2014
ANNUAL REPORT

SUMITOMO METAL MINING CO., LTD.

The Sumitomo Business Spirit

Article 1

Sumitomo shall achieve strength and prosperity by placing prime importance on integrity and sound management in the conduct of its business.

Article 2

Sumitomo shall manage its activities with foresight and flexibility in order to cope effectively with the changing times. Under no circumstances, however, shall it pursue easy gains or act imprudently.

["Business Principles" forming the Rules Governing the House of Sumitomo (version formulated in 1928)]

SMM Group Corporate Philosophy

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

SMM Group Management Vision

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

CONTENTS

Specialized industry terms: Specialized terms are covered in the Glossary on pages 80 to 81.

Note regarding forward-looking statements: The forward-looking statements in this annual report, including business result forecasts, are based on information available to the Company and on certain assumptions deemed to be reasonable as of the date of release of this report. Actual business results may differ substantially due to a number of factors. Unless specifically stated otherwise, information in this annual report is as of July 1, 2014.

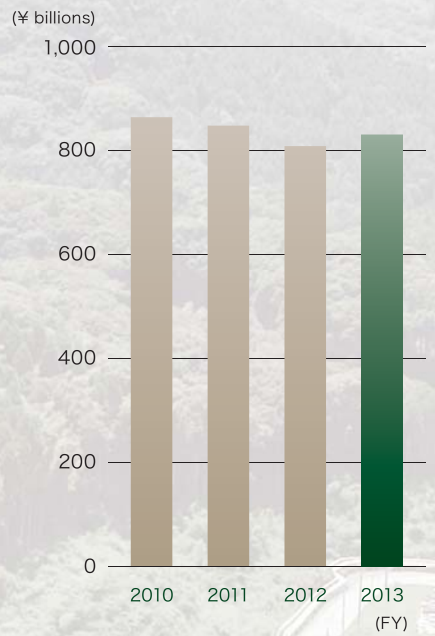
Taganito HPAL Nickel Corporation (Philippines)

Financial Summary

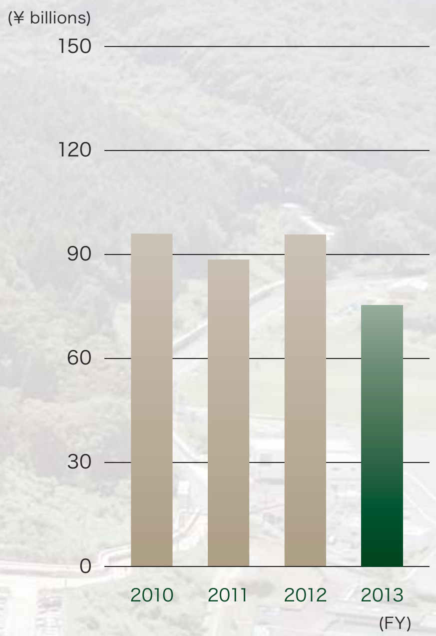
Fiscal year	2013	2012	2011	2010	2009	2008	2007	2006
Results for the year (Millions of yen)								
Net sales	**830,546**	808,540	847,897	864,077	725,827	793,797	1,132,372	966,764
Operating income	**75,418**	95,785	88,577	96,038	66,265	10,534	155,394	162,632
Recurring profit	**114,352**	115,034	108,829	123,701	87,791	32,572	217,866	205,285
Income (loss) before taxes and minority interests	**111,006**	122,455	87,962	123,394	82,776	22,942	216,504	205,617
Net income (loss)	**80,258**	86,640	65,286	83,962	53,952	21,974	137,808	126,054
Financial position at year-end (Millions of yen)								
Total assets	**1,572,367**	1,351,153	1,146,759	1,052,353	981,458	880,001	1,091,716	929,208
Net assets	**1,019,053**	844,547	726,039	684,103	629,684	547,251	640,345	528,921
Long-term debt due after one year	**243,130**	212,323	157,119	135,128	132,311	141,716	169,394	93,800
Interest-bearing debt	**383,580**	330,073	265,951	210,969	200,939	218,534	258,054	189,910
Amounts per share (Yen)								
Net income	**145.35**	155.58	116.17	149.38	96.26	38.87	238.13	220.49
Net assets	**1,653.83**	1,393.02	1,173.97	1,121.19	1,043.50	913.92	1,017.96	859.82
Cash dividends	**37.0**	34.0	28.0	32.0	20.0	13.0	30.0	27.0
Key ratios (%)								
ROA	**5.49**	6.94	5.94	8.26	5.80	2.23	13.64	14.81
ROE*	**9.54**	12.13	10.12	13.80	9.89	4.02	25.39	28.99
Equity ratio*	**58.1**	56.9	57.5	59.9	59.8	57.3	54.0	53.4
Interest-bearing debt to total assets ratio	**24.4**	24.4	23.2	20.0	20.5	24.8	23.6	20.4
Debt-to-equity ratio* (times)	**0.42**	0.43	0.40	0.33	0.34	0.43	0.44	0.38

*Shareholders' equity is defined as follows: Shareholders' equity = Total shareholders' equity + Accumulated other comprehensive income

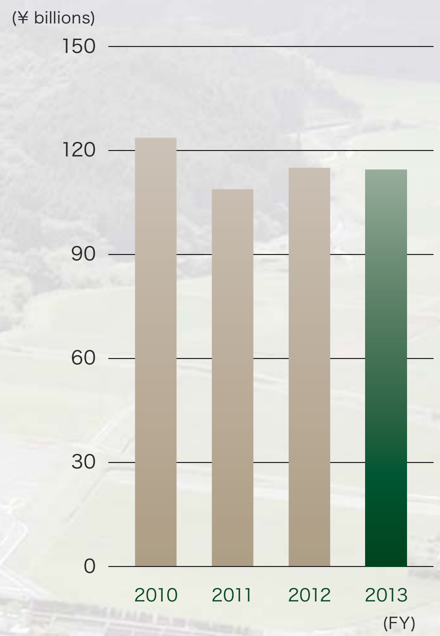
Net Sales



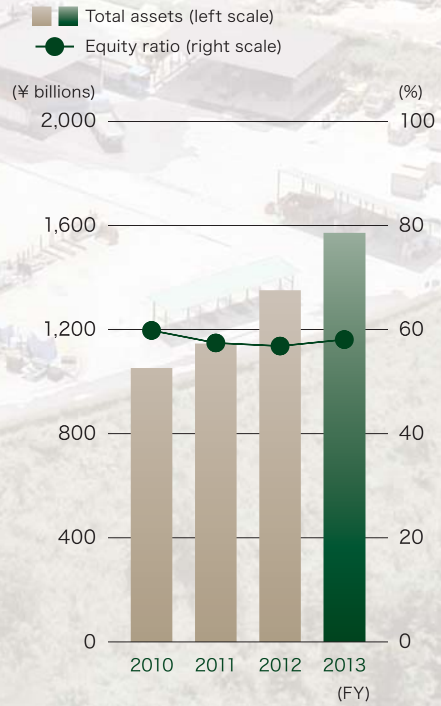
Operating Income



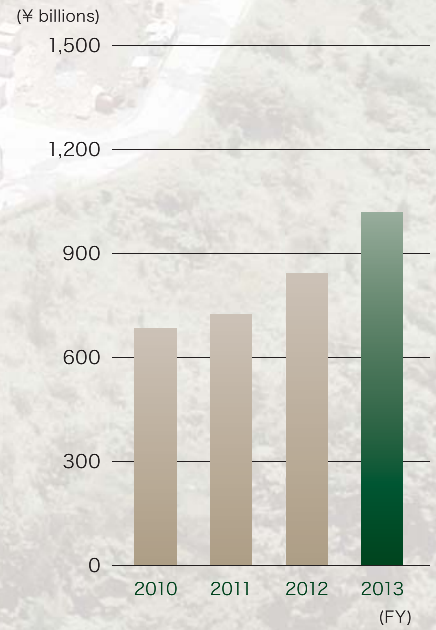
Recurring Profit



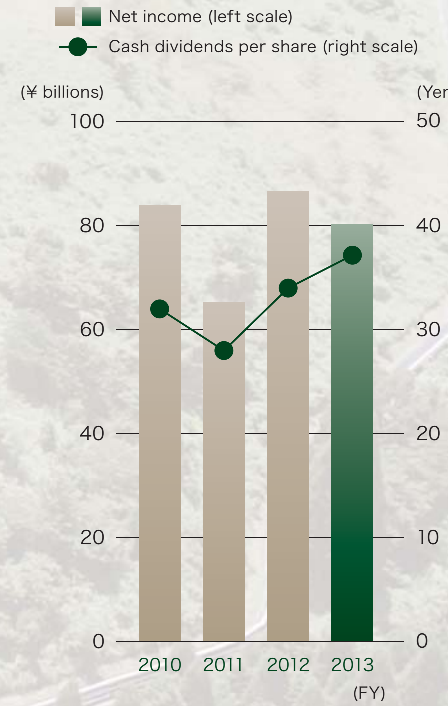
Total Assets / Equity Ratio



Net Assets



Net Income / Cash Dividends per Share

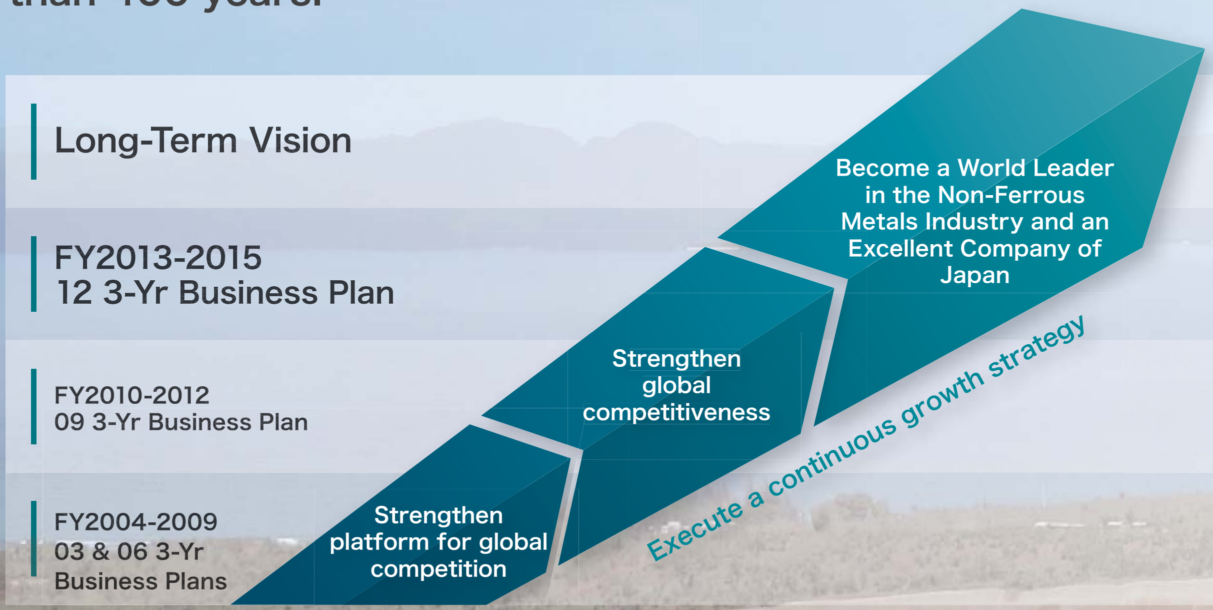


Hishikari Mine (Japan)

Long-Term Vision

A World Leader in the Non-Ferrous Metals Industry & an Excellent Company of Japan

Sumitomo Metal Mining Co., Ltd. (SMM) aims to become a World Leader in the Non-Ferrous Metals Industry and an Excellent Company of Japan by promoting a continuous growth strategy while deploying advanced technical capabilities cultivated over a history of more than 400 years.



Long-Term Vision Targets

World Leader in the Non-Ferrous Metals Industry

Copper Annual Production Interest **300 kt**

SMM is pursuing investment in overseas mining projects. In 2011, we acquired an interest in Chile's Sierra Gorda Project. We currently hold interests in copper mines located in the US, Chile, Peru, Australia, and other countries. Going forward, we will seek to participate in new development projects, expand production at existing mines, and take other steps to raise our annual copper production interest to 300,000 tonnes.

Nickel Annual Production Capacity **150 kt**

Production at the Taganito Project started in the second half of 2013, broadening our annual nickel production structure to 100,000 tonnes. Our goal is to further expand our capacity to 150,000 tonnes, with a focus on development initiatives suitable for application of our HPAL technology.

Gold Annual Production Interest **30 t**

SMM owns the Hishikari Mine, the only commercially operated metal mine in Japan. We also operate the Pogo Gold Mine in Alaska, US. Using our accumulated expertise in mine operation, we are seeking to raise our annual gold production interest to 30 tonnes, principally through new mine development.

New Materials **¥5 billion recurring profit**

Through collaboration between the Materials Division and the Research & Development Division, we aim to accelerate new materials development and raise profitability.

Excellent Company of Japan

Net sales **¥1 trillion** Net income **¥100 billion**

2012 3-Year Business Plan Strategies

Research and Development

- Accelerate development of new products in material business
- Technical innovation in mineral resources, smelting & refining
- Promote process development

Financial Strategy

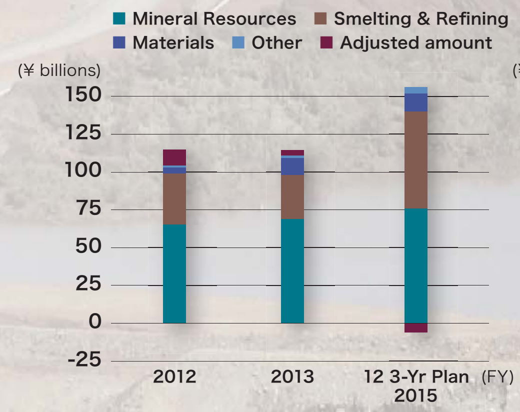
Maintain sound financial constitution

- Maintain ample liquidity to support large projects
- Maintain minimum consolidated equity ratio of 50%

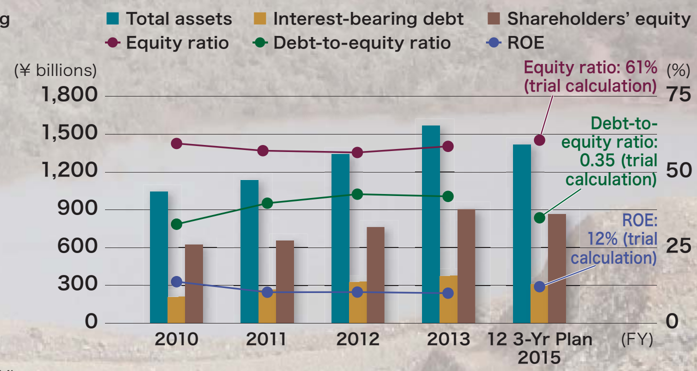
Dividend Policy

- Continue in line with business results
- Investor return: Raise consolidated dividend ratio from minimum 20% to minimum 25%

Segment Profit



Financial Strategy



Taganito HPAL Nickel Corporation (Philippines)

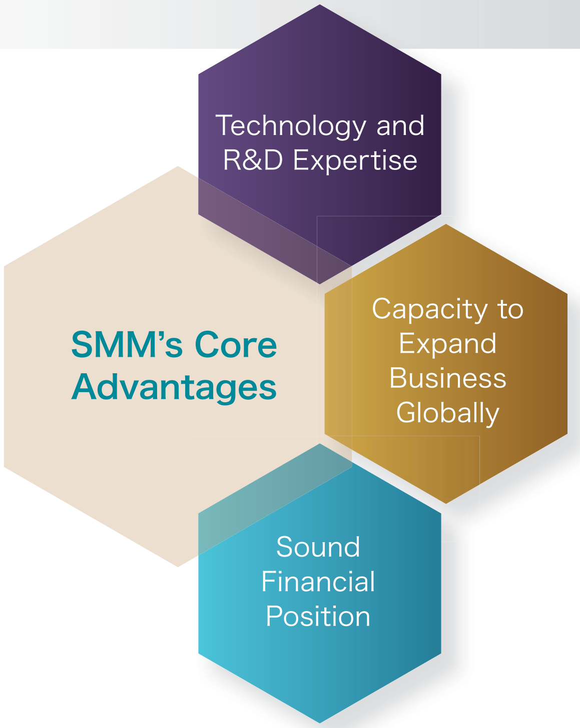
Business Profile

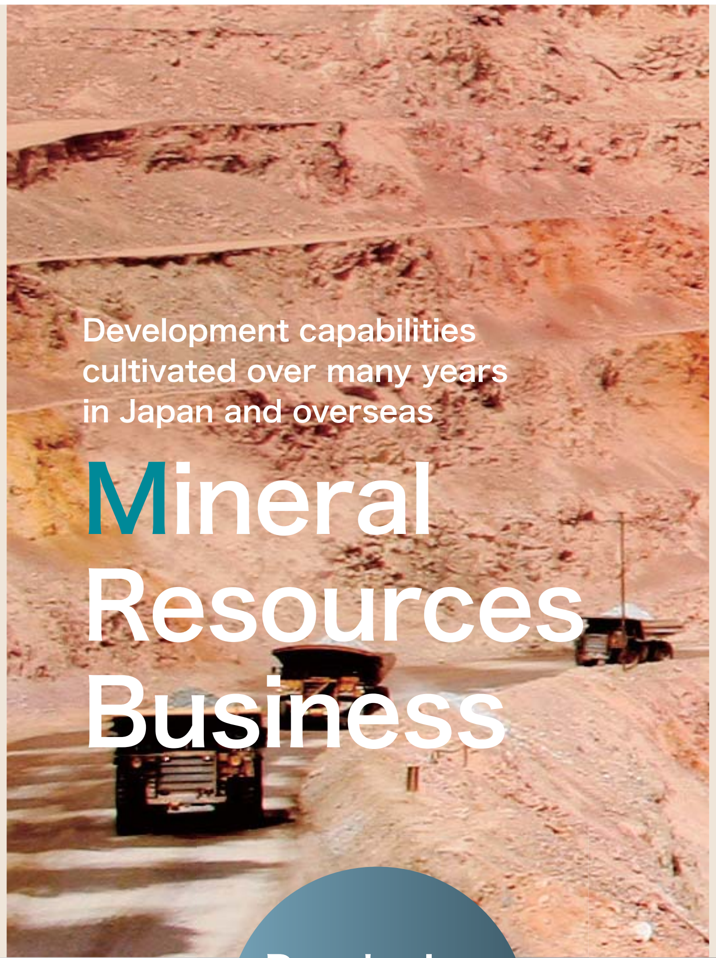
Business Profile

Under our long-term vision to be a World Leader in the Non-Ferrous Metals Industry and an Excellent Company of Japan, we are expanding our scope of operations to the entire globe.

SMM is pursuing an integrated business that ranges from primary upstream manufacturing processes, including resources development, non-ferrous metal refining, and the development of electronic and functional materials using the most advanced technologies, to the development and sale of metal materials that are indispensable for daily life.

SMM's strengths include its Technology and R&D Expertise, Capacity to Expand Business Globally, and Sound Financial Position. SMM focuses its management resources in three core business areas: Mineral Resources, Smelting & Refining, and Materials, and is reinforcing its competitive capabilities.





Development capabilities cultivated over many years in Japan and overseas

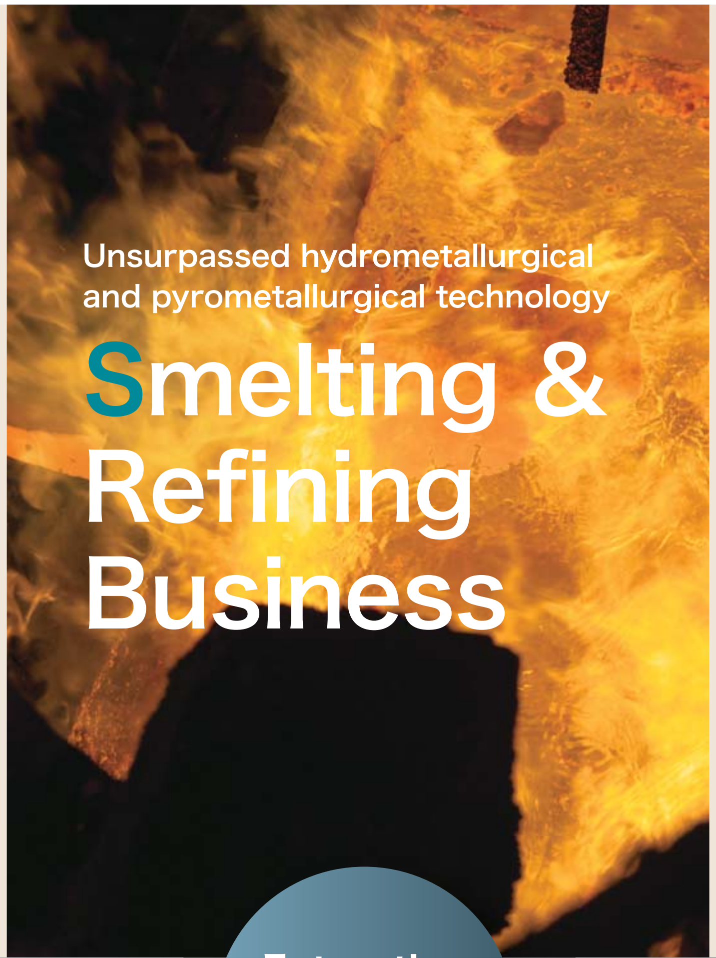
Mineral Resources Business

Developing and mining resources

Stable raw materials supply for the Smelting & Refining business

Promoting Expanded Profitability: Shifting from Raw Material Procurement to Resources Development and Mine Management

To adapt to the changes in our business environment, SMM is increasing the supply of raw material to its Smelting & Refining business. In addition, we are aiming to increase revenues from our mineral resources business. We will leverage our accumulated technical expertise to promote prospecting activities and participate in new development discussions, and will strive to acquire majority production interests.



Unsurpassed hydrometallurgical and pyrometallurgical technology

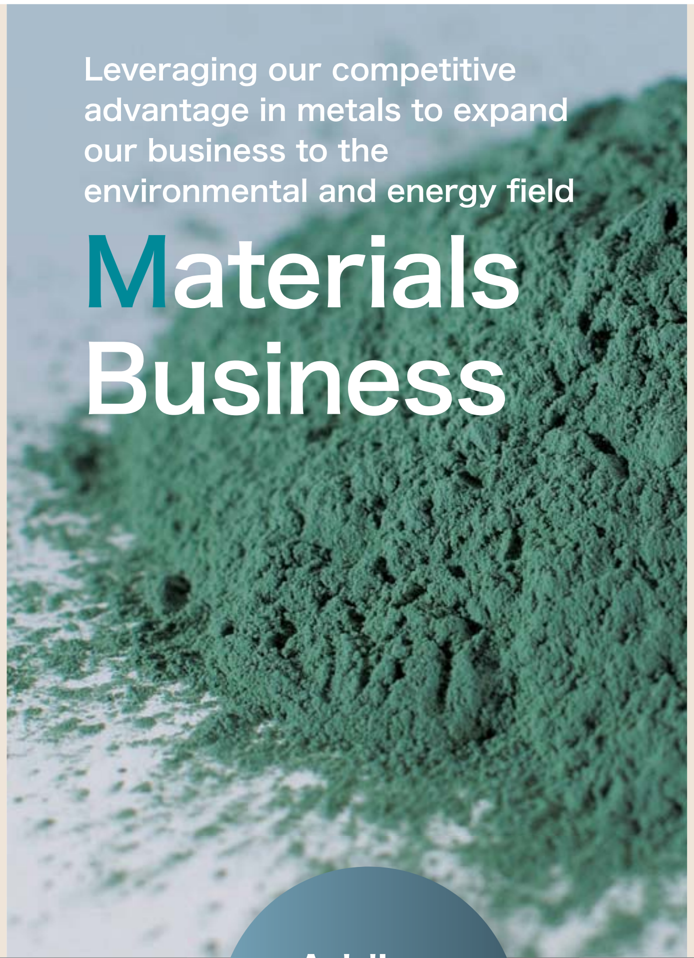
Smelting & Refining Business

Extracting metals from ore

Supplying quality metals to the Materials business

Cost-Efficient Operations with World-Leading Smelting and Refining Technology

For nickel, we are using HPAL technology to produce intermediates from low-grade ore in the Philippines. We then refine these intermediates into electrolytic nickel in Japan. SMM is Japan's sole producer of electrolytic nickel. We are also producing electrolytic copper at the Toyo Smelter & Refinery, which has world-class production capacity and cost competitiveness. Using its advanced technology, SMM is generating further initiatives for cost-efficient operations with reduced environmental footprints.



Leveraging our competitive advantage in metals to expand our business to the environmental and energy field

Materials Business

Adding value to metals

Building a Deeper Relationship with Our Valued Customers

In the 1960s, SMM leveraged its accumulated metals technology to enter the electronics materials business. Now we are promoting advanced material development in the field of environmental preservation and energy conservation, particularly in the battery material market for hybrid vehicles produced by major auto manufacturers, and for electric vehicles, which have met with significant success in the US.

"There seem to have been three overarching aspects affecting the management of the company's business affairs: attainment of profits, response to new resource nationalism, and building ties of trust with society."

Fiscal 2013 In Retrospect

A year has now passed since I took up the post of SMM's president, and looking back over the past year there seem to have been three overarching aspects affecting the management of the company's business affairs: attainment of profits, response to new resource nationalism, and building ties of trust with society.

In terms of securing profits, during the past year we proactively pursued involvement in large-scale projects and sought maximum cost reductions and higher productivity in business undertakings already in progress. Together these efforts enabled the company to record more than 100 billion yen in recurring profit for the fourth consecutive year. Securing profits is extremely important in order to ensure that SMM will have the financial means to pursue large-scale capital investments and to invest in overseas mines, etc. Inevitably the company is impacted by external factors such as metal prices and fluctuations in exchange rates, but going forward we will continue to secure stable profits through sustained efforts in aspects such as cost reductions.

The rise of new resource nationalism in recent years has generated new country risks for SMM that today are demanding robust response – an issue of major importance to company management. In Indonesia, for example, a new mining law took effect in January 2014 prohibiting the export of unprocessed mineral products such as nickel ore. Movements are also under way in a number of countries to review legal frameworks in order to promote investments from overseas.

To respond to situations such as these, the need for SMM to form ties of trust with society are becoming ever more important. Unless we are able to establish a business model enabling win-win relationships for both the company and the countries and communities we deal with, we will be unable to succeed in business. All too cognizant of this fact, as we move forward we must devote ourselves even more than before to forging solid ties of trust between SMM and the people in the countries and regions where we are undertaking projects.

Review of Fiscal 2013 and Business Strategies for Fiscal 2014

In fiscal 2013 SMM registered consolidated recurring profit totaling 114.4 billion yen. Although declining metal prices during the year had a significant negative impact, the final result was virtually unchanged from the preceding year. The company's various business strategies scored varying degrees of success, but recurring profit topped 100 billion yen for a fourth straight year despite the severity of the external environment.

Mineral Resources

The most important undertaking in the Mineral Resources segment today is the Sierra Gorda Copper Mine Development Project under way in Chile. Plans presently call for copper production to commence during fiscal 2014 at an annual rate of 110,000 tons, with capacity to be progressively expanded to 220,000 tons. After production begins, we will strive to enhance the project's profits through maximum suppression of operating costs.

Expansion projects are also moving steadily forward at the other copper mines into which SMM has made capital investments, and these operations are expected to contribute to company profits also.

> **"Recurring profit topped 100 billion yen for a fourth straight year despite the severity of the external environment."**

> **"The completion in June 2013 of the plant constructed for the Taganito Nickel Project enables the establishment of a system capable of producing 100,000 tons of nickel annually."**

Smelting & Refining

A major event in the Smelting & Refining segment during fiscal 2013 was the completion in June 2013 of the plant constructed for the Taganito Nickel Project. In fiscal 2014 the plant will shift into full-scale production at a level of 30,000 tons per year, thereby enabling the establishment of a system capable of producing 100,000 tons of nickel annually. The Taganito Project is garnering robust attention locally in the Philippines, in recognition of which we intend to continue making every effort to contribute fully to the local society as a way of building solid ties of trust.

This past year also saw the completion of reinforcement work at the Niihama Nickel Refinery, where the intermediate produced at Taganito are transformed into finished products. At the Harima Smelter, the process for manufacturing nickel sulfate directly from the intermediate products produced at Taganito was brought to completion.

On the back of the Taganito Project and the expansion work at the Niihama Nickel Refinery, going forward we will continue other major nickel project feasibility studies – for the Pomalaa Project under way in Indonesia, for example – as a vital part of our quest to achieve our long-term vision to achieve an annual production capability of 150,000 tons, enabling SMM to enter the ranks of the top 5 nickel producers and thus become a "World Leader in Non-Ferrous Metals."

Materials

Earnings from the Materials business recovered substantially in fiscal 2013, accompanied by a significant improvement in our net profit to sales ratio. These achievements were realized as a result of various structural reforms, including the withdrawal from low-productivity products and a shift to areas with excellent growth potential. We believe it will be important also to incorporate new ideas and implement diverse measures in a quest to reduce costs as a way of underpinning our bottom line.

The Materials business has emerged from its temporary period of adversity and earnings are now trending upward. By faithfully executing crucial strategies, we will proceed forward toward achieving the targets set in our 2012 3-Year Business Plan and pursuing further growth beyond.

Future Priority Measures

Research & Development

As a follow-up to the establishment in 2012 of the new Materials Research & Development Center, in 2014 we are opening a Mineral Resource & Hydrometallurgy Process Center. In this way we will further burnish our technological capabilities that are both SMM's underlying strength as well as the source of our competitive power.

The new Resource & Hydrometallurgy Process Center will be in charge of development of the world's most advanced processing and equipment technologies in the areas of mineral resources and smelting and refining. Research and development facilities relating to materials, including the Materials Research & Development Center, will undertake the development of products for environmental and energy applications, as well as seek solutions for miniaturization of finished products and higher communication speeds. These advances will be applied to the achievement of even lower costs and the development of products for the future.

Development of Human Resources

My personal conviction is, and always has been, that employees are of essential importance to a company. At SMM, attention tends of focus on our technological staff; but I believe our sales teams deserve equal recognition for the excellent work they perform. Especially as all of our operations become increasingly globalized, in addition to cultivating human resources as we always have, an issue of equal urgency is to strengthen the functions of the Head Office in this respect. In response, today we are debating how to achieve the optimal personnel system from the perspective of diversification: hiring workers irrespective of their nationality, promoting the active participation of women, etc. The results of these diversification initiatives will become evident, over time, starting very soon.

"Respect for human resources" is a vital part of Sumitomo's Business Spirit. Throughout our history, the development and active utilization of human resources has always been viewed as the most important factor behind the company's growth. To carry out this thinking today, I want SMM to be a company that employees will be excited to work for, a company where every workplace will be staffed by vibrant employees who find their work personally rewarding. In achieving such a company and such workplaces I believe rests the ability of SMM to respond to the hopes and expectations of our shareholders and all other stakeholders.

CSR Stance

Making social contributions through our business operations is the foundation of SMM's CSR commitment, and carrying out this commitment is of extreme importance for us. Our business is viable only when we, as a company, enjoy the trust of society, and when we pay due attention to environmental needs. For this reason, I believe that it is absolutely essential for us to build solid connections with society and earn society's trust through activities that enhance our relationship to society.

> **"'Respect for human resources' is a vital part of Sumitomo's Business Spirit. Throughout our history, the development and active utilization of human resources has always been viewed as the most important factor behind the company's growth."**

> **"Based on the Sumitomo Business Spirit – the foundation of our business philosophy for four centuries – going forward we will continue the steady advancement of our growth strategies."**

Financial Policies

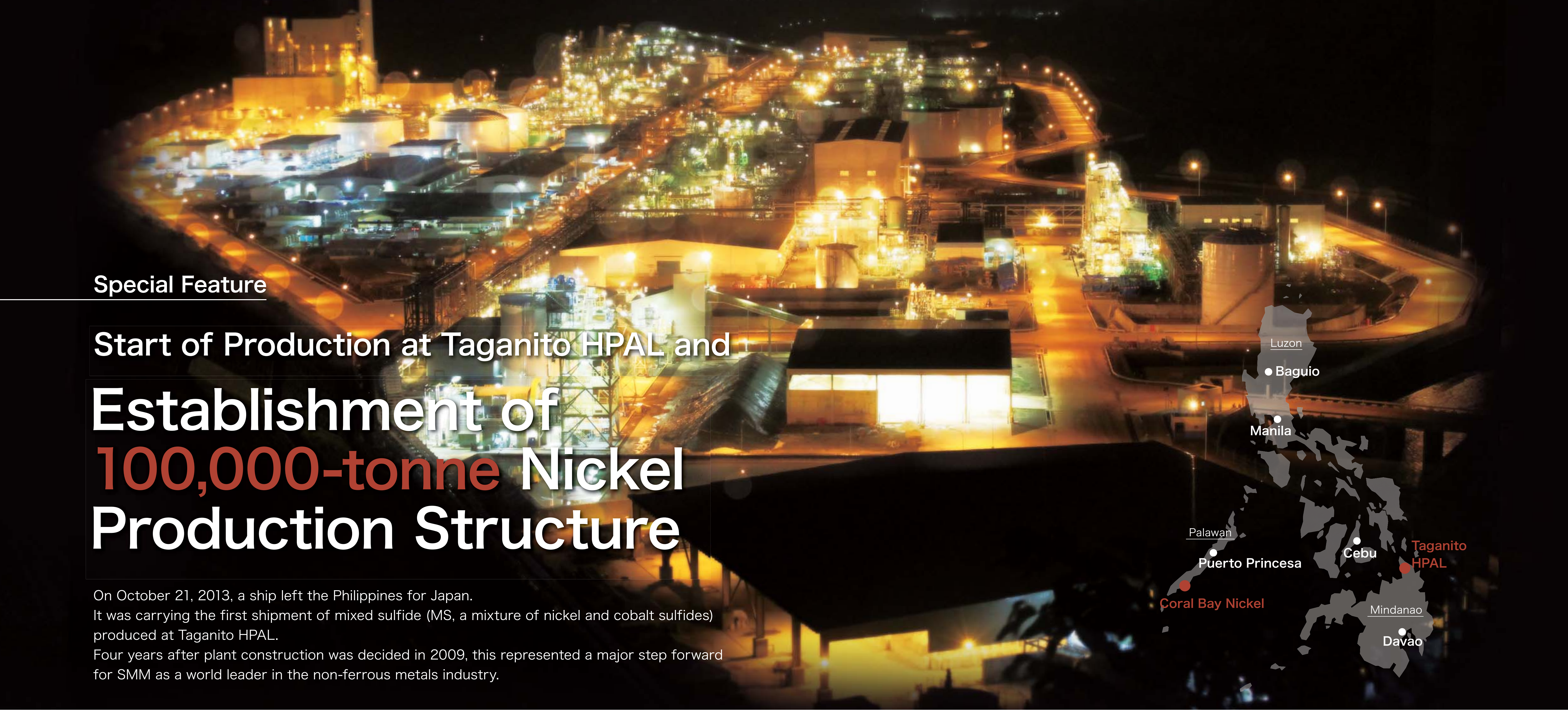
In our 2012 3-Year Business Plan we pledged to keep our equity ratio above 50%, and this financial policy will be maintained. We have also already raised our dividend payout ratio to more than 25%. In order to respond to the expectations of our shareholders and investors, we will steadily implement measures toward achieving our net income target of 100 billion yen in fiscal 2015, the final year of the current 3-Year Business Plan.

Message to Shareholders and Investors

SMM believes that enhancing our enterprise value is the best return we can offer to our investors. Based on the Sumitomo Business Spirit – the foundation of our business philosophy for four centuries – going forward we will continue the steady advancement of our growth strategies and respond faithfully to the trust and expectations of our shareholders and investors.

August 2014

Yoshiaki Nakazato, President & Representative Director



Special Feature

Start of Production at Taganito HPAL and Establishment of 100,000-tonne Nickel Production Structure

On October 21, 2013, a ship left the Philippines for Japan.
It was carrying the first shipment of mixed sulfide (MS, a mixture of nickel and cobalt sulfides) produced at Taganito HPAL.
Four years after plant construction was decided in 2009, this represented a major step forward for SMM as a world leader in the non-ferrous metals industry.

HPAL Technology

As its name indicates, the High Pressure Acid Leach (HPAL) technology uses sulfuric acid in a high-temperature, high-pressure environment to leach nickel from low-grade ore to produce a higher-grade intermediate. A special feature of this technology is its ability to process low-grade oxide ore. Large deposits of such ore can be found close to the earth's surface but are difficult to process by other means.

HPAL technology itself actually dates back to the 1960s, but the facilities engineering and operations technologies required for large-scale production were not fully mature until the year 2000 or so. Once these ancillary technologies were ready, SMM reached an decision to build a plant using HPAL technology on the Philippine island of Palawan. SMM has been engaged in nickel smelting and refining since the 1930s and has a considerable amount of accumulated expertise—for example, it began using Matte Chlorine Leach Electrowinning (MCLE) technology, which requires advanced operations technology, in the 1980s—and it was determined that this expertise would make HPAL production possible.

Establishing the Technology at Coral Bay

Coral Bay Nickel Corporation (CBNC) was SMM's first HPAL plant, constructed adjacent to the Rio Tuba Mine on Palawan Island. Commercial production began in April 2005 on a single line with a capacity of 10,000 tonnes per year. Once stable production was achieved, construction began on a second line in 2006. Today Coral Bay has an annual production capacity of 24,000 tonnes.

CBNC was the world's first successful plant using HPAL technology. The deployment of SMM's smelting and refining technology, which has been accumulated over many years, was one factor in this, but another major reason for the plant's success was the support of Nickel Asia Corporation (NAC), owner of the Rio Tuba Mine and the largest nickel mining company in the Philippines, as a partner in the project. The plant's success represents a major growth driver for SMM, as it enables us to produce large amounts of nickel from low-grade ore that our competitors have difficulty processing.


Coral Bay Nickel Corporation (Philippines)

Taganito Project

In 2007, when the second production line at Coral Bay was under construction, SMM and NAC, aiming for further expansion of their nickel business, began a feasibility study to determine whether or not another HPAL plant could be built adjacent to NAC's Taganito Mine on the Philippine island of Mindanao. The smelting and refining process must be adjusted to fit the physical properties and quality of the ore, particularly for hydrometallurgical process. The study showed that ore from Taganito was similar to that at Coral Bay. Based on this finding, the Taganito Project was formally launched in partnership with NAC and Mitsui & Co., Ltd. in 2009. In September 2013, after a four-year construction process, an opening ceremony was held with attendance from key figures including representatives of the Philippine government and local community.

Special Characteristics of Taganito HPAL

Taganito HPAL occupies a site of approximately 750,000 m^2. MS (Mixed sulfide: a mixture of nickel and cobalt sulfides) produced here makes a journey of around a week from the nearby port to Japan. The plant at Taganito HPAL uses the latest HPAL technology, maximizing on our operational experience at Coral Bay. It has two HPAL production lines, each with 15,000 tonnes of annual capacity. The smelting and refining process has been optimized for the ore from Taganito and measures have been implemented to ensure optimal plant operation, such as reinforcement of processes that could pose potential bottlenecks on the production lines.

Taganito HPAL was set up by Philippine staff from Coral Bay in collaboration with SMM staff from Japan. The smelting and refining technology they were trained in at SMM in Japan, and which they honed at Coral Bay, is now behind operations at Taganito.

Completion of 100,000-tonne Nickel Production Capacity, Looking to 150,000-tonne Capacity

The MS produced at Taganito and Coral Bay has a nickel grade of 55% to 60%, and is transported to our Niihama Nickel Refinery and the Harima Smelter in Japan. At the Niihama Nickel Refinery it is refined into electrolytic nickel using the MCLE process, and chemical products such as nickel sulfate are also produced. The Harima Smelter has been processing zinc since 1966, and in 2014 it began producing nickel sulfate directly from MS using the latest facilities.

With these efforts, SMM has achieved its intermediate goal of an annual nickel production capacity of 100,000 tonnes. An annual production capacity of 150,000 tonnes is part of SMM's long-term vision under the current 2012 3-Year Business Plan. Going forward, SMM will continue to apply its technical strengths to solidify its position as one of the world's top nickel producers.

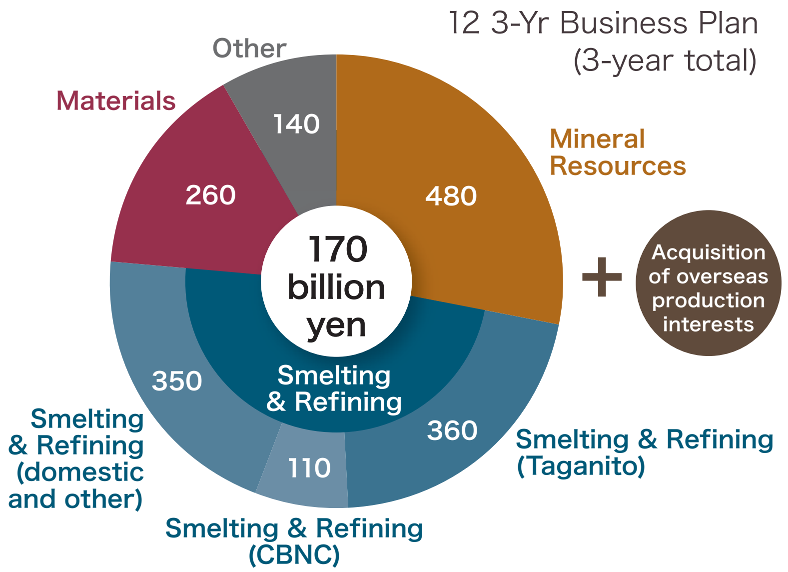
Taganito HPAL Plant Opening Ceremony

Taganito HPAL Nickel Corporation (Philippines)

Projects in Progress

		Name	2009	2010	2011	2012	2013	2014	Outlook
Mineral Resources	Cu	Sierra Gorda Project			• Participation agreement		• Phase 1 startup (annual capacity: 110,000 tonnes)	• Start of production Phase 1 ramp-up	• Phase 2 startup
Mineral Resources	Cu	Morenci Mine Expansion Project						• Completion of plant expansion, begin full production (planned)	
Mineral Resources	Cu	Cerro Verde Mine Expansion Project					• Start of construction on expansion project		[2016] • Full-scale production capacity
Mineral Resources	Au	Hishikari Mine				• Start of construction for deeper ore body development plan			• Planned start of deeper ore body mining
Mineral Resources	Au	Pogo Gold Mine	• Increased interest from 51% to 85%					• Begin mining in East Deep section	
Mineral Resources	Au	Stone Boy Project					• Begin Alaska gold prospecting		
Smelting & Refining	Ni	Taganito Project					• Construction completed	• Full operation of 30,000-tonne annual production structure	• Shift to 36,000-tonne capacity structure
Smelting & Refining	Ni	Capacity expansion at Niihama Nickel Refinery	• 41,000-tonne capacity structure complete	• 65,000-tonne capacity structure investment decided			• 65,000-tonne capacity structure complete • Receipt of Taganito raw material		
Smelting & Refining	Nickel sulfate	Harima Smelter (increase production of nickel sulfate)					• Construction complete • Receipt of Taganito raw material	• Start of production	
Materials		Battery materials (increase production of lithium nickel oxide)					• Production expansion decided	• Complete construction, begin full operation	

Capital Expenditure Plan




Sierra Gorda Project (Chile)


Taganito HPAL Nickel Corporation (Philippines)


Nickel Sulfate Plant, Harima Smelter (Japan)

Review of Operations

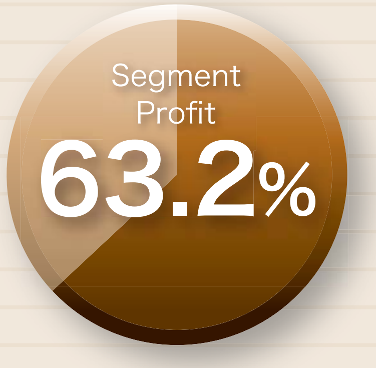
Mineral Resources Business

Sumitomo's Mineral Resources business got under way in the mid-17th century. In 1691, operations began at the Besshi Copper Mine, one of the richest in the world at that time. The expertise cultivated through those operations was applied to the Hishikari Mine, which opened in 1985. Today, SMM is engaged in exploration and development activities around the globe.

Fiscal 2013 Review

During the term, operations at Hishikari Mine proceeded on a stable basis, producing 7.0 tonnes of gold. A rise in the ore grade at the Pogo Gold Mine resulted in increased production from the previous year, reaching 10.5 tonnes.

Overseas, copper production at Morenci Mine was also stable. While copper output from the Candelaria Mine rose thanks to a rise in the ore grade, output fell at the Cerro Verde Mine mainly due to a decline in the ore grade.



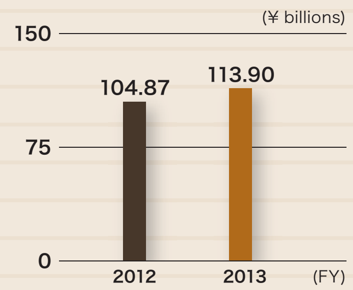
Outlook

Production began at the Sierra Gorda Mine in August 2014, and we will continue working to reach full-scale production. The expansion project at the Morenci Mine has almost been completed. and we will bring the facility on line and move toward full-scale production. We are also advancing work on the Cerro Verde Mine expansion, aiming for completion in 2016. Projected gold production during fiscal 2014 is 6.5 tonnes at the Hishikari Mine and 10.7 tonnes at the Pogo Gold Mine.

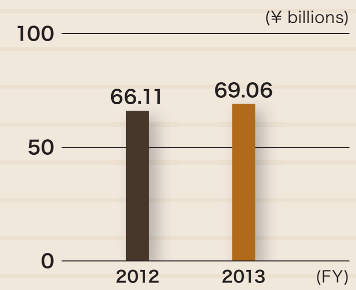
Elsewhere, we will also continue to actively explore the vicinity of operating mines, as well as evaluate possible participation in development projects.

Gold ore (Hishikari Mine)

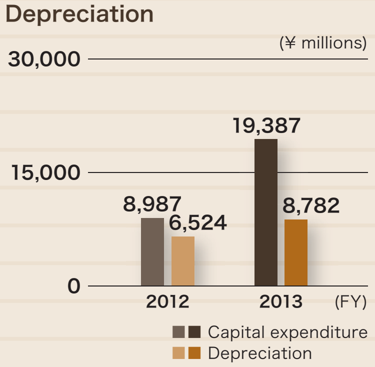
Net Sales



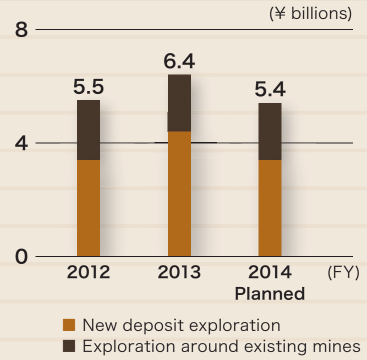
Segment Profit



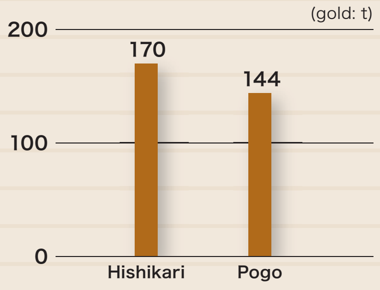
Capital Expenditure / Depreciation



Exploration Costs



SMM's Metal Interests by Mine



(as of December 31, 2013)

Note: • Hishikari Mine
Recoverable metal, JIS standard: 170 t
• Pogo Gold Mine
Reserve: 59 t
Resource: 85 t
(Canadian standard)

Copper Mine Project

Sierra Gorda Project

The Sierra Gorda Project is a copper mine development project in the Republic of Chile being carried out with KGHM Polska Miedź S.A. of Poland. In May 2011, SMM concluded an investment participation agreement with Quadra FNX Mining Ltd., currently a subsidiary of KGHM.

In addition to our production interest in the project, SMM has a 50% copper concentrates off-take right, and this concentrate will be supplied to the Toyo Smelter & Refinery. This will have the advantage of providing stable supply for our Smelting & Refining business.

This mining development project was substantially completed in August 2014 and has started production of copper concentrates. We will work toward startup of full production, and collaborate closely with KGHM to promote the second phase expansion project currently planned.

Location	Region 2 of the Republic of Chile
Start of Production	2014
Minable Ore	Approx. 1.3 billion tonnes (sulfide ore only)
Mining and Milling Methods	Open-pit mining and conventional flotation methods
Metal Volume Content	Copper: 5 million tonnes Molybdenum: 300,000 tonnes
Average Annual Production	Copper: 220,000 tonnes Molybdenum: 11,000 tonnes
Mine Life	20 years
Equity Interests	SMM: 31.5% KGHM: 55% Sumitomo Corporation: 13.5%

Review of Operations

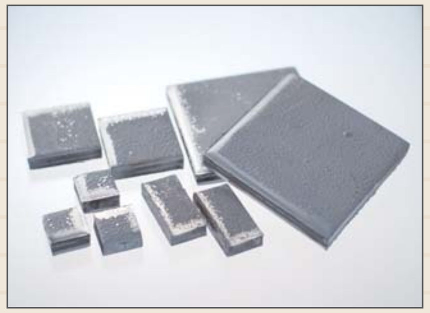
Smelting & Refining Business

SMM smelts and refines raw materials procured from a variety of sources into such metals as copper, nickel, and gold. SMM possesses world-class smelting and refining technologies and has forged a solid position within its industry. As an example, SMM became the first in the world to successfully commercialize HPAL technology for the recovery of nickel from low-grade ore, which had been difficult with conventional technologies.

Fiscal 2013 Review

Due to maintenance work carried out every other year, production at the Toyo Smelter & Refinery fell compared to the previous term. Electrolytic copper production decreased by 35,000 tonnes, to 401,000 tonnes.

Work to expand production capacity at the Niihama Nickel Refinery from 41,000 tonnes to 65,000 tonnes was completed during the term. Furthermore, thanks to the launch of Taganito HPAL, which supplies the refinery with nickel intermediates, production of electrolytic nickel rose significantly. Electrolytic nickel production for the year under review totaled 50,000 tonnes, up 9,000 tonnes from the previous term. Ferronickel production at Hyuga Smelting Co., Ltd. was roughly the same as during the previous term at 22,000 tonnes.



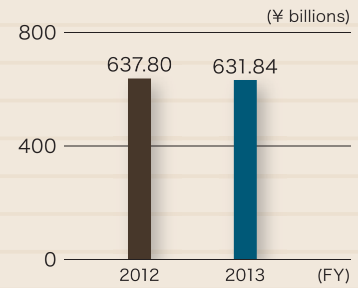
Electrolytic nickel

Outlook

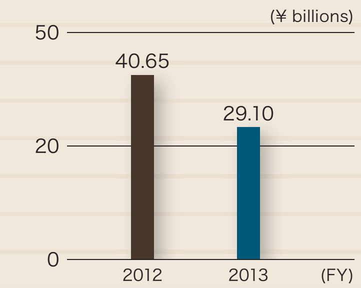
SMM will continue to reinforce its cost competitiveness in copper smelting to maintain a stable profit structure.

Taganito HPAL will operate throughout the year, and production of electrolytic nickel during fiscal 2014 is projected to increase to 58,000 tonnes, up 8,000 tonnes compared to the previous term.

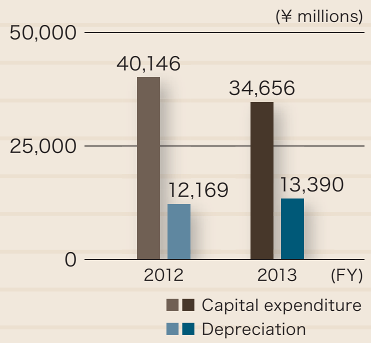
Net Sales



Segment Profit



Capital Expenditure / Depreciation



SMM's Nickel Business

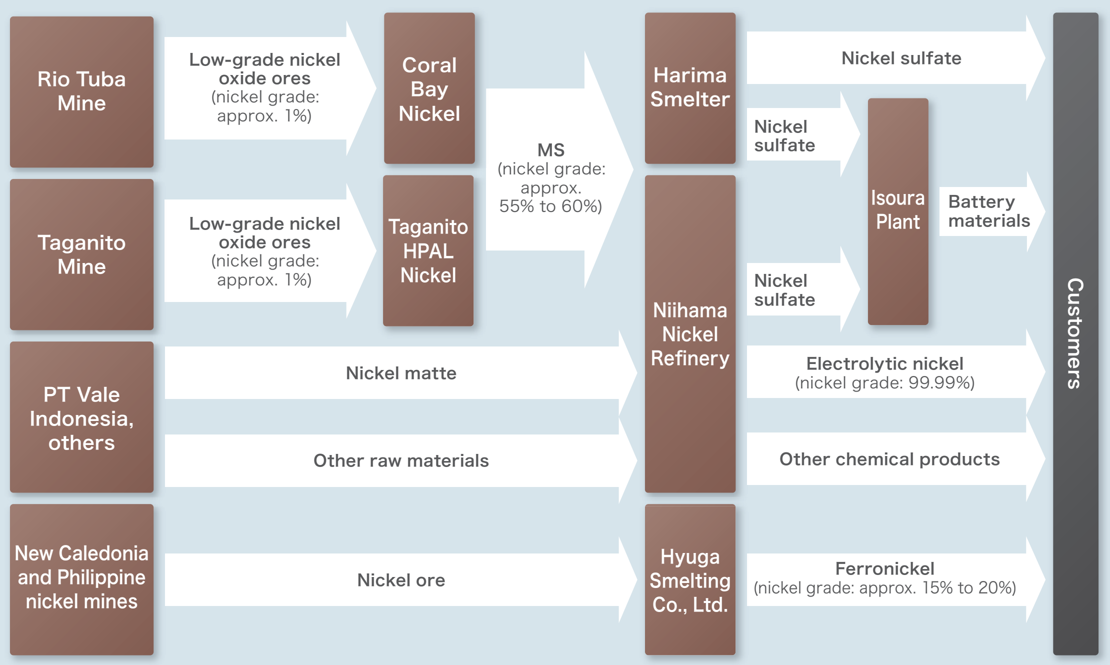
SMM produces electrolytic nickel, nickel chemical products, and ferronickel. Electrolytic nickel, nickel sulfate, nickel chloride, and other products are produced at our Niihama Nickel Refinery. Nickel sulfate is also produced at the Harima Smelter, while ferronickel is produced by Hyuga Smelting Co., Ltd.

The principal raw material for electrolytic nickel and nickel chemical products is MS produced by Coral Bay Nickel Corporation and Taganito HPAL Nickel Corporation. The Niihama Nickel Refinery uses the MCLE method to refine MS, which has an ore grade of 55% to 60%, as well as nickel matte and other raw materials to produce 99.99% grade electrolytic nickel and other chemical products. In addition, the Harima Smelter produces nickel sulfate from MS. Combined total production of electrolytic nickel and nickel chemical products for fiscal 2014 is projected to be 68,000 tonnes of nickel equivalent.

Nickel sulfate produced at the Niihama Nickel Refinery is sold to customers and also transported approximately five kilometers to the Isoura Plant, where it serves as a raw material for batteries produced by our Materials Division.

The raw material for ferronickel is nickel ore with a grade of approximately 2%. Until fiscal 2013, approximately 40% of the raw material we used came from Indonesia. However, the new mining law in Indonesia effective from January 2014 has halted imports of this ore. By accessing raw material from the Philippines and other sources, we expect to maintain fiscal 2014 production at approximately 22,000 tonnes.

■ Nickel Production Flow



Materials Business

A wide range of metals are used in the manufacture of electronic equipment. Copper, for example, is a critical input for electric circuitry manufacture, while nickel is used in the production of battery materials and capacitors. SMM has been engaged in the Materials business since the 1960s and will continue to process and supply advanced metal products by leveraging its accumulated technologies.

Fiscal 2013 Review

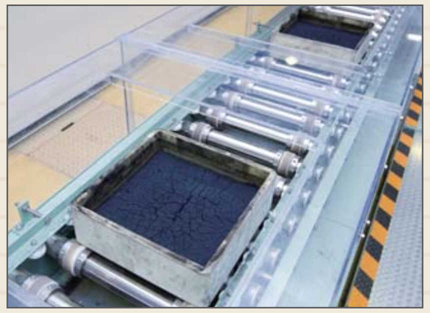
Demand for battery materials for hybrid and electric vehicles was strong during the term. Demand was also healthy for leadframes widely used in semiconductor devices, as well as electronic pastes for tablet devices and smartphones.

The decrease in sales for the segment was due to our withdrawal from the gold bonding wire business in fiscal 2012.

Outlook

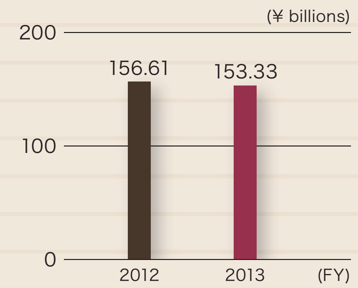
In the field of battery materials, we completed our production capacity expansion of nickel lithium oxide in June 2014, raising monthly capacity from 300 to 850 tonnes. The nickel lithium oxide we produce is used in batteries for electric vehicles manufactured by Tesla Motors, Inc. of the US.

Going forward, we will continue investing resources in product development in the fields of environment and energy, where growth is expected.

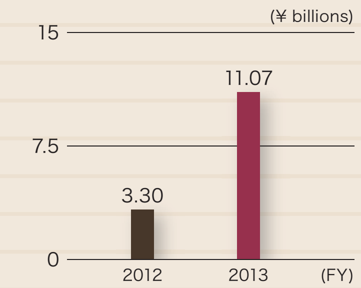


Battery materials (Isoura Plant)

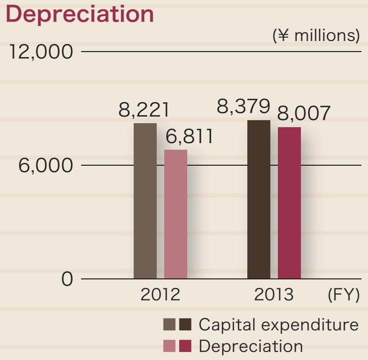
Net Sales



Segment Profit



Capital Expenditure / Depreciation



Battery Materials

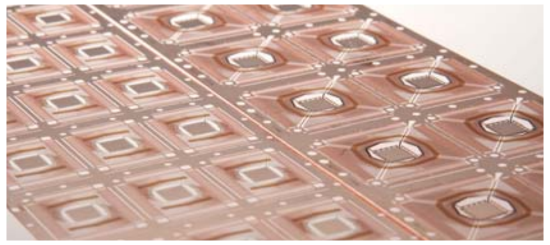
Nickel hydroxide is used as a cathode material in nickel metal hydride batteries, which are used in leading hybrid vehicles. SMM products boast a commanding share of the market for this material.

Lithium nickel oxide serves as a secondary battery cathode material for compact batteries. This material enables the production of batteries with high recharging efficiency. Users of electric vehicle batteries demand increased capacity to realize longer range. SMM is promoting R&D to achieve further improvements in nickel battery materials.

Nickel hydroxide

Leadframes

Leadframes are components used in semiconductor packages, such as integrated circuits, to connect semiconductor chips with external wiring. In fiscal 2013, we launched SH Materials Co., Ltd., a new company combining our own leadframe business with that of Hitachi Metals, Ltd. The SH Materials Group currently has the world's top leadframe share, and provides a wide range of products to manufacturers in China and elsewhere in Asia.



Leadframes

Catalyst Business

N.E. Chemcat Corporation is a joint venture of SMM and BASF SE of Germany, one of the world's leading chemical companies. As an SMM affiliate, N.E. Chemcat is one of Japan's largest developer-manufacturers of precious metal catalysts, for purifying hazardous substances in automobile exhaust gases, and chemical catalysts for petrochemicals, pharmaceuticals, aromatic chemicals and other purposes. N.E. Chemcat will continue to utilize its accumulated catalyst technology to develop new catalysts.

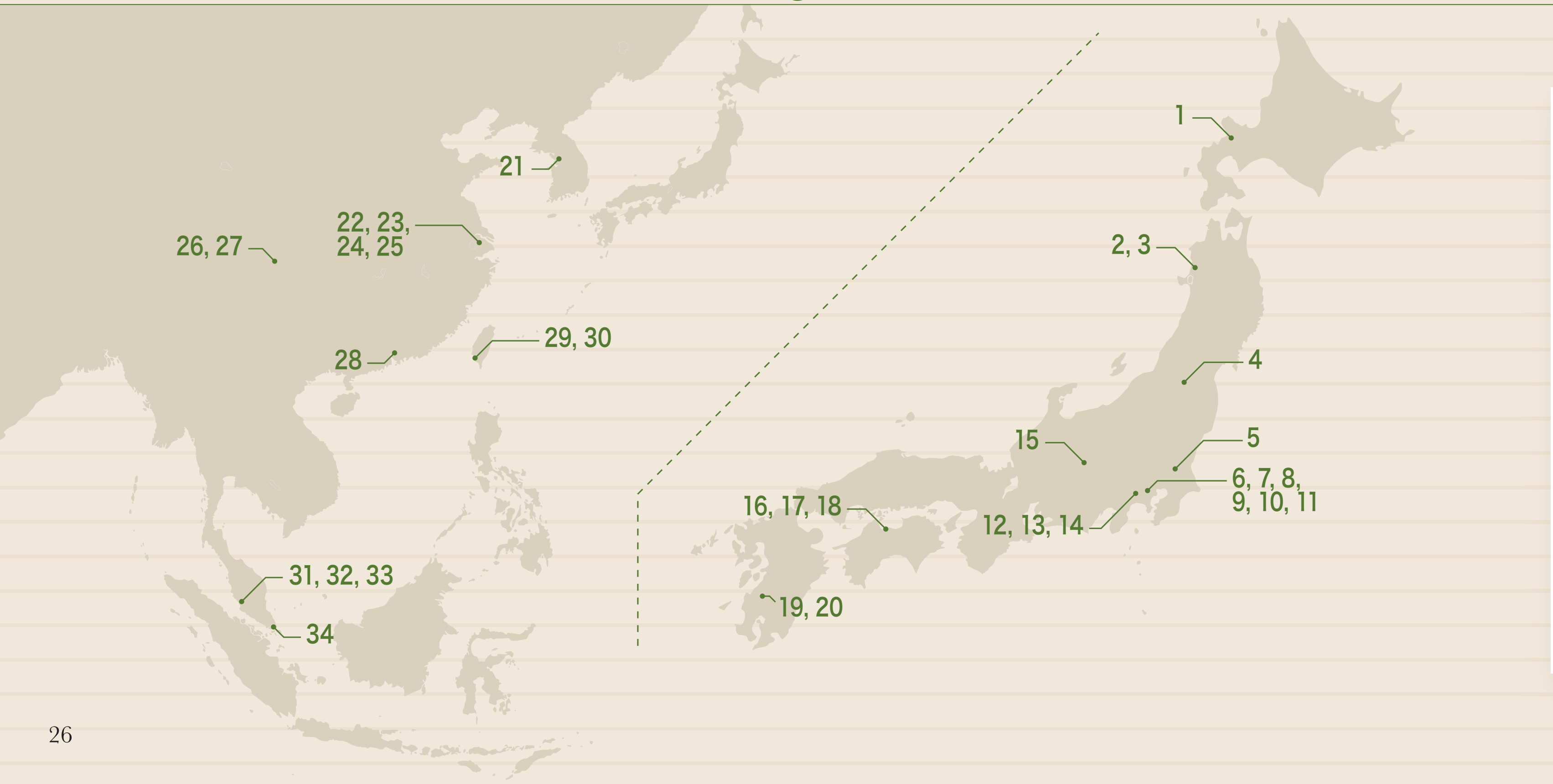
Nippon Ketjen Co., Ltd. is a joint venture between SMM and Albemarle Corporation of the United States, a leader in high polymer chemistry, catalysts, and related fields. Nippon Ketjen develops and manufactures petroleum hydrogenation and hydroprocessing catalysts, offers off-site catalyst regeneration, provides other technical services, and is engaged in related process licensing. By deploying technically advanced and economical solutions for the oil refining industry, Nippon Ketjen is working to protect the global environment.

SMM is collaborating with BASF and Albemarle to advance our strategies for further growth in the catalyst business.

Business Network

SMM Mines and Smelters/Refineries

Materials Business: Major Affiliates & Sites



1 Sumiko Kunitomi Denshi Co., Ltd.
2 SMM Precision Co., Ltd.
3 GRANOPT Co., Ltd.
4 SH Precision Co., Ltd.
5 SH Copper Products Co., Ltd.
6 Ome District Div.
7 SH Materials Co., Ltd.
8 N.E. Chemcat Corporation
9 Nippon Ketjen Co., Ltd.
10 Sumitomo Metal Mining Siporex Co., Ltd.
11 Sumico Lubricant Co., Ltd.
12 Sagami Plant
13 Nittosha Co., Ltd.
14 SumikoTec Co., Ltd.
15 Shinko Co., Ltd.
16 Isoura Plant
17 Niihama Electronics Co., Ltd.
18 Niihama Materials Co., Ltd.
19 Ohkuchi Electronics Co., Ltd.
20 Ohkuchi Materials Co., Ltd.
21 SMM KOREA Co., Ltd.
22 Shanghai Sumiko Electronic Paste Co., Ltd.
23 SH Electronics Suzhou Co., Ltd.
24 Suzhou SH Precision Co., Ltd.
25 Sumiko Advanced Materials (Suzhou) Co., Ltd.
26 SH Electronics Chengdu Co., Ltd.
27 SH Precision Chengdu Co., Ltd.
28 Dongguan Sumiko Electronic Paste Co., Ltd.
29 SH Electronics Taiwan Co., Ltd.
30 Taiwan Sumiko Materials Co., Ltd.
31 Malaysian SH Electronics Sdn. Bhd.
32 Malaysian SH Precision Sdn. Bhd.
33 Malaysian Electronics Materials Sdn. Bhd.
34 SH Asia Pacific Pte. Ltd.

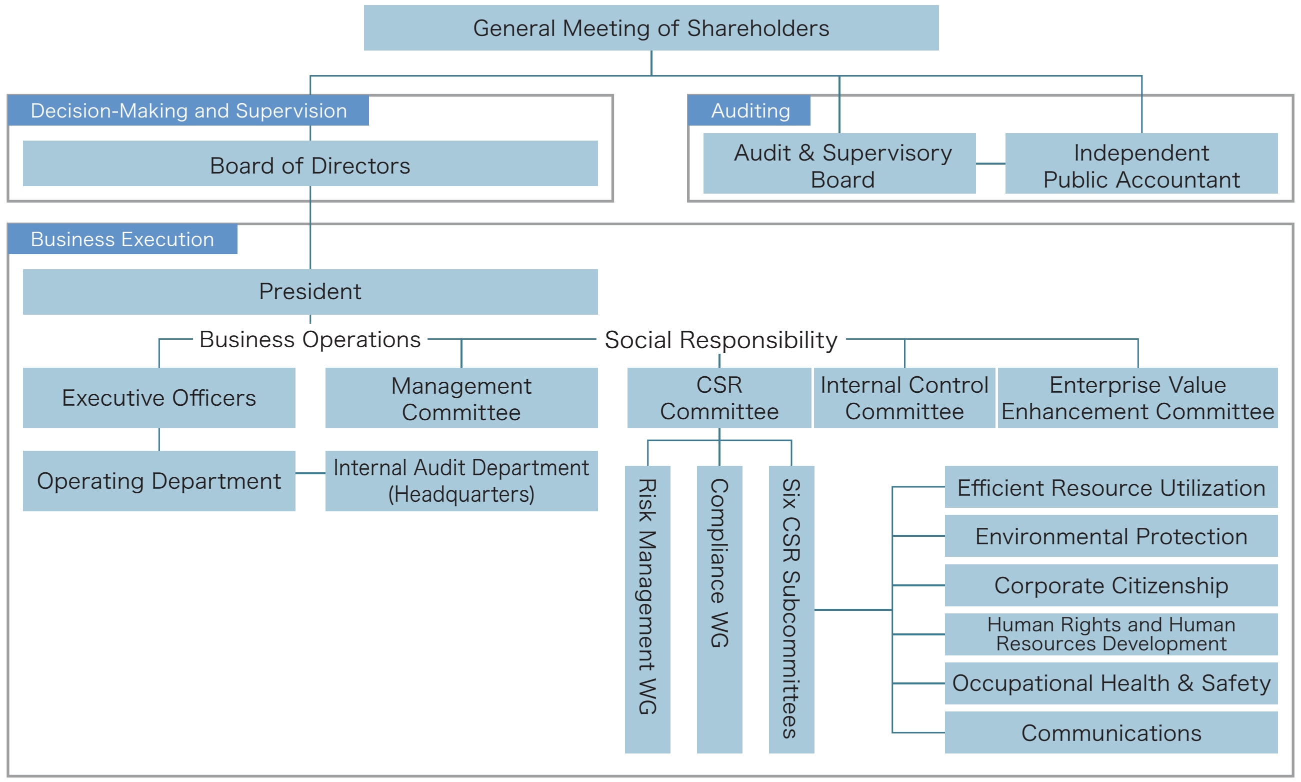
Corporate Governance

SMM is committed to building and developing an outstanding corporate governance structure and systems that balance the requirements of maximizing enterprise value and securing a sound financial position as a part of efforts to garner the trust and fulfill the expectations of all stakeholders including shareholders.

Basic Policy Stance, Structure and Systems

- The SMM Group views corporate governance as a disciplinary framework both for maximizing the enterprise value of the SMM Group and for ensuring sound management practices. As such, it is an important management issue.
- SMM has instituted the SMM Group Corporate Philosophy based on the Sumitomo Business Spirit, and has formulated the SMM Group Code of Conduct as a set of behavioral standards to guide executives and employees.
- SMM is committed to striving to achieve the goals contained in the business philosophy, to conducting efficient and sound business activities, to making a valuable social contribution, and to fulfilling responsibilities to stakeholders.
- SMM has a Board of Directors and has also adopted executive officer and Audit & Supervisory Board systems to ensure that decision-making, supervision and execution of business management each function effectively within governance systems.

Corporate Governance Framework



Management Decision-Making and Business Execution Structures and Systems

SMM delegates substantial authority to executive officers. This in turn has clarified the authority and responsibilities of directors and executive officers, allowing the Board of Directors to channel its energies toward fulfilling timely decision-making and supervisory functions.

Directors and the Board of Directors

SMM's Articles of Incorporation provides for a Board of Directors of up to ten members. This number is considered appropriate to ensure agility together with lively discussion during Board of Directors' meetings.

The Board of Directors meets on a regular basis once a month, with extraordinary meetings held as and when required, to ensure that decisions are made expeditiously. Any resolutions taken by, and any matters reported to the Board of Directors are in turn reported at meetings of executive officers to ensure that information is properly shared among officers.

Management Committee

SMM has established the Management Committee as a forum to engage in preliminary deliberations with respect to matters that require a decision by management. The Management Committee accordingly deliberates on matters requiring careful consideration from a wider point of view prior to their submission for resolution by the Board of Directors or sanction by the president. In this regard, the Management Committee plays an important role in ensuring rational decision-making, increasing the efficiency of the decision-making process and promoting appropriate internal control.

Executive Officer System

Executive officers are appointed by the Board of Directors. As previously mentioned, substantial authority has been delegated to executive officers whose authority and responsibilities have been clearly defined to reinforce their executive function. Executive officers are entrusted with important positions (such as heading an operational division, a department or an office at the Company's headquarters) and expected to perform their duties with the specific authority assigned to each position. In addition, executive officers report on the status of business execution once a month at executive officer meetings.

Audit & Supervisory Board

SMM is a company with an Audit & Supervisory Board. Audit & Supervisory Board Members remain independent of the Board of Directors and audit the status of management decision-making, business execution and accounting. SMM's Articles of Incorporation provide for up to five Audit & Supervisory Board Members. The Audit & Supervisory Board meets on a regular basis once a month, with extraordinary meetings held as and when required in conjunction with meetings of the Board of Directors.

Audit & Supervisory Board Members attend meetings of the Board of Directors, Management Committee and all other meetings considered of importance. Audits are conducted on the basis of reports received from directors, consideration of financial reports and materials, and onsite visits to business offices and plants as well as subsidiaries. Audit & Supervisory Board Members belonging to the Company present their opinions at important meetings including meetings of the Board of Directors based on the audits they have conducted as Audit & Supervisory Board Members (Standing) independently from the Company while outside Audit & Supervisory Board Members present their opinions based on their respective experiences and expertise in specialist fields. Audit & Supervisory Board Members (Standing) shall report the details of onsite audits that have been conducted solely by Audit & Supervisory Board Members (Standing) as well as meetings that were not attended by outside Audit & Supervisory Board Members at meetings of the Audit & Supervisory Board.

Auditing System

Collaboration between the Internal Audit Department, Independent Public Accountant and Audit & Supervisory Board Members

The Internal Audit Department undertakes internal audits on a regular basis on the status of business execution across the SMM Group. At the same time, the Internal Audit Department provides an explanation of its audit plans to Audit & Supervisory Board Members while passing on all relevant information. Audit & Supervisory Board Members provide details of audit plans determined during meetings of the Audit & Supervisory Board to the Internal Audit Department, accompany officers of the Internal Audit Department when conducting internal audits as required, and attend meetings when reports on the results of internal audits are delivered to executive officers and the heads of operational divisions.

KPMG AZSA & Co. is currently the Company's independent public accountant and conducts accounting as well as internal control audits in its capacity as an independent public accounting firm. Audit & Supervisory Board Members provide details of audit plans to the independent public accountant. Audit & Supervisory Board Members in turn receive explanations regarding audit plans and reports on audit results from the independent public accountant. In this manner, close collaboration is maintained between the independent public accountant and Audit & Supervisory Board Members.

Remuneration System for Directors and Audit & Supervisory Board Members

Limits on the total amounts of remuneration paid to directors and Audit & Supervisory Board Members are ratified at shareholders meetings. In addition, the total amount of bonuses to be paid to directors (with the exception of outside directors), if applicable, is also ratified at shareholders meetings.

While the amount of remuneration paid to each director is determined by the representative director under the authority of the Board of Directors, the basic remuneration (excluding bonus payments) takes into consideration predetermined criteria based on the Company's performance as well as other factors including an evaluation of the performance of each division and the status of business execution together with the performance of each individual based on specific office assessment criteria. Bonuses (with the exception of outside directors) are determined based on the same remuneration criteria together with an assessment of each individual's performance. Taking into consideration the independent status of outside directors and the focus placed on outside directors' oversight function, an assessment of individual performance is not reflected in the payment of remuneration to outside directors. Accordingly, the payment of remuneration to outside directors is limited to basic remuneration and does not include any bonus payment.

While the payment of remuneration to individual Audit & Supervisory Board Members is determined through deliberations between Audit & Supervisory Board Members, taking into consideration the independent status of Audit & Supervisory Board Members in the execution of their duties and the focus placed on the audit function, an assessment of individual performance is not reflected in the payment of remuneration to Audit & Supervisory Board Members. Accordingly, the payment of remuneration to Audit & Supervisory Board Members is limited to basic remuneration and does not include any bonus payment.

SMM does not provide for such long-term incentive remuneration as stock options. Moreover, the Company abolished its system of retirement and severance benefits for directors and Audit & Supervisory Board Members in 2005.

The total amounts of remuneration by officer classification and type as well as the number of officers to whom remuneration was paid (including officers who retired during the period) for the fiscal year under review are presented as follows.

(¥ millions)

Officer Classification	Number of Officers	Total Remuneration	Total Remuneration by Type	
			Basic Remuneration	Bonus
Directors (excluding one outside director)	7	379	303	76
Audit & Supervisory Board Members (excluding two outside Audit & Supervisory Board Members)	2	63	63	—
Outside Directors and Outside Audit & Supervisory Board Members	3	36	36	—

Note: In addition to the aforementioned, an employee salary portion totaling ¥28 million was paid to an employee who holds the concurrent position of director.

Information Disclosure and IR Activities

In order to ensure the integrity and transparency of management and to garner the trust of stakeholders, SMM recognizes the importance of accountability and information disclosure. As a result, the Company aggressively engages in investor relations (IR) activities as a part of efforts to provide all stakeholders, particularly shareholders and investors, with a deeper understanding of the Group. In specific terms, SMM posts information on its homepage and issues shareholder and annual reports. Furthermore, the president provides explanations of the Group's business strategies and other important details to analysts and institutional investors several times each year.

Complementing these activities, and in order to continuously upgrade and expand the Company's IR activities, management and the IR Department conduct individual meetings with analysts and institutional investors in Japan and overseas as well as plant inspection tours. Looking ahead, the Company will endeavor to upgrade and expand its IR activities for the benefit of individual investors.

Takeover Defense Measures

SMM introduced takeover defense measures in 2007 and updated these in 2010. Revisions to and renewal of these measures were ratified at the Company's 88th Ordinary General Meeting of Shareholders, held in June 2013. The Company will maintain these measures with an effective period of three years, to expire at the conclusion of the Company's 91st Ordinary General Meeting of Shareholders in June 2016. In the event of a large-scale acquisition by a third party of the Company's shares, an independent committee shall consider any takeover proposal and make an appropriate recommendation regarding an application of takeover defense measures to preserve the Company's enterprise value and preserve and enhance shareholder profits.

Outside Director and Outside Audit & Supervisory Board Members

Outside Director	Tsutomu Ushijima
Relationship with SMM	He has signed a contract for Limitation of Liability with SMM and has no relationship with SMM Group companies.
Reason for Appointment	Based on his specialist knowledge and wealth of experience as a lawyer and a licensed tax accountant, he was appointed an outside director to provide advice to SMM on business matters, particularly from a compliance perspective.
Independence	He is appointed as an independent director (an individual with no conflict of interest with general shareholders) based on the regulations of the Tokyo Stock Exchange.
Attendance at Meetings	During the term, the Board of Directors convened 22 times (12 regular meetings and 10 extraordinary sessions). He attended 20 of these meetings (11 regular meetings and 9 extraordinary sessions).

Outside Audit & Supervisory Board Member	Hikoyuki Miwa
Relationship with SMM	He has signed a contract for Limitation of Liability with SMM and has no relationship with SMM Group companies.
Reason for Appointment	Based on his auditing experience accumulated over many years at audit firms as well as his extensive knowledge in corporate management, he was appointed an outside Audit & Supervisory Board Member.
Independence	He is appointed as an independent auditor (an individual with no conflict of interest with general shareholders) based on the regulations of the Tokyo Stock Exchange.
Attendance at Meetings	During the term, he attended all 22 Board of Directors meetings (12 regular meetings and 10 extraordinary sessions) and all 15 meetings of the Audit & Supervisory Board.

Outside Audit & Supervisory Board Member	Shigeru Nozaki
Relationship with SMM	He has signed a contract for Limitation of Liability with SMM and has no relationship with SMM Group companies.
Reason for Appointment	Based on his wealth of financial institution experience he was appointed an outside Audit & Supervisory Board Member to provide his knowledge on business matters, particularly from an international perspective.
Independence	He is appointed as an independent auditor (an individual with no conflict of interest with general shareholders) based on the regulations of the Tokyo Stock Exchange.
Attendance at Meetings	During the term, the Board of Directors convened 22 times (12 regular meetings and 10 extraordinary sessions). He attended 20 of these meetings (12 regular meetings and 8 extraordinary sessions) and all 15 meetings of the Audit & Supervisory Board.

Corporate Social Responsibility

The Sumitomo Group has been developing its business for around four centuries through continuous adherence to the Sumitomo Business Spirit.
Acknowledging the importance of the values and ethics our forerunners built into the Sumitomo Business Spirit, we will make every effort to strengthen SMM Group business and consolidate society's trust in us.

CSR Objectives

Sustainable Co-Existence with Society and the Global Environment

SMM's Philosophy

The SMM Group upholds the Sumitomo Business Spirit in its Corporate Philosophy and Management Vision. The very activities we pursue to substantiate the visions expressed in those lines constitute SMM's CSR activity and their implementation will take us closer toward our goal of "sustainable co-existence with society and the global environment."

CSR Policy

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

Six Key CSR Areas and CSR Vision for 2020

In 2008, SMM determined six key areas of CSR activity for the Group and a CSR Vision for 2020 based on the impact of those areas on the Group and the extent of related social needs.
We will actively pursue initiatives in those areas in line with the CSR Policy, toward our goal of "sustainable co-existence with society and the global environment."

- A company that generates resources using innovative technology
- A company in which employees are proud to work along with the company on social contribution activities rooted in local areas
- A company that accords safety the highest priority and provides comfortable working environments

- A company that meets international anti-global warming standards by using advanced technologies
- A company that respects human rights and diversity, develops employees with high human rights awareness, and gives them equal opportunity based on employee motivation and ability
- A company that respects the human rights of those affected by Group business activities
- A company that avoids involvement with entities violating human rights in areas with undeveloped social infrastructure and in conflict areas
- A company that is open to communication with stakeholder groups worldwide

Directors and Audit & Supervisory Board Members

Akira Nozaki
Director

Takeshi Kubota
Director

Yoshiaki Nakazato
President,
Representative Director

Norifumi Ushirone
Director

Mikinobu Ogata
Director

Nobumasa Kemori
Chairman,
Representative Director

Naoyuki Tsuchida
Director

Tsutomu Ushijima
Outside Director

Kazuo Nakashige
Standing Senior Audit &
Supervisory Board Member

Hikoyuki Miwa
Outside Audit &
Supervisory Board Member

Hajime Sato
Standing Audit &
Supervisory Board Member

Shigeru Nozaki
Outside Audit &
Supervisory Board Member

Financial Section

Eleven-Year Financial Summary

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

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

Years ended March 31	2014	2013	2012*2	2011	2010	2009	2008	2007	2006	2005	2004
Results for the year:											
Net sales	¥ 830,546	¥ 808,540	¥ 847,897	¥ 864,077	¥ 725,827	¥ 793,797	¥ 1,132,372	¥ 966,764	¥ 625,579	¥ 484,585	¥ 402,131
Gross profit	124,822	140,650	132,421	138,810	105,956	56,887	198,147	203,180	120,137	82,878	53,714
Operating income	75,418	95,785	88,577	96,038	66,265	10,534	155,394	162,632	82,756	47,893	22,778
Other income (expenses)	35,588	26,670	(615)	27,356	16,511	12,408	61,110	42,985	10,218	6,024	8,416
Income before income taxes and minority interests	111,006	122,455	87,962	123,394	82,776	22,942	216,504	205,617	92,974	53,917	31,194
Net income	80,258	86,640	65,286	83,962	53,952	21,974	137,808	126,054	62,800	37,017	19,882
Equity in earnings of affiliated companies	29,770	17,100	23,217	34,832	26,090	31,536	73,956	46,708	21,915	13,513	7,112
Capital expenditures	66,441	59,291	73,143	53,105	26,414	47,723	65,145	51,567	50,568	36,488	46,540
Depreciation	32,426	27,578	31,132	34,625	34,746	34,268	30,505	25,693	22,951	20,578	17,824
Net interest expenses	3,530	(144)	663	257	(654)	(271)	(2,209)	(2,606)	(1,281)	(893)	(1,098)
Net cash flows from operating activities	80,014	114,665	144,999	102,458	44,153	128,000	157,383	95,985	70,772	40,150	32,324
Net cash flows from investing activities	(126,937)	(88,745)	(135,932)	(75,735)	(75,443)	(28,386)	(126,413)	(77,429)	(102,384)	(31,725)	(17,448)
Net cash flows from financing activities	81	21,549	50,314	7,379	(19,322)	(74,086)	55,727	(10,073)	28,723	6,097	(9,293)
Free cash flows	(46,923)	25,920	9,067	26,723	(31,290)	99,614	30,970	18,556	(31,612)	8,425	14,876
Financial position at year-end:											
Total assets	1,572,367	1,351,153	1,146,759	1,052,353	981,458	880,001	1,091,716	929,208	772,562	573,925	517,930
Net assets	1,019,053	844,547	726,039	684,103	629,684	547,251	640,345	528,921	394,899	–	–
Shareholders' equity *1	–	–	–	–	–	–	–	–	–	283,897	253,071
Long-term debt due after one year	243,130	212,323	157,119	135,128	132,311	141,716	169,394	93,800	114,405	109,777	86,437
Interest-bearing debt	383,580	330,073	265,951	210,969	200,939	218,534	258,054	189,910	190,891	160,533	148,351
Working capital	314,198	338,866	312,542	267,072	229,259	206,123	266,250	103,791	72,228	86,382	52,795
Amounts per share (yen):											
Net income											
– Basic	145.35	155.58	116.17	149.38	96.26	38.87	238.13	220.49	109.96	64.77	34.76
– Diluted	129.71	142.40	106.84	136.98	88.75	36.18	231.50	213.67	108.87	–	–
Shareholders' equity	1,653.83	1,393.02	1,173.97	1,121.19	1,043.50	913.92	1,017.96	859.82	654.15	497.57	443.29
Cash dividends	37.0	34.0	28.0	32.0	20.0	13.0	30.0	27.0	14.0	8.0	6.0
Key ratios:											
ROA (%)	5.49	6.94	5.94	8.26	5.80	2.23	13.64	14.81	9.33	6.78	4.02
ROE (%) *1	9.54	12.13	10.12	13.80	9.89	4.02	25.39	28.99	19.10	13.79	8.35
Equity ratio (%) *1	58.1	56.9	57.5	59.9	59.8	57.3	54.0	53.4	48.4	49.5	48.9
Interest-bearing debt to total asset ratio (%)	24.4	24.4	23.2	20.0	20.5	24.8	23.6	20.4	24.7	28.0	28.6
Debt-to-equity ratio (times) *1	0.42	0.43	0.40	0.33	0.34	0.43	0.44	0.38	0.51	0.57	0.59
Current ratio (times)	2.40	2.60	2.67	2.30	2.19	2.17	2.04	1.39	1.33	1.61	1.38

*1 Shareholders' equity are defined as following equation.
Shareholders' equity = Total shareholders' equity + Accumulated other comprehensive income
*2 The Company applied the new accounting method retroactively and restated the consolidated financial statements for the year ended March 31, 2012.

Management's Discussion & Analysis of Financial Position and Operating Results

SUMITOMO METAL MINING CO., LTD, AND CONSOLIDATED SUBSIDIARIES

Medium- to Long-Term Business Strategy and Financial Policies

The short-term performance of the SMM Group's three core businesses—Mineral Resources, Smelting & Refining, and Materials—is significantly affected by fluctuations in non-ferrous metals prices, demand for electronic and other related materials, and movements in foreign currency exchange rates. In addition, considerable time is required to generate returns from investments in development of non-ferrous metal resources. In view of these unique business factors, the SMM Group recognizes the vital importance of adopting business strategies that focus on the medium to long term, opportune investment timing, and securing sustainable growth.

SMM consistently maintains a sound financial position to ensure that the Group is well positioned to undertake medium- to long-term investments and address any and all risks. In particular, SMM has maintained a consolidated equity ratio in excess of 50% since fiscal 2006. Under the Group's 2012 3-Year Business Plan, which covers the period from fiscal 2013 to fiscal 2015, SMM plans to selectively channel management resources into priority fields, acquire and expand its interests in overseas mines, and invest aggressively in construction of cutting-edge smelting and refinery facilities. Moving forward, SMM will continue to emphasize a strong financial position based on financial policies of maintaining a consolidated equity ratio of at least 50% and a low level of gearing as measured by the debt-to-equity (D/E) ratio.

Scope of Consolidation: For fiscal 2013, the year ended March 31, 2014, the SMM Group comprised the parent company (Sumitomo Metal Mining Co., Ltd.), 66 subsidiaries (eight subsidiaries more than in the previous fiscal year), and 16 equity-method affiliates (one more equity-method affiliate) on a global basis.

Operating Results

Overview of Operations and Consolidated Operating Results

During fiscal 2013, the non-ferrous metals industry continued to experience softening prices for nickel and copper. However, factors such as an easing of concerns regarding future economic conditions limited further price declines. While nickel prices subsequently rose toward the end of the term on supply concerns caused by Indonesia's imposition of controls on ore exports, copper prices continued to be soft. Due to an outflow of investment funds in response to recovering US economic conditions, gold continued seeking further lows, but an upward price trend emerged toward the end of fiscal 2013. With respect to Materials segment-related industries, demand for materials used in the manufacture of automotive batteries increased, while demand for materials for advanced mobile devices, home appliances, and other products were buoyed by a healthy sales environment.

Under these circumstances, and based on the 2012 3-Year Business Plan, SMM is promoting a new growth strategy based on its long-term vision as the underlying platform for bolstering the competitiveness of its three core businesses—Mineral Resources, Smelting & Refining, and Materials—while channeling business resources into growth sectors by revamping its business structure.

Net Sales

In fiscal 2013, consolidated net sales increased ¥22,006 million (2.7%) over the previous term to ¥830,546 million. While sales figures for copper declined, the year saw increased income due to such factors as a depreciating yen and expanding sales of electrolytic nickel.

Operating Income

Consolidated operating income for fiscal 2013 was favorably impacted by the depreciating yen, but the offsetting effects of other factors, including declining prices for gold and nickel, resulted in a net decrease of ¥20,367 million (21.3%), to ¥75,418 million.

Other Income / Income before Income Taxes and Minority Interests

In the category of other income (expenses), significant allocations to reserves for environmental measures were recorded; however, these were partially offset by interest and dividend income, equity in earnings of affiliated companies, and gains on foreign exchange due to depreciation of the yen. As a result, income before taxes and minority interests fell ¥11,449 million (9.3%), to ¥111,006 million.

Net Income

After accounting for taxes and minority interests, net income decreased ¥6,382 million (7.4%) to ¥80,258 million. As a result, basic net income per share declined from ¥155.58 at the end of the previous term to ¥145.35.

Operating Results by Business Segment

For details regarding results and the status of business progress by business segment, please refer to the Review of Operations section on pages 20 to 25.

Capital Expenditures

Total capital expenditures in fiscal 2013 amounted to ¥66,441 million, up ¥7,150 million (12.1%) compared to the previous term. By segment, capital expenditures were ¥19,387 million in the Mineral Resources segment; ¥34,656 million in the Smelting & Refining segment, principally for the Taganito Project; and ¥8,379 million in the Materials segment.

Research and Development (R&D) Expenses

Total fiscal 2013 R&D expenses amounted to ¥6,648 million, an increase of ¥1,649 million (33.6%) compared with the previous term.

In the Mineral Resources segment, we are carrying out R&D relating to non-ferrous ore processing, including dressing technology development to improve refined ore quality and yield, as well as processing of effluent from the Hishikari Mine and inactive mines in Japan.

In the Smelting & Refining segment, the major R&D themes included the development of refining technologies that will foster the ability to handle a wide range of raw materials and ore grades and improved cost competitiveness, as well as the development of new metal-refining processes. In addition, the segment moved ahead with the development of recycling processes with respect to rare and other metals, including nickel from used hybrid-vehicle secondary batteries.

In the Materials segment, R&D initiatives were mainly directed toward functional and wiring materials related to secondary batteries, solar cells, fuel cells, energy-efficient lighting, and other energy-efficient products, which are currently drawing attention in the energy- and environment- related field. In particular, we are working to enhance the cost competitiveness, capacity, safety, and other functions of lithium nickelate, a cathode material for lithium secondary batteries, to aggressively extend the use of this material into hybrid and electric vehicles, and PC power supplies.

Financial Position

Assets

As of March 31, 2014, total assets amounted to ¥1,572,367 million, up ¥221,214 million from the level of ¥1,351,153 million recorded at the end of the previous term.

Of this total, current assets fell ¥12,291 million to ¥537,961 million, largely reflecting a decrease in marketable securities included in negotiable deposits. Total fixed assets rose ¥233,505 million to ¥1,034,406 million, mainly due to an increase in investment securities driven by such factors as increased equity earnings of affiliated companies and the influence of the yen's depreciation; an expansion in property, plant and equipment due to capital expenditures in the Taganito Project; and long-term loans to the Sierra Gorda Project.

Liabilities

Total liabilities amounted to ¥553,314 million as of the end of fiscal 2013, an increase of ¥46,708 million compared with ¥506,606 million a year earlier. Of this total, current liabilities rose ¥12,377 million to ¥223,763 million, attributable to such factors as an increase in debt due within one year. Meanwhile, long-term liabilities rose ¥34,331 million to ¥329,551 million. This largely reflected the increase in long-term debt to fund continuing aggressive investment in large-scale projects.

Net Assets

Net assets as of March 31, 2014 stood at ¥1,019,053 million, up ¥174,506 million from ¥844,547 million at the end of the previous fiscal year. Net income for the period was ¥80,258 million, due in part to substantial positive foreign currency translation adjustments resulting from depreciation in the value of the yen. In line with the increase in net assets, net assets per share improved from ¥1,393.02 to ¥1,653.83 as of March 31, 2014.

Major Financial Indicators

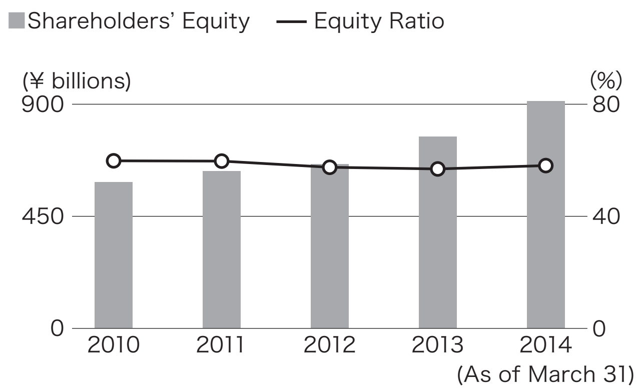
Due to the aforementioned factors, the D/E ratio remained substantially unchanged at 0.42, compared to 0.43 at the end of the previous year. The equity ratio remained sound, increasing slightly from 56.9% to 58.1%.

Cash Flows

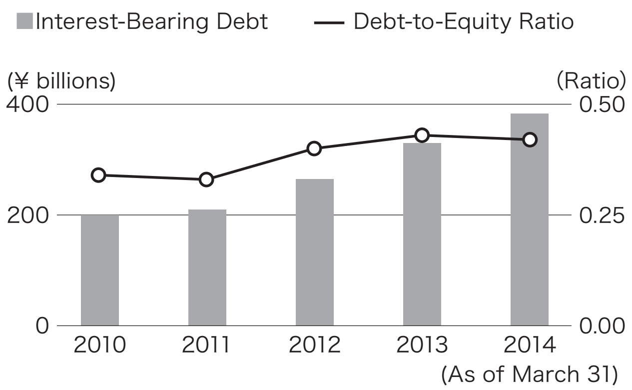
Net cash provided by operating activities came to ¥80,014 million, down from ¥114,665 million at the end of the previous fiscal year, due to lower income before taxes and minority interests, higher corporate taxes and other payables, and an increase in inventories.

Net cash used in investing activities totaled ¥126,937 mil-

Shareholders' Equity and Equity Ratio



Debt-to-Equity Ratio and Interest-Bearing Debt



lion, compared with ¥88,745 million in fiscal 2012, due to higher facilities investment to expand nickel production and additional financing for the Sierra Gorda Project, as well as increased investment in negotiable securities.
Net cash provided by financing activities amounted to ¥81 million, down from ¥21,549 million in the previous fiscal year. While expenditures for share buybacks were lower relative to the previous term, such offsetting factors as lower income from long-term liabilities resulted in a net decrease.
Taking into account the aforementioned activities and after deducting the effect of exchange rate change, cash and cash equivalents as of March 31, 2014 amounted to ¥202,583 million, a decrease of ¥37,108 million over the previous term.

Risk Information

The following section provides an overview of the risk factors that could exert a significant effect on the business performance and financial position of the SMM Group. All forward-looking statements in the text refer to management decisions based on the best information available at the end of fiscal 2013.

1 Fluctuations in non-ferrous metals prices and exchange rates

1. Sustained downturn in non-ferrous metals prices
The prices of nickel, copper, gold and other non-ferrous metals are essentially determined by the London Metal Exchange (LME) and other international markets (hereinafter referred to as “LME and other market prices”). LME and other market prices are influenced by a number of factors, including international supply and demand, political and economic circumstances, speculative trading, and competition from alternative materials. A sharp and sustained downturn in non-ferrous metals prices could have a significant negative impact on the Group’s business performance and financial position.

2. Appreciation of the yen
Not only imported raw materials, including copper concentrates and nickel matte but also the domestic prices of non-ferrous metals, are determined under U.S. dollar-denominated LME and other market standards. Accordingly, the refining margins earned by SMM from its Smelting & Refining business are effectively denominated in U.S. dollars. In addition, returns on investments in overseas mining developments, income earned from investments in the Materials business, and revenues from exports of products in each of the aforementioned businesses are also denominated in foreign currencies.
A substantial appreciation of the yen against these currencies over a sustained period could exert a significant negative impact on the Group’s business performance and financial position.
To mitigate these external risks, the SMM Group continues to make progress in implementing a variety of measures aimed at boosting competitiveness, both in materials procurement and manufacturing.

2 Deterioration in terms of non-ferrous metal ore purchasing contracts and supply disruptions

Currently, the SMM Group procures the majority of copper ores, nickel matte and other raw materials for non-ferrous metal refining operations based on long-term ore-purchasing contracts that are not backed by investment.
Each year, the raw materials purchasing terms and conditions of long-term ore-purchasing contracts are subject to negotiation. In each case, there are instances in which required volumes cannot be purchased at an appropriate price due to a variety of market factors. Furthermore, as product prices are generally determined by such factors as supply and demand—particularly factors relating specifically to non-ferrous metals—there are instances where the transfer of any deterioration in the purchasing terms and conditions of raw materials to product prices is difficult.
Supplies of ore can also be delayed or suspended due to unpredictable disruptive events beyond the control of the Group, such as extreme weather conditions, large-scale earthquakes, supplier operational accidents and industrial disputes. Such factors could impose various constraints on Group production volumes, which as a result could exert a negative impact on the Group’s business performance and financial position.
To mitigate such risks, the Group continues to seek to develop overseas mines and invest in high-grade overseas mines to secure reliable within-Group supplies of ore.

3 Uncertainty inherent in mining investments

As described above, the raw materials procurement policy of the SMM Group is to develop within-Group mining resources to boost the proprietary ore ratio. Amounts of extractable ore and extraction costs can only be estimated based on the results of exploratory surveys.
With respect to mining development, the development costs of a mining project can rise due to a variety of factors, such as compliance with environmental or regulatory actions. Any additional investment or increase in the burden of extraction costs arising from the inherent uncertainty associated with mining developments could have a negative impact on the Group’s business performance and financial position.
To mitigate such risks, the SMM Group employs a selective investment policy and undertakes strict assessments of the potential profitability of individual mining developments, based on extensive experience in mining extraction and mine valuation accumulated over many years.

4 Environmental protection and regulatory compliance risks

SMM Group businesses, notably its mining and non-ferrous metal smelting and refining operations, are subject to a broad range of laws and regulations in such areas as occupational safety and health, environmental protection, pollution prevention, industrial waste disposal and management of potentially toxic substances.
In accordance with these statutory and regulatory requirements, operators may be charged with compensation for loss or damages, irrespective of the existence of negligence or otherwise, or demands for the maintenance and management of abandoned mines. Moreover, operators may incur the burden of additional expenses due to requirements imposed under new environmental standards and regulations.
At the same time, both the mining and non-ferrous metals refining industries incur the risks and associated responsibilities for environmental pollution as well as the disposal of mining and industrial waste. Ongoing regulatory compliance costs are substantial and subject to unexpected increases as the result of the sudden emergence of previously unknown risks. The costs of ensuring regulatory compliance could therefore exert a negative impact on the Group’s business performance and financial position.
To mitigate such risks, the Group seeks to ensure that operations are in full compliance with environmental protection and other laws and regulations through the operation of environmental and risk management systems based on strict standards. The Group also endeavors to manage operations so that related compliance costs are kept within reasonable limits.

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

In those markets related to the Group’s Materials business, increasingly longer periods are required for the development of new products due largely to rapid changes in applied technologies, customer requirements and product life. This is even as product development programs in these areas require the investment of increasingly large amounts of time and resources.
Expected returns on investment from related new product development programs may not materialize due to obsolescence caused by technological progress, delays caused by responding to customer requests, or the launch of competitor products among other factors. Customer demand for products may also decline in the future. All these various factors could have a negative impact on the Group’s business performance and financial position.
In addition, sales volumes of the Group’s mainstay Materials business products are dependent upon customer production levels of such items as mobile handsets, PCs, and electric household appliances. Accordingly, performance is subject to a variety of factors including cyclical demand for the products manufactured by customers, advances in technological innovation, and general economic trends.
As a result of such factors, the development of new products and sales of existing products in the Group’s Materials business may not progress in accordance with plans. This in turn could exert a negative impact on the Group’s business performance and financial position.
The SMM Group recognizes the importance and value of acquiring intellectual property rights and managing such rights properly in accordance with related laws and regulations. However, it is not always possible to secure such rights even if the necessary procedures are followed. As such, our use of the fruits of our R&D activities could be threatened by disputes with third parties or unlawful third-party use of intellectual property.
To reduce the impact of such risk, the SMM Group has established an R&D structure aimed at rapid utilization of its end products. We have also established a specialized department to manage our intellectual property rights, and are working to reliably obtain and preserve such rights.

6 Overseas investments

The Group strives to develop its overseas business, both in terms of the location of production bases as well as the sale of its products. In the conduct of overseas business, however, SMM is subject to a wide range of political and economic risks that vary by country. These include, but are not limited to, political instability; changes in statutory and regulatory requirements with respect to the environment, labor, taxes, currency management and controls as well as trade; limited protection under the law or inadequate enforceability in connection with intellectual and other property rights; fluctuations in foreign currency exchange rates; and the confiscation or nationalization of assets. The emergence of various developments could prevent the Group from earning a suitable return on overseas investments. Such risks include the development of mineral resource projects by organizations funded by national or regional governments against the backdrop of high non-ferrous metals prices, or the levying of higher taxes on such operations. Increased environmental demands from various quarters constitute a further risk.
To mitigate such risks, the SMM Group makes overseas investment decisions based on careful consideration of all relevant country risks.

7 Disaster-related risks

The SMM Group locates production operations based on considerations such as customer relationships, raw material procurement, linkage to other Group operations, and effective use of management resources. Unexpected large-scale natural disasters such as earthquakes or typhoons that affect the regions where such facilities are located could result in major financial losses arising from such factors as onsite damage and loss of production.
To mitigate such risks, the Group insures such facilities where this is possible at reasonable cost and has made plans containing suitable countermeasures to minimize any secondary effects due to such disasters.

Consolidated Balance Sheets

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

ASSETS

As of March 31, 2014 and 2013	Millions of yen 2014	2013	Thousands of U.S. dollars (Note 1) 2014
Current assets:			
Cash and cash equivalents (Notes 3 and 8)	¥ 202,583	¥ 239,691	$ 1,969,119
Time deposits (Note 3)	187	1,100	1,818
Notes and accounts receivable: (Note 3)			
Trade	86,715	88,530	842,875
Unconsolidated subsidiaries and affiliated companies	3,652	3,597	35,498
Allowance for doubtful accounts	(295)	(252)	(2,867)
Inventories (Note 6)	155,886	142,962	1,515,222
Deferred tax assets (Note 9)	1,834	1,774	17,827
Other current assets	87,399	72,850	849,522
Total current assets	537,961	550,252	5,229,014
Investments and long-term receivables:			
Investment securities (Notes 3, 4 and 8):			
Unconsolidated subsidiaries and affiliated companies	331,139	259,581	3,218,692
Other	181,099	143,807	1,760,294
Allowance for loss on investments	–	(6)	–
Long-term loans receivable			
Unconsolidated subsidiaries and affiliated companies	69,791	22,629	678,373
Others	9,107	12,932	88,521
Other long-term receivables (Notes 3 and 8)	14,016	8,200	136,235
Allowance for doubtful accounts	(209)	(210)	(2,031)
Total investments and long-term receivables	604,943	446,933	5,880,084
Property, plant and equipment (Note 8):			
Land	28,758	28,266	279,530
Buildings and structures	236,087	186,906	2,294,780
Machinery and equipment	524,957	381,917	5,102,615
Construction in progress	47,936	131,733	465,941
	837,738	728,822	8,142,866
Accumulated depreciation	(421,965)	(386,755)	(4,101,527)
Net property, plant and equipment	415,773	342,067	4,041,339
Deferred tax assets (Note 9)	2,593	1,520	25,204
Other assets	11,097	10,381	107,864
Total assets	¥ 1,572,367	¥ 1,351,153	$ 15,283,505

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

LIABILITIES AND NET ASSETS

As of March 31, 2014 and 2013	Millions of yen 2014	2013	Thousands of U.S. dollars (Note 1) 2014
Current liabilities:			
Bank loans (Notes 3 and 8)	¥ 72,342	¥ 60,731	$ 703,169
Long-term debt due within one year (Note 8)	18,108	7,019	176,011
Notes and accounts payable:			
Trade (Note 3)	34,012	28,600	330,599
Unconsolidated subsidiaries and affiliated companies (Note 3)	4,398	6,612	42,749
Other	20,275	18,923	197,074
Accrued income taxes (Note 9)	9,531	20,279	92,642
Accrued expenses	3,963	4,304	38,521
Advances received	943	909	9,166
Accrued restructuring charges	97	8	943
Accrued environmental measures	898	66	8,729
Deferred tax liabilities (Note 9)	442	426	4,296
Other current liabilities	58,754	63,509	571,091
Total current liabilities	223,763	211,386	2,174,990
Long-term liabilities:			
Long-term debt (Notes 3 and 8)	293,130	262,323	2,849,242
Deferred tax liabilities (Note 9)	22,301	16,346	216,767
Accrued retirement benefits (Note 10)	–	5,701	–
Accrued environmental measures	1,280	52	12,442
Accrued restructuring charges	–	37	–
Other accruals	246	265	2,391
Net defined benefit liability (Note 10)	4,961	–	48,221
Asset retirement obligations (Note 16)	6,030	5,337	58,612
Other long-term liabilities	1,603	5,159	15,581
Total long-term liabilities	329,551	295,220	3,203,256
Contingent liabilities (Note 13)			
Net assets (Note 12):			
Shareholders' equity:			
Common stock			
Authorized - 1,000,000,000 shares			
Issued - 581,628,031 shares	93,242	93,242	906,318
Capital surplus	86,062	86,062	836,528
Retained earnings	704,824	644,642	6,850,933
Treasury stock, at cost	(31,978)	(31,895)	(310,828)
Total shareholders' equity	852,150	792,051	8,282,951
Accumulated other comprehensive income:			
Net unrealized holding gains on securities	31,335	24,645	304,578
Deferred gains (losses) on hedges	100	(1,856)	972
Foreign currency translation adjustments	29,466	(45,590)	286,412
Remeasurements of defined benefit plans	120	–	1,166
Total accumulated other comprehensive income	61,021	(22,801)	593,128
Minority interests	105,882	75,297	1,029,180
Total net assets	1,019,053	844,547	9,905,259
Total liabilities and net assets	¥ 1,572,367	¥ 1,351,153	$ 15,283,505

Consolidated Statements of Income

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

		Millions of yen	Thousands of U.S. dollars (Note 1)
For the years ended March 31, 2014 and 2013	2014	2013	2014
Net sales (Note 15)	¥ 830,546	¥ 808,540	$ 8,072,959
Costs and expenses:			
Cost of sales	705,724	667,890	6,859,681
Selling, general and administrative expenses (Note 11)	49,404	44,865	480,210
	755,128	712,755	7,339,891
Operating income	75,418	95,785	733,068
Other income (expenses):			
Interest and dividend income	7,092	3,157	68,935
Interest expense	(3,562)	(3,301)	(34,623)
Write-down of investment securities (Note 4)	(3)	(908)	(29)
Gain on sale and disposal of property, plant and equipment	306	232	2,974
Loss on impairment of fixed assets (Note 7)	(1,253)	(198)	(12,179)
Exchange gain	6,513	5,618	63,307
Provision for environmental measures	(2,134)	(44)	(20,743)
Maintenance cost for ceased projects	(500)	(527)	(4,860)
Casualty loss	(5)	(15)	(49)
Equity in earnings of affiliated companies	29,770	17,100	289,366
Loss from valuation of derivative instruments	(3)	(1,311)	(29)
Loss (Gain) on change in equity	(101)	8,435	(982)
Other, net	(532)	(1,568)	(5,171)
	35,588	26,670	345,917
Income before income taxes and minority interests	111,006	122,455	1,078,985
Income taxes (Note 9):			
Current	24,573	27,247	238,851
Deferred	(950)	1,658	(9,234)
	23,623	28,905	229,617
Income before minority interests	87,383	93,550	849,368
Minority interests in net income of consolidated subsidiaries	(7,125)	(6,910)	(69,255)
Net income	¥ 80,258	¥ 86,640	$ 780,113

		Yen	U.S. dollars (Note 1)
	2014	2013	2014
Amounts per share of common stock:			
Net income (Note 19)			
– Basic	¥ 145.35	¥ 155.58	$ 1.41
– Diluted	129.71	142.40	1.26
Cash dividends applicable to the year	37.00	34.00	0.36

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

Consolidated Statements of Comprehensive Income

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

		Millions of yen	Thousands of U.S. dollars (Note 1)
For the years ended March 31, 2014 and 2013	2014	2013	2014
Income before minority interests	¥ 87,383	¥ 93,550	$ 849,368
Other comprehensive income			
Net unrealized holding gains on securities	6,666	13,631	64,794
Deferred gains on hedges	1,909	3,012	18,556
Foreign currency translation adjustments	45,784	18,153	445,023
Share of other comprehensive income of affiliated companies accounted for using equity method	49,628	17,121	482,387
Total other comprehensive income	103,987	51,917	1,010,760
Comprehensive income (Note 14)	191,370	145,467	1,860,128
Comprehensive income attribute to:			
Owners of the parent	163,960	134,155	1,593,701
Minority interests	27,410	11,312	266,427

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

Consolidated Statements of Changes in Net Assets

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

		Shareholders' Equity				
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
For the years ended March 31, 2014 and 2013	(thousands)					Millions of yen
Balance at April 1, 2012	581,628	¥ 93,242	¥ 86,063	¥ 572,576	¥ (21,845)	¥ 730,036
Net income		–	–	86,640	–	86,640
Foreign currency translation adjustments		–	–	–	–	–
Adjustments for unrealized gains on securities		–	–	–	–	–
Change of scope of consolidation		–	–	–	–	–
Acquisition of treasury stock		–	–	–	(10,053)	(10,053)
Sale of treasury stock		–	(1)	–	3	2
Deferred gains on hedges		–	–	–	–	–
Increase resulting from change in accounting policies of affiliated companies		–	–	–	–	–
Remeasurements of defined benefit plans		–	–	–	–	–
Minority interests		–	–	–	–	–
Cash dividends paid		–	–	(14,574)	–	(14,574)
Balance at April 1, 2013	581,628	¥ 93,242	¥ 86,062	¥ 644,642	¥ (31,895)	¥ 792,051
Net income		–	–	80,258	–	80,258
Foreign currency translation adjustments		–	–	–	–	–
Adjustments for unrealized gains on securities		–	–	–	–	–
Change of scope of consolidation		–	–	(848)	–	(848)
Acquisition of treasury stock		–	–	–	(89)	(89)
Sale of treasury stock		–	–	–	6	6
Deferred gains on hedges		–	–	–	–	–
Increase resulting from change in accounting policies of affiliated companies (Note 2)		–	–	1,204	–	1,204
Remeasurements of defined benefit plans		–	–	–	–	–
Minority interests		–	–	–	–	–
Cash dividends paid		–	–	(20,432)	–	(20,432)
Balance at March 31, 2014	**581,628**	**¥ 93,242**	**¥ 86,062**	**¥ 704,824**	**¥ (31,978)**	**¥ 852,150**

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
For the year ended March 31, 2014			Thousands of U.S. dollars (Note 1)		
Balance at April 1, 2013	$ 906,318	$ 836,528	$ 6,265,960	$ (310,021)	$ 7,698,785
Net income	–	–	780,113	–	780,113
Foreign currency translation adjustments	–	–	–	–	–
Adjustments for unrealized gains on securities	–	–	–	–	–
Change of scope of consolidation	–	–	(8,243)	–	(8,243)
Acquisition of treasury stock	–	–	–	(865)	(865)
Sale of treasury stock	–	–	–	58	58
Deferred gains on hedges	–	–	–	–	–
Increase resulting from change in accounting policies of affiliated companies (Note 2)	–	–	11,703	–	11,703
Remeasurements of defined benefit plans	–	–	–	–	–
Minority interests	–	–	–	–	–
Cash dividends paid	–	–	(198,600)	–	(198,600)
Balance at March 31, 2014	**$ 906,318**	**$ 836,528**	**$ 6,850,933**	**$ (310,828)**	**$ 8,282,951**

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

For the years ended March 31, 2014, 2013	Net unrealized holding gains on securities	Deferred gains on hedges	Accumulated other comprehensive income: Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
							Millions of yen
Balance at April 1, 2012	¥ 10,986	¥ (4,854)	¥ (76,448)	¥ –	¥ (70,316)	¥ 66,319	¥ 726,039
Net income	–	–	–	–	–	–	86,640
Foreign currency translation adjustments	–	–	30,858	–	30,858	–	30,858
Adjustments for unrealized gains on securities	13,659	–	–	–	13,659	–	13,659
Change of scope of consolidation	–	–	–	–	–	–	–
Acquisition of treasury stock	–	–	–	–	–	–	(10,053)
Sale of treasury stock	–	–	–	–	–	–	2
Deferred gains on hedges	–	2,998	–	–	2,998	–	2,998
Increase resulting from change in accounting policies of affiliated companies	–	–	–	–	–	–	–
Remeasurements of defined benefit plans	–	–	–	–	–	–	–
Minority interests	–	–	–	–	–	8,978	8,978
Cash dividends paid	–	–	–	–	–	–	(14,574)
Balance at April 1, 2013	¥ 24,645	¥ (1,856)	¥ (45,590)	¥ –	¥ (22,801)	¥ 75,297	¥ 844,547
Net income	–	–	–	–	–	–	80,258
Foreign currency translation adjustments	–	–	75,056	–	75,056	–	75,056
Adjustments for unrealized gains on securities	6,690	–	–	–	6,690	–	6,690
Change of scope of consolidation	–	–	–	–	–	–	(848)
Acquisition of treasury stock	–	–	–	–	–	–	(89)
Sale of treasury stock	–	–	–	–	–	–	6
Deferred gains on hedges	–	1,956	–	–	1,956	–	1,956
Increase resulting from change in accounting policies of affiliated companies (Note 2)	–	–	–	–	–	301	1,505
Remeasurements of defined benefit plans	–	–	–	120	120	–	120
Minority interests	–	–	–	–	–	30,284	30,284
Cash dividends paid	–	–	–	–	–	–	(20,432)
Balance at March 31, 2014	**¥ 31,335**	**¥ 100**	**¥ 29,466**	**¥ 120**	**¥ 61,021**	**¥ 105,882**	**¥ 1,019,053**

For the year ended March 31, 2014	Net unrealized holding gains on securities	Deferred gains on hedges	Accumulated other comprehensive income: Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
							Thousands of U.S. dollars (Note 1)
Balance at April 1, 2013	$ 239,551	$ (18,040)	$ (443,138)	$ –	$ (221,627)	$ 731,892	$ 8,209,050
Net income	–	–	–	–	–	–	780,113
Foreign currency translation adjustments	–	–	729,550	–	729,550	–	729,550
Adjustments for unrealized gains on securities	65,027	–	–	–	65,027	–	65,027
Change of scope of consolidation	–	–	–	–	–	–	(8,243)
Acquisition of treasury stock	–	–	–	–	–	–	(865)
Sale of treasury stock	–	–	–	–	–	–	58
Deferred gains on hedges	–	19,012	–	–	19,012	–	19,012
Increase resulting from change in accounting policies of affiliated companies (Note 2)	–	–	–	–	–	2,926	14,629
Remeasurements of defined benefit plans	–	–	–	1,166	1,166	–	1,166
Minority interests	–	–	–	–	–	294,362	294,362
Cash dividends paid	–	–	–	–	–	–	(198,600)
Balance at March 31, 2014	**$ 304,578**	**$ 972**	**$ 286,412**	**$ 1,166**	**$ 593,128**	**$ 1,029,180**	**$ 9,905,259**

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

For the years ended March 31, 2014 and 2013	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars (Note 1) 2014
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 111,006	¥ 122,455	$ 1,078,985
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation	32,426	27,578	315,183
Loss on impairment of fixed assets	1,253	198	12,179
Loss (Gain) on sale and disposal of property, plant and equipment	(306)	(232)	(2,974)
Write-down of investment securities	3	908	29
Loss (Gain) from valuation of derivative instruments	3	1,311	29
Interest and dividend income	(7,092)	(3,157)	(68,935)
Interest expense	3,562	3,301	34,623
Equity in earnings of affiliated companies	(29,770)	(17,100)	(289,366)
Casualty loss	5	15	49
Decrease (Increase) in trade receivables	2,588	6,372	25,156
Decrease (Increase) in inventories	(8,216)	9,952	(79,860)
Increase (Decrease) in trade payables	624	(13,046)	6,065
Others	(7,450)	(19,754)	(72,415)
Sub-total	98,636	118,801	958,748
Interest and dividend received	20,784	10,472	202,022
Interest paid	(3,518)	(3,421)	(34,195)
Payments for maintenance costs for ceased projects	(500)	(527)	(4,860)
Payments for recovery costs	(5)	(15)	(49)
Payments for/Refund of income taxes	(35,383)	(10,645)	(343,925)
Net cash provided by operating activities	80,014	114,665	777,741
Cash flows from investing activities:			
Payments for acquisition of property, plant and equipment	(64,067)	(52,649)	(622,735)
Payments for acquisition of intangible assets	(883)	(286)	(8,583)
Proceeds from sale of property, plant and equipment	1,788	1,005	17,379
Proceeds from sale of intangible assets	86	8	836
Payments for purchases of investment securities	(18,098)	(10,562)	(175,914)
Payments for purchases of securities of subsidiaries and affiliated companies	(285)	(139)	(2,770)
Payments for loans lended	(46,741)	(25,672)	(454,325)
Collection of loans repaid	570	276	5,540
Other	693	(726)	6,736
Net cash used in investing activities	(126,937)	(88,745)	(1,233,837)
Cash flows from financing activities:			
Proceeds from long-term debt	27,596	151,205	268,235
Repayments of long-term debt	(7,410)	(102,527)	(72,026)
Net increase (decrease) in bank loans	2,624	(187)	25,505
Contribution from minority in consolidated subsidiaries	40	25	389
Increase in treasury stocks	(83)	(10,051)	(807)
Cash dividends paid	(20,432)	(14,574)	(198,600)
Cash dividends paid to minority in consolidated subsidiaries	(2,254)	(2,342)	(21,909)
Net cash provided by financing activities	81	21,549	787
Effect of changes in exchange rate on cash and cash equivalents	9,715	6,514	94,430
Net increase (decrease) in cash and cash equivalents	(37,127)	53,983	(360,879)
Cash and cash equivalents at beginning of year	239,691	185,708	2,329,812
Increase in cash and cash equivalents resulting from change of scope of consolidation	19	–	185
Cash and cash equivalents at end of year	¥ 202,583	¥ 239,691	$ 1,969,118

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

Notes to Consolidated Financial Statements

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

1 Basis of presenting consolidated financial statements

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

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

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2014, which was ¥102.88 to US$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2 Summary of significant accounting policies

Consolidation — The consolidated financial statements include the accounts of the Company and its significant subsidiaries (66 subsidiaries in 2014, 58 in 2013). All significant inter-company balances and transactions have been eliminated. Investments in affiliated companies of which the Company has the ability to exercise significant influence over financial and operating policies, are accounted for by the equity method (16 affiliated companies in 2014, 15 in 2013). Investments in the remaining unconsolidated subsidiaries and affiliated companies are carried at cost because of their immaterial effect on the consolidated financial statements.

Compania Contractual Minera Candelaria and Sociedad Minera Cerro Verde S.A.A., which are affiliate companies of the Company, have changed certain accounting policies for the year ended December 31, 2013. The Sumitomo Metal Mining Group (the "Group") has presented the accumlated effects on the retained earnings and minority interests in the consolidated financial statements as at April 1, 2013, which is the beginning of the earliest period in which retrospective application is practicable, as "increase resulting from change in accounting policies of affiliated companies" in the consolidated statements of changes in net assets for the year ended March 31, 2014.

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

Goodwill (consolidation difference between the investment cost and the underlying equity in its net assets at the date of acquisition) is amortized over five years on a straight-line basis. With respect to subsidiaries in the United States, goodwill is amortized over 20 years on a straight-line basis.

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

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

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

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

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

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

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

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

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

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

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

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

Depreciation of property, plant and equipment is computed by the straight-line method, based on the estimated useful lives of respective assets. The depreciation period generally ranges from 2 years to 60 years for buildings and structures and 2 years to 22 years for machinery and equipment.

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

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

Retirement benefits — The estimated amounts of all retirement benefits to be paid at the future retirement dates are allocated equally to each service year using the estimated number of total service years.

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

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

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

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

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

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

Change in accounting policies — Effective from the year ended March 31, 2014, the Company and its consolidated domestic subsidiaries have applied the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012 (hereinafter, "Statement No. 26")) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012 (hereinafter, "Guidance No. 25")) with the exception of Article 35 of Statement No. 26 and Article 67 of Guidance No. 25 and actuarial gains and losses and past service costs that are yet to be recognized have been recognized and the difference between retirement benefit obligations and plan assets has been recognized as net defined benefit liability.

In accordance with Article 37 of Statement No.26, the effect of the change in accounting policies arising from initial application has been recognized in remeasurements of defined benefit plans in accumulated other comprehensive income.

As a result of the above application, net defined benefit liability in the amount of ¥4,961 million (US$48,221 thousand) has been recognized and accumulated other comprehensive income has increased by ¥120 million (US$1,166 thousand) at the end of the current year.

Accounting standards issued but not yet effective —

Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012)

Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)

(1) Summary

Under the amended rule, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss would be recognized within the net asset section, after adjusting for tax effects, and the deficit or surplus would be recognized as a liability or asset without any adjustments.

For determining the method of attributing expected benefits to periods, the amended standard now allows a choice between the benefit formula method and the straight-line method. The method for determining the discount rate has also been amended.

(2) Effective dates

Amendments relating to the determination of retirement benefit obligations and current service costs will become effective from the beginning of annual periods ending on or after March 31, 2015.

(3) Effect of application of standard

As a result of the change in accounting policies, retained earnings are expected to be ¥2,098 million (US$20,393 thousand) less at the beginning of the next year. The effect of the application on income or loss for the next year is immaterial.

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

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

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

Change in presentation — "Provision for environmental measure" that was included in "Other,net" in other income (expenses) of the consolidated statements of income for the year ended March 31, 2013 has become significant in its amounts and is therefore separately presented for the year ended March 31, 2014. In order to reflect this change in presentation, the amounts of the account have been reclassified in the consolidated statements of income for the year ended March 31, 2013.

3 Notes to financial instruments

1. Status of financial instruments

(1) Policies on the handling of financial instruments

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

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

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

(2) Details of and risks associated with financial instruments

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

Notes and accounts payable, which are trade obligations, generally have maturity dates of one year or less. In similar fashion to trade receivables, trade obligations in the metals business are subject to the risk of movements in the prices of non-ferrous metals. A certain portion of trade obligations are related to the import of raw and other materials and as such are denominated in foreign currencies. On this basis, they too are open to the risk of fluctuations in the foreign currency exchange rates. Within loans and bonds payable, bank loans payable primarily represent funding applicable to operating transactions while long-term debt (with a maximum maturity up to March 21, 2025) and bonds mainly concern funding relating to capital expenditures. A certain portion of loans and bonds payable is provided on a floating rate of interest basis. Accordingly, this portion is exposed to the risk of fluctuation in interest rates.

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

(3) Risk management systems relating to financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

2. Fair values, etc. of financial instruments

Amounts on the consolidated balance sheets, fair values and the differences between the two as of March 31, 2014 and 2013 are shown as follows. Certain financial instruments were excluded from the following table as the fair values were not available (refer to the table shown in *2 below).

			Millions of yen			Thousands of U.S. dollars
2014	Book values of Consolidated Balance Sheets	Fair Values	Difference	Book values of Consolidated Balance Sheets	Fair Values	Difference
Cash and cash equivalents	¥ 202,583	¥ 202,583	¥ –	$ 1,969,119	$ 1,969,119	$ –
Time deposits	187	187	–	1,818	1,818	–
Notes and accounts receivable	90,367	90,367	–	878,373	878,373	–
Investment securities	240,274	298,844	58,570	2,335,478	2,904,782	569,304
Long-term loans receivable	78,898	80,957	2,059	766,893	786,907	20,014
Total Assets	¥ 612,309	¥ 672,938	¥ 60,629	$ 5,951,681	$ 6,540,999	$ 589,318
Notes and accounts payable	38,410	38,410	–	373,348	373,348	–
Bank loans	90,450	90,450	–	879,180	879,180	–
Long-term debt due after one year	293,130	294,419	1,289	2,849,242	2,861,771	12,529
Total Liabilities	421,990	423,279	1,289	4,101,770	4,114,299	12,529
Derivative transactions	¥ 883	¥ 54	¥ (829)	$ 8,583	$ 525	$ (8,058)

			Millions of yen
2013	Book values of Consolidated Balance Sheets	Fair Values	Difference
Cash and cash equivalents	¥ 239,691	¥ 239,691	¥ –
Time deposits	1,100	1,100	–
Notes and accounts receivable	92,127	92,127	–
Investment securities	179,901	337,589	157,688
Long-term loans receivable	35,561	37,253	1,692
Total Assets	¥ 548,380	¥ 707,760	¥ 159,380
Notes and accounts payable	35,212	35,212	–
Bank loans	67,750	67,750	–
Long-term debt due after one year	262,323	263,916	1,593
Total Liabilities	365,285	366,878	1,593
Derivative transactions	¥ (2,581)*	¥ (3,914)*	¥ (1,333)

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

* 1

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

Assets

1. Cash and cash equivalents, 2. Time deposits

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

3. Notes and accounts receivable

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

4. Investment securities

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

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

5. Long-term loans receivable

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

Liabilities

1. Notes and accounts payable, 2. Bank loans

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

3. Bonds

The fair values are based on market prices.

4. Long-term debt

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

Derivative transactions

Refer to the Note 5 Derivative transactions.

* 2

The financial instruments excluded from the above table as of March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
	Book values of Consolidated Balance Sheets	Book values of Consolidated Balance Sheets	Book values of Consolidated Balance Sheets
Unlisted equity securities	¥ 263,225	¥ 216,322	$ 2,558,563

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

* 3

The aggregate maturities subsequent to March 31, 2014 and 2013 for financial assets are as follows:

	Millions of yen				Thousands of U.S. dollars			
2014	Due within 1 year	Due after 1 year and within 5 years	Due after 5 years and within 10 years	Due over 10 years	Due within 1 year	Due after 1 year and within 5 years	Due after 5 years and within 10 years	Due over 10 years
Cash and cash equivalents	¥ 202,583	¥ –	¥ –	¥ –	$ 1,969,119	$ –	$ –	$ –
Time deposits	187	–	–	–	1,818	–	–	–
Notes and accounts receivable	90,367	–	–	–	878,373	–	–	–
Long-term loans receivable	–	29,089	48,090	1,719	–	282,747	467,438	16,709
Total	¥ 293,137	¥ 29,089	¥ 48,090	¥ 1,719	$ 2,849,310	$ 282,747	$ 467,438	$ 16,709

	Millions of yen			
2013	Due within 1 year	Due after 1 year and within 5 years	Due after 5 years and within 10 years	Due over 10 years
Cash and cash equivalents	¥ 239,691	¥ –	¥ –	¥ –
Time deposits	1,100	–	–	–
Notes and accounts receivable	92,127	–	–	–
Long-term loans receivable	–	25,006	8,851	1,704
Total	¥ 332,918	¥ 25,006	¥ 8,851	¥ 1,704

*4

The amount scheduled to be repaid after March 31, 2014 of, long-term debt

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

4 Securities

(1) The following tables summarize acquisition costs and book values (available fair values) as of March 31, 2014 and 2013:

Available-for-sale securities

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

	Millions of yen					
	2014			2013		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥ 71,260	¥ 118,581	¥ 47,321	¥ 52,658	¥ 90,727	¥ 38,069

	Thousands of U.S. dollars		
	2014		
	Acquisition cost	Book value	Difference
Equity securities	$ 692,652	$ 1,152,615	$ 459,963

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

	Millions of yen					
	2014			2013		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥ 11,791	¥ 9,269	¥ (2,522)	¥ 10,901	¥ 7,756	¥ (3,145)

	Thousands of U.S. dollars		
	2014		
	Acquisition cost	Book value	Difference
Equity securities	$ 114,609	$ 90,095	$ (24,514)

(2) The following table summarizes book values of the securities with no available fair values as of March 31, 2014 and 2013:

Available-for-sale securities

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Unlisted equity securities	¥ 53,033	¥ 45,132	$ 515,484

(3) There was no sale of available-for-sale securities during the year ended March 31, 2014.

Total sales of available-for-sale securities sold during the year ended March 31, 2013 amounted to ¥203 million and related gains amounted to ¥154 million.

No losses on sales of available-for-sale securities were recognized during the year ended March 31, 2014.

(4) Impairment losses on available-for-sale securities amounted to ¥3 million (US$29 thousand) and ¥908 million during the year ended March 31, 2014 and March 31, 2013, respectively.

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

5 Derivative transactions

Status of derivative transactions — The Company and its consolidated subsidiaries utilize derivative transactions in order to hedge various risks, such as fluctuations in the price of metals, exchange rates and interest rates, in the normal course of business. Derivative instruments include futures contracts for hedging against fluctuations in the international price of metals, forward foreign exchange contracts for hedging against fluctuations in exchange rates, interest rate swaps and interest rate caps for hedging against fluctuations in the interest rates of floating-rate bonds and term loans payable.

Derivative transactions of the Company and its consolidated subsidiaries are subject to market and credit risks.

Market risk is the potential loss the Company and its consolidated subsidiaries may incur as a result of changes in market values. The Company's and its consolidated subsidiaries' exposure to market risk are determined by a number of factors, including fluctuations in market prices, exchange rates and interest rates. Credit risk is the potential loss the Company and its consolidated subsidiaries could incur if counterparties default on their obligations. Derivative transactions are entered into solely with highly rated financial institutions, their subsidiaries or London Metal Exchange (LME) brokers guaranteed by banks, so that the Company and its consolidated subsidiaries might reduce the risk of default on an obligation.

Each department of the Company and its consolidated subsidiaries involving derivative transactions have their own rules for derivative transactions which stipulate the purposes and scope of using derivatives, standards for choosing transaction counterparties and procedures with respect to reporting and administration.

Derivative transactions are subject to approval by the General Manager of the department in charge after consulting with related departments. Based on these rules, the person in charge sets up a position. Then, the results are reported to directors monthly.

Derivative positions are confirmed semi-annually with the transaction counterparties. Also, the internal audit department of the Company regularly examines derivative transactions.

The Company and its consolidated subsidiaries are not exposed to market risks arising from commodity derivative transactions, because the risk of a fluctuation in market prices that is caused by the time lag between the purchase and sale of materials and products is hedged by corresponding future contracts. The Company and its consolidated subsidiaries also utilize currency derivative transactions to hedge against the market risk of exchange rate or interest rate fluctuation. Taking receivables and payables denominated in foreign currencies into account, the Company and its consolidated subsidiaries are not exposed to market risk.

The following tables summarize the market value information as of March 31, 2014 and 2013 of derivative transactions for which hedge accounting has not been applied:

	Millions of yen							
	2014				2013			
	Contracted amount				Contracted amount			
	Total	Over 1 year	Market value	Recognized gains (losses)	Total	Over 1 year	Market value	Recognized gains (losses)
Currency:								
Forward contracts:								
Buy position–U.S. dollars	¥ 9,285	¥ –	¥ 47	¥ 47	¥ 11,380	¥ –	¥ (100)	¥ (100)
	¥ 9,285	¥ –	¥ 47	¥ 47	¥ 11,380	¥ –	¥ (100)	¥ (100)
Interest:								
Interest rate cap contracts:								
Buy position	¥ 1,350	¥ –	¥ 367	¥ (983)	¥ 1,350	¥ –	¥ 800	¥ (550)
	¥ 1,350	¥ –	¥ 367	¥ (983)	¥ 1,350	¥ –	¥ 800	¥ (550)
Commodity:								
Forward contracts:								
Sell position–Metal	¥ 10,651	¥ –	¥ (11)	¥ (11)	¥ 515	¥ –	¥ 38	¥ 38
Buy position–Metal	8,696	–	–	–	8,367	–	(106)	(106)
Option contracts:								
Sell position								
Call option–Metal	14,638	–	(108)	(108)	10,686	–	(101)	(101)
	¥ 33,985	¥ –	¥ (119)	¥ (119)	¥ 19,568	¥ –	¥ (169)	¥ (169)

	Thousands of U.S. dollars			
	2014			
	Contracted amount			
	Total	Over 1 year	Market value	Recognized gains (losses)
Currency:				
Forward contracts:				
Buy position–U.S. dollars	$ 90,251	$ –	$ 457	$ 457
	$ 90,251	$ –	$ 457	$ 457
Interest:				
Interest rate cap contracts:				
Buy position	$ 13,122	$ –	$ 3,567	$ (9,555)
	$ 13,122	$ –	$ 3,567	$ (9,555)
Commodity:				
Forward contracts:				
Sell position–Metal	$ 103,528	$ –	$ (107)	$ (107)
Buy position–Metal	84,526	–	–	–
Option contracts:				
Sell position				
Call option–Metal	142,282	–	(1,050)	(1,050)
	$ 330,336	$ –	$ (1,157)	$ (1,157)

Derivative transactions for which hedge accounting has been applied for the year ended March 31, 2014 and 2013 consisted of the following:

2014			Millions of yen		
			Contracted amount and other	Contracted amount and other over 1 year	Fair Value
Type of transaction	Type of derivative transaction	Major hedged items			
Currency	Forward contracts:				
	Buy position	Foreign currency expected transaction			
	U.S. dollars		¥ 1,154	¥ –	¥ 6
	Total		¥ 1,154	¥ –	¥ 6
Interest	Interest rate swap contracts:				
	Paid fixed/received floating	Long-term loans	¥ 8,282	¥ 5,916	¥ (42)
	Total		¥ 8,282	¥ 5,916	¥ (42)
Commodity	Forward contracts:				
	Sell position–Metal	Accounts receivable	¥ 2,319	¥ –	¥ 101
	Buy position–Metal	Accounts payable	23,212	1,123	(184)
	Option contracts:				
	Sell position				
	Call position–Metal*	Accounts receivable	60,701	60,701	566
	Buy position				
	Put position–Metal	Accounts receivable	399	–	142
	Total		¥ 86,631	¥ 61,824	¥ 625
Interest	Interest rate swap contracts**:				
	Paid fixed/received floating	Long-term loans	¥ 24,602	¥ 17,573	¥ (829)
	Total		¥ 24,602	¥ 17,573	¥ (829)

* Commodity call option contracts are based on zero cost option contracts. There is no transfer of option fees.
** The interest rate swap contracts are used as hedges and meet certain hedging criteria. The net amount to be paid or received under these interest rate swap contracts is added to or deducted from the interests on the assets or liabilities for which these interest rate swap contracts were executed. Main items hedged are long-term loans.

2013			Millions of yen		
			Contracted amount and other	Contracted amount and other over 1 year	Fair Value
Type of transaction	Type of derivative transaction	Major hedged items			
Interest	Interest rate swap contracts:				
	Paid fixed/received floating	Long-term loans	¥ 8,649	¥ 8,649	¥ (67)
	Total		¥ 8,649	¥ 8,649	¥ (67)
Commodity	Forward contracts:				
	Sell position–Metal	Accounts receivable	¥ 17,675	¥ –	¥ 810
	Buy position–Metal	Accounts payable	20,163	609	226
	Option contracts:				
	Sell position				
	Call position–Metal*	Accounts receivable	77,730	72,739	(4,082)
	Total		¥ 115,568	¥ 73,348	¥ (3,046)
Interest	Interest rate swap contracts**:				
	Paid fixed/received floating	Long-term loans	¥ 25,693	¥ 25,693	¥ (1,334)
	Total		¥ 25,693	¥ 25,693	¥ (1,334)

* Commodity call option contracts are based on zero cost option contracts. There is no transfer of option fees.
** The interest rate swap contracts are used as hedges and meet certain hedging criteria. The net amount to be paid or received under these interest rate swap contracts is added to or deducted from the interests on the assets or liabilities for which these interest rate swap contracts were executed. Main items hedged are long-term loans.

2014			Thousands of U.S. dollars		
			Contracted amount and other	Contracted amount and other over 1 year	Fair Value
Type of transaction	Type of derivative transaction	Major hedged items			
Currency	Forward contracts:				
	Buy position	Foreign currency expected transaction			
	U.S. dollars		$ 11,217	$ –	$ 58
	Total		$ 11,217	$ –	$ 58
Interest	Interest rate swap contracts:				
	Paid fixed/received floating	Long-term loans	$ 80,502	$ 57,504	$ (408)
	Total		$ 80,502	$ 57,504	$ (408)
Commodity	Forward contracts:				
	Sell position–Metal	Accounts receivable	$ 22,541	$ –	$ 982
	Buy position–Metal	Accounts payable	225,622	10,916	(1,788)
	Option contracts:				
	Sell position				
	Call position–Metal*	Accounts receivable	590,017	590,017	5,502
	Buy position				
	Put position–Metal	Accounts receivable	3,878	–	1,380
	Total		$ 842,059	$ 600,933	$ 6,075
Interest	Interest rate swap contracts**:				
	Paid fixed/received floating	Long-term loans	$ 239,133	$ 170,811	$ (8,058)
	Total		$ 239,133	$ 170,811	$ (8,058)

* Commodity call option contracts are based on zero cost option contracts. There is no transfer of option fees.
** The interest rate swap contracts are used as hedges and meet certain hedging criteria. The net amount to be paid or received under these interest rate swap contracts is added to or deducted from the interests on the assets or liabilities for which these interest rate swap contracts were executed. Main items hedged are long-term loans.

6 Inventories

Inventories as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Merchandise and finished products	¥ 62,304	¥ 62,469	$ 605,599
Work in process	45,057	40,299	437,957
Raw materials and supplies	48,525	40,194	471,666
	¥ 155,886	¥ 142,962	$ 1,515,222

7 Loss on impairment of fixed assets

Loss on impairment of fixed assets for the year ended March 31, 2014 consisted of the following:

2014			Millions of yen	Thousands of U.S. dollars
Location	Major use	Asset category	Loss	Loss
Kashima City, Ibaraki Prefecture, Japan	Rental properties	Land and building and structures and machinery	¥ 830	$ 8,068
Niihama City, Ehime Prefecture, Japan	Manufacturing facilities for powder materials	Building and structures and machinery and other assets	381	3,703
Chitose City, Hokkaido Prefecture, Japan	Idle land	Land	42	408
Total			¥ 1,253	$ 12,179

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

Loss on impairment was recognized for the following reasons:

(1) The book values of rental properties were reduced to recoverable amounts due to expectation that their use would cease after the termination of the lease contracts.
The net sales prices (fair values less costs to sell) of assets were used as recoverable amounts for the measurement of impairment losses. The net sales prices were estimated based on third-party appraisal or by similar means.

(2) The book value of manufacturing facilities for powder materials were reduced to recoverable amounts due to stagnation in sales volume of nickel powder.
The values in use of assets were used as recoverable amounts for the measurement of impairment losses.
They were calculated by discounted future cash flows at 7.75%.

(3) The book value of idle land was reduced to the recoverable amount along with the decline in the market price of land.
The net sales price (fair value less cost to sell) of the asset was used as the recoverable amount for the measurement of impairment loss. The net sales price was estimated based on third-party appraisal or by similar means.

Loss on impairment of fixed assets for the year ended March 31, 2013 consisted of the following:

2013			Millions of yen
Location	Major use	Asset category	Loss
Choiseul, Solomon Islands	Building for camping	Building	¥ 52
Niihama City, Ehime Prefecture, Japan	Manufacturing facilities for certain copper-clad polyimide film substrates	Machinery and vehicles	146
Total			¥ 198

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

Loss on impairment was recognized for the following reasons:

(1) The book value of building for camping was reduced to the recoverable amount due to expectation that its use would cease due to the ceasing of exploration activities.

(2) The book values of manufacturing facilities for certain copper-clad polyimide film substrates were reduced to recoverable amounts due to expectations that these facilities would cease to operate.

The net sales prices (fair values less costs to sell) of assets were used as recoverable amounts for the measurement of impairment losses.

Long-term debt as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Long-term loans from:			
Banks, insurance companies and other financial institutions, maturing through 2022 at interest rates of 0.61% to 3.50%:			
Secured	¥ 23,603	¥ 10,892	$ 229,423
Unsecured	140,461	136,858	1,365,289
Government owned banks and government agencies, maturing through 2025 at interest rates of 0.20% to 2.00%:			
Secured	3,000	3,000	29,160
Unsecured	94,174	68,592	915,377
0.48% domestic bonds due in 2016	10,000	10,000	97,201
0.77% domestic bonds due in 2018	30,000	30,000	291,602
1.26% domestic bonds due in 2021	10,000	10,000	97,201
	311,238	269,342	3,025,253
Amount due within one year	(18,108)	(7,019)	(176,011)
	¥ 293,130	¥ 262,323	$ 2,849,242

8 Bank loans and long-term debt

Bank loans are generally represented by short-term notes (most of which are unsecured) and bank overdrafts, and bore interest at annual rates of 0.41% to 6.00% and 0.55% to 5.60% as of March 31, 2014 and 2013 respectively.

The aggregate annual maturities of long-term debt as of March 31, 2014 are as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2015	¥ 18,108	$ 176,011
2016	16,216	157,621
2017	33,596	326,555
2018	10,165	98,804
2019	44,835	435,799
Thereafter	188,318	1,830,463
	¥ 311,238	$ 3,025,253

Assets pledged as collateral for bank loans and long-term debt as of March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Cash and cash equivalents	¥ 83	¥ 272	$ 807
Property, plant and equipment, at net book value	50,616	38,875	491,991
Investment securities	74,690	62,683	725,991
Other long-term receivables	23,045	16,911	223,999
	¥ 148,434	¥ 118,741	$ 1,442,788

9 Income taxes

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

The following table summarizes the significant differences between the statutory tax rate and the Company's and its consolidated subsidiaries' effective tax rate for financial statement purposes for the years ended March 31, 2014 and 2013:

	2014	2013
Statutory tax rate	38.0%	38.0%
Equity in earnings of unconsolidated subsidiaries and affiliated companies	(7.4)	(4.5)
Effect of eliminating intercompany dividends received	18.8	14.2
Permanently nontaxable dividends received	(19.8)	(14.9)
Tax credit	(0.9)	(0.5)
Effect of mining taxes	(0.9)	(2.2)
Undistributed earnings of foreign subsidiaries	(0.4)	0.6
Difference in local tax system	(4.4)	(3.0)
Increase (Decrease) in valuation allowance	(0.1)	(0.8)
Difference of statutory tax rate in subsidiaries	(1.8)	(0.8)
Loss (Gain) on change in equity	0.4	(1.8)
Refunded income taxes	(0.4)	(0.1)
Others	0.2	(0.6)
Effective tax rate	21.3%	23.6%

(Adjustment of deferred tax assets and liabilities based on enacted changes in tax laws and rates)

On March 31, 2014, amendments to the Japanese tax regulations were enacted into law. As a result of these amendments, the statutory income tax rate for the Company will be reduced from 38.0% to 35.6% from the year beginning on or after April 1, 2014. Based on the amendments, the statutory income tax rate utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized between April 1, 2014 and March 31, 2015 has been reduced from 38.0% to 35.6% as of March 31, 2014. Due to this change in statutory income tax rate, net deferred tax liabilities increased by ¥10 million (US$97 thousand) as of March 31, 2014 and deferred income tax expense recognized for the year ended March 31, 2014 decreased by the same amount.

Significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets:			
Net operating loss carry forwards	¥ 6,014	¥ 5,598	$ 58,457
Retirement benefits	–	4,827	–
Net defined benefit liability	4,579	–	44,508
Overseas exploration cost	2,707	1,496	26,312
Unrealized profits	2,529	1,717	24,582
Loss on impairment of fixed assets	2,141	2,649	20,811
Allowance for bonus payable	1,353	1,308	13,151
Contribution gains on securities to employee retirement benefits trust	1,189	1,078	11,557
Accrued environmental measures	838	120	8,145
Depreciation	576	670	5,599
Accrued business taxes	429	1,095	4,170
Deferred losses on hedges	177	1,586	1,721
Others	4,353	4,684	42,311
Gross deferred tax assets	26,885	26,828	261,324
Less valuation allowance	(8,329)	(8,800)	(80,959)
Deferred tax assets-less valuation allowance	18,556	18,028	180,365
Deferred tax liabilities:			
Net unrealized holding gain on available-for-sale securities	(14,515)	(10,425)	(141,087)
Depreciation	(8,559)	(6,646)	(83,194)
Reserve for losses on overseas investment	(4,081)	(4,205)	(39,668)
Accumulated earnings of overseas subsidiaries	(3,737)	(4,091)	(36,324)
Deferred gains on properties for tax purpose	(2,346)	(2,203)	(22,803)
Reserve for explorations	(1,180)	(1,424)	(11,470)
Gain on securities contributed to employee retirement benefits trust	(520)	(520)	(5,054)
Others	(1,934)	(1,992)	(18,798)
Deferred tax liabilities	(36,872)	(31,506)	(358,398)
Net deferred tax assets (liabilities)	¥ (18,316)	¥ (13,478)	$ (178,033)

10 Retirement benefits and pension costs

(1)Outline of retirement benefits and pension costs

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

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

Such retirement benefits are provided through a lump-sum benefit or a funded pension plan. The Company has a retirement benefit trust. Some domestic consolidated subsidiaries use the simplified method for the calculation of projected benefit obligations. Also, certain consolidated subsidiaries enroll in multi employer pension plans. Such plans are recognized as defined contribution plans.

(2)For the year ended March 31, 2013

(a)Retirement benefit obligations

The projected benefit obligations and the funded status of the plans at March 31, 2013 are summarized as follows:

	Millions of yen
	2013
Projected benefit obligations	¥ (57,150)
Fair value of pension assets	45,854
Excess of projected benefit obligations over pension assets	¥ (11,296)
Unrecognized actuarial differences	5,735
Unrecognized prior services costs	15
Net retirement benefits	¥ (5,546)
Prepaid pension costs	155
Accrued retirement benefits	¥ (5,701)

The Company contributed securities to the employee retirement benefit trust, which are included in pension assets.

(b)Components of severance and retirement benefit expenses

The components of net periodic pension and severance costs excluding the employees' contributory portion for the years ended March 31, 2013 are as follows:

	Millions of yen
	2013
Service cost-benefits earned during the year	¥ 1,838
Interest cost on projected benefit obligations	966
Expected return on plan assets	(809)
Amortization of actuarial differences	473
Amortization of prior services costs	(319)
Severance and retirement benefit expense	¥ 2,149

(c) Basis for calculation of Retinement benifit obligations
Assumptions used in calculating the above numbers are as follows:

	March 31, 2013
Discount rate	1.4%
Expected rate of return on plan assets	3.5%
Method of attributing the projected benefits over average remaining service period	Straight-line
Average remaining service period	10 years
Amortization of actuarial differences	10 years from the following that in which they arise

(d) Multiemployer pension plans

The amount of required contributions to the multiemployer plans, which are recognized as defined contribution plans, was ¥78 million. The funded status of the multiemployer pension plans at March 31, 2012, to which contributions were recorded as net periodic retirement benefit costs, are as follows:

	Millions of yen
Plan assets	¥ 288,316
Retirement benefit obligations based on pension plan finance calculation	347,662
Balance	¥ (59,346)

The percentage of the Groups' contribution to the multiemployer pension plans at March 31, 2012 was 0.58%.

(3) For the year ended March 31, 2014

(a)Defined benefit plans

The detailed notes relating to retirement benefit plans for the 12-month period ended March 31, 2014 are as follows:

Movement in retirement benefit obligations,except plan applied simplified method

	Millions of yen	Thousands of U.S. dollars
Balance at April 1, 2013	¥ 52,374	$ 509,079
Service cost	1,802	17,516
Interest cost	722	7,018
Actuarial loss (gain)	(307)	(2,984)
Benefits paid	(1,783)	(17,331)
Other	113	1,097
Balance at March 31, 2014	¥ 52,921	$ 514,395

Movements in plan assets,except plan applied simplified method

	Millions of yen	Thousands of U.S. dollars
Balance at April 1, 2013	¥ 42,833	$ 416,339
Expected return on plan assets	922	8,962
Actuarial loss (gain)	5,732	55,715
Contributions paid by the employer	968	9,409
Benefits paid	(1,132)	(11,002)
Balance at March 31, 2014	¥ 49,323	$ 479,423

Movements in liability (asset) for retirement benefits,plan which applied simplified method

	Millions of yen	Thousands of U.S. dollars
Balance at April 1, 2013	¥ 1,755	$ 17,059
Retirement benefit costs	(104)	(1,011)
Benefits paid	(138)	(1,341)
Contributions paid by the employer	(215)	(2,090)
Other	(26)	(253)
Balance at March 31, 2014	¥ 1,272	$ 12,364

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

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Funded retirement benefit obligations	¥ (56,944)	$ (553,499)
Plan assets	53,007	515,231
	¥ (3,937)	$ (38,268)
Unfunded retirement benefit obligations	(933)	(9,069)
Total net liability for retirement benefits at March 31, 2014	¥ (4,870)	$ (47,337)
Liability for retirement benefits	¥ (4,961)	$ (48,221)
Asset for retirement benefits	91	884
Total net liability for retirement benefits at March 31, 2014	¥ (4,870)	$ (47,337)

Retirement benefit costs

	Millions of yen	Thousands of U.S. dollars
Service cost	¥ 1,795	$ 17,448
Interest cost	719	6,989
Expected return on plan assets	(922)	(8,962)
Net actuarial loss amortization	289	2,809
Past service costs amortization	(319)	(3,101)
Retirement benefit costs based on the simplified method	(104)	(1,011)
Total retirement benefit costs for the fiscal year ended March 31, 2014	¥ 1,458	$ 14,172

Accumulated adjustments for retirement benefit

	Millions of yen	Thousands of U.S. dollars
Actuarial gains and losses that are yet to be recognized	¥ (619)	$ (6,017)
Past service costs that are yet to be recognized	334	3,247
Total balance at March 31, 2014	¥ (285)	$ (2,770)

Plan assets

1) Plan assets comprise the following:

Bonds	30.8%
Equity securities	58.0
Cash and cash equivalents	6.1
Other	5.1
Total	100.0

2) Long-term expected rate of return

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

Assumptions used in calculating the above numbers are as follows:

	March 31, 2014
Discount rate	1.4%
Expected long-term return on plan assets	3.5%

(b) Defined contribution plans

The amount of required contributions to the defined contribution plans of the Company and certain consolidated subsidiaries was ¥265 million (US$2,576 thousand)

(c) Multiemployer pension plans

The amount of required contributions to the multiemployer plans which are recognized as defined contribution plans was ¥82 million (US$797 thousand)

The funded status of the multiemployer pension plans at March 31, 2013, to which contributions were recorded as net periodic retirement benefit costs, was as follows:

	Millions of yen	Thousands of U.S. dollars
Plan assets	¥ 322,615	$ 3,135,838
Retirement benefit obligations based on pension plan finance calculation	367,888	3,575,894
Balance*	¥ (45,273)	$ (440,056)

The percentage of the Groups' contribution to the multiemployer pension plans at March 31, 2013 was 0.46%.

* The principle factor relating to the balance was the prior service obligations in pension financing of △¥38,526 million (△US$374,475 thousand).

11 Research and development expense

Research and development expense included in selling, general and administrative expenses for the years ended March 31, 2014 and 2013 are ¥6,648 million (US$64,619 thousand), ¥4,999 million, respectively.

12 Net assets

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

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

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

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

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

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

13 Contingent liabilities

Contingent liabilities as of March 31, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars
Notes and accounts receivable sold to factoring companies with recourse	¥ 363	$ 3,528
As guarantor for loans payable of:		
Non-consolidated subsidiaries and affiliated companies	86,569	841,456
As guarantor for the construction costs of:		
Electric facilities which provides electic power to Pogo Gold Mine	617	5,997
As a stockholder for future payment of :		
The mining royalty tax, interests and penalties of Cerro Verde S.A.A	3,042	29,568
	¥ 90,591	$ 880,549

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

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

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

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

14 Comprehensive Income

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Net unrealized holding gains on securities			
Increase during the year	¥ 10,769	¥ 19,814	$ 104,675
Reclassification adjustments	3	766	30
Sub-total, before tax	10,772	20,580	104,705
Tax effect	(4,106)	(6,949)	(39,911)
Sub-total, net of tax	¥ 6,666	¥ 13,631	$ 64,794
Deferred gains on hedges			
Increase during the year	3,666	4,696	35,634
Reclassification adjustments	(474)	328	(4,608)
Sub-total, before tax	3,192	5,024	31,026
Tax effect	(1,283)	(2,012)	(12,470)
Sub-total, net of tax	¥ 1,909	¥ 3,012	$ 18,556
Foreign currency translation adjustments			
Increase during the year	44,609	17,918	433,602
Reclassification adjustments	1,175	235	11,421
Sub-total, before tax	45,784	18,153	445,023
Sub-total, net of tax	¥ 45,784	¥ 18,153	$ 445,023
Share of other comprehensive income of affiliated companies accounted for using equity method			
Increase during the year	49,628	11,208	482,387
Reclassification adjustments	–	5,913	–
Sub-total	¥ 49,628	¥ 17,121	$ 482,387
Total other comprehensive income	¥ 103,987	¥ 51,917	$ 1,010,760

15 Segment information

(1) General information about reported segments

(a) Basis of decision about reported segments

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

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

The three aforementioned business divisions and the Taganito Project—the purpose of which is to construct a second High Pressure Acid Leach (HPAL) plant in the Taganito area of Mindanao Island in the Philippines—and the Sierra Gorda Project—the purpose of which is to participate in a copper mine development project in the Republic of Chile are classified as "business segments" of the Group.

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

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

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

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

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

In the Materials segment, the Group mainly engages in manufacturing, processing and sales of semiconductor materials such as lead frames, tape materials (copper-clad polyimide film, chip-on-film (COF) substrates (electronic packaging materials used to make LCD panel integrated circuits) as well as of advanced materials such as pastes, powder materials (e.g., nickel powder), battery materials (e.g., nickel hydroxide, lithium nickel oxide) and crystalline materials, manufacturing and sales of automotive exhaust processing catalysts, chemical catalysts, petroleum refinery and desulfurization catalysts, as well as autoclaved lightweight concrete (ALC) products. Operating results of the bonding wire business to its completion of withdrawal were included in the Company's consolidated statement of income for the year ended March 31, 2013.

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

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

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

(Change in basis of measurement regarding reported segment income (loss))

In order to manage the operations of each segment properly, the amount equivalent to common administrative-expenses to be shared by all segments has been allocated to each reported segment by using certain allocation ratios from the year ended March 31, 2014.

Until the year ended March 31, 2013, each reported segment had borne the "cost of capital," which is obtained by multiplying the assets by an internal interest rate.

From the year ended March 31, 2014, in order to manage the operations of each segment properly, each reported segment has borne the amount equivalent to the interest on the internal loan payable in each segment's balance sheet.

Segment information for the year ended March 31, 2013 was retrospectively restated to present the information under the new method.

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

Segment information as of and for the years ended March 31, 2014 and 2013 are as follows:

Millions of yen

2014	Mineral Resources	Smelting & Refining	Materials	Total of reported segments	Others*	Adjustment**	Consolidated
Net sales:							
Outside customers	¥ 72,834	¥ 614,831	¥ 139,445	¥ 827,110	¥ 3,436	¥ –	¥ 830,546
Inter segment	41,062	17,011	13,880	71,953	17,371	(89,324)	–
Total	113,896	631,842	153,325	899,063	20,807	(89,324)	830,546
Segment income	¥ 69,063	¥ 29,104	¥ 11,072	¥ 109,239	¥ 1,581	¥ 3,532	¥ 114,352
Segment assets	¥ 347,987	¥ 685,979	¥ 151,697	¥ 1,185,663	¥ 16,437	¥ 370,267	¥ 1,572,367
Segment liabilities	¥ 29,017	¥ 342,491	¥ 72,503	¥ 444,011	¥ 5,704	¥ 103,599	¥ 553,314
Depreciation	8,782	13,390	8,007	30,179	318	1,929	32,426
Amortization of goodwill	109	–	18	127	–	–	127
Interest income	308	177	32	517	–	4,120	4,637
Interest expense	60	1,425	408	1,893	14	1,655	3,562
Equity in earnings of affiliated companies	23,006	3,025	3,977	30,008	–	(238)	29,770
Investment in equity-method affiliated companies	183,678	76,212	26,932	286,822	–	42,800	329,622
Capital expenditures	19,387	34,656	8,379	62,422	682	3,337	66,441

Millions of yen

2013	Mineral Resources	Smelting & Refining	Materials	Total of reported segments	Others*	Adjustment**	Consolidated
Net sales:							
Outside customers	¥ 63,318	¥ 602,395	¥ 139,618	¥ 805,331	¥ 3,209	¥ –	¥ 808,540
Inter segment	41,555	35,408	16,995	93,958	12,734	(106,692)	–
Total	104,873	637,803	156,613	899,289	15,943	(106,692)	808,540
Segment income	¥ 66,105	¥ 40,646	¥ 3,297	¥ 110,048	¥ 1,559	¥ 3,427	¥ 115,034
Segment assets	¥ 293,546	¥ 631,375	¥ 132,862	¥ 1,057,783	¥ 16,595	¥ 276,775	¥ 1,351,153
Segment liabilities	¥ 45,040	¥ 297,261	¥ 70,222	¥ 412,523	¥ 5,801	¥ 88,282	¥ 506,606
Depreciation	6,524	12,169	6,811	25,504	317	1,757	27,578
Amortization of goodwill	89	–	1	90	–	–	90
Interest income	256	175	61	492	–	1,043	1,535
Interest expense	120	1,007	487	1,614	19	1,668	3,301
Equity in earnings (losses) of affiliated companies	18,519	(3,424)	2,071	17,166	–	(66)	17,100
Investment in equity-method affiliated companies	166,323	74,755	22,324	263,402	–	(3,663)	259,739
Capital expenditures	8,987	40,146	8,221	57,354	522	1,415	59,291

Thousands of U.S. dollars

2014	Mineral Resources	Smelting & Refining	Materials	Total of reported segments	Others*	Adjustment**	Consolidated
Net sales:							
Outside customers	$ 707,951	$ 5,976,196	$ 1,355,414	$ 8,039,561	$ 33,398	$ –	$ 8,072,959
Inter segment	399,125	165,348	134,914	699,387	168,847	(868,234)	–
Total	1,107,076	6,141,544	1,490,328	8,738,948	202,245	(868,234)	8,072,959
Segment income	$ 671,297	$ 282,893	$ 107,621	$ 1,061,811	$ 15,367	$ 34,331	$ 1,111,509
Segment assets	$ 3,382,455	$ 6,667,759	$ 1,474,504	$ 11,524,718	$ 159,769	$ 3,599,018	$ 15,283,505
Segment liabilities	$ 282,047	$ 3,329,034	$ 704,734	$ 4,315,815	$ 55,443	$ 1,006,989	$ 5,378,247
Depreciation	85,362	130,152	77,829	293,343	3,091	18,749	315,183
Amortization of goodwill	1,059	–	175	1,234	–	–	1,234
Interest income	2,994	1,720	311	5,025	–	40,047	45,072
Interest expense	583	13,851	3,966	18,400	136	16,087	34,623
Equity in earnings of affiliated companies	223,620	29,403	38,657	291,680	–	(2,314)	289,366
Investment in equity-method affiliated companies	1,785,362	740,785	261,781	2,787,928	–	416,018	3,203,946
Capital expenditures	188,443	336,858	81,444	606,745	6,629	32,437	645,811

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

** "Adjustments" are as follows:

1. Adjustments for segment income are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Head Office expenses not allocated to each reported segment*	¥ (2,835)	¥ (2,043)	$ (27,556)
Internal interest expense	534	786	5,190
Eliminations of inter-segmental transactions among the reported segments	301	4,566	2,926
Non-operating income/expenses not allocated to each reported segment**	5,532	118	53,771
Total	¥ 3,532	¥ 3,427	$ 34,331

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

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

2. Adjustments for segment assets and liabilities are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Corporate assets not allocated to each reported segment*	¥ 473,725	¥ 401,205	$ 4,604,636
Offset and eliminations of inter-segmental receivables among the reported segments, including those toward Head Office divisions/departments	(103,458)	(124,430)	(1,005,618)
Total	¥ 370,267	¥ 276,775	$ 3,599,018

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Corporate liabilities not allocated to each reported segment*	¥ 220,828	¥ 275,015	$ 2,146,462
Offset and eliminations of inter-segmental payables among the reported segments, including those toward Head Office divisions/departments	(117,229)	(186,733)	(1,139,473)
Total	¥ 103,599	¥ 88,282	$ 1,006,989

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

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

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

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

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

7. Adjustments on investment in equity-method affiliated companies represent the amount corresponding to "Foreign currency translation adjustments."

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

Related information

(1) Information about geographic areas

(a) Sales

2014						Millions of yen
	Japan	East Asia	Southeast Asia	North America	Others	Total
	¥ 498,457	¥ 171,692	¥ 77,489	¥ 70,922	¥ 11,986	¥ 830,546

2013						Millions of yen
	Japan	East Asia	Southeast Asia	North America	Others	Total
	¥ 474,408	¥ 190,772	¥ 73,952	¥ 60,138	¥ 9,270	¥ 808,540

2014						Thousands of U.S. dollars
	Japan	East Asia	Southeast Asia	North America	Others	Total
	$ 4,845,033	$ 1,668,857	$ 753,198	$ 689,366	$ 116,505	$ 8,072,959

*1

Net sales are segmented by country or region according to customers' location data.

*2

Regions are segmented based on their geographical proximity, and only those countries for which the net sales amount accounts for more than 10% of the net sales stated in the Consolidated Statements of Income are separately listed.

*3

Major countries or regions that belong to the segments are as follows:

1. East Asia: China, Taiwan, Hong Kong and South Korea
2. Southeast Asia: Indonesia, Malaysia, Thailand, etc.
3. North America: United States, Mexico and Canada
4. Others: Australia, India, Morocco, etc.

(b) Property, plant and equipment

2014							Millions of yen
	Japan	East Asia	Philippines	Southeast Asia	United States	Others	Total
	¥ 140,132	¥ 8,213	¥ 212,370	¥ 1,624	¥ 47,785	¥ 5,649	¥ 415,773

2013							Millions of yen
	Japan	East Asia	Philippines	Southeast Asia	United States	Others	Total
	¥ 136,036	¥ 8,366	¥ 161,365	¥ 1,053	¥ 28,950	¥ 6,297	¥ 342,067

2014							Thousands of U.S. dollars
	Japan	East Asia	Philippines	Southeast Asia	United States	Others	Total
	$ 1,362,092	$ 79,831	$ 2,064,250	$ 15,785	$ 464,473	$ 54,908	$ 4,041,339

*1

Regions are segmented based on their geographical proximity, and only those countries for which the property, plant and equipment amount accounts for more than 10% of the property, plant and equipment stated in the Consolidated Balance Sheets are separately listed.

*2

Major countries or regions that belong to the segments are as follows:

1. East Asia: China and Taiwan
2. Southeast Asia: Malaysia and Singapore
3. Others: Australia, Solomon Islands, Peru, Chile, Brazil

(2) Information about major customers

	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	
Customer's designation or name	Sales	Sales	Sales	Related reported segments
Sumitomo Corporation	¥ 123,763	¥ 125,184	$ 1,202,984	Smelting & Refining, Materials
MITSUI & CO., LTD.	¥ 62,359	¥ 58,841	$ 606,133	Smelting & Refining

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

Millions of yen

2014	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
Loss on impairment of fixed assets	¥ –	–	423	830	–	¥ 1,253

Millions of yen

2013	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
Loss on impairment of fixed assets	¥ 52	–	146	–	–	¥ 198

Thousands of U.S. dollars

2014	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
Loss on impairment of fixed assets	$ –	–	4,112	8,068	–	$ 12,180

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

Millions of yen

2014	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
Balance at end of fiscal year	¥ 469	–	100	–	–	¥ 569

Millions of yen

2013	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
Balance at end of fiscal year	¥ 482	–	–	–	–	¥ 482

Thousands of U.S. dollars

2014	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
Balance at end of fiscal year	$ 4,559	–	972	–	–	$ 5,531

16 Asset retirement obligations

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

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

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

Sumitomo Metal Mining Pogo LLC, Sumitomo Metal Mining Arizona Inc., Sumitomo Metal Mining Oceania Pty. Ltd. and Coral Bay Nickel Corporation are subject to the U.S. GAAP or International Financial Reporting Standards, as well as the mining laws and regulations of the United States, Australia and the Republic of the Philippines, respectively. Based on its business plans, the Company determines asset retirement obligations by making rational estimates of its obligations under such regulations of restoring operating mines and smelters to their original condition and the expenses of fulfilling these obligations. Asset retirement obligations are calculated based on determining the estimated period until expenditure, the remaining useful life of facilities and the mine life (13 to 69) and discounted by the rates of 1.53% to 11.0%.

The asset retirement obligations as of March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Balance at the beginning of the fiscal year	¥ 5,337	¥ 4,317	$ 51,876
Newly recorded obligations	3	260	29
Adjustment due to passage of time	276	233	2,683
Decrease due to fulfillment of obligations	(9)	—	(87)
Increase due to change in estimates	(506)	70	(4,918)
Other	—	5	—
Foreign exchange adjustment	929	452	9,029
Year-end balance	¥ 6,030	¥ 5,337	$ 58,612

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

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

17 Information for certain leases

(1) Finance leases

Lease assets

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

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

(2) Operating leases

Future minimum lease payments as of March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due within one year	¥ 248	¥ 139	$ 2,411
Due after one year	1,391	757	13,521
Total	¥ 1,639	¥ 896	$ 15,932

18 Business combination

(Integrated lead frame business and copper products business)

The Company and Hitachi Cable, Ltd. ("Hitachi Cable") resolved on October 29, 2012 to integrate the two companies' lead frame business operations and have the Company invest into Hitachi Cable's copper products business (excluding its copper tube and brass operations), and signed an agreement to formally seal this business integration. Licenses and permissions have been attained in accordance with competition laws in the relevant countries, and operations of the integrated lead frame and copper products business commenced on July 1, 2013.

Prior to the integration of the lead frame business, the Company established SH Materials Co., Ltd. ("SH Materials") as its wholly owned subsidiary on January 7, 2013. The Company transferred the lead frame business to SH Materials via an absorption-type company split on July 1, 2013.

SH Materials succeeded the lead frame business of Hitachi Cable via an absorption-type company split, and the Company transferred parts of its shares of common stock in SH Materials to Hitachi Cable on July 1, 2013. As a result, the shareholding ratios of the Company and Hitachi Cable against the total number of SH Materials' outstanding shares became 51% and 49%, respectively.

Regarding the copper products business, the Company acquired 50% of the common stock outstanding of SH Copper Products Co., Ltd., a consolidated subsidiary of Hitachi Cable ("SH Copper Products"). Consequently, SH Copper Products became a jointly controlled company of the Company and Hitachi Cable and has been included in affiliated companies accounted for by the equity method.

(Transaction under common control)

(1) Outline of transaction

(a) Name and description of business

Name of business: Lead frame business

Description of business: Manufacture and sale of lead frames and related products

(b) Date of business combination

July 1, 2013

(c) Legal form of business combination

Absorption-type split in which the Company is the splitting company and SH Materials is the successor company

(d) Name of company after business combination

SH Materials (a consolidated subsidiary of the Company)

(e) Summary of transaction

By integrating the lead frame businesses of the Company and Hitachi Cable, both companies' production facilities and manufacturing technologies will be merged and will complement each other, the distribution channels and selling power will be effectively utilized and sales and management services structures will be further streamlined, which would result in synergistic effects and enhanced competitiveness.

(2) Outline of applied accounting treatment

This transaction was accounted for as a transaction under common control in accordance with ASBJ Statement No.21, entitled the "Accounting Standard for Business Combinations" and ASBJ Guidance No.10, entitled the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (both issued by ASBJ on December 26, 2008).

(Business combination through acquisition)

(1) Outline of business combination

(a) Name and description of business of acquired company

Name of acquired company: Hitachi Cable

Description of business of acquired company: Lead frame business

(b) Reason for business combination

By integrating the lead frame businesses of the Company and Hitachi Cable, both companies' production facilities and manufacturing technologies will be merged and will complement each other, the distribution channels and selling power will be effectively utilized and sales and management services structures will be further streamlined, which would result in synergistic effects and enhanced competitiveness.

(c) Date of business combination

July 1, 2013

(d) Legal form of business combination

Absorption-type split in which Hitachi Cable is the splitting company and SH Materials is the successor company

(e) Name of company after business combination

SH Materials (consolidated subsidiary of the Company)

(f) Main reason for determining the acquiring company

SH Materials was determined to be the acquiring company based on, among other reasons, the relative voting rights in the combined company.

(2) Period for which performance results of acquired company were included in consolidated statements of income

July 1, 2013 to March 31, 2014

(3) Acquisition cost of acquired company and breakdown thereof

	Millions of yen	Thousands of U.S. dollars
Value of the acquisition (the fair value of the common stock which SH Materials delivered on the date of the business combination)	¥ 2,000	$ 19,440
Incidental expense (advisory fee, etc.)	86	836
Total acquisition cost	¥ 2,086	$ 20,276

(4) Number and type of equity interests delivered

200,000 shares of common stock of SH Materials

(5) Amount of goodwill, reason for recognition, amortization method and period

(a) Amount of goodwill

¥118 million (US$1,147 thousand)

(b) Reason for recognition

Goodwill was the excess of the fair value of the consideration over the net amount of identifiable assets and liabilities.

(c) Amortization method and period

The Straight-line method over five years

(6) Primary assets and liabilities assumed as of the acquisition date

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 800	$ 7,776
Noncurrent assets	2,468	23,989
Total assets	¥ 3,268	$ 31,765
Current liabilities	¥ 300	$ 2,916
Noncurrent liabilities	1,000	9,720
Total liabilities	¥ 1,300	$ 12,636

(7) Estimated effect on consolidated statements of income assuming business combination had been completed at the beginning of the year ended March 31, 2014.

The effect on operating results for the year ended March 31, 2014 was immaterial.

(Formation of a jointly controlled company)

(1) Outline of transaction

(a) Name and description of business

Name of business: Copper products business

Description of business: Manufacture and sale of copper products (copper strips, copper products for electric applications, machine-fabricated parts of copper)

(b) Date of the business combination

July 1, 2013

(c) Legal form of business combination

Acquisition of common stock of SH Copper Products

(d) Name of company after business combination

SH Copper Products (became an affiliated company accounted for by the equity method of the Company)

(e) Summary of transaction

Through the stable and speedy supply of materials to the lead frame business based on this business combination, the ability to produce and develop higher quality copper strips used in semiconductors will be strengthened.

Furthermore, efforts will continue to be made in expanding the use of copper products in automotive and industrial applications and competitiveness will be enhanced as a comprehensive manufacturer of copper products.

(f) Formation and reason for having jointly controlled company

In forming this jointly controlled company, the Company and Hitachi Cable concluded a shareholders' agreement under which SH Copper Products will become the jointly controlled company of both companies.

Consideration paid at the time of the business combination consisted entirely of shares with voting rights.

No other specific facts indicated that a controlling relationship existed. It was, therefore, decided that the business combination was to be formed by having a jointly controlled company.

(2) Outline of applied accounting treatment

This transaction was accounted for as formation of a jointly controlled company in accordance with ASBJ Statement No.21, entitled the "Accounting Standard for Business Combinations" and ASBJ Guidance No.10, entitled the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (both issued by ASBJ on December 26, 2008).

* Hitachi Cable merged with Hitachi Metals, Ltd. on July 1, 2013. The name of the resulting company is Hitachi Metals, Ltd.

19 Related party transaction

(1) Related party transaction

Related party transaction for the years ended March 31, 2014 and 2013 are as follows:

2014

Name of related party	Location	Capital investment	Segment	Voting interest	Description of the business relationship	Transaction detail	Amounts	
		Thousands of U.S. dollars					Millions of yen	Thousands of U.S. dollars
Sierra Gorda S.C.M.	Santiago, Chile	$ 934,302	Mineral Resources	Indirectly 45.0%	Debt guarantee and pledge as security for the loan etc. from the financial institution	Debt guarantee*	¥ 82,729	$ 804,131
						Pledge as security**	72,016	700,000
					Loans	Loans receivable***	47,164	458,437

2013

Name of related party	Location	Capital investment	Segment	Voting interest	Description of the business relationship	Transaction detail	Amounts
		Thousands of U.S. dollars					Millions of yen
Sierra Gorda S.C.M.	Santiago, Chile	$ 934,302	Mineral Resources	Indirectly 45.0%	Debt guarantee and pledge as security for the loan etc. from the financial institution	Debt guarantee*	¥ 60,049
						Pledge as security**	52,646
					Loans	Loans receivable***	22,628

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

** The Company pledges its owned shares in Sierra Gorda S.C.M. as security for the loan from the financial institution to finance developments of the Sierra Gorda copper project. The amounts of security is the debt balance as of March 31, 2014 and 2013.

***The Company determined terms and conditions of loan based on market interest rates, etc.

(2) Condensed financial information of a major affiliated companies

Pursuant to the relevant accounting standards, condensed financial information of major affiliated companies which are disclosed for the years ended December 31, 2013 and 2012 are as follows:

Sociedad Minera Cerro Verde S.A.A.

2013	Millions of yen
Total current assets	¥ 188,184
Total long-term assets	161,759
Total current liabilities	23,584
Total long-term liabilities	27,750
Total net assets	298,609
Net sales	169,758
Net income before tax	96,998
Net income	61,619

Sociedad Minera Cerro Verde S.A.A.

2014	Millions of yen
Total current assets	¥ 175,987
Total long-term assets	332,761
Total current liabilities	45,026
Total long-term liabilities	33,024
Total net assets	430,698
Net sales	177,037
Net income before tax	92,511
Net income	59,934

2014	Thousands of U.S. dollars
Total current assets	$ 1,710,605
Total long-term assets	3,234,458
Total current liabilities	437,656
Total long-term liabilities	320,995
Total net assets	4,186,412
Net sales	1,720,811
Net income before tax	899,213
Net income	582,562

Sierra Gorda S.C.M.

2014	Millions of yen
Total current assets	¥ 57,947
Total long-term assets	411,520
Total current liabilities	40,397
Total long-term liabilities	330,315
Total net assets	98,755
Net sales	–
Net income before tax	–
Net income	–

2014	Thousands of U.S. dollars
Total current assets	$ 563,248
Total long-term assets	4,000,000
Total current liabilities	392,661
Total long-term liabilities	3,210,682
Total net assets	959,905
Net sales	–
Net income before tax	–
Net income	–

Compania Contractual Minera Candelaria

2014	Millions of yen
Total current assets	¥ 62,138
Total long-term assets	162,656
Total current liabilities	14,073
Total long-term liabilities	19,660
Total net assets	191,061
Net sales	139,778
Net income before tax	72,631
Net income	55,875

2014	Thousands of U.S. dollars
Total current assets	$ 603,985
Total long-term assets	1,581,026
Total current liabilities	136,790
Total long-term liabilities	191,096
Total net assets	1,857,125
Net sales	1,358,651
Net income before tax	705,978
Net income	543,108

20 Earnings per share

Reconciliation of the difference between basic and diluted net income per share ("EPS") for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Basic net income per share calculation			
Numerator:			
Net income	¥ 80,258	¥ 86,640	$ 780,113
Denominator (thousands of shares):			
Weighted average number of shares	552,186	556,883	–
Basic EPS (yen and U.S. dollars)	¥ 145.35	¥ 155.58	$ 1.41
Diluted net income per share calculation			
Numerator:			
Net income	¥ 80,258	¥ 86,640	$ 780,113
Adjusted net income	80,656	87,520	783,981
Denominator (thousands of shares):			
Weighted average number of shares	552,186	556,883	–
Assumed conversion of convertible bonds	69,638	57,742	–
Adjusted weighted average number of shares	621,824	614,625	–
Diluted EPS (yen and U.S. dollars)	¥ 129.71	¥ 142.40	$ 1.26

21 Subsequent event

Appropriation of retained earnings

The following appropriation of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2014, was approved at a shareholders' meeting held on June 23, 2014:

	Millions of yen	Thousands of U.S. dollars
Year-end dividends of ¥20.00 per share	¥ 11,043	$ 107,339

Independent Auditors' Report

KPMG

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Sumitomo Metal Mining Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2014 and 2013, and the consolidated income statements, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sumitomo Metal Mining Co., Ltd. and its consolidated subsidiaries as at March 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2014 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

July 15, 2014
Tokyo, Japan

KPMG AZSA LLC

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Glossary

Mineral Resources Business and Smelting & Refining Business

Metal Trading

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

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

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

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

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

Metal Refining

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

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

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

Metal Ores

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

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

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

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

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

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

Resource Reserves

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

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

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

•Identified resources
Total ore identified at the site.

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

Nickel Production Process

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

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

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

Main Applications for Metals

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

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

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

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

Materials Business

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

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

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

Consolidated Subsidiaries and Equity-Method Affiliates

As of July 31, 2014

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

Smelting & Refining	Percentage of Voting Shares (%)	Location	Principal Operations
Consolidated Companies			
Hyuga Smelting Co., Ltd.	60	Japan	Ferronickel smelting
Shisaka Smelting Co., Ltd.	100	Japan	Manufacture of crude zinc oxide
Sumiko Logistics Co., Ltd.	100	Japan	Maritime trading, harbor transportation and services, land transportation
Sumic Nickel Netherlands B.V.	52	Netherlands	Investment in nickel and cobalt development businesses, sale of nickel and cobalt
Coral Bay Nickel Corporation	54	Philippines	Manufacture of nickel and cobalt intermediates
Taganito HPAL Nickel Corporation	62.5	Philippines	Manufacture of nickel and cobalt intermediates
Sumitomo Metal Mining Philippine Holdings Corporation	100	Philippines	Regional headquarters for the nickel business
Sumitomo Metal Mining Management (Shanghai) Co., Ltd.	100	China	Sale of Group products, operations management support for Group companies in the China region, consulting business
Taihei Metal Industry Co., Ltd.	97	Japan	Manufacture of heat-, corrosion- and friction-resistant steel castings

Equity-Method Affiliates			
Jinlong Copper Co., Ltd.	27	China	Manufacture and sale of electrolytic copper and sulfuric acid
Acids Co., Ltd.	50	Japan	Manufacture and sale of sulfuric acid and related products
PT Vale Indonesia Tbk.	20	Indonesia	Nickel ore mining, nickel smelting
Nickel Asia Corporation	26	Philippines	Nickel ore mining
Figesbal	26	New Caledonia	Nickel ore mining, harbor transportation
MS Zinc Co., Ltd.	50	Japan	Manufacture and sale of zinc and related operations
Mitsui Sumitomo Metal Mining Brass & Copper Co., Ltd.	50	Japan	Manufacture and sale of copper and brass products and processed copper and brass products

Materials	Percentage of Voting Shares (%)	Location	Principal Operations
Consolidated Companies			
SH Materials Co., Ltd.	51	Japan	Manufacture and sale of leadframes
Okuchi Electronics Co., Ltd.	100	Japan	Recovery and recycling of non-ferrous metals, manufacture of functional ink
Ohkuchi Materials Co., Ltd.	100	Japan	Manufacture of leadframes
Niihama Electronics Co., Ltd.	100	Japan	Manufacture of substrate material (two-layer plated boards)
Niihama Materials Co., Ltd.	100	Japan	Manufacture of leadframes
SH Precision Co., Ltd.	100	Japan	Manufacture of leadframes
Shinko Co., Ltd.	97	Japan	Design, manufacture and sale of printed circuit boards
SH Asia Pacific Pte. Ltd.	100	Singapore	Regional headquarters for overseas leadframe operations
Sumiko Tape Materials Singapore Pte. Ltd.	100	Singapore	Regional headquarters for tape material operations
Malaysian SH Electronics Sdn. Bhd.	100	Malaysia	Manufacture and sale of leadframes
Malaysian SH Precision Sdn. Bhd.	100	Malaysia	Manufacture and sale of leadframes
Malaysian Electronics Materials Sdn. Bhd.	100	Malaysia	Manufacture and sale of thick-film paste
SH Electronics Taiwan Co., Ltd.	70	Taiwan	Manufacture and sale of leadframes
Taiwan Sumiko Materials Co., Ltd.	100	Taiwan	Manufacture of thin-film paste
SH Electronics Chengdu Co., Ltd.	70	China	Manufacture and sale of leadframes
SH Precision Chengdu Co., Ltd.	70	China	Manufacture of leadframes
SH Electronics Suzhou Co., Ltd.	100	China	Manufacture and sale of leadframes
Suzhou SH Precision Co., Ltd.	100	China	Manufacture of leadframes
Sumiko Advanced Materials (Suzhou) Co., Ltd.	100	China	Manufacture and sale of alloy products
Sumiko Tec Co., Ltd.	100	Japan	Terminals and connectors for electronic and electric equipment; related components, electric wire, power cords and pressure bonding machines and their maintenance; manufacture and sale of formed products for optical equipment
Nittosha Co., Ltd.	100	Japan	Plating of metal products, surface treatment processing and distribution
Sumiko Kunitomi Denshi Co., Ltd.	100	Japan	Manufacture of crystal products and magnetic materials
Shanghai Sumiko Electronic Paste Co., Ltd.	69	China	Manufacture and sale of thick-film paste
Dongguan Sumiko Electronic Paste Co., Ltd.	85	China	Manufacture and sale of thick-film paste
SMM Korea Co., Ltd.	100	South Korea	Sales support for advanced materials and business operations
SMM Precision Co., Ltd.	100	Japan	Manufacture and sale of optical communications components

Consolidated Companies (continued)			
Sumico Lubricant Co., Ltd.	100	Japan	Manufacture and sale of lubricants, in particular molybdenum-containing special lubricants
Sumico Lubricant Trading (Shanghai) Co., Ltd.	100	China	Sale of lubricants
Sumitomo Metal Mining Siporex Co., Ltd.	100	Japan	Manufacture and sale of ALC (autoclaved lightweight aerated concrete), base-isolating dampers, and other construction materials
JCO Co., Ltd.	100	Japan	Management of facilities using uranium and related wastes
Igeta Heim Co., Ltd.	100	Japan	Construction of steel frame and reinforced concrete apartments and condominiums
Japan Irradiation Service Co., Ltd.	100	Japan	Irradiation sterilization service for pharmaceutical products, medical instruments and pharmaceutical containers; modification of various industrial materials
Equity-Method Affiliates			
SH Copper Products Co., Ltd.	50	Japan	Manufacture and sale of copper strip, copper alloy fabricated products, and processed copper products
N.E. Chemcat Corporation	50	Japan	Manufacture and sale of catalysts, recovery and refining of precious metals
Nippon Ketjen Co., Ltd.	50	Japan	Manufacture and sale of desulfurization catalysts for petroleum processing
Granopt Ltd.	50	Japan	Manufacture and sale of rare earth iron garnet (RIG)

Other	Percentage of Voting Shares (%)	Location	Principal Operations
Consolidated Companies			
Sumiko Techno-Research Co., Ltd.	100	Japan	Environmental measurement verification operations such as water quality, air, soil, noise and vibration; data collection, adjustment and product evolution as well as technological development
Sumiko Technical Service Co., Ltd.	100	Japan	Commission-based work in area of non-ferrous smelting, personnel agency business
Sumitomo Metal Mining Engineering Co., Ltd.	100	Japan	Survey, design, manufacturing, repair and maintenance of various types of machinery, equipment and plants in wide-ranging fields including non-ferrous metal smelting, chemicals, and the environment
Sumiko Plantech Co., Ltd.	100	Japan	Manufacture of machinery and equipment and repair work for non-ferrous metal smelting and chemical plants; installation of machinery and equipment and piping work; steel structure work
SMM Holland B.V.	100	Netherlands	Investment in nickel and cobalt development businesses

Corporate Data and Investor Information

As of March 31, 2014

Corporate Data

Founded 1590
Incorporated 1950
Paid-In Capital ¥93.2 billion
Number of Employees 8,628 (Consolidated)
Head Office 11-3, Shimbashi 5-chome, Minato-ku, Tokyo 105-8716, Japan

Investor Information

Closing Date
March 31

Ordinary General Meeting
June

Common Stock
Number of authorized shares 1,000,000,000
Number of issued and outstanding shares 581,628,031
Number of shareholders 51,067
Listing of shares Tokyo
Stock transaction unit 1,000 shares

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Registrar of Shareholders
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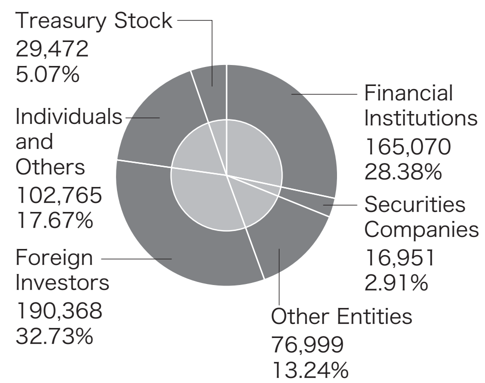
Tokyo 100-8233, Japan
Stock Transfer Agency Department: 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, Japan

Method of Public Notice
Electronic notification (However, if electronic notification is not available due to unavoidable circumstances, notice will be published in the Nihon Keizai Shimbun newspaper.)

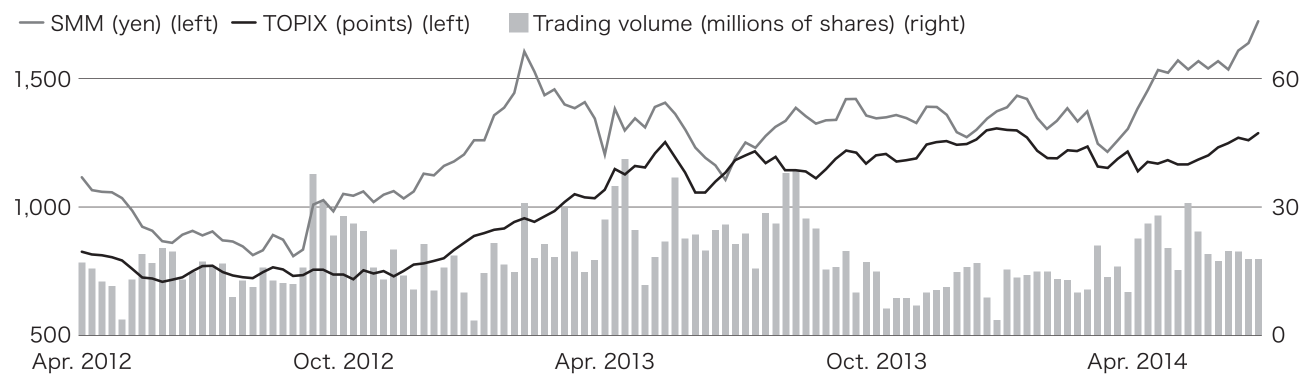
Independent Public Accountant
KPMG AZSA LLC
1-2, Tsukudo-cho, Shinjuku-ku, Tokyo

Major Shareholders	Number of shares held (thousands)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	27,699	4.76
Japan Trustee Services Bank, Ltd. (Trust Account)	25,646	4.40
Toyota Motor Corporation	18,916	3.25
THE CHASE MANHATTAN BANK, N.A. LONDON SECS LENDING OMNIBUS ACCOUNT	8,314	1.43
Sumitomo Mitsui Banking Corporation	7,650	1.32
THE BANK OF NEW YORK MELLON AS DEPOSITARY BANK FOR DR HOLDERS	7,524	1.29
Sumitomo Realty & Development Co., Ltd.	7,490	1.29
Sumitomo Life Insurance Company	7,474	1.29
Sumitomo Corporation	7,000	1.20
Nippon Steel & Sumitomo Metal Corporation	6,100	1.05

Breakdown of Shareholders
(thousands of shares)



Stock Price and Trading Volume



Note: TOPIX began on 4 January 1968 with a base level of 100.

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