase cost and conversion cost, and is calculated by using primarily the first-in first-out method, except for some of the foreign subsidiaries where the gross average method is used. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(6) Property, plant and equipment (excluding right-of-use assets)

Property, plant and equipment are measured by using cost model, and presented at the value calculated by subtracting accumulated depreciation and accumulated impairment from acquisition cost. Acquisition cost includes costs directly associated with the acquisition of assets, and any costs for dismantlement, removal, and site restoration, as well as borrowing costs to be capitalized. Depreciation of property, plant and equipment (excluding mining sites and tunnels) is calculated by mainly using the straight-line method, while mining sites and tunnels are depreciated by using the units-of-production method. Depreciation of these assets commences when they become available for their intended use.

Estimated useful lives of the main assets by category are as follows.

Buildings and structures: From two to sixty (60) years

Machinery, equipment and vehicles: From two to thirty-five (35) years

Estimated useful lives, residual values, and depreciation method are reviewed at the end of each fiscal year, and any change therein is applicable prospectively as changes in accounting estimates.

(7) Intangible assets and goodwill

1) Goodwill

Goodwill arising from business combinations is presented at acquisition cost less accumulated impairment. Goodwill is not amortized, but allocated to cash-generating units or cash-generating unit groups and subjected to impairment test on an annual basis, or as appropriate if there is an indication of impairment. Impairment loss of goodwill is recognized in profit or loss, involving no subsequent

reversal. Measurement of goodwill at initial recognition is described in “(1) Basis for consolidation, 3) Business combinations and goodwill.”

2) Other intangible assets

Intangible assets are measured subsequent to recognition by using cost model, and presented at the value calculated by subtracting accumulated amortization and accumulated impairment from acquisition cost. Mining rights (mineral rights) are amortized by using the units-of-production method, while mining rights (exploration rights) by the straight-line method. Software is also amortized by using the straight-line method. Amortization of these assets commences when they become available for their intended use.

Estimated useful lives of the main intangible assets are as follows.

Mining rights (mineral rights): By the units-of-production method

Mining rights (exploration rights): Five years

Software: Five years

Estimated useful lives, residual values, and amortization method are reviewed at the end of each fiscal year, and any change therein is applicable prospectively as changes in accounting estimates.

(8) Investment property

Investment property refers to property held for the purpose of rental income or capital gain, or both. Investment property is measured subsequent to recognition by using cost model.

(9) Exploration and evaluation of mining resources

Expenditures concerning the exploration for and evaluation of mining resources are divided into stages comprising acquisition of legal rights, completion of feasibility study and start of commercial production. Expenditures incurred before completion of feasibility study are charged to expenses in principle, provided, however, that exploration rights and other rights obtained from the outside parties are recognized as intangible asset, while mining machinery and vehicles as property, plant and equipment.

(10) Stripping costs

Stripping costs refer to expenditures associated with the stripping activities for removing mine waste materials to reach mining resources, incurred in development as well as production phase at surface mines. Since stripping activities in the development phase are meant to gain access to mining resources, such stripping costs are recognized in assets. Stripping costs in the production phase include costs for producing mining resources, and those for improving access to the future mining resources. Stripping costs associated with the production of mining resources therefore comprise part of the SMM Group's inventories, while those for improving access to the future mining resources are classified as stripping activity asset insofar as they meet certain criteria, and capitalized by component. Such stripping activity asset is depreciated by using the units-of-production method based on the reserves, etc. of the associated component.

(11) Leases

The SMM Group recognizes right-of-use assets and lease liabilities at the commencement date of the lease contract.

1) Right-of-use assets

Right-of-use assets are initially measured at acquisition cost, which comprises the amount of the initial measurement of lease liabilities, initial direct costs, and the initial estimated cost of dismantling, removing and restoring to the original condition of underlying assets, among others.

Right-of-use assets are measured subsequent to recognition by using cost model, and measured at the value calculated by subtracting accumulated depreciation and accumulated impairment from acquisition cost.

Right-of-use assets are depreciated using the straight-line method over the shorter of lease term and useful lives of right-of-use assets.

2) Lease liabilities

Lease liabilities are initially recognized at the present value of outstanding lease payments at the commencement date of the contract, discounted using the interest rate implicit in the lease.

If the interest rate implicit in the lease is not readily determined, the SMM Group's incremental borrowing rate is used as the discount rate.

In subsequent measurement, lease liabilities are measured by increasing the carrying amount to reflect the interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

(12) Impairment of non-financial assets

The SMM Group assesses whether there is an indication of impairment as of the end of the fiscal year in the non-financial assets excluding inventories, deferred tax assets, assets held for sale, and retirement benefit asset. If any such indication exists, the SMM Group estimates the recoverable amount of each asset. Where it is impossible to estimate the recoverable amount of individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. The recoverable amount of the asset or the cash-generating unit is measured at the higher of fair value less cost to dispose and value in use. Value in use is calculated by discounting the estimated future cash flows into present value, using the discount rate reflecting time value of money as well as the risks specific to the concerned asset. Only if the recoverable amount of the asset or that of the cash-generating unit is lower than their carrying amount, the carrying amount of such asset is reduced to the recoverable amount and recognized in profit or loss. As for the asset or cash-generating unit other than the goodwill for which impairment was recognized in prior years, test is conducted on the end of the fiscal year, to see if there is indication of likely decrease or elimination of such impairment loss recognized in prior years. If such indication exists, the recoverable amount of the asset or the cash-generating unit is estimated, where if the recoverable amount exceeds the carrying amount, the impairment loss is reversed to the extent not exceeding the lower of calculated recoverable amount and the carrying amount less depreciation/amortization if the impairment loss had not been recognized for the asset in prior years. Reversal of impairment loss is immediately recognized in profit or loss.

(13) Assets held for sale

If the carrying amount of non-current assets or disposal group is expected to be recovered mainly from their sale transactions rather than continuous use, they are classified as assets held for sale. Such classification involves requirements that they are likely to be sold within one year, and that they are readily available for sale.

Non-current assets or disposal group classified as held for sale are measured at the lower of carrying amount and fair value less cost to sell. Of the assets classified as held for sale, property, plant and equipment, and intangible assets are neither depreciated nor amortized.

(14) Employee benefits

1) Defined benefit plan

The present value of defined benefit obligation and the related current and past service cost are calculated for each plan by using the projected unit credit method. Discount rate is determined by reference to market yields on high quality corporate bonds at the end of the fiscal year. Liability or asset associated with a defined benefit plan is calculated by subtracting the fair value of the plan assets from the present value of defined benefit obligation. However, if the defined benefit plan has a surplus, a net defined benefit asset is limited to the asset ceiling, which is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Remeasurements of the net amount of liability or asset associated with a defined benefit plan are recognized collectively through other comprehensive income in the period in which such assets or liabilities arise, and reclassified as retained earnings.

2) Defined contribution plan

Post-employment benefit expense associated with a defined contribution plan is recognized as expenses in the period in which the employee renders service.

(15) Provisions

Provisions are recognized when there exists present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

(16) Government grants

Government grants are recognized when there is reasonable assurance that the SMM Group will comply with the conditions for such grant and that the grant will be received. Grant that covers the incurred cost is recorded as revenue in the fiscal year that such cost is incurred. Grant that covers an asset is recorded at the carrying amount of the concerned asset, which is determined at the cost to acquire such asset less the amount of grant.

(17) Equity

1) Ordinary shares

As for ordinary shares, issue price is recorded in share capital and capital surplus.

2) Treasury shares

When treasury shares are acquired, consideration paid is recognized in equity as a deduction item. When treasury shares are sold, the difference between the carrying amount and the consideration thereof at the time of sale is recognized as capital surplus.

(18) Revenue

The SMM Group recognizes revenue through the following five steps, except for interest and dividend income based on IFRS 9.

Step 1: Identify contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to performance obligations in the contract

Step 5: Recognize revenue when (or as) the performance obligation is satisfied.

The SMM Group mainly engages in sales of raw ore such as gold and silver ore and copper concentrates, and copper produced by SX-EW method in the Mineral Resources business, non-ferrous metals such as electrolytic copper in the Smelting & Refining business, and battery materials and advanced materials, etc., in the Materials business. With regard to revenue from the sale of these goods, revenue is generally measured at transaction prices in contracts, and the revenue is recognized at the time of delivery of the goods when a performance obligation is satisfied by transferring control over the goods to the customer.

(19) Finance income and finance costs

Finance income and finance costs consist mainly of interest income, dividend income, interest expense, changes in fair value of derivative financial instruments, and foreign exchange gains and losses.

Interest income, interest expense and interest on bonds are recognized at the time of occurrence by using the effective interest method.

(20) Income taxes

Income taxes are the sum of current and deferred tax.

1) Current tax

Current tax is measured at an amount of tax paid to, or expected amount of refund from the tax authorities. The amount of tax is calculated based on the tax rates and the tax laws that have been established or enacted, or substantially established or enacted by the closing date. Current tax recognized in profit or loss includes neither tax arising from the items directly recognized in other comprehensive income or in equity, nor tax arising from business combinations.



## 2) Deferred tax

Deferred tax is recognized to the extent of taxable profit expected to be generated to recover the temporary differences between the carrying amount of assets and liabilities for accounting purposes and their tax bases, unused tax credits, and unused tax losses as of the closing date, while deferred tax liabilities are recognized in principle for taxable temporary differences.

Neither deferred tax assets nor deferred tax liabilities are recorded in the following cases.

- Temporary differences arising from the initial recognition of goodwill, unless the carrying amount of goodwill arising from a business combination is lower than its tax base.
- Temporary differences arising from the initial recognition of assets or liabilities in the transactions outside business combinations, which affect, at the time of transaction, neither accounting profit nor taxable profit (loss).
- Deductible temporary differences arising from investments in subsidiaries and associates, when such deductible temporary differences are unlikely to be reversed, or when taxable profit for which such deductible temporary differences is used, is unlikely to be earned, in either case in the foreseeable future.
- Taxable temporary differences arising from investments in subsidiaries and associates, when the Company retains control over the timing of reversal of such taxable temporary differences, and such taxable temporary differences are unlikely to be reversed in the foreseeable future.

Deferred tax assets and deferred tax liabilities are calculated by using the tax rate expected to be applicable in the period in which the temporary differences are reversed, based on the statutory tax rate or effective statutory tax rate as well as the prevailing tax law as of the closing date. Deferred tax assets and deferred tax liabilities are offset, when the SMM Group has legally enforceable rights to offset the current tax liabilities and the current tax assets, and when they are imposed by the same taxation authorities on the same taxable entity.

The Company and some of its domestic consolidated subsidiaries apply the consolidated taxation system.

## (21) Earnings per share

Basic earnings per share are calculated by dividing profit or loss attributable to ordinary equity holders of parent entity by the weighted average number of ordinary shares outstanding after adjustment to treasury shares during the period. Diluted earnings per share are calculated taking into consideration the effect of all dilutive shares.

## 4. Significant Accounting Estimates and Judgments Involving Estimates

The consolidated financial statements of the SMM Group are prepared by using judgments, estimates, and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, revenue, and expenses. Actual results could differ from those accounting estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis, and the effect of any changes in accounting estimates is recognized in the reporting period in which the change was made and in future periods.

The items involving estimates and judgments that significantly affect the amounts in the consolidated financial statements are listed as follows:

- Recoverability of deferred tax assets (Note 18. Income Taxes)
- Accounting for and measurement of provisions (Note 22. Provisions)
- Financial assets for the contingent consideration (Note 34. Financial Instruments)

## 5. Standards and Interpretations Newly Issued or Amended but Not Yet Adopted

There are no material standards and interpretations that were newly issued or amended prior to the date of approval of the consolidated financial statements.

## 6. Operating Segments

### (1) Summary of reportable segments

#### 1) Decision method of the reportable segments

The operating 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 four business divisions—the Mineral Resources Div., Non-Ferrous Metals Div., Battery Materials Div. and Advanced 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 associates over which it holds jurisdiction. The Company has integrated operating segments with regard to the Battery Materials Div. and the Advanced Materials Div. which have similar business characteristics and similar economic characteristics in terms of their customers, etc., and are recognized to be similar in all aspects including product/service characteristics. The Company has classified these operating segments into three core reportable segments of Mineral Resources, Smelting & Refining, and Materials by classifying the mineral resource businesses into Mineral Resources, the metals businesses into Smelting & Refining, and the battery materials businesses and the advanced materials businesses into Materials.

#### 2) Types of products and services that belong to each reportable segment

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

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

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

### (2) Information on net sales, income (loss), assets and other items by reportable segments

The accounting methods employed for the reportable segments are almost the same as those set forth in the (3. Significant Accounting Policies), with the exception of the reporting by each operating segment of amounts corresponding to interest on internal loans, as determined in the statement of financial position of each segment.

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

FY2020 (From April 1, 2020 to March 31, 2021)

	Reportable Segments				Other Businesses (Note 1)	Adjustments (Note 2)	Consolidated Statement of Profit or Loss
	Mineral Resources	Smelting & Refining	Materials	Total			
	Millions of yen	Millions of yen	Millions of yen	Millions of yen			
Net sales:							
Outside customers	75,688	656,536	190,039	922,263	3,859	–	926,122
Inter-segment	51,354	37,222	21,494	110,070	5,844	(115,914)	–
Total	127,042	693,758	211,533	1,032,333	9,703	(115,914)	926,122
Segment income (Profit before tax) (Note 3)	63,110	53,038	10,481	126,629	(2,758)	(492)	123,379
Segmental assets	641,960	738,079	246,408	1,626,447	26,240	233,312	1,885,999
Other items:							
Depreciation and amortization	(12,323)	(20,622)	(10,166)	(43,111)	(636)	(1,982)	(45,729)
Finance income (Note 3)	16,939	(72)	34	16,901	–	6,054	22,955
Finance costs	(2,258)	(2,082)	(347)	(4,687)	(26)	(44)	(4,757)
Share of profit (loss) of investments accounted for using equity method	612	6,000	3,170	9,782	–	(1,063)	8,719
Impairment losses on non-financial assets	–	–	(262)	(262)	–	–	(262)
Other gain (loss)	1,172	(419)	333	1,086	(3,628)	(5,575)	(8,117)
Capital expenditures	10,236	16,071	6,365	32,672	764	1,623	35,059
Investments accounted for using equity method	247,517	63,553	25,735	336,805	–	(25,037)	311,768

FY2021 (From April 1, 2021 to March 31, 2022)

	Reportable Segments				Other Businesses (Note 1)	Adjustments (Note 2)	Consolidated Statement of Profit or Loss
	Mineral Resources	Smelting & Refining	Materials	Total			
	Millions of yen	Millions of yen	Millions of yen	Millions of yen			
Net sales:							
Outside customers	109,710	892,627	253,167	1,255,504	3,587	–	1,259,091
Inter-segment	47,605	49,714	24,795	122,114	6,256	(128,370)	–
Total	157,315	942,341	277,962	1,377,618	9,843	(128,370)	1,259,091
Segment income (Profit before tax) (Note 3)	208,548	114,753	27,625	350,926	(949)	7,457	357,434
Segmental assets	774,826	872,515	284,873	1,932,214	25,934	310,608	2,268,756
Other items:							
Depreciation and amortization	(12,205)	(21,173)	(10,095)	(43,473)	(561)	(2,421)	(46,455)
Finance income (Note 3)	8,648	841	322	9,811	1	22,072	31,884
Finance costs	(1,592)	(1,264)	(320)	(3,176)	(25)	232	(2,969)
Share of profit (loss) of investments accounted for using equity method	44,524	10,825	2,827	58,176	–	(639)	57,537
Impairment losses on non-financial assets	–	(166)	(64)	(230)	(39)	–	(269)
Other gain (loss)	78,686	(883)	563	78,366	(2,456)	(10,011)	65,899
Capital expenditures	30,952	22,901	6,659	60,512	658	3,369	64,539
Investments accounted for using equity method	267,069	70,404	27,270	364,743	–	4,008	368,751

	Reportable Segments				Other Businesses (Note 1)	Adjustments (Note 2)	Consolidated Statement of Profit or Loss
	Mineral Resources	Smelting & Refining	Material	Total			
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars			
Net sales:							
Outside customers	896,250	7,292,108	2,068,189	10,256,548	29,303	–	10,285,851
Inter-segment	388,898	406,127	202,557	997,582	51,107	(1,048,689)	–
Total	1,285,148	7,698,235	2,270,746	11,254,130	80,410	(1,048,689)	10,285,851
Segment income (Profit before tax) (Note 3)	1,703,684	937,448	225,676	2,866,808	(7,753)	60,918	2,919,974
Segmental assets	6,329,761	7,127,808	2,327,204	15,784,772	211,862	2,537,440	18,534,074
Other items:							
Depreciation and amortization	(99,706)	(172,968)	(82,469)	(355,143)	(4,583)	(19,778)	(379,503)
Finance income (Note 3)	70,648	6,870	2,631	80,149	8	180,312	260,469
Finance costs	(13,005)	(10,326)	(2,614)	(25,946)	(204)	1,895	(24,255)
Share of profit (loss) of investments accounted for using equity method	363,728	88,432	23,095	475,255	–	(5,220)	470,035
Impairment losses on non-financial assets	–	(1,356)	(523)	(1,879)	(319)	–	(2,198)
Other gain (loss)	642,807	(7,213)	4,599	640,193	(20,064)	(81,783)	538,347
Capital expenditures	252,855	187,084	54,399	494,339	5,375	27,522	527,236
Investments accounted for using equity method	2,181,758	575,149	222,776	2,979,683	–	32,742	3,012,425

Notes: 1. The Other Businesses segment refers to the operating segments and other income-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 reportable segments. Other Businesses include real estate and technical engineering businesses.

2. The adjustments are as follows.

- 1) The adjustments for segment income are as follows.

	FY2020 (From April 1, 2020 to March 31, 2021)	FY2021 (From April 1, 2021 to March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Head Office expenses not allocated to each reportable segment *1	(1,399)	(1,954)	(15,963)
Internal interest rate	867	1,056	8,627
Eliminations of inter-segmental transactions among the reportable segments	48	(3,780)	(30,880)
Profit or loss not allocated to each reportable segment *2	(8)	12,135	99,134
Adjustments for segment income	<u>(492)</u>	<u>7,457</u>	<u>60,918</u>

\*1 The Head Office expenses not allocated to each reportable segment consist of general and administrative expenses, which are not attributable to the reportable segments.

\*2 Profit or loss not allocated to each reportable segment consists primarily of finance income and costs, which are not attributable to the reportable segments.

- 2) The adjustments on segmental assets are as follows

	FY2020 (From April 1, 2020 to March 31, 2021)	FY2021 (From April 1, 2021 to March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Corporate assets not allocated to each reportable segment *1	651,693	764,534	6,245,683
Offsets and eliminations of inter-segmental receivables among the reportable segments, including those toward Head Office divisions/departments, etc.	(418,381)	(453,926)	(3,708,243)
Adjustments on segmental assets	<u>233,312</u>	<u>310,608</u>	<u>2,537,440</u>

\*1 The corporate assets not allocated to each reportable segment refer to the assets under the control of the Head Office, which are not attributable to the reportable segments.

- 3) The adjustments on depreciation and amortization refer to depreciation and amortization at the Head Office divisions/departments, which are not allocated to the reportable segments.
- 4) The adjustments on finance income and costs consist of interest income and interest expense at the Head Office divisions/departments, which are not allocated to the reportable segments, and eliminations of transactions among the reportable segments.
- 5) The adjustments on share of profit (loss) of investments accounted for using equity method refer to the deduction of unrealized income relating to the inter-segmental transactions among the reportable segments.
- 6) The adjustments on other gain (loss) consist of other income and expenses at the Head Office divisions/departments, which are not allocated to the reportable segments, and eliminations of transactions among the reportable segments.
- 7) The adjustments on capital expenditures refer to an increase thereof at the Head Office divisions/departments, which is not allocated to the reportable segments.
- 8) The adjustments on investments accounted for using equity method refer to exchange differences on translation of foreign operations.
3. Starting from FY2021, the method of allocating general and administrative expenses and finance income has been changed, in order to evaluate the performance of each segment more appropriately. Segment income and finance income for FY2020 are presented as amounts that reflect this change.

(3) Information by region

The breakdown of net sales by region is as follows. Net sales are broken down by location of shipping destination.

	FY2020 (From April 1, 2020 to March 31, 2021)	FY2021 (From April 1, 2021 to March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Domestic	442,895	610,625	4,988,359
United States	154,505	214,984	1,756,262
China	123,530	162,330	1,326,117
Other	205,192	271,152	2,215,113
Total	926,122	1,259,091	10,285,851

The breakdown of non-current assets by region is as follows.

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Domestic	187,208	192,148	1,569,708
The Philippines	206,509	225,802	1,844,637
United States	109,144	117,571	960,469
Other	34,476	60,213	491,896
Total	537,337	595,734	4,866,710

Note: Non-current assets are broken down by location of each asset and do not include financial instruments, investments accounted for using equity method and deferred tax assets.

(4) Information about major customers

Net sales to the major external customers are as follows.

Relevant reportable segment	FY2020 (From April 1, 2020 to March 31, 2021)	FY2021 (From April 1, 2021 to March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Panasonic Corporation* Materials and Smelting & Refining	145,322	193,909	1,584,094
Sumitomo Electric Industries, Ltd. Smelting & Refining and Materials	81,225	130,739	1,068,042

\* On April 1, 2022, the company changed its trade name to Panasonic Holdings Corporation.

7. Acquisition of Non-controlling Interests

During FY2021, the Company acquired additional shares of its consolidated subsidiary, Coral Bay Nickel Corporation (“CBNC”).

As a result, the Company’s voting rights in CBNC increased from 54% to 90%.

The consideration for the acquisition was ¥19,102 million (U.S. \$156,049 thousand) in cash. As a result of the additional acquisition, non-controlling interest decreased by ¥21,834 million (U.S. \$178,368 thousand), and capital surplus increased by ¥2,732 million (U.S. \$22,318 thousand).

## 8. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows.

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents			
Cash and deposits	158,373	213,977	1,748,035
Total	<u>158,373</u>	<u>213,977</u>	<u>1,748,035</u>

Cash and cash equivalents are classified into financial assets measured at amortized cost.

## 9. Trade and Other Receivables

The breakdown of trade and other receivables is as follows.

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Notes receivable – trade	5,179	6,354	51,908
Accounts receivable – trade	130,203	154,399	1,261,327
Accounts receivable – other	18,263	26,557	216,951
Total	<u>153,645</u>	<u>187,310</u>	<u>1,530,185</u>

The above amounts of accounts receivable – trade include trade receivables with embedded derivatives (¥23,110 million as of March 31, 2021, and ¥9,691 million (U.S. \$79,168 thousand) as of March 31, 2022). The SMM Group classifies such trade receivables as financial instruments measured at fair value through profit or loss and the others as financial instruments measured at amortized cost.

## 10. Inventories

The breakdown of inventories is as follows.

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Merchandise and finished goods	84,675	107,754	880,271
Work in process	106,837	139,769	1,141,810
Raw materials and supplies	131,717	172,613	1,410,122
Total	<u>323,229</u>	<u>420,136</u>	<u>3,432,203</u>

The amounts of inventories recognized as an expense for FY2020 and FY2021 are ¥764,330 million and ¥990,059 million (U.S. \$8,088,057 thousand), respectively.

The amounts of write-down of inventories recognized as an expense for FY2020 and FY2021 are ¥2,616 million and ¥1,784 million (U.S. \$14,574 thousand), respectively.

## 11. Property, Plant and Equipment

- (1) Changes in acquisition cost, accumulated depreciation and accumulated impairment losses of property, plant and equipment; and carrying amount thereof are as follows.

Acquisition cost	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Right-of-use assets	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2020	304,041	581,221	20,366	24,971	13,270	45,963	989,832
Acquisition (Note 1)	92	166	337	–	2,460	33,187	36,242
Increase due to business combinations	274	1	–	–	–	–	275
Transfer	4,637	17,950	1,041	60	–	(23,688)	–
Disposal (Note 2)	(610)	(3,834)	(1,098)	(50)	(739)	(508)	(6,839)
Exchange differences on translation	(567)	(2,271)	(19)	(195)	(26)	428	(2,650)
Other (Note 3)	873	3,091	60	–	–	–	4,024
As of March 31, 2021	308,740	596,324	20,687	24,786	14,965	55,382	1,020,884
Acquisition (Note 1)	279	144	86	–	1,104	61,830	63,443
Increase due to business combinations	–	–	–	–	–	–	–
Transfer	8,434	21,914	1,149	2	–	(31,499)	–
Disposal (Note 2)	(1,548)	(9,732)	(850)	(8)	(292)	(1,239)	(13,669)
Exchange differences on translation	14,522	32,014	202	387	124	5,893	53,142
Other (Note 3)	165	959	15	–	–	–	1,139
As of March 31, 2022	330,592	641,623	21,289	25,167	15,901	90,367	1,124,939



Acquisition cost	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Right-of-use assets	Construction in progress	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2021	2,522,180	4,871,530	168,998	202,483	122,253	452,430	8,339,874
Acquisition (Note 1)	2,279	1,176	703	–	9,019	505,106	518,283
Increase due to business combinations	–	–	–	–	–	–	–
Transfer	68,900	179,021	9,386	16	–	(257,324)	–
Disposal (Note 2)	(12,646)	(79,503)	(6,944)	(65)	(2,385)	(10,122)	(111,666)
Exchange differences on translation	118,634	261,531	1,650	3,162	1,013	48,141	434,131
Other (Note 3)	1,348	7,834	123	–	–	–	9,305
As of March 31, 2022	2,700,694	5,241,590	173,916	205,596	129,900	738,232	9,189,927

- Notes:
1. The amounts of borrowing costs for FY2020 and FY2021 are ¥10 million and ¥84 million (U.S. \$686 thousand), respectively. The capitalization rates applied for FY2020 and FY2021 are 0.54% and 0.46%, respectively.
  2. Includes decreases from the cancellation of leases.
  3. The amounts of Other represent a change in estimates of asset retirement obligations resulting from a change of the investment time horizon, interest rates and other factors for copper mines overseas as assumptions for their restoration plan.

Accumulated depreciation and impairment losses	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Right-of-use assets	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2020	(147,842)	(357,307)	(16,018)	(2,783)	(2,330)	(147)	(526,427)
Depreciation (Note 1)	(10,995)	(28,853)	(902)	(18)	(1,934)	–	(42,702)
Impairment losses	(152)	(109)	(1)	–	–	–	(262)
Disposal (Note 2)	482	2,644	1,006	–	152	147	4,431
Exchange differences on translation	(172)	1,733	17	149	11	–	1,738
As of March 31, 2021	(158,679)	(381,892)	(15,898)	(2,652)	(4,101)	–	(563,222)
Depreciation (Note 1)	(10,975)	(29,547)	(971)	(16)	(2,042)	–	(43,551)
Impairment losses	(83)	(146)	(6)	(16)	–	(18)	(269)
Disposal (Note 2)	1,462	8,994	690	–	96	–	11,242
Exchange differences on translation	(5,893)	(14,960)	(146)	(285)	(33)	–	(21,317)
As of March 31, 2022	(174,168)	(417,551)	(16,331)	(2,969)	(6,080)	(18)	(617,117)

Accumulated depreciation and impairment losses	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Right-of-use assets	Construction in progress	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2021	(1,296,291)	(3,119,778)	(129,875)	(21,665)	(33,502)	–	(4,601,111)
Depreciation (Note 1)	(89,658)	(241,377)	(7,932)	(131)	(16,682)	–	(355,780)
Impairment losses	(678)	(1,193)	(49)	(131)	–	(147)	(2,198)
Disposal (Note 2)	11,943	73,474	5,637	–	784	–	91,839
Exchange differences on translation	(48,141)	(122,212)	(1,193)	(2,328)	(270)	–	(174,144)
As of March 31, 2022	(1,422,825)	(3,411,086)	(133,412)	(24,255)	(49,669)	(147)	(5,041,394)

Notes: 1. Depreciation is included in “Cost of sales” and “Selling, general and administrative expenses” of the consolidated statement of profit or loss.

2. Includes decreases from the cancellation of leases.

Carrying amount	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Right-of-use assets	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2020	156,199	223,914	4,348	22,188	10,940	45,816	463,405
As of March 31, 2021	150,061	214,432	4,789	22,134	10,864	55,382	457,662
As of March 31, 2022	156,424	224,072	4,958	22,198	9,821	90,349	507,822
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2022	1,277,869	1,830,504	40,503	181,341	80,230	738,085	4,148,534

## (2) Right-of-use assets

The carrying amounts of right-of-use assets included in property, plant and equipment are as follows.

Right-of-use assets	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2020	5,351	5,572	17	10,940
As of March 31, 2021	4,997	5,858	9	10,864
As of March 31, 2022	4,692	5,126	3	9,821
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2022	38,330	41,876	25	80,230

(3) Impairment losses

For the purpose of determining impairment losses, the grouping of assets is based on the smallest identifiable group of assets that generates largely independent cash inflows.

Impairment losses are included in “cost of sales” of the consolidated statement of profit or loss.

	FY2020	FY2021	
	(From April 1, 2020 to March 31, 2021)	(From April 1, 2021 to March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Mineral Resources	–	–	–
Smelting & Refining	–	166	1,356
Materials	262	64	523
Other	–	39	319
Total	<u>262</u>	<u>269</u>	<u>2,198</u>

FY2020 (From April 1, 2020 to March 31, 2021)

The Materials segment reported an impairment loss of ¥262 million. This is because the carrying amount of thin-film fabrication facilities was reduced to the recoverable amount due to a sharp deterioration in the business environment for such facilities. As the recoverable amount is measured at value in use and the estimated value in use based on future cash flows is negative, the recoverable amount is assessed to be zero.

FY2021 (From April 1, 2021 to March 31, 2022)

The Smelting & Refining segment reported an impairment loss of ¥166 million (U.S. \$1,356 thousand). Regarding the zinc business, because we decided to suspend operations at the current impurity recovery facilities and introduce new recovery processes, the carrying amount of impurity recovery facilities was reduced to the recoverable amount. As the recoverable amount is measured at value in use and the estimated value in use based on future cash flows is negative, the recoverable amount is assessed to be zero.

(4) Commitments

Commitments to purchase property, plant and equipment as of March 31, 2021 and March 31, 2022 are ¥21,684 million and ¥36,500 million (U.S. \$298,178 thousand), respectively.

12. Intangible Assets and Goodwill

The breakdown of the carrying amounts of intangible assets and goodwill is as follows.

Carrying amount	Goodwill	Mining rights	Software	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2020	772	52,940	2,668	1,958	58,338
As of March 31, 2021	772	48,025	2,685	1,698	53,180
As of March 31, 2022	772	51,335	2,288	2,191	56,586
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2022	6,307	419,369	18,691	17,899	462,266

Note: There were no material internally generated intangible assets at each reporting date.

The changes in acquisition cost, accumulated amortization and accumulated impairment losses, and the carrying amount of mining rights, the SMM Group's major intangible assets, are as follows.

Acquisition cost	Mining rights
	Millions of yen
As of April 1, 2020	60,815
Exchange differences on translation	(3,274)
As of March 31, 2021	57,541
Exchange differences on translation	6,236
Other	(95)
As of March 31, 2022	63,682

Acquisition cost	Mining rights
	Thousands of U.S. dollars
As of March 31, 2021	470,068
Exchange differences on translation	50,944
Other	(776)
As of March 31, 2022	520,235

Accumulated amortization and accumulated impairment losses	Mining rights
	Millions of yen
As of April 1, 2020	(7,875)
Amortization	(2,075)
Exchange differences on translation	434
As of March 31, 2021	(9,516)
Amortization	(1,817)
Exchange differences on translation	(1,014)
As of March 31, 2022	(12,347)

Accumulated amortization and accumulated impairment losses	Mining rights
	Thousands of U.S. dollars
As of March 31, 2021	(77,739)
Amortization	(14,844)
Exchange differences on translation	(8,284)
As of March 31, 2022	(100,866)

Note: Amortization is included in "cost of sales" of the consolidated statement of profit or loss.

The breakdown of carrying amount of the above mining rights is as follows.

Carrying amount	SMM Morenci Inc.	SMM Gold Cote Inc.	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2020	31,508	21,153	279	52,940
As of March 31, 2021	27,765	19,987	273	48,025
As of March 31, 2022	28,958	22,110	267	51,335
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2022	236,566	180,622	2,181	419,369

### 13. Expenditures Concerning Exploration for and Evaluation of Mining Resources

Expenses incurred during the stage of exploration for and evaluation of mining resources are as follows.

	FY2020 (From April 1, 2020 to March 31, 2021)	FY2021 (From April 1, 2021 to March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Exploration and evaluation expenses	995	1,748	14,280
Net cash provided by (used in) operating activities	(1,043)	(1,636)	(13,365)

Exploration and evaluation expenses are included in “selling, general and administrative expenses” of the consolidated statement of profit or loss.

### 14. Investment Property

#### (1) Changes in carrying amount of investment properties

All the investment properties held by the SMM Group are land and the fluctuations in the carrying amount are as follows.

Carrying amount	FY2020 (From April 1, 2020 to March 31, 2021)	FY2021 (From April 1, 2021 to March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Balance at beginning of period	3,428	3,477	28,405
Acquisition	49	–	–
Disposal	–	–	–
Transfer between accounts	–	–	–
Exchange differences on translation	–	–	–
Other	–	–	–
Balance at end of period	3,477	3,477	28,405

The grouping of the investment properties is based on the smallest identifiable group of assets that generates largely independent cash inflows.

The carrying amount and fair value of the investment properties are as follows.

Carrying amount and fair value	FY2020 (As of March 31, 2021)		FY2021 (As of March 31, 2022)		FY2021 (As of March 31, 2022)	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars	Thousands of U.S. dollars
	3,477	7,757	3,477	7,916	28,405	64,668

The fair value of the investment properties is based primarily on real estate appraisal evaluated by outside licensed real estate appraisers. The valuations conform to the relevant valuation standards of the countries where the properties are located and are based on market evidence reflecting transaction prices for similar assets.

The fair value of the investment properties is classified as Level 3 (fair value that is determined using a valuation technique with unobservable inputs) in the fair value hierarchy.

(2) Income and expenses arising from investment properties

	FY2020 (From April 1, 2020 to March 31, 2021)	FY2021 (From April 1, 2021 to March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Lease income	563	623	5,089
Direct operating expenses	300	315	2,573

Lease income and direct operating expenses incurred to earn lease income are included in “net sales” and “cost of sales” of the consolidated statement of profit or loss, respectively.

15. Investments Accounted for Using Equity Method

(1) Investments in associates

1) Significant associates

Associates individually material to the SMM Group are as follows.

Name	Description of main businesses	Location	Voting rights held by the Company	
			FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
			%	%
Sociedad Minera Cerro Verde S.A.A.	Development and mining of copper mines	Arequipa, Peru	21.0	21.0
Sierra Gorda S.C.M.	Development and mining of copper mines	Santiago, Chile	45.0	–
Quebrada Blanca Holdings SpA	Development and mining of copper mines	Santiago, Chile	33.3	33.3

Investments in these associates are accounted for using the equity method. The condensed financial statements, the carrying amounts of the SMM Group’s share of equity in these associates, and the SMM Group’s share of comprehensive income of these associates under the equity method are as follows.

FY2020 (As of March 31, 2021)

	Sociedad Minera Cerro Verde S.A.A.	Sierra Gorda S.C.M.	Quebrada Blanca Holdings SpA
	Millions of yen	Millions of yen	Millions of yen
Current assets	181,630	58,001	17,935
Non-current assets	622,302	427,715	602,358
Total assets	<u>803,932</u>	<u>485,716</u>	<u>620,293</u>
Current liabilities	46,645	94,755	56,712
Non-current liabilities	174,030	567,790	398,450
Total liabilities	<u>220,675</u>	<u>662,545</u>	<u>455,162</u>
Total equity	<u>583,257</u>	<u>(176,829)</u>	<u>165,131</u>
The SMM Group's share of total equity	122,484	(79,573)	55,038
Consolidation adjustment	5,457	79,573	(2,350)
Carrying amount of investments	<u>127,941</u>	<u>–</u>	<u>52,688</u>

FY2021 (As of March 31, 2022)

	Sociedad Minera Cerro Verde S.A.A.	Sierra Gorda S.C.M.	Quebrada Blanca Holdings SpA
	Millions of yen	Millions of yen	Millions of yen
Current assets	248,098	–	15,033
Non-current assets	686,309	–	948,453
Total assets	<u>934,407</u>	<u>–</u>	<u>963,486</u>
Current liabilities	144,004	–	66,322
Non-current liabilities	85,735	–	686,956
Total liabilities	<u>229,739</u>	<u>–</u>	<u>753,278</u>
Total equity	<u>704,668</u>	<u>–</u>	<u>210,208</u>
The SMM Group's share of total equity	147,980	–	70,062
Consolidation adjustment	6,089	–	(5,961)
Carrying amount of investments	<u>154,069</u>	<u>–</u>	<u>64,101</u>

	Sociedad Minera Cerro Verde S.A.A.	Sierra Gorda S.C.M.	Quebrada Blanca Holdings SpA
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Current assets	2,026,779	–	122,809
Non-current assets	5,606,642	–	7,748,166
Total assets	<u>7,633,420</u>	<u>–</u>	<u>7,870,975</u>
Current liabilities	1,176,407	–	541,802
Non-current liabilities	700,392	–	5,611,927
Total liabilities	<u>1,876,799</u>	<u>–</u>	<u>6,153,729</u>
Total equity	<u>5,756,621</u>	<u>–</u>	<u>1,717,245</u>
The SMM Group's share of total equity	1,208,888	–	572,355
Consolidation adjustment	49,743	–	(48,697)
Carrying amount of investments	<u>1,258,631</u>	<u>–</u>	<u>523,658</u>

FY2020 (From April 1, 2020 to March 31, 2021)

	Sociedad Minera Cerro Verde S.A.A.	Sierra Gorda S.C.M.	Quebrada Blanca Holdings SpA
	Millions of yen	Millions of yen	Millions of yen
Net sales	271,046	129,234	9,284
Profit (loss)	29,313	(6,235)	(22,205)
Other comprehensive income	(34,871)	10,419	(9,583)
Total comprehensive income	<u>(5,558)</u>	<u>4,184</u>	<u>(31,788)</u>
The SMM Group's share:			
Net sales	56,920	58,155	3,094
Profit (loss)	5,225	(3,543)	(4,033)
Other comprehensive income	(7,323)	3,282	(3,194)
Total comprehensive income	<u>(2,098)</u>	<u>(261)</u>	<u>(7,227)</u>
Dividends received by the SMM Group	-	-	-

FY2021 (From April 1, 2021 to March 31, 2022)

	Sociedad Minera Cerro Verde S.A.A.	Sierra Gorda S.C.M.	Quebrada Blanca Holdings SpA
	Millions of yen	Millions of yen	Millions of yen
Net sales	461,561	-	11,913
Profit (loss)	130,955	-	(7,397)
Other comprehensive income	70,399	-	18,110
Total comprehensive income	<u>201,354</u>	<u>-</u>	<u>10,713</u>
The SMM Group's share:			
Net sales	96,928	-	3,971
Profit (loss)	26,556	-	(1,191)
Other comprehensive income	14,784	-	6,036
Total comprehensive income	<u>41,340</u>	<u>-</u>	<u>4,845</u>
Dividends received by the SMM Group	16,157	-	-

	Sociedad Minera Cerro Verde S.A.A.	Sierra Gorda S.C.M.	Quebrada Blanca Holdings SpA
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Net sales	3,770,615	-	97,320
Profit (loss)	1,069,806	-	(60,428)
Other comprehensive income	575,108	-	147,945
Total comprehensive income	<u>1,644,915</u>	<u>-</u>	<u>87,517</u>
The SMM Group's share:			
Net sales	791,831	-	32,440
Profit (loss)	216,943	-	(9,730)
Other comprehensive income	120,774	-	49,310
Total comprehensive income	<u>337,718</u>	<u>-</u>	<u>39,580</u>
Dividends received by the SMM Group	131,991	-	-



2) Associates individually immaterial to the SMM Group

The total carrying amount of investments in associates individually immaterial to the SMM Group are as follows.

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total carrying amount	93,805	110,350	901,479

The SMM Group's share of total comprehensive income of associates individually immaterial to the SMM Group are as follows.

	FY2020 (From April 1, 2020 to March 31, 2021)	FY2021 (From April 1, 2021 to March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Share of profit of the associates	7,169	27,644	225,831
Share of other comprehensive income of the associates	40	4,529	36,999
Share of total comprehensive income of the associates	7,209	32,173	262,830

(2) Investments in joint ventures

The total carrying amounts of investments in joint ventures individually immaterial to the SMM Group are as follows.

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total carrying amount	37,334	40,231	328,658

The SMM Group's share of total comprehensive income of joint ventures individually immaterial to the SMM Group are as follows.

	FY2020 (From April 1, 2020 to March 31, 2021)	FY2021 (From April 1, 2021 to March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Share of profit of the joint ventures	3,901	4,528	36,990
Share of other comprehensive income of the joint ventures	419	(82)	(670)
Share of total comprehensive income of the joint ventures	4,320	4,446	36,321

## 16. Other Financial Assets

### (1) Breakdown of other financial assets

The breakdown of other financial assets is as follows.

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Equity securities	215,268	263,262	2,150,658
Loans receivable	138,433	118,145	965,158
Time deposits	76	45,319	370,223
Derivative assets	3,818	5,023	41,034
Financial assets for the contingent consideration	–	4,234	34,589
Other	865	866	7,075
Total	<u>358,460</u>	<u>436,849</u>	<u>3,568,736</u>
Current assets	3,995	49,342	403,088
Non-current assets	354,465	387,507	3,165,648
Total	<u>358,460</u>	<u>436,849</u>	<u>3,568,736</u>

Derivative assets and financial assets for the contingent consideration are classified as financial assets measured at fair value through profit or loss; equity securities as financial assets measured at fair value through other comprehensive income; and loans receivable and time deposits as financial assets measured at amortized cost.

### (2) Equity financial assets measured at fair value through other comprehensive income

Equity securities are held primarily for the purpose of maintaining and enhancing business relationships, and therefore, designated as financial assets measured at fair value through other comprehensive income.

The fair value of major issues of equity financial assets measured at fair value through other comprehensive income held by the SMM Group as of the fiscal year-end and dividend income from these financial assets are as follows.

Issue	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
PT Vale Indonesia Tbk	49,706	85,039	694,706
TOYOTA MOTOR CORPORATION	47,237	60,924	497,704
Teck Resources Limited	10,942	22,248	181,750
Sumitomo Forestry Co., Ltd.	24,123	21,919	179,062
Sumitomo Realty & Development Co., Ltd.	18,272	15,854	129,516
Other	64,988	57,278	467,919
Total	<u>215,268</u>	<u>263,262</u>	<u>2,150,658</u>

	FY2020 (From April 1, 2020 to March 31, 2021)	FY2021 (From April 1, 2021 to March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Dividend income from financial assets held by the SMM Group as of the fiscal year-end	3,620	4,949	40,430

(3) Derecognition of financial assets measured at fair value through other comprehensive income

The financial assets measured at fair value through other comprehensive income disposed of during the period are as follows.

FY2020 (From April 1, 2020 to March 31, 2021)			FY2021 (From April 1, 2021 to March 31, 2022)		
Fair value at time of sale	Accumulated gains (losses)	Dividend income	Fair value at time of sale	Accumulated gains (losses)	Dividend income
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
823	(107)	11	7,414	4,575	158
FY2021 (From April 1, 2021 to March 31, 2022)					
Fair value at time of sale	Accumulated gains (losses)	Dividend income			
Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars			
60,567	37,374	1,291			

These assets were sold primarily due to the reconsideration of business relationships. Accumulated gains net of tax were reclassified from other components of equity into retained earnings at the time of sale. The amounts of such reclassification for FY2020 and FY2021 are ¥(74) million and ¥3,175 million (U.S. \$25,937 thousand), respectively.

Furthermore, for the financial assets measured at fair value through other comprehensive income, those whose fair value declined significantly when compared with their cost, accumulated losses net of tax were reclassified from other components of equity into retained earnings if the decline is deemed other-than-temporary. There was no amount of such reclassification for FY2020. For FY2021, the amount is ¥(62) million (U.S. \$(506) thousand).

17. Other Assets

The breakdown of other assets is as follows.

	FY2020	FY2021	
	(As of March 31, 2021)	(As of March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Other current assets			
Bullion in storage	16,338	15,505	126,664
Advance payments to suppliers	5,268	14,741	120,423
Prepaid expenses	6,124	6,139	50,151
Suspense payments	1,872	2,292	18,724
Consumption taxes receivable	1,312	1,358	11,094
Other	3,580	4,319	35,283
Total	<u>34,494</u>	<u>44,354</u>	<u>362,340</u>
Other non-current assets			
Retirement benefit asset	13,805	18,268	149,236
Long-term prepaid expenses	7,506	7,347	60,020
Other	1,707	2,234	18,250
Total	<u>23,018</u>	<u>27,849</u>	<u>227,506</u>

## 18. Income Taxes

### (1) Deferred tax assets and deferred tax liabilities

The breakdown of major factors giving rise to deferred tax assets and deferred tax liabilities and the changes therein are as follows.

FY2020 (From April 1, 2020 to March 31, 2021)

	As of April 1, 2020	Recognized through profit or loss	Recognized in other comprehensive income	Other	As of March 31, 2021
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Deferred tax assets					
Exploration costs	121	(69)	–	(5)	47
Inventories	2,521	367	–	–	2,888
Property, plant and equipment	3,082	(396)	–	–	2,686
Provisions	5,764	(563)	–	33	5,234
Lease liabilities	98	105	–	–	203
Retirement benefit asset and liability	4,023	(128)	(3,895)	–	–
Unused tax losses	6,173	1,430	–	(376)	7,227
Other	5,354	1,708	–	38	7,100
Total	<u>27,136</u>	<u>2,454</u>	<u>(3,895)</u>	<u>(310)</u>	<u>25,385</u>
Deferred tax liabilities					
Property, plant and equipment	(7,530)	(158)	–	329	(7,359)
Other financial assets	(8,771)	(9,686)	(17,525)	(95)	(36,077)
Retained earnings at subsidiaries and associates	(22,551)	8,832	–	288	(13,431)
Reserves	(12,917)	143	–	–	(12,774)
Retirement benefit asset and liability	–	(599)	–	–	(599)
Other	(4,295)	802	–	–	(3,493)
Total	<u>(56,064)</u>	<u>(666)</u>	<u>(17,525)</u>	<u>522</u>	<u>(73,733)</u>

FY2021 (From April 1, 2021 to March 31, 2022)

	As of April 1, 2021	Recognized through profit or loss	Recognized in other comprehensive income	Other	As of March 31, 2022
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Deferred tax assets					
Exploration costs	47	33	–	9	89
Inventories	2,888	3,024	–	–	5,912
Property, plant and equipment	2,686	(420)	–	–	2,266
Provisions	5,234	105	–	–	5,339
Lease liabilities	203	27	–	–	230
Retirement benefit asset and liability	–	1,558	(1,558)	–	–
Unused tax losses	7,227	(7,497)	–	437	167
Other	7,100	3,779	–	(884)	9,995
Total	<u>25,385</u>	<u>609</u>	<u>(1,558)</u>	<u>(438)</u>	<u>23,998</u>
Deferred tax liabilities					
Property, plant and equipment	(7,359)	(693)	–	(673)	(8,725)
Other financial assets	(36,077)	(648)	(12,651)	(231)	(49,607)
Retained earnings at subsidiaries and associates	(13,431)	(3,041)	–	(1,000)	(17,472)
Reserves	(12,774)	(1,294)	–	–	(14,068)
Retirement benefit asset and liability	(599)	(3,852)	–	–	(4,451)
Other	(3,493)	(168)	–	–	(3,661)
Total	<u>(73,733)</u>	<u>(9,696)</u>	<u>(12,651)</u>	<u>(1,904)</u>	<u>(97,984)</u>

	As of April 1, 2021	Recognized through profit or loss	Recognized in other comprehensive income	Other	As of March 31, 2022
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
<b>Deferred tax assets</b>					
Exploration costs	384	270	–	74	727
Inventories	23,593	24,704	–	–	48,297
Property, plant and equipment	21,943	(3,431)	–	–	18,512
Provisions	42,758	858	–	–	43,616
Lease liabilities	1,658	221	–	–	1,879
Retirement benefit asset and liability	–	12,728	(12,728)	–	–
Unused tax losses	59,039	(61,245)	–	3,570	1,364
Other	58,002	30,872	–	(7,222)	81,652
<b>Total</b>	<b>207,377</b>	<b>4,975</b>	<b>(12,728)</b>	<b>(3,578)</b>	<b>196,046</b>
<b>Deferred tax liabilities</b>					
Property, plant and equipment	(60,118)	(5,661)	–	(5,498)	(71,277)
Other financial assets	(294,723)	(5,294)	(103,349)	(1,887)	(405,253)
Retained earnings at subsidiaries and associates	(109,721)	(24,843)	–	(8,169)	(142,733)
Reserves	(104,354)	(10,571)	–	–	(114,925)
Retirement benefit asset and liability	(4,893)	(31,468)	–	–	(36,361)
Other	(28,535)	(1,372)	–	–	(29,908)
<b>Total</b>	<b>(602,345)</b>	<b>(79,209)</b>	<b>(103,349)</b>	<b>(15,554)</b>	<b>(800,457)</b>

The SMM Group considers the possibility that a portion or all of the deductible temporary differences or unused tax losses can be utilized against future taxable profits upon recognition of deferred tax assets. In assessing the recoverability of deferred tax assets, the SMM Group considers the scheduled reversal of deferred tax liabilities, projected future taxable profits, and tax planning strategies.

Based on the level of historical taxable profits and projected future taxable profits for the periods in which the deferred tax assets can be recognized, the SMM Group has determined that it is probable that the tax benefits can be realized from recognized deferred tax assets. However, the periods in which taxable profits are generated and the amount may be affected by future changes in economic conditions, and the amounts on the consolidated financial statements for the next fiscal year may be affected if it becomes necessary to review the periods and amount.

The unused tax losses and deductible temporary differences for which deferred tax assets were not recognized are as follows.

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Unused tax losses	12,974	15,161	123,854
Deductible temporary differences	2,753	1,807	14,762
<b>Total</b>	<b>15,727</b>	<b>16,968</b>	<b>138,616</b>

The unused tax losses for which deferred tax assets were not recognized will expire as follows.

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
1st year	97	119	972
2nd year	126	105	858
3rd year	118	181	1,479
4th year	233	165	1,348
5th year and after	12,400	14,591	119,198
Total	<u>12,974</u>	<u>15,161</u>	<u>123,854</u>

Deferred tax liabilities related to the temporary differences are not recognized in cases where the SMM Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future. Taxable temporary differences related to investments in consolidated subsidiaries and other entities, for which deferred tax liabilities were not recognized, as of March 31, 2021 and March 31, 2022 totaled ¥227,346 million, and ¥236,347 million (U.S. \$1,930,782 thousand), respectively.

(2) Income tax expense

The breakdown of income tax expense is as follows.

	FY2020 (From April 1, 2020 to March 31, 2021)	FY2021 (From April 1, 2021 to March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Current tax expense	26,458	49,816	406,960
Deferred tax expense			
Origination and reversal of temporary differences	(1,193)	8,428	68,851
Assessed recoverability of deferred tax assets	337	659	5,384
Changes in applicable tax rates and other factors	(932)	–	–
Total	<u>24,670</u>	<u>58,903</u>	<u>481,194</u>

The tax reforms were implemented in the Netherlands during FY2020. Accordingly, the SMM Group has revised the valuation of deferred tax assets and deferred tax liabilities.

Current tax expense includes the benefits that arose from previously unrecognized unused tax losses or temporary differences for prior periods. Such benefits helped decrease current tax expense by ¥102 million and ¥222 million (U.S. \$1,814 thousand) for FY2020 and FY2021, respectively.

Deferred tax expense includes the benefits that arose from previously unrecognized unused tax losses or temporary differences for prior periods. Such benefits helped decrease deferred tax expense by ¥9 million and ¥111 million (U.S. \$907 thousand) for FY2020 and FY2021, respectively.



The following shows the reconciliation of differences between the Japanese statutory tax rates and the average effective tax rates for the SMM Group for FY2020 and FY2021.

	FY2020 (From April 1, 2020 to March 31, 2021)	FY2021 (From April 1, 2021 to March 31, 2022)
	%	%
Japanese statutory tax rates	30.6	30.6
Changes in unrecognized deferred tax assets	0.0	(7.1)
Non-taxable revenues	(0.9)	(0.0)
Differences in applicable tax rates of consolidated subsidiaries	(4.0)	(4.8)
Changes in tax effects of undistributed profit of subsidiaries and associates	(0.7)	0.6
Share of profit (loss) of investments accounted for using equity method	(2.4)	(4.0)
Tax credit	(0.9)	(0.5)
Other	(1.7)	1.7
Average effective tax rates	<u>20.0</u>	<u>16.5</u>

Effective tax rates represent the rate of income tax on profit before taxes.

The SMM Group is subject to the Japanese corporate tax, inhabitant tax and business tax. The SMM Group's statutory income tax rates calculated based on these taxes for FY2020 and FY2021 are 30.6%. Overseas consolidated subsidiaries, however, are subject to local corporate and other taxes.

#### 19. Trade and Other Payables

The breakdown of trade and other payables is as follows.

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Accounts payable – trade	101,966	135,579	1,107,581
Accounts payable	35,354	54,995	449,269
Other	13,808	15,439	126,125
Total	<u>151,128</u>	<u>206,013</u>	<u>1,682,975</u>

Trade and other payables are classified as financial liabilities measured at amortized cost.

## 20. Other Financial Liabilities (Including Bonds and Borrowings)

### (1) Breakdown of financial liabilities

The breakdown of “bonds and borrowings” and “other financial liabilities” is as follows.

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)		Average interest rate (Note)	Due date
	Millions of yen	Millions of yen	Thousands of U.S. dollars	%	
Short-term borrowings	44,519	52,225	426,640	0.64	–
Current portion of long-term borrowings	46,222	38,881	317,629	1.18	–
Current portion of bonds payable	29,984	–	–	–	–
Convertible bond-type bonds with share acquisition rights	29,749	29,877	244,073	–	–
Long-term borrowings	190,053	180,382	1,473,589	0.71	From April 5, 2023 to August 29, 2031
Bonds payable	19,900	29,867	243,992	0.15	From December 13, 2024 to December 13, 2029
Lease liabilities	11,505	10,580	86,431	1.64	From April 5, 2022 to June 25, 2097
Derivative liabilities	6,105	5,394	44,065	–	–
Other	683	632	5,163	–	–
Total	<u>378,720</u>	<u>347,838</u>	<u>2,841,582</u>		
Current liabilities	<u>127,519</u>	<u>128,010</u>	<u>1,045,748</u>		
Non-current liabilities	<u>251,201</u>	<u>219,828</u>	<u>1,795,834</u>		
Total	<u>378,720</u>	<u>347,838</u>	<u>2,841,582</u>		

Note: The item “average interest rate” represents the weighted average interest rates for the balances as of the end of FY2021.

Restrictive financial covenants have been attached to some of the SMM Group’s borrowings; the covenants require, for example, that the SMM Group maintain a certain level of net assets. No events resulting in a breach of the covenants have occurred during FY2020 and FY2021.

Short-term borrowings, current portion of long-term borrowings, current portion of bonds payable, long-term borrowings, bonds payable, and the bond portion of convertible bond-type bonds with share acquisition rights are classified as financial liabilities measured at amortized cost. Derivative liabilities are classified as financial liabilities measured at fair value through profit or loss.

Terms and conditions for bond issuance are summarized below.

Company name	Issue	Issuance date	FY2020	FY2021	
			(As of March 31, 2021)	(As of March 31, 2022)	
			Millions of yen	Millions of yen	Thousands of U.S. dollars
Sumitomo Metal Mining Co., Ltd.	29th series straight bonds	August 31, 2011	9,997	–	–
Sumitomo Metal Mining Co., Ltd.	30th series straight bonds	September 18, 2018	19,987	–	–
Sumitomo Metal Mining Co., Ltd.	31st series straight bonds	December 13, 2019	9,957	9,967	81,423
Sumitomo Metal Mining Co., Ltd.	32nd series straight bonds	December 13, 2019	9,943	9,949	81,276
Sumitomo Metal Mining Co., Ltd.	33rd series straight bonds	September 15, 2021	–	9,951	81,292
Sumitomo Metal Mining Co., Ltd.	Euro-yen denominated convertible bond-type bonds with share acquisition rights due 2023	March 15, 2018	29,749	29,877	244,073
Total			79,633	59,744	488,065

Company name	Coupon rate	Collateral	Redemption date
	%		
Sumitomo Metal Mining Co., Ltd.	–	–	–
Sumitomo Metal Mining Co., Ltd.	–	–	–
Sumitomo Metal Mining Co., Ltd.	0.10	None	December 13, 2024
Sumitomo Metal Mining Co., Ltd.	0.25	None	December 13, 2029
Sumitomo Metal Mining Co., Ltd.	0.09	None	September 15, 2026
Sumitomo Metal Mining Co., Ltd.	–	None	March 15, 2023
Total			

(2) Assets pledged as collateral

Assets pledged as collateral are as follows.

	FY2020	FY2021	
	(As of March 31, 2021)	(As of March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Investments accounted for using equity method (Note)	0	–	–
Total	0	–	–

Liabilities with collateral are as follows.

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Long-term borrowings (including current portion)	25,198	16,707	136,484
Total	<u>25,198</u>	<u>16,707</u>	<u>136,484</u>

Note: For FY2020, the assets pledged as collateral are for the borrowings that Sierra Gorda S.C.M. borrowed from financial institutions. In the case of a default in the repayment of principal and/or payment of interest of the loans that became due or a failure to comply with the representations and warranties or financial covenants, the financial institution can exercise its right to dispose of the assets pledged as collateral and appropriate the proceeds from such disposal for repaying or offsetting the loan amount.

There is no pertinent information for FY2021.

Aside from the above, shares of consolidated subsidiaries (the amount before inter-company eliminations) are also pledged as collateral as follows.

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Shares of consolidated subsidiaries (amount before inter-company eliminations)	28,032	28,032	229,001
Total	<u>28,032</u>	<u>28,032</u>	<u>229,001</u>

## 21. Leases

The SMM Group's lease assets include buildings and structures; machinery, equipment and vehicles; tools; furniture and fixtures; and land as a lessee. Right-of-use assets are included in "Property, plant and equipment," and lease liabilities are included in "Other financial liabilities" (current) and "Other financial liabilities" (non-current) in the consolidated statement of financial position. Some contracts include a renewal option. There are no restrictions imposed by lease contracts such as significant renewal or purchase options, or escalation clauses.

### (1) Right-of-use assets

The breakdown of the carrying amounts of right-of-use assets as of March 31, 2022 is presented in "Note 11. Property, Plant and Equipment, (2) Right-of-use assets."

Additions to right-of-use assets are as follows.

	FY2020 (From April 1, 2020 to March 31, 2021)	FY2021 (From April 1, 2021 to March 31, 2022)	FY2021 (From April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Right-of-use assets increased	<u>2,460</u>	<u>1,104</u>	<u>9,019</u>

(2) Lease liabilities

The balances of lease liabilities by due date as of March 31, 2022 are as follows.

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)	FY2021 (As of March 31, 2022)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Due within one year	2,153	2,077	16,968
Due after one year through five years	5,040	4,910	40,111
Due after five years	4,312	3,593	29,352
Total balance of lease liabilities	11,505	10,580	86,431

(3) Amounts presented in the consolidated statement of profit or loss

The breakdown of items related to leases is as follows.

	FY2020 (From April 1, 2020 to March 31, 2021)	FY2021 (From April 1, 2021 to March 31, 2022)	FY2021 (From April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Depreciation of right-of-use assets			
Land, buildings and structures	818	823	6,723
Machinery, equipment and vehicles	1,107	1,213	9,909
Tools, furniture and fixtures	9	6	49
Total depreciation	1,934	2,042	16,682
Interest expense related to lease liabilities	147	162	1,323
Lease expenses arising from short- term lease exemptions	203	687	5,612
Lease expenses arising from low- value asset exemptions	46	95	776
Total lease expenses	2,330	2,986	24,393

(4) Amount recognized in the consolidated statement of cash flows

The total amount of cash outflows related to leases is as follows.

	FY2020 (From April 1, 2020 to March 31, 2021)	FY2021 (From April 1, 2021 to March 31, 2022)	FY2021 (From April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total amount of cash outflows related to leases	2,214	2,822	23,054

## 22. Provisions

The breakdown of provisions and their changes during the period are as follows.

	Provision for decommissioning preparations	Asset retirement obligations	Provision for bonuses	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of March 31, 2021	7,957	14,470	3,756	1,419	27,602
Increases	917	1,327	5,060	574	7,878
Effect of changes in the discount rate	–	820	–	–	820
Unwinding of discount	–	99	–	–	99
Decreases (utilized)	(2,418)	(54)	(3,756)	(379)	(6,607)
Decreases (reversed)	–	–	–	(84)	(84)
Exchange differences on translation	–	1,491	2	7	1,500
As of March 31, 2022	6,456	18,153	5,062	1,537	31,208
Current liabilities	–	105	3,756	1,091	4,952
Non-current liabilities	7,957	14,365	–	328	22,650
Total (as of March 31, 2021)	7,957	14,470	3,756	1,419	27,602
Current liabilities	–	53	5,062	986	6,101
Non-current liabilities	6,456	18,100	–	551	25,107
Total (as of March 31, 2022)	6,456	18,153	5,062	1,537	31,208

  

	Provision for decommissioning preparations	Asset retirement obligations	Provision for bonuses	Other	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2021	65,003	118,209	30,684	11,592	225,488
Increases	7,491	10,841	41,336	4,689	64,357
Effect of changes in the discount rate	–	6,699	–	–	6,699
Unwinding of discount	–	809	–	–	809
Decreases (utilized)	(19,753)	(441)	(30,684)	(3,096)	(53,974)
Decreases (reversed)	–	–	–	(686)	(686)
Exchange differences on translation	–	12,180	16	57	12,254
As of March 31, 2022	52,741	148,297	41,353	12,556	254,946
Current liabilities	–	433	41,353	8,055	49,841
Non-current liabilities	52,741	147,864	–	4,501	205,106
Total (as of March 31, 2022)	52,741	148,297	41,353	12,556	254,946

### (1) Provision 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. As certain losses are anticipated to be incurred depending on the conditions of dismantlement and decontamination of its facilities in the future, the Company will post a provision for decommissioning preparations for losses that can be reasonably estimated.

An outflow of economic benefits is expected to take place mostly after one year from the end of the fiscal year, which, however, can vary depending on future business plans and other factors.

### (2) Asset retirement obligations

The amount of asset retirement obligations is the reasonable estimate of the expenses required for the Company under the business plan and its consolidated subsidiaries to fulfill their obligations under individual leasing contracts and restoration obligations under mining laws and regulations of each jurisdiction. Furthermore, for the SMM Group's business establishments, subsidiaries and associates

in Japan, the amount of asset retirement obligations is based on the reasonable estimate of retirement, research and other expenses required to fulfill their obligations, for example to retire assets and conduct environmental researches in a special manner provided by asbestos related laws and regulations (such as the Ordinance on Prevention of Asbestos Hazards) and dioxins related laws and regulations (such as the Ordinance on Industrial Safety and Health).

An outflow of economic benefits is expected to take place mostly after one year from the end of the fiscal year, which, however, can vary depending on future business plans and other factors.

(3) Provision for bonuses

Regarding payment of bonuses to employees and executive officers, the amount that is expected to be paid is calculated and stated at that amount.

An outflow of economic benefits is expected to take place within a year from the end of fiscal year.

23. Employee Benefits

The SMM Group has adopted both funded and unfunded defined benefit plans and defined contribution plans as retirement benefits for its employees, which cover substantially all of the employees. Although the SMM Group's defined benefit plans are exposed to the following risks, we believe that none of these risks are material.

(i) Investment risk

The present value of the defined benefit obligations is calculated based on a discount rate that is determined by reference to market yields on high quality corporate bonds at the fiscal year-end. In the event the investment yields for plan assets fall below the discount rate, worsened funded status may lead to a reduction in equity.

(ii) Interest rate risk

In case the discount rate is lowered due to a decline in market yields on high quality corporate bonds, the present value of the defined benefit obligations increases, and as a result, worsened funded status may lead to a reduction in equity.

(iii) Inflation risk

Some of the SMM Group's defined benefit plan is linked to inflation. In case the inflation rate keeps rising, the present value of the defined benefit obligations increases, and as a result, worsened funded status may lead to a reduction in equity.

(iv) Longevity risk

If the average life expectancy of the participants in the plans rises, the present value of the defined benefit obligations increases, and as a result, worsened funded status may lead to a reduction in equity.

The funded defined benefit plans are run by pension funds legally isolated from the SMM Group. Institutions undertaking the investment of pension funds are required by laws and regulations to act in the best interest of participants in the pension plans, and are responsible for managing the plan assets in accordance with established policies.

The present value of defined benefit obligation and the related current and past service cost are calculated by using the projected unit credit method.

The discount rate is determined by reference to market yields on high quality corporate bonds as of the fiscal year-end, corresponding to the discount period, which is set based on the period up to the expected benefit payment date for each fiscal year in the future.

Liability or asset associated with a defined benefit plan is calculated by subtracting the fair value of the plan assets from the present value of defined benefit obligation.

Remeasurements of the defined benefit plans is recognized in full as other comprehensive income when such remeasurements occur, and transferred immediately from other components of equity to retained earnings.

Past service cost is recognized as an expense on a straight-line basis over the average period until the benefits are vested. In the event the benefits are already vested immediately after introduction of or amendment to the defined benefit plan, past service cost is recognized as profit or loss for the period when they occur.

Retirement benefit expenses associated with the defined contribution plans are recognized when the contribution is made.

(1) Retirement benefits

1) Defined benefit plan

(i) Reconciliation of defined benefit obligations and plan assets

The relation between defined benefit obligations and plan assets and net defined benefit liability (asset) on the consolidated statement of financial position is as follows.

	FY2020 (As of March 31, 2021)	(Thousands of U.S. dollars)	
		(Millions of yen)	
		FY2021 (As of March 31, 2022)	
Present value of funded defined benefit obligations	68,900	68,176	556,948
Fair value of plan assets	(79,440)	(83,765)	(684,299)
Subtotal	(10,540)	(15,589)	(127,351)
Present value of unfunded defined benefit obligations	2,586	2,631	21,493
Net defined benefit liability (asset)	(7,954)	(12,958)	(105,857)
Amounts on the consolidated statement of financial position			
Retirement benefit liability	5,851	5,310	43,379
Retirement benefit asset (Note)	(13,805)	(18,268)	(149,236)
Net liability (asset) on the consolidated statement of financial position	(7,954)	(12,958)	(105,857)

Note: Retirement benefit asset is included in "other non-current assets" on the consolidated statement of financial position.



(ii) Reconciliation of present value of defined benefit obligations

Changes in the present value of defined benefit obligations are as follows.

		(Millions of yen)	(Thousands of U.S. dollars)
	FY2020 (From April 1, 2020 to March 31, 2021)	FY2021 (From April 1, 2021 to March 31, 2022)	
Defined benefit obligation at beginning of period	72,849	71,486	583,988
Service cost	2,252	2,248	18,365
Interest expenses	389	448	3,660
Remeasurements			
Actuarial gains and losses arising from changes in demographic assumptions	(178)	101	825
Actuarial gains and losses arising from changes in financial assumptions	(568)	(1,536)	(12,548)
Past service cost	129	1,273	10,399
Benefits paid	(3,499)	(3,244)	(26,501)
Exchange differences on translation	29	105	858
Other	83	(74)	(605)
Defined benefit obligation at end of period	71,486	70,807	578,441

The weighted-average duration of the defined benefit obligations was 11 years and 13 years for FY2020 and FY2021, respectively.

(iii) Reconciliation of fair value of plan assets

Changes in the fair value of the plan assets are as follows.

		(Millions of yen)	(Thousands of U.S. dollars)
	FY2020 (From April 1, 2020 to March 31, 2021)	FY2021 (From April 1, 2021 to March 31, 2022)	
Fair value of the plan assets at beginning of period	66,167	79,440	648,967
Interest revenue	194	277	2,263
Remeasurements			
Return on plan assets	11,788	3,783	30,904
Contribution to the plan			
Contribution from employers	2,355	1,812	14,803
Contribution from participants in the plan	88	89	727
Benefits paid	(1,578)	(1,781)	(14,549)
Other	426	145	1,185
Fair value of the plan assets at end of period	79,440	83,765	684,299

The SMM Group plans to make contributions of ¥1,227 million (U.S. \$10,024 thousand) in the next fiscal year (ending March 31, 2023).

(iv) Breakdown of plan assets by item

Major components of the plan assets are as follows.

Breakdown of fair value by asset class

(Millions of yen)

	FY2020 (As of March 31, 2021)			FY2021 (As of March 31, 2022)		
	With quoted prices in active markets	With no quoted prices in active markets	Total	With quoted prices in active markets	With no quoted prices in active markets	Total
Japanese equity securities	24,993	–	24,993	27,493	–	27,493
Foreign equity securities	13,263	–	13,263	14,555	–	14,555
Japanese debt securities	10,765	10,342	21,107	10,922	10,628	21,550
Foreign debt securities	10,034	–	10,034	9,160	–	9,160
General accounts of insurance companies	–	1,176	1,176	–	1,135	1,135
Other	7,225	1,642	8,867	8,354	1,518	9,872
Total plan assets	66,280	13,160	79,440	70,484	13,281	83,765

(Thousands of U.S. dollars)

	FY2021 (As of March 31, 2022)		
	With quoted prices in active markets	With no quoted prices in active markets	Total
Japanese equity securities	224,598	–	224,598
Foreign equity securities	118,904	–	118,904
Japanese debt securities	89,225	86,823	176,048
Foreign debt securities	74,830	–	74,830
General accounts of insurance companies	–	9,272	9,272
Other	68,246	12,401	80,647
Total plan assets	575,803	108,496	684,299

The SMM Group's policy for managing plan assets is to secure stable returns over the medium to long term so that it can ensure the payment of defined benefit obligations in the future, in accordance with company regulations. More specifically, the SMM Group sets a target return and defines asset allocation within the range of tolerable risk defined annually, and seeks to maintain such target return and asset allocation in managing the plan assets. Each time the SMM Group reviews the asset allocation, it examines whether it should introduce the type of plan assets linked closely to changes in defined benefit obligations.

Also, based on the Defined Benefit Corporate Pension Act, the SMM Group regularly reviews the amount of contributions. Specifically, the SMM Group recalculates the amount of contributions every five years to maintain a well-balanced financial position.

In addition, the SMM Group has adopted an investment policy to minimize any mismatch between assets and liabilities so that it can secure stable investment returns over the medium to long term. Specifically, the SMM Group has invested primarily in low-risk long-term debt securities to suppress fluctuations in investment returns and stabilize funding ratios.

(v) Major actuarial assumptions

Major assumptions used for the actuarial calculation are as follows.

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
Discount rate	0.60%	0.80%

(vi) Sensitivity analysis

The impact of 0.5% changes in the discount rates used for actuarial calculations on the present value of the defined benefit obligations is as follows. Although the analysis assumes that all the other variables remain constant, changes in other assumptions may actually affect the results of the sensitivity analysis.

		(Millions of yen)		(Thousands of U.S. dollars)
		FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)	
Discount rate	0.5% increase	(3,254)	(3,799)	(31,035)
	0.5% decrease	3,513	4,174	34,099

2) Defined contribution plan

The amounts recognized as expenses associated with a defined contribution plan are ¥3,410 million and ¥3,774 million (U.S. \$30,831 thousand) for FY2020 and FY2021, respectively. Furthermore, the above amount includes the portion of employees' pension insurance premiums borne by the employer.

24. Other Liabilities

The breakdown of other liabilities is as follows.

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Other current liabilities			
Borrowed bullion	16,338	15,505	126,664
Accrued consumption taxes	669	1,579	12,899
Deposits received	802	878	7,173
Other	1,370	1,765	14,419
Total	<u>19,179</u>	<u>19,727</u>	<u>161,155</u>
Other non-current liabilities			
Other	951	671	5,482
Total	<u>951</u>	<u>671</u>	<u>5,482</u>

25. Equity and Other Components of Equity

(1) Share capital and capital surplus

Changes in the numbers of authorized shares and issued shares are as follows.

	Number of authorized shares	Number of issued shares
	Shares	Shares
The beginning of FY2020 (As of April 1, 2020)	500,000,000	290,814,015
Increase (decrease) during the period	-	-
FY2020 (As of March 31, 2021)	500,000,000	290,814,015
Increase (decrease) during the period	-	-
FY2021 (As of March 31, 2022)	<u>500,000,000</u>	<u>290,814,015</u>

Note: The shares issued by the Company are ordinary shares with no par value that have no restrictions on any rights. The issued shares have been fully paid up.

(2) Treasury shares

Changes in the number of treasury shares are as follows.

	<u>Number of shares</u>	<u>Amount</u>
	Shares	Millions of yen
The beginning of FY2020 (As of April 1, 2020)	16,032,485	38,002
Increase (decrease) during the period (Note 1)	6,234	25
FY2020 (As of March 31, 2021)	<u>16,038,719</u>	<u>38,027</u>
Increase (decrease) during the period (Note 2)	5,840	29
FY2021 (As of March 31, 2022)	<u><u>16,044,559</u></u>	<u><u>38,056</u></u>
	<u>Amount</u>	
	Thousands of U.S. dollars	
FY2020 (As of March 31, 2021)	310,653	
Increase (decrease) during the period (Note 2)	237	
FY2021 (As of March 31, 2022)	<u><u>310,890</u></u>	

Notes: 1. The number of treasury shares increased by 6,565 shares during the period. The increase is attributable to the purchase of fractional shares.

The number of treasury shares decreased by 331 shares during the period. The decrease is attributable to sale of fractional shares to meet the demand for sale of shares less than one unit.

2. The number of treasury shares increased by 5,881 shares during the period. The increase is attributable to the purchase of fractional shares.

The number of treasury shares decreased by 41 shares during the period. The decrease is attributable to sale of fractional shares to meet the demand for sale of shares less than one unit.

(3) Capital surplus

The Companies Act of Japan (hereinafter the “Companies Act”) provides that at least half the amount of money paid in for issuance of shares or the amount of properties other than money delivered be credited to the share capital, and the remainder be credited to legal capital reserve, which is part of capital surplus. The Companies Act also provides that legal capital reserve may be credited to share capital pursuant to a resolution at the general meeting of shareholders.

(4) Retained earnings

The Companies Act provides that an amount equal to 10% of the dividends paid from surplus be transferred to legal capital reserve and legal retained earnings until the aggregate amount of legal capital reserve and legal retained earnings equals 25% of share capital. The amount accumulated in legal retained earnings may be used to offset deficit. Further, the Companies Act provides that legal retained earnings may be reversed pursuant to a resolution at the general meeting of shareholders.

## 26. Dividends

### (1) Dividends paid

FY2020 (From April 1, 2020 to March 31, 2021)

Date of resolution	Total dividend amount	Dividend per share	Record date	Effective date
	Millions of yen	Yen		
Ordinary General Meeting of Shareholders held on June 26, 2020	10,716	39	March 31, 2020	June 29, 2020
Board of Directors meeting held on November 9, 2020	6,045	22	September 30, 2020	December 9, 2020

FY2021 (From April 1, 2021 to March 31, 2022)

Date of resolution	Total dividend amount		Dividend per share		Record date	Effective date
	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Ordinary General Meeting of Shareholders held on June 25, 2021	27,203	222,229	99	0.81	March 31, 2021	June 28, 2021
Board of Directors meeting held on November 8, 2021	31,049	253,648	113	0.92	September 30, 2021	December 7, 2021

### (2) Dividends with effective date falling in the following fiscal year are as follows.

FY2020 (From April 1, 2020 to March 31, 2021)

Date of resolution	Total dividend amount	Dividend per share	Record date	Effective date
	Millions of yen	Yen		
Ordinary General Meeting of Shareholders on June 25, 2021	27,203	99	March 31, 2021	June 28, 2021

FY2021 (From April 1, 2021 to March 31, 2022)

Date of resolution	Total dividend amount		Dividend per share		Record date	Effective date
	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Ordinary General Meeting of Shareholders on June 24, 2022	51,657	422,000	188	1.54	March 31, 2022	June 27, 2022

## 27. Net Sales

### (1) Disaggregation of revenue and relationship with each reportable segment

FY2020 (From April 1, 2020 to March 31, 2021)

	Reportable segments				Other businesses	Total
	Mineral Resources	Smelting & Refining	Materials	Total		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Major products/services						
Ore	127,042	–	–	127,042	–	127,042
Metals						
Copper and precious metals	–	518,557	–	518,557	–	518,557
Nickel	–	160,463	–	160,463	–	160,463
Zinc and lead	–	12,341	–	12,341	–	12,341
Materials						
Powder materials	–	–	37,154	37,154	–	37,154
Battery materials	–	–	95,613	95,613	–	95,613
Package materials	–	–	17,283	17,283	–	17,283
Other	–	2,397	61,483	63,880	9,703	73,583
Subtotal	127,042	693,758	211,533	1,032,333	9,703	1,042,036
Adjustments	(51,354)	(37,222)	(21,494)	(110,070)	(5,844)	(115,914)
Outside customers	75,688	656,536	190,039	922,263	3,859	926,122

FY2021 (From April 1, 2021 to March 31, 2022)

	Reportable segments				Other businesses	Total
	Mineral Resources	Smelting & Refining	Materials	Total		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Major products/services						
Ore	157,315	–	–	157,315	–	157,315
Metals						
Copper and precious metals	–	702,690	–	702,690	–	702,690
Nickel	–	216,269	–	216,269	–	216,269
Zinc and lead	–	20,352	–	20,352	–	20,352
Materials						
Powder materials	–	–	51,194	51,194	–	51,194
Battery materials	–	–	135,860	135,860	–	135,860
Package materials	–	–	21,492	21,492	–	21,492
Other	–	3,030	69,416	72,446	9,843	82,289
Subtotal	157,315	942,341	277,962	1,377,618	9,843	1,387,461
Adjustments	(47,605)	(49,714)	(24,795)	(122,114)	(6,256)	(128,370)
Outside customers	109,710	892,627	253,167	1,255,504	3,587	1,259,091

	Reportable segments				Other businesses	Total
	Mineral Resources	Smelting & Refining	Materials	Total		
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars		
Major products/services						
Ore	1,285,148	–	–	1,285,148	–	1,285,148
Metals						
Copper and precious metals	–	5,740,462	–	5,740,462	–	5,740,462
Nickel	–	1,766,759	–	1,766,759	–	1,766,759
Zinc and lead	–	166,261	–	166,261	–	166,261
Materials						
Powder materials	–	–	418,217	418,217	–	418,217
Battery materials	–	–	1,109,877	1,109,877	–	1,109,877
Package materials	–	–	175,574	175,574	–	175,574
Other	–	24,753	567,078	591,831	80,410	672,241
Subtotal	1,285,148	7,698,235	2,270,746	11,254,130	80,410	11,334,540
Adjustments	(388,898)	(406,127)	(202,557)	(997,582)	(51,107)	(1,048,689)
Outside customers	896,250	7,292,108	2,068,189	10,256,548	29,303	10,285,851

### 1) Mineral Resources

In the Mineral Resources business, the SMM Group mainly engages in sales of gold and silver ores, copper concentrates and copper produced by the SX-EW method. Revenue from sale of these products are in principle measured at the transaction price in contracts with customers, and recognized at the time of delivery of the goods because a performance obligation is satisfied by transferring control over the goods to the customer. The contracts do not contain a significant financing component as the consideration for most transactions is received within one year after the performance obligation is satisfied.

### 2) Smelting & Refining

In the Smelting & Refining business, the SMM Group mainly engages in sales of copper, nickel, ferronickel and zinc, as well as sales of precious metals such as gold, silver, platinum and palladium. Revenues from sale of these products are in principle measured at the transaction price in contracts with customers, and recognized at the time of delivery of the goods because the performance obligations are satisfied when control over the goods is transferred to the customers. The contracts do not contain any significant financing components as the considerations for the transactions are received within one year after the performance obligations are satisfied.

### 3) Materials

In the Materials business, the SMM Group mainly engages in sales of battery materials, pastes, nickel powder, crystal materials and tape materials. Revenues from sale of these products are in principle measured at the transaction price in contracts with customers, and recognized at the time of delivery of the goods because the performance obligations are satisfied when control over the goods is transferred to the customers. Revenues from sale of products using non-free supplied materials over which it was determined that the SMM Group had not obtained control are measured at the amount calculated by deducting the amount relating to the non-free supplied materials from the transaction price under the agreement with the customer. The contracts do not contain any significant financing components as the consideration for the transactions are received within one year after the performance obligations are satisfied.

### (2) Contract balances

Contract balances consist primarily of receivables (notes and accounts receivable-trade) arising from contracts with customers. The balances are presented in “Note 9. Trade and Other Receivables.”

(3) Transaction price allocated to the remaining performance obligations

There are no significant transactions with the individual contract period exceeding one year. The SMM Group has applied the practical expedient provided in paragraph 121 of IFRS 15 and omitted disclosure of the information about the remaining performance obligations with an individual expected contract period of one year or less.

There are no significant considerations from contracts with customers that were not included in the transaction price.

(4) Assets recognized from the costs to obtain or fulfil a contract with a customer

There are no incremental costs to obtain a contract and significant costs to fulfill a contract with a customer that the SMM Group shall recognize as an asset.

28. Breakdown of Expenses by Nature

The breakdown of cost of sales and selling, general and administrative expenses is as follows.

	FY2020	FY2021	
	(From April 1, 2020 to March 31, 2021)	(From April 1, 2021 to March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Material cost and cost of merchandise sold	626,260	845,074	6,903,635
Personnel expenses	62,336	68,396	558,745
Depreciation	42,495	43,731	357,250
Subcontract expenses	22,365	23,787	194,322
Repair expenses	19,221	23,803	194,453
Research and development expenses	6,229	6,648	54,309
Other	42,637	42,569	347,758
Total	821,543	1,054,008	8,610,473



## 29. Finance Income and Costs

### (1) Finance income

The breakdown of finance income is as follows.

	FY2020	FY2021	
	(From April 1, 2020 to March 31, 2021)	(From April 1, 2021 to March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Interest income			
Financial assets measured at amortized cost	8,576	6,695	54,693
Dividend income			
Equity financial assets measured at fair value through other comprehensive income	3,631	5,107	41,720
Foreign exchange gains	2,100	18,203	148,705
Change in fair value of contingent considerations			
Financial assets measured at fair value through profit or loss	–	1,443	11,788
Reversal of allowance for doubtful accounts (Note)	8,648	–	–
Other	–	436	3,562
Total	<u>22,955</u>	<u>31,884</u>	<u>260,469</u>

(Note) Incurred from loans receivable.

### (2) Finance costs

The breakdown of finance costs is as follows.

	FY2020	FY2021	
	(From April 1, 2020 to March 31, 2021)	(From April 1, 2021 to March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Interest expense			
Financial liabilities measured at amortized cost	3,610	2,617	21,379
Lease liabilities	147	162	1,323
Other	1,000	190	1,552
Total	<u>4,757</u>	<u>2,969</u>	<u>24,255</u>

### 30. Other Income and Expenses

(1) The breakdown of other income is as follows.

	FY2020	FY2021	
	(From April 1, 2020 to March 31, 2021)	(From April 1, 2021 to March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Gain on sale of subsidiaries (Note 1)	–	74,520	608,774
Gain on sale of fixed assets	210	1,382	11,290
Gain on remeasurement in conjunction with discontinuing the application of equity method (Note 2)	2,289	–	–
Other	3,258	5,948	48,591
Total	<u>5,757</u>	<u>81,850</u>	<u>668,655</u>

- Notes:
1. During FY2021, gain on sale of subsidiaries of ¥74,520 million (U.S. \$608,774 thousand) was recorded due to the transfer of the entire equity interest in SMM Holland B.V., which had been a consolidated subsidiary of the Company.
  2. During FY2020, in conjunction with exclusion of PT Vale Indonesia Tbk (Smelting & Refining segment) from associates accounted for using equity method due to partial sale of shares of PT Vale Indonesia Tbk, fair value of shares of PT Vale Indonesia Tbk that are still held by the Company after the sale was measured. Accordingly, gain on remeasurement in conjunction with discontinuing the application of equity method of ¥2,289 million was recorded.

(2) The breakdown of other expenses is as follows.

	FY2020	FY2021	
	(From April 1, 2020 to March 31, 2021)	(From April 1, 2021 to March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Foreign exchange losses	3,067	9,458	77,265
Provision for decommissioning preparations	908	917	7,491
Suspended business management expense	784	723	5,906
Maintenance expense of suspended or abandoned mines	2,346	574	4,689
Loss on sale and retirement of fixed assets	1,136	397	3,243
Loss on sale of subsidiaries (Note 1)	–	146	1,193
Loss on sale of shares of associates (Note 2)	1,614	–	–
Other	4,019	3,736	30,520
Total	<u>13,874</u>	<u>15,951</u>	<u>130,308</u>

- Notes:
1. During FY2021, loss on sale of subsidiaries of ¥146 million (U.S. \$1,193 thousand) was recorded due to the transfer of the entire equity interest in SMM-SG Holding Inversiones SpA, which had been a consolidated subsidiary of the Company.
  2. During FY2020, loss on sale of shares of associates of ¥1,614 million was recorded due to partial sale of shares of PT Vale Indonesia Tbk which was an associate accounted for using equity method.

### 31. Other Comprehensive Income

The following table shows the analysis of other comprehensive income by item in terms of the amount that occurred during the period, the amount reclassified to profit or loss, and the effect of income taxes.

FY2020 (From April 1, 2020 to March 31, 2021)

	Amount that occurred during the period	Reclassification adjustment	Amount before tax	Income taxes	Amount after tax
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Items that will not be reclassified to profit or loss:					
Financial assets measured at fair value through other comprehensive income	62,675	–	62,675	(17,754)	44,921
Remeasurements of defined benefit plans	12,534	–	12,534	(3,895)	8,639
Share of other comprehensive income of investments accounted for using equity method	304	–	304	–	304
Total of items that will not be reclassified to profit or loss	75,513	–	75,513	(21,649)	53,864
Items that will be reclassified to profit or loss:					
Cash flow hedges	(1,512)	245	(1,267)	262	(1,005)
Exchange differences on translation of foreign operations	(14,537)	(2)	(14,539)	–	(14,539)
Share of other comprehensive income of investments accounted for using equity method	(10,206)	3,126	(7,080)	–	(7,080)
Total of items that will be reclassified to profit or loss	(26,255)	3,369	(22,886)	262	(22,624)
Total	49,258	3,369	52,627	(21,387)	31,240

FY2021 (From April 1, 2021 to March 31, 2022)

	Amount that occurred during the period	Reclassification adjustment	Amount before tax	Income taxes	Amount after tax
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Items that will not be reclassified to profit or loss:					
Financial assets measured at fair value through other comprehensive income	53,432	–	53,432	(13,684)	39,748
Remeasurements of defined benefit plans	5,218	–	5,218	(1,558)	3,660
Share of other comprehensive income of investments accounted for using equity method	137	–	137	–	137
Total of items that will not be reclassified to profit or loss	58,787	–	58,787	(15,242)	43,545
Items that will be reclassified to profit or loss:					
Cash flow hedges	(3,571)	5,106	1,535	(368)	1,167
Exchange differences on translation of foreign operations	50,605	(3,683)	46,922	–	46,922
Share of other comprehensive income of investments accounted for using equity method	24,534	596	25,130	–	25,130
Total of items that will be reclassified to profit or loss	71,568	2,019	73,587	(368)	73,219
Total	130,355	2,019	132,374	(15,610)	116,764

	Amount that occurred during the period	Reclassification adjustment	Amount before tax	Income taxes	Amount after tax
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Items that will not be reclassified to profit or loss:					
Financial assets measured at fair value through other comprehensive income	436,500	–	436,500	(111,788)	324,712
Remeasurements of defined benefit plans	42,627	–	42,627	(12,728)	29,900
Share of other comprehensive income of investments accounted for using equity method	1,119	–	1,119	–	1,119
Total of items that will not be reclassified to profit or loss	480,247	–	480,247	(124,516)	355,731
Items that will be reclassified to profit or loss:					
Cash flow hedges	(29,172)	41,712	12,540	(3,006)	9,534
Exchange differences on translation of foreign operations	413,406	(30,087)	383,318	–	383,318
Share of other comprehensive income of investments accounted for using equity method	200,425	4,869	205,294	–	205,294
Total of items that will be reclassified to profit or loss	584,658	16,494	601,152	(3,006)	598,146
Total	1,064,905	16,494	1,081,399	(127,522)	953,876

### 32. Earnings per Share

	FY2020 (From April 1, 2020 to March 31, 2021)	FY2021 (From April 1, 2021 to March 31, 2022)
Profit attributable to owners of parent (Millions of yen)	94,604	281,037
Adjustment of profit attributable to owners of parent (Millions of yen)	–	–
Profit used to calculate diluted earnings per share (Millions of yen)	94,604	281,037
Weighted average number of ordinary shares outstanding (Thousands of shares)	274,779	274,772
Increase in ordinary shares (Thousands of shares)	–	–
Weighted average number of diluted ordinary shares (Thousands of shares)	274,779	274,772
Basic earnings per share (Yen)	344.29	1,022.80
Diluted earnings per share (Yen)	344.29	1,022.80
	FY2021 (From April 1, 2021 to March 31, 2022)	
Profit attributable to owners of parent (Thousands of U.S. dollars)	2,295,866	
Adjustment of profit attributable to owners of parent (Thousands of U.S. dollars)	–	
Profit used to calculate diluted earnings per share (Thousands of U.S. dollars)	2,295,866	
Basic earnings per share (U.S. dollars)	8.36	
Diluted earnings per share (U.S. dollars)	8.36	

### 33. Cash Flow Information

#### (1) Cash inflows and outflows for acquisition or sale of subsidiaries, etc.

During FY2021, the Company transferred its entire equity interests in SMM-SG Holding Inversiones SpA and SMM Holland B.V., which had been consolidated subsidiaries. The breakdown of the assets and liabilities of the subsidiaries at the time of the transfer as well as considerations received and proceeds from the transfer of the equity interests are as follows.

	(Millions of yen)	(Thousands of U.S. dollars)
	FY2021 (From April 1, 2021 to March 31, 2022)	
Breakdown of assets at time of loss of control		
Current assets	106	866
Non-current assets	49,687	405,906
Breakdown of liabilities at time of loss of control		
Current liabilities	7,103	58,026
Non-current liabilities	-	-

	(Millions of yen)	(Thousands of U.S. dollars)
	FY2021 (From April 1, 2021 to March 31, 2022)	
Consideration received	113,104	923,977
Cash and cash equivalents	(102)	(833)
Proceeds from sale of interests in subsidiaries resulting in change in scope of consolidation	113,002	923,144

#### (2) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities are as follows.

FY2020 (From April 1, 2020 to March 31, 2021)

	As of April 1, 2020	Changes with cash flows	Changes without cash flows				As of March 31, 2021
			Exchange differences on translation of foreign operations	Changes under amortized cost method	Change in scope of consolidation	Other (Note)	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Short-term borrowings	47,045	(4,530)	204	-	1,800	-	44,519
Long-term borrowings	271,005	(31,558)	(3,220)	48	-	-	236,275
Bonds payable	79,453	-	-	180	-	-	79,633
Lease liabilities	11,396	(1,818)	10	-	-	1,917	11,505
Total	<u>408,899</u>	<u>(37,906)</u>	<u>(3,006)</u>	<u>228</u>	<u>1,800</u>	<u>1,917</u>	<u>371,932</u>

(Note) Mainly an increase in lease liabilities associated with new lease contracts.

FY2021 (From April 1, 2021 to March 31, 2022)

	As of April 1, 2021	Changes with cash flows	Changes without cash flows			As of March 31, 2022
			Exchange differences on translation of foreign operations	Changes under amortized cost method	Other (Note)	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Short-term borrowings	44,519	5,379	2,327	–	–	52,225
Long-term borrowings	236,275	(32,276)	15,212	52	–	219,263
Bonds payable	79,633	(20,000)	–	111	–	59,744
Lease liabilities	11,505	(1,878)	97	–	856	10,580
Total	<u>371,932</u>	<u>(48,775)</u>	<u>17,636</u>	<u>163</u>	<u>856</u>	<u>341,812</u>

	As of April 1, 2021	Changes with cash flows	Changes without cash flows			As of March 31, 2022
			Exchange differences on translation of foreign operations	Changes under amortized cost method	Other (Note)	
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Short-term borrowings	363,688	43,942	19,010	–	–	426,640
Long-term borrowings	1,930,194	(263,671)	124,271	425	–	1,791,218
Bonds payable	650,543	(163,385)	–	907	–	488,065
Lease liabilities	93,987	(15,342)	792	–	6,993	86,431
Total	<u>3,038,412</u>	<u>(398,456)</u>	<u>144,073</u>	<u>1,332</u>	<u>6,993</u>	<u>2,792,354</u>

(Note) Mainly an increase in lease liabilities associated with new lease contracts.

### 34. Financial Instruments

#### (1) Management of capital risk

In order to sustainably enhance its corporate value, the SMM Group regularly sets out policies for the level of shareholders' equity and its debt/equity structure, and then verifies the status of their implementation under the capital policy in view of capital efficiency and stability related to financing. In addition, in "2018 3-Year Business Plan," the SMM Group has determined to maintain a consolidated equity ratio of 50% or more as a financial indicator to prove its sound financial strength.

Changes in consolidated equity ratio are as follows.

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total equity attributable to owners of parent	1,113,923	1,445,329	11,807,279
Total liabilities and equity	1,885,999	2,268,756	18,534,074
Consolidated equity ratio (Equity attributable to owners of parent ratio)	59.1%	63.7%	63.7%

(2) Management of financial risk

The SMM Group is exposed to various risks, such as credit risk, liquidity risk and market risks (comprising foreign currency risk, interest rate risk, commodity price fluctuation risk and equity price fluctuation risk), and performs risk management as described below.

1) Credit risk

Credit risk is the risk that customers and other counterparties will default on their contractual obligations, resulting in financial loss to the SMM Group.

With respect to trade receivables (notes and accounts receivable-trade), each business division within the SMM Group establishes its own set of credit control regulations. Pursuant to these regulations, sales and other relevant departments regularly monitor the status of counterparties, managing due dates and balances on an individual counterparty basis. In this manner, every effort is made to ensure early detection and mitigation of concerns regarding collection due to deterioration in financial standing or other factors.

As for other receivables (accounts receivable-other, etc.) and other financial assets such as loans receivable, etc., the SMM Group goes through an internal approval process regarding counterparties' credit status at the start of transaction. The SMM Group also monitors counterparties to check their credit status on a regular basis even after the start of transaction.

With respect to the use of derivative transactions, steps are taken to engage in transactions with highly rated financial institutions only. These steps are taken with the aim of mitigating counterparty risk; therefore, such transactions have only limited impact on the SMM Group's credit risk. The SMM Group does not expose itself to significant concentrations of credit risk from specific counterparties as its receivables are due from a number of counterparties across a wide range of industries and geographies.

The maximum amount of the credit risk as of the consolidated closing date equals to the carrying amount of financial assets subject to credit risk that are presented in the consolidated statement of financial position. The following is the balance of guarantee obligations, which is the maximum exposure related to the SMM Group's credit risk.

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Guarantee obligations	105,885	124,603	1,017,915

No provision for loss on guarantees that could arise from the performance of the said guarantee contracts is recorded as it is monetarily immaterial.

With respect to allowance for doubtful accounts for trade receivables, lifetime expected credit losses (ECL) are measured on a collective basis. The SMM Group calculates said allowance by first grouping receivables according to the similarity in characteristics of credit risks; and then by multiplying such receivables by a provision rate, determined based on the historical credit loss experience taking into account factors such as expected future economic conditions. A financial asset is considered to be credit-impaired when one or more events occur that have a detrimental impact on all the future cash flows that the SMM Group expects to receive; such events include an increase in probability that a counterparty will go into bankruptcy or other financial reorganization. On the occurrence of such events, the SMM Group measures ECL for credit-impaired financial assets on an individual receivable basis.

Allowance for doubtful accounts for other receivables and other financial assets such as loans receivable, etc. is measured at an amount equal to 12-month ECL if credit risk for them is deemed not to have increased significantly in accordance with the general approach. If otherwise, allowance for doubtful accounts is measured at an amount equal to lifetime ECL.

(i) Trade receivables

Changes in allowance for doubtful accounts for trade receivables are as follows.

FY2020 (From April 1, 2020 to March 31, 2021)

Allowance for doubtful accounts for	Financial assets recorded at an amount equal to 12-month ECL	Financial assets recorded at an amount equal to lifetime ECL			Total
		Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
		Millions of yen	Millions of yen	Millions of yen	
As of April 1, 2020	–	1	–	–	1
Increase	–	–	–	–	–
Decrease (utilized)	–	–	–	–	–
Decrease (reversed)	–	–	–	–	–
Other	–	–	–	–	–
As of March 31, 2021	–	1	–	–	1



FY2021 (From April 1, 2021 to March 31, 2022)

Allowance for doubtful accounts for	Financial assets recorded at an amount equal to lifetime ECL				Total
	Financial assets recorded at an amount equal to 12-month ECL	Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
As of April 1, 2021	–	1	–	–	1
Increase	–	–	–	–	–
Decrease (utilized)	–	(1)	–	–	(1)
Decrease (reversed)	–	–	–	–	–
Other	–	–	–	–	–
As of March 31, 2022	–	–	–	–	–

Allowance for doubtful accounts for	Financial assets recorded at an amount equal to lifetime ECL				Total
	Financial assets recorded at an amount equal to 12-month ECL	Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	
As of April 1, 2021	–	8	–	–	8
Increase	–	–	–	–	–
Decrease (utilized)	–	(8)	–	–	(8)
Decrease (reversed)	–	–	–	–	–
Other	–	–	–	–	–
As of March 31, 2022	–	–	–	–	–

The aggregate carrying amount of financial assets subject to allowance for doubtful accounts is as follows.

Carrying amount	Financial assets recorded at an amount equal to 12-month ECL	Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of March 31, 2021	–	112,273	–	–
As of March 31, 2022	–	151,062	–	–
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2022	–	1,234,066	–	–

(ii) Loans receivable, etc.

Changes in allowance for doubtful accounts for loans receivable, etc. are as follows.

FY2020 (From April 1, 2020 to March 31, 2021)

Allowance for doubtful accounts for	Financial assets recorded at an amount equal to lifetime ECL				Total
	Financial assets recorded at an amount equal to 12-month ECL	Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
As of April 1, 2020	–	–	–	62,383	62,383
Increase	–	–	–	4,452	4,452
Decrease (utilized)	–	–	–	–	–
Decrease (reversed)	–	–	–	(8,648)	(8,648)
Exchange differences on translation	–	–	–	(3,311)	(3,311)
As of March 31, 2021	–	–	–	54,876	54,876

FY2021 (From April 1, 2021 to March 31, 2022)

Allowance for doubtful accounts for	Financial assets recorded at an amount equal to lifetime ECL				Total
	Financial assets recorded at an amount equal to 12-month ECL	Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
As of April 1, 2021	–	–	–	54,876	54,876
Increase	–	–	–	–	–
Decrease (utilized)	–	–	–	–	–
Decrease (reversed)	–	–	–	–	–
Decrease (other)	–	–	–	(58,274)	(58,274)
Exchange differences on translation	–	–	–	3,398	3,398
As of March 31, 2022	–	–	–	–	–

Allowance for doubtful accounts for	Financial assets recorded at an amount equal to lifetime ECL				Total
	Financial assets recorded at an amount equal to 12-month ECL	Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	
As of April 1, 2021	–	–	–	448,297	448,297
Increase	–	–	–	–	–
Decrease (utilized)	–	–	–	–	–
Decrease (reversed)	–	–	–	–	–
Decrease (other)	–	–	–	(476,056)	(476,056)
Exchange differences on translation	–	–	–	27,759	27,759
As of March 31, 2022	–	–	–	–	–

The carrying amounts by borrower for loans receivable subject to allowance for doubtful accounts are as follows.

As of March 31, 2021

Borrower	Financial assets recorded at an amount equal to 12-month ECL	Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Sierra Gorda S.C.M. (Note)	–	–	–	113,999
Compania Minera Teck Quebrada Blanca S.A.	76,470	–	–	–
Other	2,840	–	–	–
Total	79,310	–	–	113,999

As of March 31, 2022

Borrower	Financial assets recorded at an amount equal to 12-month ECL	Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Compania Minera Teck Quebrada Blanca S.A.	115,302	–	–	–
Other	2,843	–	–	–
Total	118,145	–	–	–

Borrower	Financial assets recorded at an amount equal to 12-month ECL	Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Compania Minera Teck Quebrada Blanca S.A.	941,933	–	–	–
Other	23,225	–	–	–
<b>Total</b>	<b>965,158</b>	<b>–</b>	<b>–</b>	<b>–</b>

Note: Sierra Gorda S.C.M. was in balance sheet insolvency as of FY2020. Having assessed that Sierra Gorda was facing significant financial difficulty, the Company measured an expected credit loss as a result of treating loan and other receivables extended by the SMM Group to Sierra Gorda as credit-impaired financial assets.

During FY2021, the Company transferred the entirety of its interests in Sierra Gorda S.C.M. to outside parties and excluded it from the scope of consolidation.

(iii) Other receivables and other financial assets

Changes in allowance for doubtful accounts for other receivables and other financial assets are as follows.

FY2020 (From April 1, 2020 to March 31, 2021)

Allowance for doubtful accounts for	Financial assets recorded at an amount equal to 12-month ECL	Financial assets recorded at an amount equal to lifetime ECL			Total
		Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2020	–	–	–	197	197
Increase	–	–	–	–	–
Decrease (utilized)	–	–	–	(1)	(1)
Decrease (reversed)	–	–	–	–	–
Other	–	–	–	–	–
<b>As of March 31, 2021</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>196</b>	<b>196</b>

FY2021 (From April 1, 2021 to March 31, 2022)

Allowance for doubtful accounts for	Financial assets recorded at an amount equal to 12-month ECL	Financial assets recorded at an amount equal to lifetime ECL			Total
		Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2021	–	–	–	196	196
Increase	–	–	–	5	5
Decrease (utilized)	–	–	–	–	–
Decrease (reversed)	–	–	–	–	–
Other	–	–	–	–	–
<b>As of March 31, 2022</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>201</b>	<b>201</b>

Allowance for doubtful accounts for	Financial assets recorded at an amount equal to 12-month ECL	Financial assets recorded at an amount equal to lifetime ECL			Total
		Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
		Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	
As of April 1, 2021	–	–	–	1,601	1,601
Increase	–	–	–	41	41
Decrease (utilized)	–	–	–	–	–
Decrease (reversed)	–	–	–	–	–
Other	–	–	–	–	–
As of March 31, 2022	–	–	–	1,642	1,642

The aggregate carrying amount of financial assets subject to allowance for doubtful accounts is as follows.

Carrying amount	Financial assets recorded at an amount equal to 12-month ECL	Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2021	18,318	–	–	376
As of March 31, 2022	26,615	–	–	378
As of March 31, 2022	217,425	–	–	3,088

## 2) Liquidity risk

Liquidity risk is the risk of being unable to make payments on due dates in situations where the SMM Group is required to fulfill its repayment obligations for financial liabilities due.

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

While maintaining an appropriate level of funds for repayment, the SMM Group has established a commitment line in case of emergencies such as unexpected funding needs and significant decline in market liquidity.

The amount of non-derivative financial liabilities by remaining term to maturity is as follows.

The amount of lease liabilities by remaining term to maturity is presented in” Note 21 . Leases.”

FY2020 (As of March 31, 2021)

	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Non-derivative financial liabilities								
Trade and other payables	151,128	151,128	151,128	-	-	-	-	-
Bonds and borrowings	360,427	366,402	121,882	66,371	31,616	33,574	27,578	85,381
Total	<u>511,555</u>	<u>517,530</u>	<u>273,010</u>	<u>66,371</u>	<u>31,616</u>	<u>33,574</u>	<u>27,578</u>	<u>85,381</u>

FY2021 (As of March 31, 2022)

	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Non-derivative financial liabilities								
Trade and other payables	206,013	206,013	206,013	-	-	-	-	-
Bonds and borrowings	331,232	339,558	123,122	36,817	38,701	31,455	34,089	75,374
Total	<u>537,245</u>	<u>545,571</u>	<u>329,135</u>	<u>36,817</u>	<u>38,701</u>	<u>31,455</u>	<u>34,089</u>	<u>75,374</u>

	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Non-derivative financial liabilities								
Trade and other payables	1,682,975	1,682,975	1,682,975	-	-	-	-	-
Bonds and borrowings	2,705,923	2,773,940	1,005,817	300,768	316,159	256,964	278,482	615,750
Total	<u>4,388,898</u>	<u>4,456,915</u>	<u>2,688,792</u>	<u>300,768</u>	<u>316,159</u>	<u>256,964</u>	<u>278,482</u>	<u>615,750</u>

### 3) Market risks

#### (i) Foreign currency risk

The SMM Group uses forward exchange contracts and currency option contracts in an effort to offset the risks of movements in foreign currency exchange rates in connection with recognized receivables and payables as well as forecast transactions denominated in foreign currencies.

#### **Exposure to foreign currency risk**

The SMM Group is exposed to foreign currency risk mainly arising from U.S. dollar fluctuations.

The SMM Group’s exposure to the U.S. dollar exchange risk is as follows. The following figures are after deduction of the amount of exposures to foreign currency risk that is hedged with derivative transactions.

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)
	Thousands of U.S. dollars	Thousands of U.S. dollars
Net exposure (liability)	211,619	596,999

### Sensitivity analysis of foreign exchange

As for the SMM Group's foreign-currency-denominated financial instruments to which hedge accounting is not applied, the impact of weakening of the yen against the U.S. dollar by 1% on profit in the consolidated statement of profit or loss in each reporting period is as follows.

The figures below do not include the impact of translation of financial instruments denominated in functional currencies, as well as assets and liabilities and revenues and costs of foreign operations into yen. This analysis is based on the assumption that other variable factors are constant.

	FY2020 (From April 1, 2020 to March 31, 2021)	FY2021 (From April 1, 2021 to March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit	162	510	4,166

#### (ii) Interest rate risk

The SMM Group uses interest rate swap contracts and interest rate option contracts aiming at hedging the risks of hikes in interest rates for floating-rate borrowings.

### Exposure to interest rate risk

The SMM Group's exposure to interest rate risk is as follows. The following figures are after deduction of the amount of exposures to interest rate risk that is hedged with derivative transactions.

	FY2020 (As of March 31, 2021)	FY2021 (As of March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net exposure (liability)	(135,471)	(111,725)	(912,711)

### Sensitivity analysis of interest rate

As for the SMM Group's floating-rate borrowings to which hedge accounting is not applied, the impact of interest rate hikes by 1% on profit in the consolidated statement of profit or loss in each reporting period is as follows. This analysis is based on the assumption that other variable factors (balance, exchange rate, etc.) are constant.

	FY2020 (From April 1, 2020 to March 31, 2021)	FY2021 (From April 1, 2021 to March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit	(1,040)	(840)	(6,862)

#### (iii) Commodity price risk

The SMM Group engages in sales of metal and other products and purchases of copper concentrates and other materials that are used as raw materials for such products. As sales and purchase prices of such commodities are affected by fluctuations in commodity prices, the SMM Group is exposed to risk of price fluctuations. Therefore, the SMM Group employs commodity forward contracts and commodity option contracts, which seek to provide hedges for the risk of price fluctuations.

### Sensitivity analysis of commodity prices

As for the SMM Group's commodity forward and other contracts, the impact of commodity price changes on profit in the consolidated statement of profit or loss is immaterial for FY2020 and FY2021.

#### (iv) Risks associated with fluctuations in prices of equity instruments

With respect to equity instruments, the SMM Group regularly monitors fair values as well as the financial status of issuers; when such issuers are the SMM Group's counterparties, the SMM Group also reviews its holdings on a continuous basis taking into consideration its relationships with them.

### Sensitivity analysis of risks associated with fluctuations in prices of equity instruments

The impact of drops in market prices of the SMM Group's equity instruments by 10% on other comprehensive income (net of tax effect) in each reporting period is as follows. This analysis is based on the assumption that other variable factors are constant.

	FY2020	FY2021	
	(From April 1, 2020 to March 31, 2021)	(From April 1, 2021 to March 31, 2022)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Other comprehensive income (net of tax effect)	(14,625)	(18,623)	(152,136)

#### (3) Fair value of financial instruments

##### 1) Financial instruments measured at amortized cost

Carrying amount and fair value of financial instruments measured at amortized cost are as follows.

The table below does not include financial instruments whose carrying amounts reasonably approximate fair values and those that are immaterial, except for floating-rate long-term loans receivable and payable. Nor does the table below include lease liabilities, whose fair value is not required to be disclosed under IFRS 7.

	FY2020		FY2021			
	(As of March 31, 2021)		(As of March 31, 2022)			
	Carrying amount	Fair value	Carrying amount		Fair value	
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Long-term loans receivable	138,407	209,366	118,124	964,987	118,124	964,987
Bonds payable	49,884	49,801	29,867	243,992	29,662	242,317
Convertible bond-type bonds with share acquisition rights	29,749	30,069	29,877	244,073	29,997	245,054
Long-term borrowings	236,275	237,811	219,263	1,791,218	219,577	1,793,783

The method to measure fair value is as follows.

#### Long-term loans receivable

The fair values of floating-rate long-term loans receivables are based on their carrying amounts because their fair values reflect market interest rates within a short period of time and closely approximate their carrying amounts.

Fixed-rate long-term loans receivables are classified into Level 3 of fair value hierarchy, and their fair values are measured based on a method whereby the total principal and interest are discounted at an interest rate reflecting difference between market interest rates at inception of loan and those at the end of the period.

Long-term loans receivables are included and presented in other financial assets in the consolidated statement of financial position.



## Bonds payable

Bonds payables are classified into Level 2 of fair value hierarchy, and their fair values are measured based on market prices and others.

Bonds payables are included and presented in bonds and borrowings in the consolidated statement of financial position.

## Convertible bond-type bonds with share acquisition rights

Bond portion of convertible bond-type bonds with share acquisition rights is classified into Level 3 of fair value hierarchy, and its fair value is measured based on risk-free rates, credit spreads of discount bonds and others.

Bond portion of convertible bond-type bonds with share acquisition rights is included and presented in bonds and borrowings in the consolidated statement of financial position.

## Long-term borrowings

The fair values of floating-rate long-term borrowings are based on their carrying amounts because their fair values reflect market interest rates within a short period of time and closely approximate their carrying amounts.

Fixed-rate long-term borrowings are classified into Level 3 of fair value hierarchy, and their fair values are measured based on a method whereby the total principal and interest are discounted at an estimated interest rate that is assumed to be applied to a new similar borrowing.

Long-term borrowings are included and presented in bonds and borrowings in the consolidated statement of financial position.

## 2) Financial instruments measured at fair value

The fair value hierarchy is categorized into the following three levels based on observability in market of inputs used to measure fair value.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly

Level 3: Unobservable inputs

The breakdown of financial instruments measured at fair value by fair value hierarchy level is as follows.

FY2020 (As of March 31, 2021)

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets:				
Financial assets measured at fair value through profit or loss				
Trade receivables with embedded derivatives	–	23,110	–	23,110
Derivatives to which hedge accounting is not applied	–	3,668	84	3,752
Derivatives to which hedge accounting is applied	–	66	–	66
Financial assets measured at fair value through other comprehensive income				
Equity instruments	207,657	–	7,611	215,268
Total	<u>207,657</u>	<u>26,844</u>	<u>7,695</u>	<u>242,196</u>
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives to which hedge accounting is not applied	–	2,941	–	2,941
Derivatives to which hedge accounting is applied	–	3,164	–	3,164
Total	<u>–</u>	<u>6,105</u>	<u>–</u>	<u>6,105</u>

FY2021 (As of March 31, 2022)

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets:				
Financial assets measured at fair value through profit or loss				
Trade receivables with embedded derivatives	–	9,691	–	9,691
Derivatives to which hedge accounting is not applied	–	4,031	93	4,124
Derivatives to which hedge accounting is applied	–	899	–	899
Financial assets for the contingent consideration	–	–	4,234	4,234
Financial assets measured at fair value through other comprehensive income				
Equity instruments	255,584	–	7,678	263,262
Total	<u>255,584</u>	<u>14,621</u>	<u>12,005</u>	<u>282,210</u>
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives to which hedge accounting is not applied	–	2,558	–	2,558
Derivatives to which hedge accounting is applied	–	2,836	–	2,836
Total	<u>–</u>	<u>5,394</u>	<u>–</u>	<u>5,394</u>

	Level 1	Level 2	Level 3	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Assets:				
Financial assets measured at fair value through profit or loss				
Trade receivables with embedded derivatives	–	79,168	–	79,168
Derivatives to which hedge accounting is not applied	–	32,930	760	33,690
Derivatives to which hedge accounting is applied	–	7,344	–	7,344
Financial assets for the contingent consideration	–	–	34,589	34,589
Financial assets measured at fair value through other comprehensive income				
Equity instruments	2,087,934	–	62,724	2,150,658
Total	<u>2,087,934</u>	<u>119,443</u>	<u>98,072</u>	<u>2,305,449</u>
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives to which hedge accounting is not applied	–	20,897	–	20,897
Derivatives to which hedge accounting is applied	–	23,168	–	23,168
Total	<u>–</u>	<u>44,065</u>	<u>–</u>	<u>44,065</u>

The SMM Group recognizes transfers between fair value hierarchy levels as of the date of the event or change in circumstances that is the reason for the transfer.

There was no material transfer between Level 1 and Level 2 during each reporting period.

In addition, at derecognition of equity instruments or when the significant decline in fair value below acquisition cost is not temporary, the balance of other components of equity is transferred directly into retained earnings and not recognized in profit or loss.

The method to measure fair value is as follows.

**Trade receivables with embedded derivatives**

Trade receivables that include embedded derivatives and are accounted for in combination are classified into Level 2 of fair value hierarchy, and their fair values are measured based on the market price of copper on the LME for a certain period of time in the future.

Trade receivables with embedded derivatives are included and presented in trade and other receivables in the consolidated statement of financial position.

### Derivatives

Derivatives are classified into Level 2 of fair value hierarchy, and their fair values are measured based on market prices and others.

Derivatives are included and presented in either other financial assets or other financial liabilities in the consolidated statement of financial position.

Derivatives embedded in convertible bond-type bonds with share acquisition rights are classified into Level 3 of fair value hierarchy, and their fair values are measured using valuation techniques such as one based on discounted future cash flows.

### Financial assets for the contingent consideration

The fair value of financial assets for the contingent consideration is classified in Level 3 of the fair value hierarchy and is measured at the discounted present value of future cash flows estimated using Monte Carlo simulations based mainly on the estimates of copper prices.

It is presented in other financial assets in the consolidated statement of financial position.

### Equity instruments

Marketable securities are classified into Level 1 of fair value hierarchy, and their fair values are measured based on market prices.

Unlisted shares are classified into Level 3 of fair value hierarchy, and their fair values are measured using valuation techniques such as one based on discounted future cash flows.

Unlisted shares are included and presented in other financial assets in the consolidated statement of financial position.

- 3) Reconciliation of financial instruments classified into Level 3 from the beginning to the end of period  
Changes in the balance of financial instruments classified into Level 3 from the beginning to the end of period are as follows.

	FY2020	FY2021	
	(From April 1, 2020 to March 31, 2021)	(From April 1, 2021 to March 31, 2022)	Thousands of U.S. dollars
	Millions of yen	Millions of yen	
Balance at beginning of period	7,844	7,695	62,863
Total gains and losses			
Profit or loss (Note 1)	81	1,452	11,862
Other comprehensive income (Note 2)	(230)	67	547
Acquisitions	—	2,791	22,800
Sales	—	—	—
Other	—	—	—
Balance at end of period	<u>7,695</u>	<u>12,005</u>	<u>98,072</u>

- Notes:
1. Gains and losses included in profit or loss relate to financial assets measured at fair value through profit or loss as of the end of the reporting period. These gains and losses are included in “finance income” and “finance costs” in the consolidated statement of profit or loss, respectively.
  2. Gains and losses included in other comprehensive income relate to financial assets measured at fair value through other comprehensive income as of the end of the reporting period. These gains and losses are included in “financial assets measured at fair value through other comprehensive income” in the consolidated statement of comprehensive income.

Financial instruments classified into Level 3 consist of non-listed shares, derivatives embedded in convertible bond-type bonds with share acquisition rights, and financial assets for the contingent consideration.

In accordance with the SMM Group's accounting policy, their fair values are measured on a quarterly basis using the latest available data and reported to the superior; the SMM Group also constantly validates their appropriateness.

Significant unobservable inputs used in the measurement of fair value of unlisted shares classified into Level 3 are the discount rate used in the calculation of discounted future cash flows as well as the assumptions used for illiquidity discount. The discount rate used for FY2020 is approximately 7% and the SMM Group estimates the illiquidity discount at 30%. The discount rate used for FY2021 is approximately 5% and the SMM Group estimates the illiquidity discount at 30%. If the discount rate rises, the fair value decreases.

In February 2022, the SMM Group transferred its interest in the Sierra Gorda copper mine ("SG Mine"), located in the Republic of Chile, in its entirety by transferring its entire interests in SMM-SG Holding Inversiones SpA and SMM Holland B.V., both of which were consolidated subsidiaries of the Company. The consideration for the transfer included the right to receive up to U.S. \$350 million if certain thresholds are met for copper prices and production of the SG Mine during the period through the end of 2025.

Financial assets for the contingent consideration are included in other financial assets in the consolidated statement of financial position, and the balance as of March 31, 2022 is ¥4,234 million (U.S. \$34,589 thousand). The fair value of the contingent consideration is determined at the discounted present value of future cash flows estimated using Monte Carlo simulations based mainly on the estimates of copper prices. The estimates of copper prices may be affected by future changes in economic conditions. If the estimates of copper prices through the end of 2025 used to determine the fair value rise or fall by 5%, the fair value will increase by ¥3,074 million (U.S. \$25,112 thousand) or decrease by ¥1,749 million (U.S. \$14,288 thousand).

#### (4) Derivatives and hedge accounting

When applying hedge accounting, the SMM Group confirms whether an economic relationship between a hedged item and hedging instrument exists through qualitative and quantitative assessments. The qualitative assessments show whether the critical terms of hedged items and hedging instruments match exactly or are closely aligned, while the quantitative assessments show fluctuations in value of hedged items and hedging instruments offset each other because of the same risk. The purpose of these assessments is to confirm whether there is an economic relationship in which changes in fair value or cash flow of a hedged item attributable to the hedged risk shall be offset by changes in fair value or cash flow of a hedging instrument. The SMM Group also determines appropriate hedge ratios in light of economic relationships between hedging instruments and hedged items as well as the risk management strategy. The expected ineffective portion of hedge including cases affected by credit risk is immaterial.

##### 1) Derivative transactions to which hedge accounting is applied

Floating-rate borrowings are exposed to risk of future interest rate hikes. The SMM Group enters into interest rate swap contracts and interest rate option contracts in order to hedge such risk, and designates these contracts as cash flow hedges.

For gold that will be sold in the future, there exists the risk of future fluctuations in commodity prices. In order to provide hedges for this risk, the SMM Group has entered into short commodity futures contracts and designated them as cash flow hedges.

The SMM Group is also subject to commodity price risk arising from the fact that the timing of price-setting for copper raw materials does not coincide with that for copper products. The SMM Group enters into short commodity futures contracts or long commodity futures contracts both with inventories and purchase contracts as hedged items in order to hedge such risk, and designates these contracts as fair value hedges.

Notional amount and average price are as follows.

FY2020 (As of March 31, 2021)

Type of hedge	Category of risk	Type of transaction	Notional amount (Total)	Notional amount (Mature within one year)	Notional amount (Mature after one year through two years)	Notional amount (Mature after two years)	Rate / price
Cash flow hedges	Interest rate risk	Interest rate swaps (Millions of U.S. dollars)	141	13	13	115	Fixed interest rate 2.019%
		Interest rate swaps (Millions of U.S. dollars)	180	–	–	180	Fixed interest rate 2.185%
		Interest rate options (Millions of U.S. dollars)	141	13	13	115	Interest rate cap 3.0%
	Commodity price risk	Commodity options (T)	12,225	12,225	–	–	Price cap 7,600\$/T Price floor 5,700\$/T
			12,225	12,225	–	–	Price cap 8,250\$/T Price floor 6,250\$/T
Fair value hedges	Commodity price risk	Short copper futures contracts (T)	40,781	40,781	–	–	Average price ¥952 thousand/T
		Long copper futures contracts (T)	254	254	–	–	Average price ¥997 thousand/T

FY2021 (As of March 31, 2022)

Type of hedge	Category of risk	Type of transaction	Notional amount (Total)	Notional amount (Mature within one year)	Notional amount (Mature after one year through two years)	Notional amount (Mature after two years)	Rate / price
Cash flow hedges	Interest rate risk	Interest rate swaps (Millions of U.S. dollars)	128	13	13	102	Fixed interest rate 2.019%
		Interest rate swaps (Millions of U.S. dollars)	180	–	39	141	Fixed interest rate 2.185%
		Interest rate options (Millions of U.S. dollars)	128	13	13	102	Interest rate cap 3.0%
	Commodity price risk	Short gold futures contracts (Toz)	122,397	122,397	–	–	Average price ¥228 thousand/Toz (U.S. \$1,862.59/Toz)
Fair value hedges	Commodity price risk	Short copper futures contracts (T)	33,323	33,323	–	–	Average price ¥1,232 thousand/T (U.S. \$10,064.54/T)

Contract amount and fair value are as follows.

(Millions of yen)

	FY2020 (As of March 31, 2021)			FY2021 (As of March 31, 2022)		
	Contract amount and others	o/w Mature after one year	Fair value	Contract amount and others	o/w Mature after one year	Fair value
Interest rate swap / option contracts	35,020	33,586	(1,385)	37,211	35,604	538
Commodity option / futures contracts	54,197	–	(1,713)	68,924	–	(2,475)
Total	89,217	33,586	(3,098)	106,135	35,604	(1,937)

(Thousands of U.S. dollars)

	FY2021 (As of March 31, 2022)		
	Contract amount and others	o/w Mature after one year	Fair value
Interest rate swap / option contracts	303,987	290,859	4,395
Commodity option / futures contracts	563,059	–	(20,219)
Total	867,045	290,859	(15,824)

Changes in fair values of hedging instruments and those used as the basis for recognizing ineffective portion are as follows.

FY2020 (As of March 31, 2021)

(Millions of yen)

Type of hedge	Category of risk	Assets	Liabilities	Line items in the consolidated statement of financial position	Changes in fair value used as the basis for recognizing ineffective portion
Cash flow hedges	Interest rate risk	66	1,450	Other financial assets Other financial liabilities	(722)
	Commodity price risk	–	855	Other financial liabilities	(855)
Fair value hedges	Commodity price risk	–	859	Other financial liabilities	(859)

FY2021 (As of March 31, 2022)

(Millions of yen)

Type of hedge	Category of risk	Assets	Liabilities	Line items in the consolidated statement of financial position	Changes in fair value used as the basis for recognizing ineffective portion
Cash flow hedges	Interest rate risk	899	361	Other financial assets Other financial liabilities	1,347
	Commodity price risk	–	1,235	Other financial liabilities	(4,911)
Fair value hedges	Commodity price risk	–	1,240	Other financial liabilities	(1,240)

(Thousands of U.S. dollars)

Type of hedge	Category of risk	Assets	Liabilities	Line items in the consolidated statement of financial position	Changes in fair value used as the basis for recognizing ineffective portion
Cash flow hedges	Interest rate risk	7,344	2,949	Other financial assets Other financial liabilities	11,004
	Commodity price risk	–	10,089	Other financial liabilities	(40,119)
Fair value hedges	Commodity price risk	–	10,130	Other financial liabilities	(10,130)

Carrying amount of hedged items, financial impacts of hedges included in carrying amounts and changes in fair value used as the basis for recognizing ineffective portion related to fair value hedges are as follows.

FY2020 (As of March 31, 2021)

(Millions of yen)

Category of risk	Line items in the consolidated statement of financial position	Carrying amount	Cumulative adjustment for fair value hedges	Changes in fair value used as the basis for recognizing ineffective portion
Commodity price risk	Other current assets	6	6	6
	Inventories	39,676	853	853

FY2021 (As of March 31, 2022)

(Millions of yen)

Category of risk	Line items in the consolidated statement of financial position	Carrying amount	Cumulative adjustment for fair value hedges	Changes in fair value used as the basis for recognizing ineffective portion
Commodity price risk	Inventories	42,290	1,240	1,240

(Thousands of U.S. dollars)

Category of risk	Line items in the consolidated statement of financial position	Carrying amount	Cumulative adjustment for fair value hedges	Changes in fair value used as the basis for recognizing ineffective portion
Commodity price risk	Inventories	345,478	10,130	10,130

The amount recorded in other components of equity related to cash flow hedges is as follows.

FY2020 (As of March 31, 2021)

(Millions of yen)

Category of risk	Amount recorded in other components of equity related to continuing hedging relationships	Amount recorded in other components of equity related to discontinued hedging relationships
Interest rate risk	(1,372)	–
Commodity price risk	(648)	–

FY2021 (As of March 31, 2022)

(Millions of yen)

Category of risk	Amount recorded in other components of equity related to continuing hedging relationships	Amount recorded in other components of equity related to discontinued hedging relationships
Interest rate risk	4	–
Commodity price risk	(857)	–

(Thousands of U.S. dollars)

Category of risk	Amount recorded in other components of equity related to continuing hedging relationships	Amount recorded in other components of equity related to discontinued hedging relationships
Interest rate risk	33	–
Commodity price risk	(7,001)	–

Changes in fair value of hedged items used as the basis for recognizing ineffective portion related to cash flow hedges are as follows.

FY2020 (As of March 31, 2021)

(Millions of yen)

Category of risk	Changes in fair value used as the basis for recognizing ineffective portion
Interest rate risk	(722)
Commodity price risk	(855)



FY2021 (As of March 31, 2022)

Category of risk	(Millions of yen)	(Thousands of U.S. dollars)
	Changes in fair value used as the basis for recognizing ineffective portion	Changes in fair value used as the basis for recognizing ineffective portion
Interest rate risk	1,347	11,004
Commodity price risk	(4,911)	(40,119)

The amount recorded in gains or losses and line items in the consolidated statement of profit or loss related to cash flow hedges are as follows.

FY2020 (As of March 31, 2021)

Category of risk	(Millions of yen)				
	Gains or losses on hedge recorded in other comprehensive income during the reporting period	Ineffective portion of hedge recorded in profit or loss	Line items in which ineffective portion of hedge is recorded in the consolidated statement of profit or loss	Amount reclassified (recycled) from cash flow hedges to profit or loss	Line items in which reclassification adjustment is recorded in the consolidated statement of comprehensive income
Interest rate risk	(657)	-	-	245	Finance costs
Commodity price risk	(855)	-	-	-	-

FY2021 (As of March 31, 2022)

Category of risk	(Millions of yen)				
	Gains or losses on hedge recorded in other comprehensive income during the reporting period	Ineffective portion of hedge recorded in profit or loss	Line items in which ineffective portion of hedge is recorded in the consolidated statement of profit or loss	Amount reclassified (recycled) from cash flow hedges to profit or loss	Line items in which reclassification adjustment is recorded in the consolidated statement of comprehensive income
Interest rate risk	1,340	-	-	575	Finance costs
Commodity price risk	(4,911)	-	-	(4,531)	Net sales

Category of risk	(Thousands of U.S. dollars)				
	Gains or losses on hedge recorded in other comprehensive income during the reporting period	Ineffective portion of hedge recorded in profit or loss	Line items in which ineffective portion of hedge is recorded in the consolidated statement of profit or loss	Amount reclassified (recycled) from cash flow hedges to profit or loss	Line items in which reclassification adjustment is recorded in the consolidated statement of comprehensive income
Interest rate risk	10,947	-	-	4,697	Finance costs
Commodity price risk	(40,119)	-	-	(37,015)	Net sales

2) Derivative transactions to which hedge accounting is not applied  
 FY2020 (As of March 31, 2021)

Category of risk	Type of transaction	Notional amount (Total)	Notional amount (Mature within one year)	Notional amount (Mature after one year through two years)	Notional amount (Mature after two years)	Rate / price
Foreign currency risk	Forward exchange contracts (Millions of U.S. dollars)	28	28	–	–	Average ¥109.08/U.S. \$
	Forward exchange contracts (Millions of pounds sterling)	31	9	14	8	Average ¥136.84/GBP
	Forward exchange contracts (Millions of yen)	9	9	–	–	Average ¥108.55/U.S. \$
	Forward exchange contracts (Millions of Philippine pesos)	66	66	–	–	Average PHP 55.74/U.S. \$
	Currency options (Millions of U.S. dollars)	96	95	1	–	Exercise price CLP 625/U.S. \$
Commodity price risk	Short copper futures contracts (T)	7,500	5,000	2,500	–	Average price ¥939 thousand/T
	Long copper futures contracts (T)	16,250	16,125	125	–	Average price ¥810 thousand/T
	Long gold futures contracts (Toz)	64,458	64,458	–	–	Average price ¥187 thousand/Toz

FY2021 (As of March 31, 2022)

Category of risk	Type of transaction	Notional amount (Total)	Notional amount (Mature within one year)	Notional amount (Mature after one year through two years)	Notional amount (Mature after two years)	Rate / price
Foreign currency risk	Forward exchange contracts (Millions of U.S. dollars)	24	24	–	–	Average ¥117.81/U.S. \$
	Forward exchange contracts (Millions of pounds sterling)	25	14	8	3	Average ¥138.79/GBP
	Forward exchange contracts (Millions of Canadian dollars)	241	158	83	–	Average CAD 1.28/U.S. \$
	Currency options (Millions of U.S. dollars)	1	1	–	–	Exercise price CLP 625/U.S. \$
Commodity price risk	Short copper futures contracts (T)	60	60	–	–	Average price ¥1,170 thousand/T (U.S. \$9,558.04/T)
	Long copper futures contracts (T)	24,373	23,723	650	–	Average price ¥1,143 thousand/T (U.S. \$9,337.47/T)
	Long nickel futures contracts (T)	108	108	–	–	Average price ¥2,680 thousand/T (U.S. \$21,893.64/T)
	Short gold futures contracts (Toz)	12,442	12,442	–	–	Average price ¥239 thousand/Toz (U.S. \$1,952.45/Toz)
	Long gold futures contracts (Toz)	1,833	1,833	–	–	Average price ¥238 thousand/Toz (U.S. \$1,944.29/Toz)

Contract amount and fair value are as follows.

(Millions of yen)

	FY2020 (As of March 31, 2021)			FY2021 (As of March 31, 2022)		
	Contract amount and others	o/w Mature after one year	Fair value	Contract amount and others	o/w Mature after one year	Fair value
Forward exchange contracts	8,040	3,008	538	27,982	9,036	832
Commodity futures contracts	36,282	2,600	189	31,620	737	641
Total	44,322	5,608	727	59,602	9,773	1,473

(Thousands of U.S. dollars)

	FY2021 (As of March 31, 2022)		
	Contract amount and others	o/w Mature after one year	Fair value
Forward exchange contracts	228,592	73,817	6,797
Commodity futures contracts	258,312	6,021	5,237
Total	486,905	79,838	12,033

### 35. Significant Subsidiaries

The status of the Company's major consolidated subsidiaries is as follows.

Company name	Location	Reportable segments	Voting rights held by the Company (%)	
			FY2020	FY2021
			(As of March 31, 2021)	(As of March 31, 2022)
Sumitomo Metal Mining America Inc.	U.S.A.	Mineral Resources	100	100
Sumitomo Metal Mining Arizona Inc.	U.S.A.	Mineral Resources	80	80
SMM Morenci Inc.	U.S.A.	Mineral Resources	100	100
Sumitomo Metal Mining Oceania Pty. Ltd.	Australia	Mineral Resources	100	100
Hyuga Smelting Co., Ltd.	Japan	Smelting & Refining	60	60
Coral Bay Nickel Corporation	The Philippines	Smelting & Refining	54	90
Taganito HPAL Nickel Corporation	The Philippines	Smelting & Refining	75	75
Ohkuchi Electronics Co., Ltd.	Japan	Materials	100	100
Shinko Co., Ltd.	Japan	Materials	100	100
Sumitomo Metal Mining Siporex Co., Ltd.	Japan	Materials	100	100
JCO Co., Ltd.	Japan	Other Businesses	100	100

### 36. Related Parties

#### (1) Related party transactions

The SMM Group conducts transactions with the following related parties.

FY2020 (From April 1, 2020 to March 31, 2021)

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)
Associate	Sierra Gorda S.C.M.	Santiago, Chile	2,819,400	Mineral resources	Indirectly 45.0	Debt guarantee and pledge as security for loans, etc., from financial institutions, etc.	Debt guarantee	23,883 (Note 1)	–	–
							Debt guarantee fee	824 (Note 1)	Other financial assets	4,834
							Pledge as security	3,875 (Note 2)	–	–
							Providing loans	– (Note 3)	Other financial assets	16,609
						Financing support	Interest on loans	6,288 (Note 3)	Other financial assets	37,680
Subsidiary of an associate	Compañía Minera Teck Quebrada Blanca S.A. (Note 5)	Santiago, Chile	789,609	Mineral resources	–	Debt guarantee for loans, etc., from financial institutions, etc.	Debt guarantee	80,902 (Note 1)	–	–
							Debt guarantee fee	62 (Note 1)	Other financial assets	30
							Financing support	Providing loans	3,310 (Note 4)	Other financial assets

- Notes:
- The SMM Group guarantees for loans, etc., from financial institutions, etc.
  - The SMM Group pledges as security for the loan from the financial institution. The amounts of security are the debt balance as of March 31, 2021.
  - Terms and conditions of loan are determined based on the market interest rates, etc. The SMM Group deducted allowance for doubtful accounts of ¥54,876 million for the loans receivable.
  - Terms and conditions of loan are determined based on the market interest rates, etc.
  - Compañía Minera Teck Quebrada Blanca SA is a 90% subsidiary of Quebrada Blanca Holdings SpA, which is the Company's 27.77% associate.

FY2021 (From April 1, 2021 to March 31, 2022)

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		Account item	Ending balance	
								Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars
Associate	Sierra Gorda S.C.M.	Santiago, Chile	2,819,400	Mineral resources	-	Financing support	Collecting loans	26,312 (Note 2)	214,950	-	-	-
							Interest on loans	6,261 (Note 2)	51,148	-	-	-
Subsidiary of an associate	Compañía Minera Teck Quebrada Blanca S.A. (Note 3)	Santiago, Chile	1,095,953	Mineral resources	-	Debt guarantee for loans, etc., from financial institutions, etc.	Debt guarantee	120,903 (Note 1)	987,689	-	-	-
							Debt guarantee fee	232 (Note 1)	1,895	Other financial assets	89	727
							Financing support	Providing loans	28,983 (Note 2)	236,770	Other financial assets	115,302 (Note 2)

- Notes: 1. The SMM Group guarantees for loans, etc., from financial institutions, etc.  
2. Terms and conditions of loan are determined based on the market interest rates, etc.  
3. Compañía Minera Teck Quebrada Blanca SA is a 90% subsidiary of the Company's 27.77% associate Quebrada Blanca Holdings SpA.

(2) Compensation for key management personnel

The compensation for key management personnel is as follows.

	FY2020 (From April 1, 2020 to March 31, 2021)	FY2021 (From April 1, 2021 to March 31, 2022)
	Millions of yen	Millions of yen Thousands of U.S. dollars
Compensations and bonuses	443	646 5,277
Total	443	646 5,277

37. Contingent Liabilities

The Company entered into an agreement to transfer its equities in SMM-SG Holding Inversiones SpA and SMM Holland B.V. through a subsidiary of South32 Limited on October 14, 2021, and the transfer was completed on February 22, 2022. Based on the agreement, the Company will compensate South32 Limited group to a certain extent regarding tax reforms that come into force in the Republic of Chile before December 31, 2025, losses from the introduction of new mining royalties, and amendment or termination of tax stabilization contracts based on foreign investment agreements before December 31, 2025. Although there are possibilities that an economic burden will be imposed on the Company upon occurrence of such compensatory obligations, the amount of such burden cannot be reasonably estimated at this point.

38. Subsequent Event

There are no pertinent items.

(2) Other

Quarterly information for FY2021

	Three months ended June 30, 2021	Six months ended September 30, 2021	Nine months ended December 31, 2021	FY2021
Net sales (Millions of yen)	294,325	597,930	922,473	1,259,091
Profit before tax (Millions of yen)	59,939	121,666	195,372	357,434
Profit attributable to owners of parent (Millions of yen)	43,055	113,828	170,077	281,037
Basic earnings per share (Yen)	156.69	414.26	618.97	1,022.80

	Three months ended June 30, 2021	Six months ended September 30, 2021	Nine months ended December 31, 2021	FY2021
Net sales (Thousands of U.S. dollars)	2,404,420	4,884,650	7,535,928	10,285,851
Profit before tax (Thousands of U.S. dollars)	489,658	993,922	1,596,046	2,919,974
Profit attributable to owners of parent (Thousands of U.S. dollars)	351,728	929,891	1,389,404	2,295,866
Basic earnings per share (U.S. dollars)	1.28	3.38	5.06	8.36

	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	156.69	257.57	204.71	403.83

	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (U.S. dollars)	1.28	2.10	1.67	3.30