2015 ANNUAL Report

SUMITOMO METAL MINING

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 co-existence with the global environment, seek to make positive contributions to society and to fulfill its responsibilities to its stakeholders, in order to win ever greater trust.
- 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 terms:
Specialized terms are covered in the Glossary on pages 70 to 71.

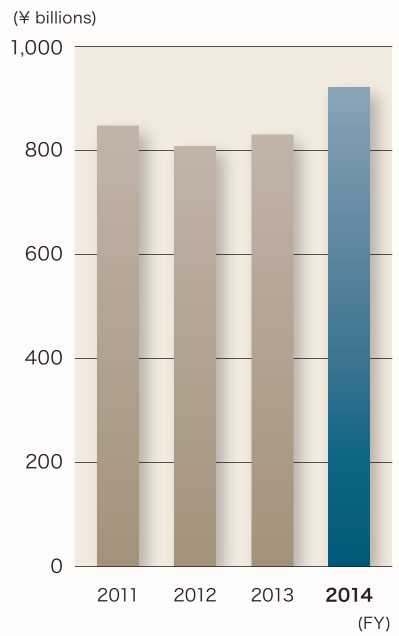
Note regarding forward-looking statements:
The forward-looking statements in this annual report, including business result forecasts, are based on information available to the Company and on certain assumptions deemed to be reasonable as of the date of release of this report. Actual business results may differ substantially due to a number of factors. Unless specifically stated otherwise, information in this annual report is as of July 1, 2015.

Financial Summary

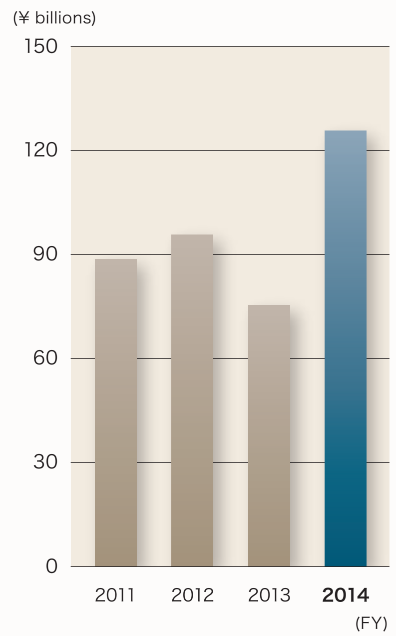
Fiscal year	2014	2013	2012	2011	2010	2009	2008	2007
Results for the year (Millions of yen)								
Net sales	**921,334**	830,546	808,540	847,897	864,077	725,827	793,797	1,132,372
Operating income	**125,779**	75,418	95,785	88,577	96,038	66,265	10,534	155,394
Recurring profit	**174,226**	114,352	115,034	108,829	123,701	87,791	32,572	217,866
Income (loss) before income taxes and minority interests	**123,261**	111,006	122,455	87,962	123,394	82,776	22,942	216,504
Net income (loss)	**91,113**	80,258	86,640	65,286	83,962	53,952	21,974	137,808
Financial position at year-end (Millions of yen)								
Total assets	**1,740,246**	1,572,367	1,351,153	1,146,759	1,052,353	981,458	880,001	1,091,716
Net assets	**1,158,945**	1,019,053	844,547	726,039	684,103	629,684	547,251	640,345
Long-term debt due after one year	**245,000**	243,130	212,323	157,119	135,128	132,311	141,716	169,394
Interest-bearing debt	**394,094**	383,580	330,073	265,951	210,969	200,939	218,534	258,054
Amounts per share (Yen)								
Net income	**165.11**	145.35	155.58	116.17	149.38	96.26	38.87	238.13
Net assets	**1,905.50**	1,653.83	1,393.02	1,173.97	1,121.19	1,043.50	913.92	1,017.96
Cash dividends	**48.0**	37.0	34.0	28.0	32.0	20.0	13.0	30.0
Key ratios (%)								
ROA	**5.50**	5.49	6.94	5.94	8.26	5.80	2.23	13.64
ROE*	**9.28**	9.54	12.13	10.12	13.80	9.89	4.02	25.39
Equity ratio*	**60.4**	58.1	56.9	57.5	59.9	59.8	57.3	54.0
Interest-bearing debt to total assets ratio	**22.6**	24.4	24.4	23.2	20.0	20.5	24.8	23.6
Debt-to-equity ratio* (times)	**0.37**	0.42	0.43	0.40	0.33	0.34	0.43	0.44

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

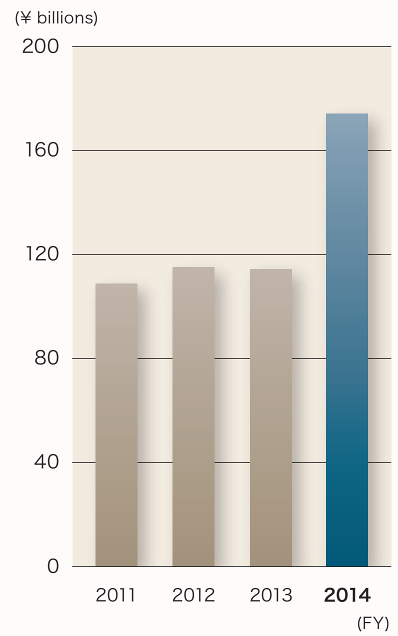
Net Sales



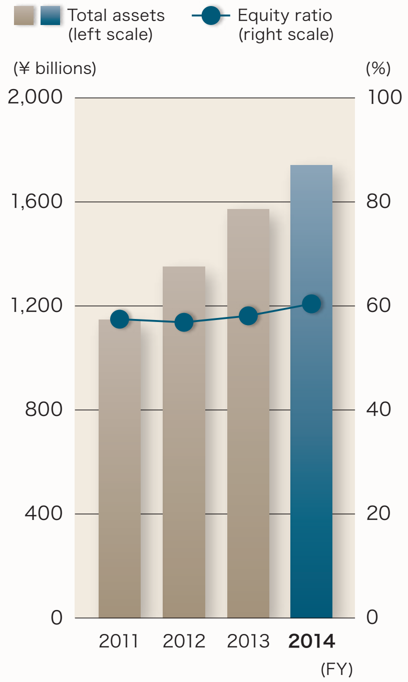
Operating Income



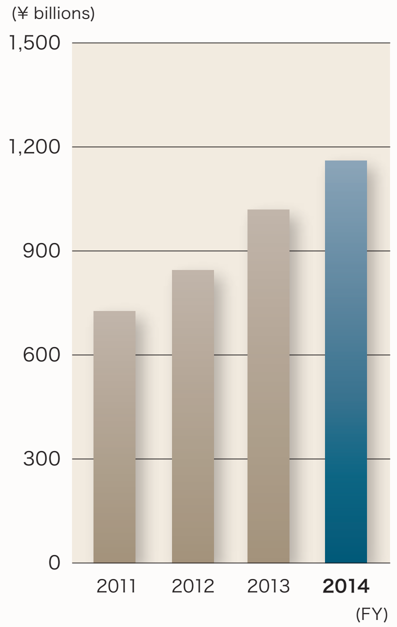
Recurring Profit



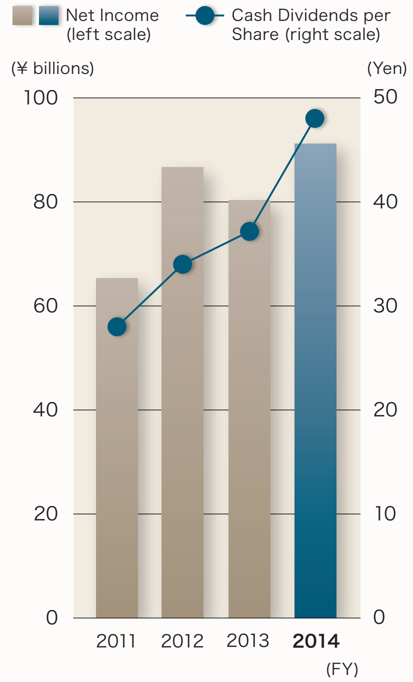
Total Assets / Equity Ratio



Net Assets



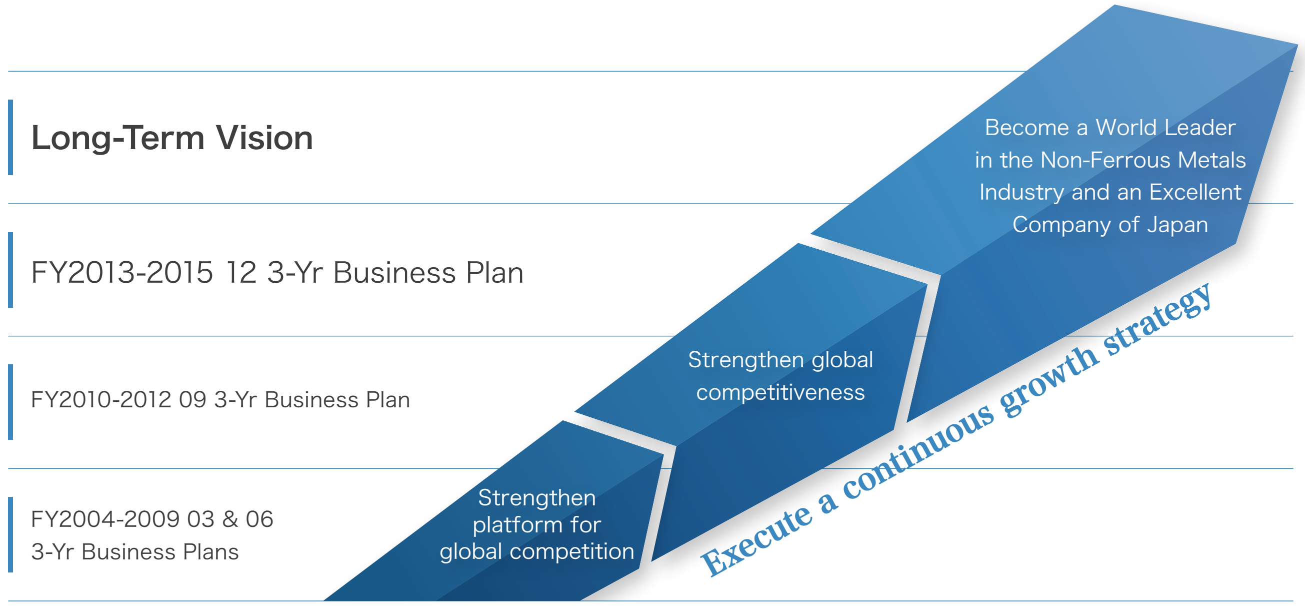
Net Income / Cash Dividends per Share



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. We currently hold interests in copper mines located in the US, Chile, Peru, Australia, and other countries. We began commercial production at the Sierra Gorda Mine in July 2015, and have made great progress toward our target. 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 Taganito began in 2013 and expanded to full capacity in 2014, 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.

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 profit.

Excellent Company of Japan

Net sales **¥1 trillion** Recurring profit **¥150 billion** 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

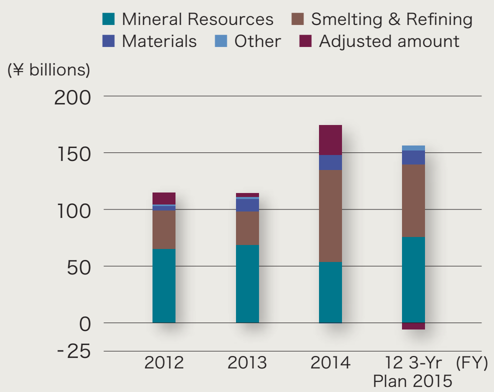
Maintain sound financial constitution

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

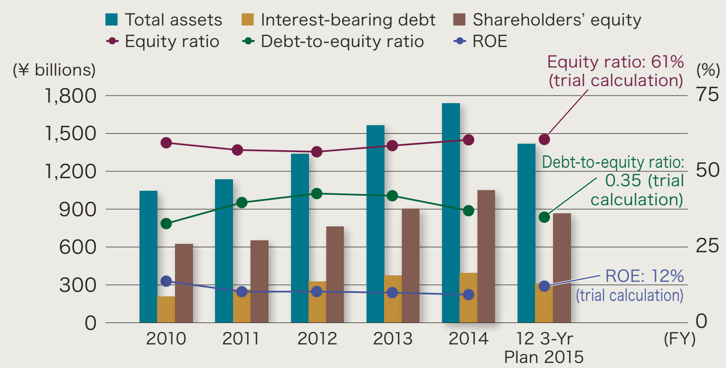
Dividend Policy

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

Segment Profit



Financial Strategy



In fiscal 2014 we recorded solid progress in all business segments, moving closer to the target of our Long-Term Vision incorporated into our 2012 3-Year Business Plan.

Fiscal 2014 in Retrospect

In fiscal 2014 SMM registered 174.2 billion yen in consolidated recurring profit, the third-highest figure in the company's history. Although this achievement owes considerably to changes in the external environment, most notably the yen's depreciation during the year, I believe our robust earnings this past year were also attributable to solid contributions from our many projects worldwide and sustained efforts at our workplaces to reduce costs and improve efficiency.

Looking ahead, in our external environment we expect the weak yen to provide a favorable tail wind; but, through the near term at least, metal prices are unlikely to rise by significant margins. Against this backdrop, SMM will need to further strengthen and maintain its earning capacity.

SMM's business centers on the development of mineral resources, and today the environment surrounding these operations is becoming increasingly challenging. Specifically, in the performance of operations in mineral resources co-existence and co-prosperity with local communities and broader society are becoming issues of greater importance than ever before.

The Sierra Gorda copper mine serves as a prime example. Operating the mine requires water, but because the local river water cannot be used for that purpose, it has been necessary to bring seawater to the mine by pipeline, a distance of approximately 150 kilometers. This arrangement not only necessitates a much longer amount of time to develop the resources at the mine, but also involves considerably larger development costs. As a result, risk management pertaining to the project must now be carried out more cautiously than ever before.

Review of Fiscal 2014 and Business Strategies for Fiscal 2015

Mineral Resources

A major topic of concern in the Mineral Resources business is the increasing delay in the Sierra Gorda Copper Mine development project in Chile. A significant challenge this year will be to get Phase I operations under way and begin generating investment benefits. This year we will also take under advisement measures necessary for achieving Phase II of the project, when the mine's output is to be expanded.

Elsewhere, the Morenci Copper Mine expansion project in Arizona, in which we have an investment stake, has been making smooth progress, and this year a substantial increase in the mine's production is anticipated. Meanwhile the expansion project at the Cerro Verde Copper Mine in Peru is also proceeding smoothly, and we expect the increasing output from the mine to continue contributing to our profits.

Smelting & Refining

In the Smelting & Refining segment, in fiscal 2014 Taganito HPAL registered a smooth start and succeeded in producing 26,000 tonnes of nickel, very close to its designed capacity of 30,000 tonnes per year. At the Harima Smelter, production of nickel sulfate, a product meeting robust demand growth for use in battery materials, got under way for the first time in 2014, with output at the plant's capacity level.

In these ways, our two major projects in this segment have both launched successfully, enabling major contributions to our annual earnings – a situation I find greatly reassuring.

With the commencement of operations at Taganito HPAL and the Harima Smelter, in 2014 we were able to achieve our initial target, a production system capable of producing 100,000 tonnes of nickel per year. Going forward, we will continue to undertake various feasibility studies, at the Pomalaa project in Indonesia and elsewhere, toward achieving the target hoisted in our Long-Term Vision: the collective capacity to produce 150,000 tonnes of nickel per year.

Materials

After a temporary slump, business in Materials segment recovered in fiscal 2014, with profit reaching 12.9 billion yen. In terms of strengthening the segment's earning capacity, the challenge still lies ahead, however, and the measures we are taking now will, I believe, have great importance for the future of our Materials operations.

SMM's strength rests in its ability to produce nickel and other metals in its Smelting & Refining segment, and what is demanded of us will be to make optimal use of this supply chain and provide stable supplies, at lower cost, of the products in demand by our customers.

Also, in order to forge a system for producing new products that will next be needed, we will proceed forward and build strong relationships of trust with our customers and create structures enabling us to respond to and apply the information we receive from them.

Financial Policies

Today's investments targeting development of mineral resources are larger than ever before, which means that our risk burden too is increasing. And while we always make every effort to reduce our investment risk, risk itself never disappears. In order for SMM to respond to any situation that might conceivably arise, I believe it will be vital for us to maintain a favorable equity ratio, our current policy calling for a figure above 50%.

Japan today is focusing on ROE as a core financial indicator, but in SMM's case I believe that directly targeting ROE harbors inherent difficulties. In my position as president I naturally am aware of our shareholders' focus on ROE, and I see ROE as an important management target. But all around the world projects involving mine development or smelting and refining are becoming increasingly longer to carry out, and the span from investment start to the commencement of investment returns is normally about five years. For a company like SMM, I believe that the nature of our business makes it very difficult to undertake such projects and simultaneously carry out measures that aim at elevating our ROE during any given year.

Today we consider raising ROA a key indicator of company management: increasing ROA and increasing profits. At the same time, we will form our judgments giving full consideration to the financial perspective also, ultimately raising our ROE over the medium to long range. I believe we have a responsibility to thoroughly explain this management stance to our investors.

Strengthening Our Management Base

In the performance of company management targeting our Long-Term Vision, we have steadily strengthened our internal management base. In accordance with our Corporate Governance Code of Japan, which indicates the advisability of appointing two or more outside directors, at our General Meeting of Shareholders this year we appointed one additional outside director.

With the establishment of Corporate Governance Code and Stewardship Code of Japan, opportunities to exchange views with our stakeholders are increasing. We look forward to incorporating more and more valuable opinions expressed by our stakeholders into our management policies in the years ahead.

Message to Shareholders and Investors

In fiscal 2014 we distributed our largest dividend to date: 48 yen per share per annum. In our 2012 3-Year Business Plan we set our dividend payout ratio at more than 25%, and in fiscal 2015 we intend to pay a dividend in accordance with that policy.

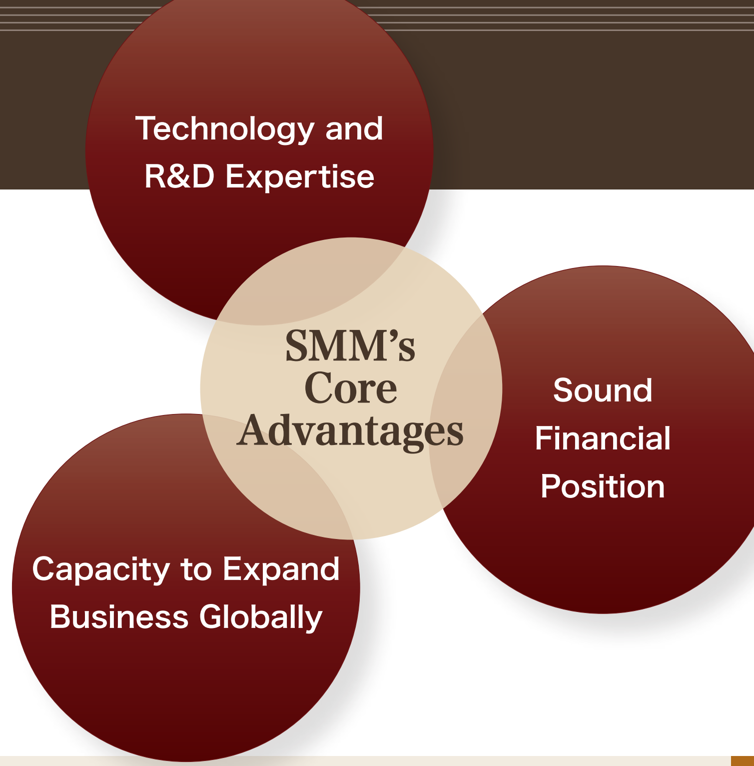
At SMM we believe that enhancing our enterprise value is the best return we could possibly offer our investors. Going forward, based on the Sumitomo Business Spirit passed down through four centuries, we pledge to continue the steady advancement of our growth strategies and to respond faithfully to the trust and expectations of our shareholders and investors.

August 2015

Y. Nakazato

Yoshiaki Nakazato,
President & Representative Director

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 processes, including resources development, non-ferrous metal smelting and refining, and the development and production of 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

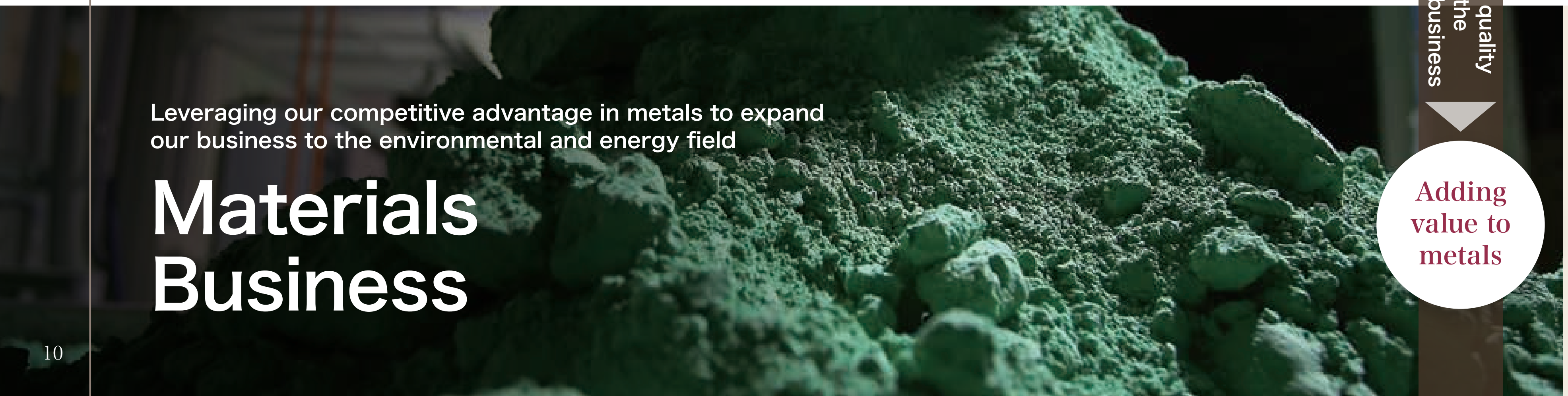
Smelting & Refining Business

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

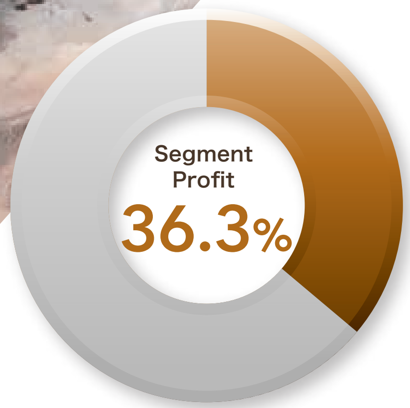
Building a Deeper Relationship with Our Customers

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.

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.



Gold ore (Hishikari Mine)

Fiscal 2014 Review

- Operations at Hishikari Mine proceeded on a stable basis, producing 6.9 tonnes of gold.
- Production at the Pogo Gold Mine was stable, with output similar to the previous fiscal year.
- Copper production at Morenci Mine was also stable. Output fell at the Cerro Verde Mine mainly due to a decline in the ore grade.

Outlook

- In copper, we are pursuing stable operations at the Sierra Gorda Mine, and are working on expansion projects for copper mines in which we already hold an interest.
- Elsewhere, we will also continue to promote exploration in the vicinity of operating mines, as well as evaluate possible participation in development projects, etc.

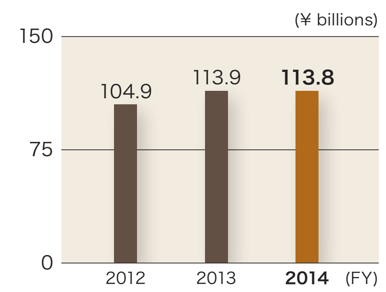
Copper Mine Project

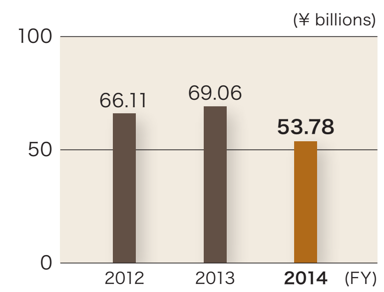
Sierra Gorda Project

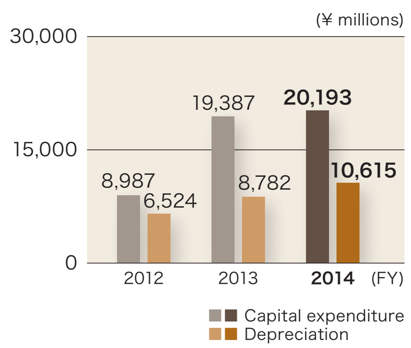
The Sierra Gorda Mine, a copper mine in the Republic of Chile, has been developed by operator KGHM Polska Miedź S.A. of Poland. In 2011, SMM acquired an interest and began construction; the mine began producing its first copper and molybdenum ore in 2014, and successfully commenced commercial production at the end of June 2015.

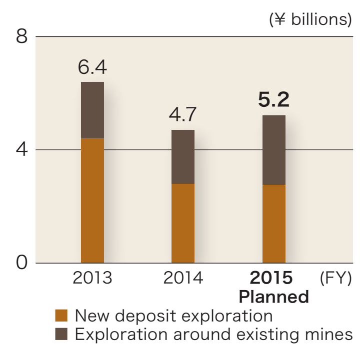
We are planning an output expansion project as part of phase two at the Sierra Gorda Mine. SMM is promoting this expansion project while continuing to work to ensure stable production.

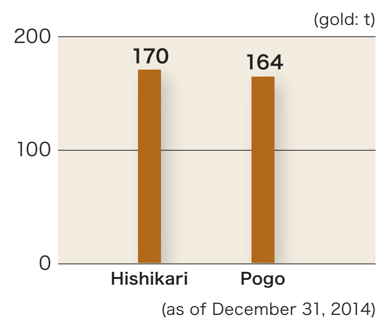
Location	Region 2 of the Republic of Chile
Start of Production	2014
Minable Ore	Approx. 1.5 billion tonnes (sulfide ore only)
Mining and Milling Methods	Open-pit mining and conventional flotation methods
Metal Volume Content	Copper: 6 million tonnes Molybdenum: 300,000 tonnes
Average Annual Production	Copper: 220,000 tonnes Molybdenum: 11,000 tonnes
Mine Life	20 years or more
Equity Interests	SMM: 31.5% KGHM: 55% Sumitomo Corporation: 13.5%





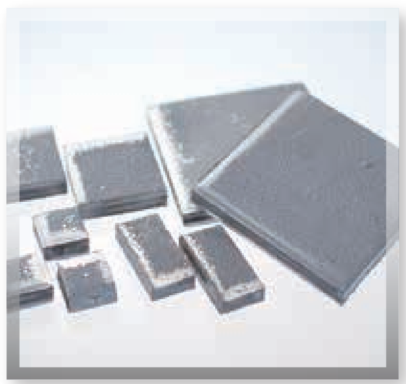






(Notes) ·Hishikari Mine
Recoverable metal, JIS standard: 170 t
·Pogo Gold Mine
Reserve: 55 t
Resource: 108 t
(Canadian standard)

Smelting & Refining Business



Electrolytic nickel

SMM smelts and refines raw materials procured from a variety of sources, mainly from mines where we have an interest, into such metals as copper, nickel, and gold. SMM possesses world-class smelting and refining technology 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.

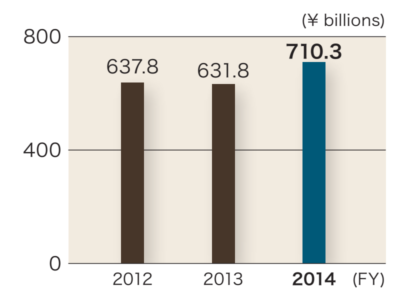
Fiscal 2014 Review

- In nickel refining, production started in earnest at Taganito HPAL, with an output of 26,000 tonnes. Production also increased greatly at the Niihama Nickel Refinery, where intermediates from Taganito are processed. Operations at Coral Bay Nickel Corporation are also proceeding smoothly.
- In copper smelting and refining, output increased compared to the previous fiscal year, in which periodic maintenance work was carried out.

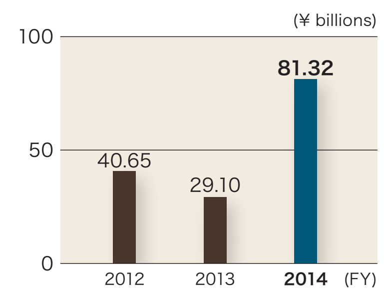
Outlook

- In the nickel business, the Taganito and Coral Bay HPAL plants will continue their operations. We are also working to increase production of nickel sulfate at the Harima Smelter.
- In the copper business, we are planning to improve cost competitiveness.

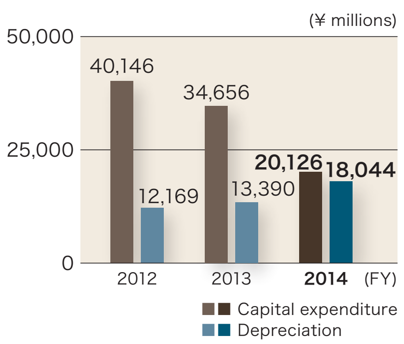
Net Sales



Segment Profit



Capital Expenditure / Depreciation



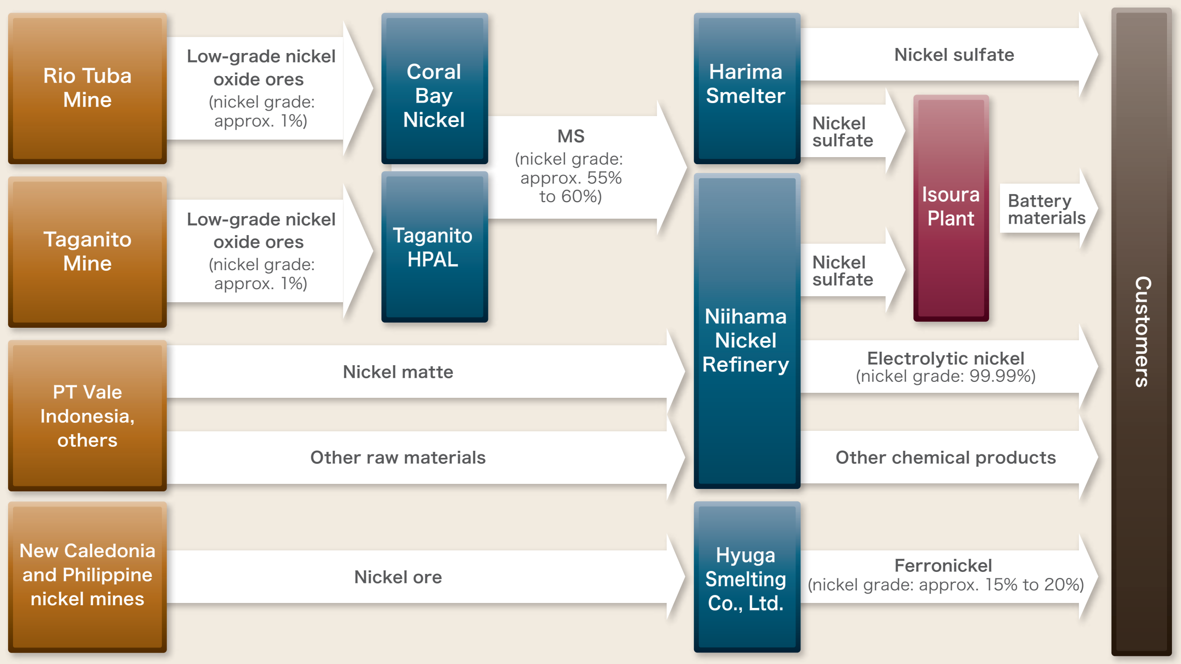
SMM's Nickel Business

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.

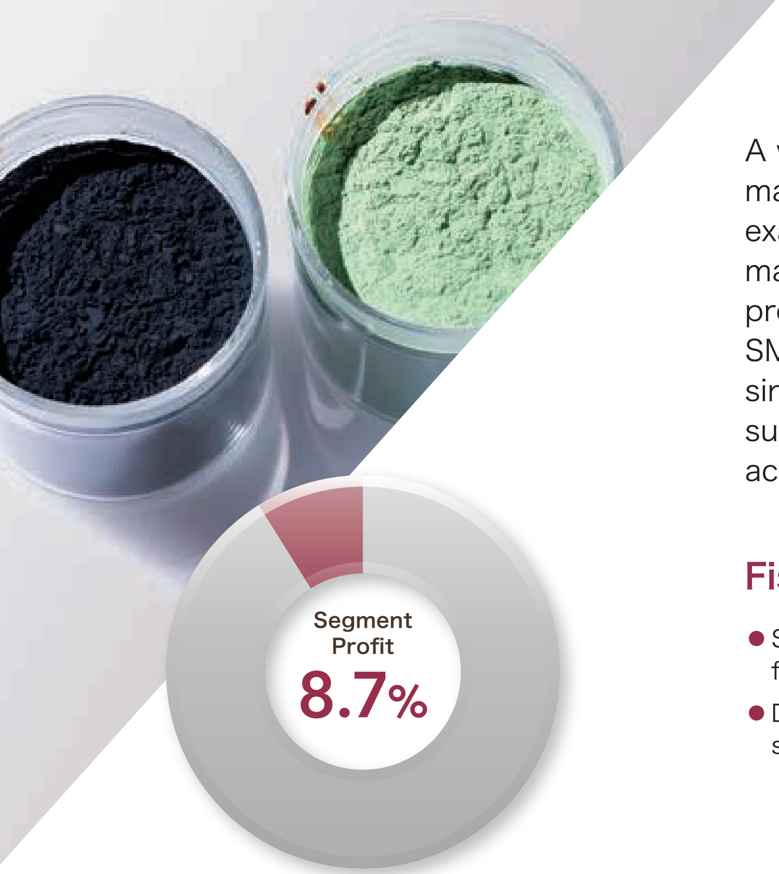
The principal raw material for electrolytic nickel and nickel chemical products is MS (nickel-cobalt mixed sulfide) produced by Coral Bay Nickel Corporation and Taganito HPAL Nickel Corporation. The Niihama Nickel Refinery uses the MCLE process to refine MS, which has an ore grade of 55% to 60%, as well 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 2015 is projected to be 74,000 tonnes of nickel equivalent.

The raw material for ferronickel is nickel ore with a grade of approximately 2%. We were able to import raw materials from Indonesia until 2013, but the new mining law in Indonesia effective from January 2014 has halted imports of this ore. By accessing raw material from New Caledonia, the Philippines, and other sources, we expect fiscal 2015 production of ferronickel to be approximately 20,000 tonnes.

Nickel Production Flow



Materials Business



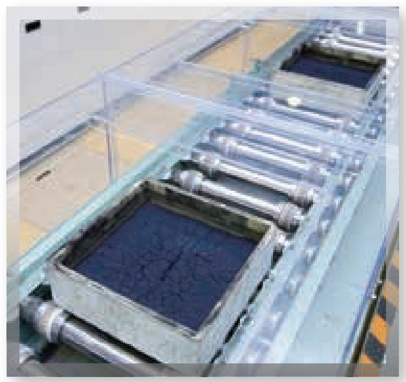
A wide range of metals are used in the manufacture of electronic devices. Copper, for example, is a critical input for electric circuitry manufacture, while nickel is used in the production of battery materials and capacitors. SMM has been engaged in the Materials business since the 1960s and will continue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

Fiscal 2014 Review

- Sales in battery materials increased due to solid demand for automotive batteries.
- Demand for leadframes, pastes, and crystal materials for smartphones and other applications was also favorable.

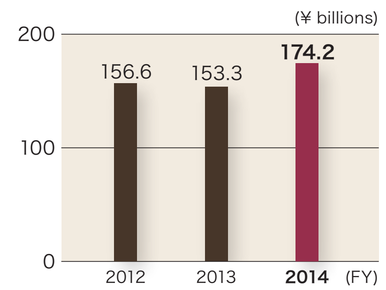
Outlook

- In battery materials, we are working to increase production of lithium nickel oxide for electric vehicles.
- We also plan to increase production of crystal materials used for smartphones (lithium tantalate and lithium niobate substrates).

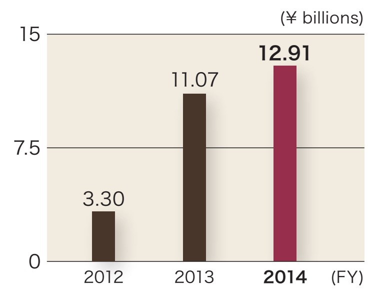


Battery materials (Isoura Plant)

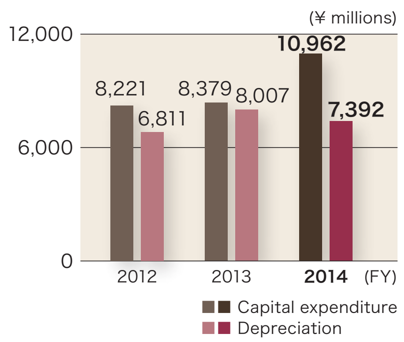
Net Sales



Segment Profit



Capital Expenditure / Depreciation



Materials Products

Battery Materials

SMM's main battery materials products are nickel hydroxide and lithium nickel oxide, both of which are used in cathodes for secondary batteries.

Nickel hydroxide is used as a cathode material in nickel metal hydride batteries, which are used in Toyota Motor Corporation's hybrid vehicles. SMM's nickel hydroxide has a large share of the market.

NCA (lithium nickel cobalt aluminum oxide) is used in cathodes for lithium-ion batteries. One of our current NCA customers, Panasonic Corporation, produces the batteries used in Tesla Motors, Inc.'s electric vehicles. Because the NCA we produce has high nickel content, it makes possible a larger battery capacity, which in turn means cars can travel farther on a single charge.

SMM is pursuing a project to increase NCA output from 850 to 1,850 tonnes per month. We are working toward the launch of the Naraha Plant in Fukushima Prefecture as a new base for our subsidiary Sumiko Energy Materials Co., Ltd. Also, at the Isoura Plant, a project to increase production capacity is slated for completion in fiscal 2015.

One of SMM's strengths lies in its integrated production from nickel raw materials to high-capacity battery materials. We intend to make use of this capability to further strengthen our battery materials business.

Nickel hydroxide

Catalyst Business

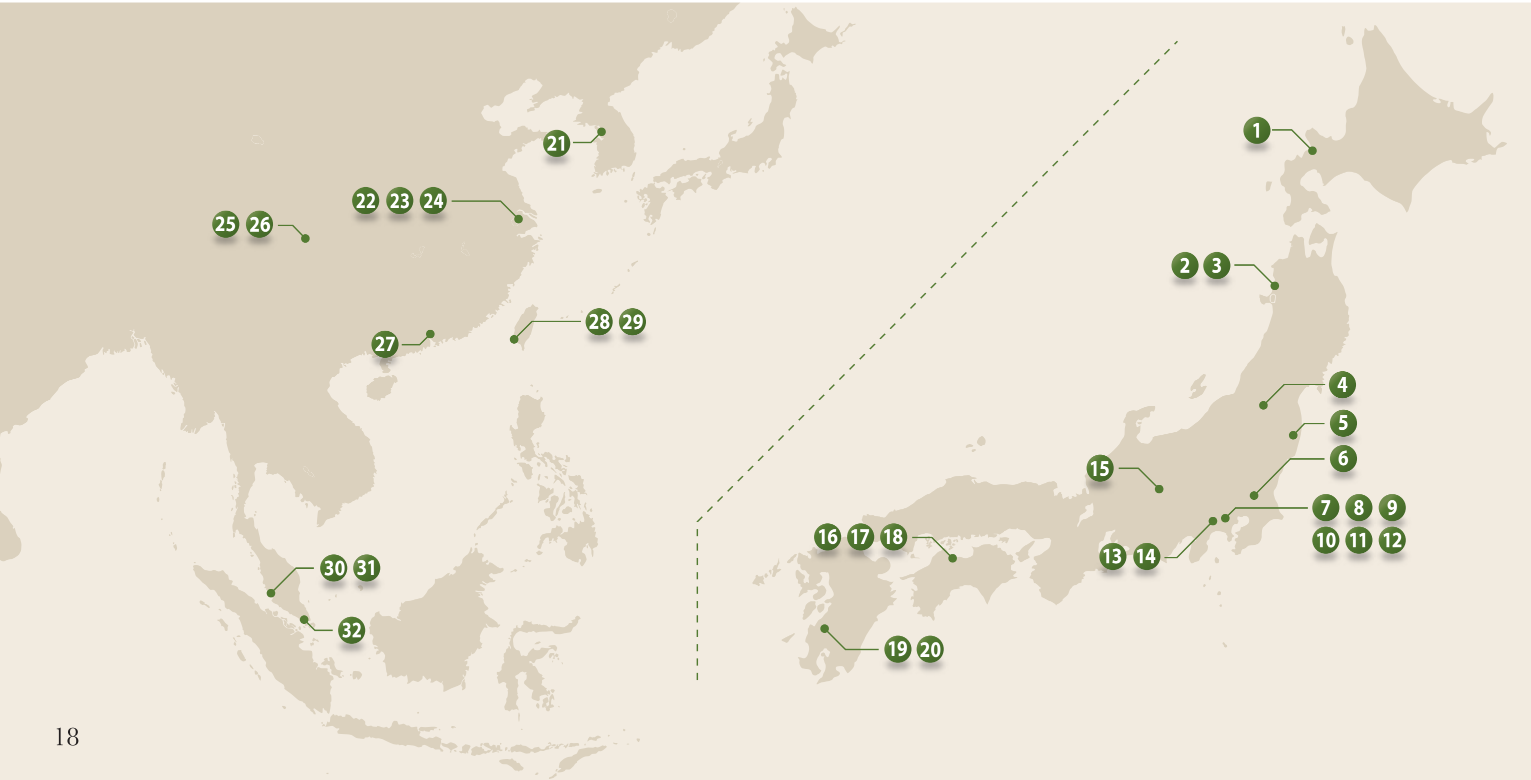
N.E. Chemcat Corporation is a joint venture of SMM and BASF SE of Germany, one of the world's leading chemical companies. N.E. Chemcat is one of Japan's largest developer-manufacturers of precious metal catalysts, for purifying hazardous substances in automobile exhaust gases, and chemical catalysts 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.

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. Sumiko Energy Materials Co., Ltd.
6. SH Copper Products Co., Ltd.
7. Ome District Div.
8. SH Materials Co., Ltd.
9. N.E. Chemcat Corporation
10. Nippon Ketjen Co., Ltd.
11. Sumitomo Metal Mining Siporex Co., Ltd.
12. Sumico Lubricant Co., Ltd.
13. Nittosha Co., Ltd.
14. Sumiko Tec 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. SH Electronics Chengdu Co., Ltd.
26. SH Precision Chengdu Co., Ltd.
27. Dongguan Sumiko Electronic Paste Co., Ltd.
28. SH Electronics Taiwan Co., Ltd.
29. Taiwan Sumiko Materials Co., Ltd.
30. Malaysian SH Electronics Sdn. Bhd.
31. Malaysian SH Precision Sdn. Bhd.
32. 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

1. 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.
2. 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.
3. 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.
4. 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.

Management Decision-Making and Business Execution Structures and Systems

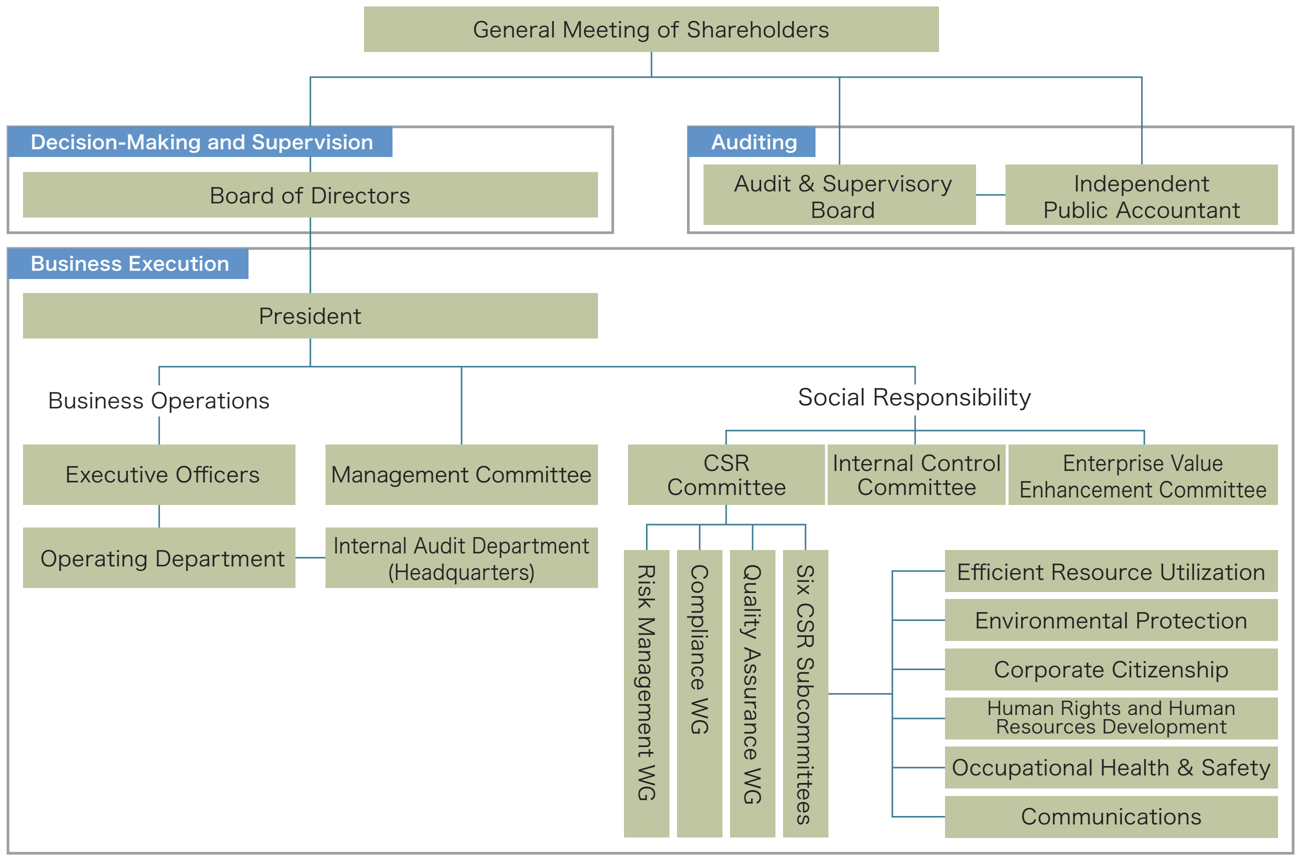
SMM delegates substantial authority to executive officers. This in turn has clarified the authority and responsibilities of directors and executive officers, allowing the Board of Directors to strengthen its fulfillment of timely decision-making and supervisory functions.

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, with reports made and discussions held regarding conflicts of interest and important business matters. 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. The Board of Directors is presided over by the chairman and representative director of the Company.

Corporate Governance Framework



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 wide range of views 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.

Auditing System

The sound execution of business operations at the Company is ensured through legal audits conducted by Audit & Supervisory Board Members and internal audits conducted by the Audit Department. Furthermore, an independent public accountant conducts accounting as well as internal control audits in its capacity as an independent public accounting firm.

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 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.

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 LLC 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.

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)

Classification	Number of Officers	Total Remuneration	Total Remuneration by Type	
			Basic Remuneration	Bonus
Directors (excluding outside directors)	9	405	295	110
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board Members)	3	63	63	—
Outside Directors 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 Directors 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	Having specialist knowledge and a wealth of experience as a lawyer and a licensed tax accountant, he has justified his appointment as an outside director through providing advice from a compliance perspective in particular, thus playing an apt role in bolstering our system of corporate governance.
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, he attended all 21 Board of Directors meetings (12 regular meetings and 9 extraordinary sessions), at which he made statements based on his specialist knowledge as a lawyer and licensed tax accountant, posed pertinent questions, and made his opinions clear.

Outside Director	Hitoshi Taimatsu
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	Possessing specialist knowledge as a material engineering science researcher, mainly in the field of metals, he was appointed as an outside director to apply such knowledge, and his academic background as a university professor, to playing an apt role in bolstering our system of corporate governance.
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	He was newly appointed at the General Meeting of Shareholders held in June 2015.

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 accounting, and particularly through his ability to offer opinions and recommendations from the perspective of an accounting specialist, he has fulfilled his auditing duties and justified his appointment as 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 21 Board of Directors meetings (12 regular meetings and 9 extraordinary sessions) and all 15 meetings of the Audit & Supervisory Board held during the term, at which he made statements based on his specialist knowledge as a chartered accountant, posed pertinent questions, and made his opinions clear, thus fulfilling his auditing function.

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, and through providing opinions and recommendations regarding the management of the Company, he has fulfilled his auditing duties and justified his appointment as 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, the Board of Directors convened 21 times (12 regular meetings and 9 extraordinary sessions). He attended 20 of these meetings (12 regular meetings and 8 extraordinary sessions) and all 15 meetings of the Audit & Supervisory Board held during the term, at which he made statements based on his extensive financial institution experience, posed pertinent questions, and made his opinions clear, thus fulfilling his auditing function.

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. See our CSR Report for more details.

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."

Directors and Audit & Supervisory Board Members

Masahiro Morimoto
Director

Naoyuki Tsuchida
Director

Tsutomu Ushijima
Outside Director

Akira Nozaki
Director

Mikinobu Ogata
Director

Hitoshi Taimatsu
Outside Director

Nobumasa Kemori
Chairman, Representative Director

Yoshiaki Nakazato
President, Representative 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	2015	2014	2013	2012 *2	2011	2010	2009	2008	2007	2006	2005
Results for the year:											
Net sales	¥ 921,334	¥ 830,546	¥ 808,540	¥ 847,897	¥ 864,077	¥ 725,827	¥ 793,797	¥ 1,132,372	¥ 966,764	¥ 625,579	¥ 484,585
Gross profit	174,257	124,822	140,650	132,421	138,810	105,956	56,887	198,147	203,180	120,137	82,878
Operating income	125,779	75,418	95,785	88,577	96,038	66,265	10,534	155,394	162,632	82,756	47,893
Other income (expenses)	(2,518)	35,588	26,670	(615)	27,356	16,511	12,408	61,110	42,985	10,218	6,024
Income before income taxes and minority interests	123,261	111,006	122,455	87,962	123,394	82,776	22,942	216,504	205,617	92,974	53,917
Net income	91,113	80,258	86,640	65,286	83,962	53,952	21,974	137,808	126,054	62,800	37,017
Equity in earnings of affiliated companies	23,943	29,770	17,100	23,217	34,832	26,090	31,536	73,956	46,708	21,915	13,513
Capital expenditures	55,232	66,441	59,291	73,143	53,105	26,414	47,723	65,145	51,567	50,568	36,488
Depreciation	38,125	32,426	27,578	31,132	34,625	34,746	34,268	30,505	25,693	22,951	20,578
Net interest expenses	6,250	3,530	(144)	663	257	(654)	(271)	(2,209)	(2,606)	(1,281)	(893)
Net cash flows from operating activities	120,003	80,014	114,665	144,999	102,458	44,153	128,000	157,383	95,985	70,772	40,150
Net cash flows from investing activities	(105,024)	(126,937)	(88,745)	(135,932)	(75,735)	(75,443)	(28,386)	(126,413)	(77,429)	(102,384)	(31,725)
Net cash flows from financing activities	(39,047)	81	21,549	50,314	7,379	(19,322)	(74,086)	55,727	(10,073)	28,723	6,097
Free cash flows	14,979	(46,923)	25,920	9,067	26,723	(31,290)	99,614	30,970	18,556	(31,612)	8,425
Financial position at year-end:											
Total assets	1,740,246	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
Net assets	1,158,945	1,019,053	844,547	726,039	684,103	629,684	547,251	640,345	528,921	394,899	–
Shareholders' equity *1	–	–	–	–	–	–	–	–	–	–	283,897
Long-term loans due after one year	245,000	243,130	212,323	157,119	135,128	132,311	141,716	169,394	93,800	114,405	109,777
Interest-bearing debt	394,094	383,580	330,073	265,951	210,969	200,939	218,534	258,054	189,910	190,891	160,533
Working capital	307,436	314,198	338,866	312,542	267,072	229,259	206,123	266,250	103,791	72,228	86,382
Amounts per share (yen):											
Net income											
– Basic	165.11	145.35	155.58	116.17	149.38	96.26	38.87	238.13	220.49	109.96	64.77
– Diluted	149.44	129.71	142.40	106.84	136.98	88.75	36.18	231.50	213.67	108.87	–
Shareholders' equity	1,905.50	1,653.83	1,393.02	1,173.97	1,121.19	1,043.50	913.92	1,017.96	859.82	654.15	497.57
Cash dividends	48.0	37.0	34.0	28.0	32.0	20.0	13.0	30.0	27.0	14.0	8.0
Key ratios:											
ROA (%)	5.50	5.49	6.94	5.94	8.26	5.80	2.23	13.64	14.81	9.33	6.78
ROE (%) *1	9.28	9.54	12.13	10.12	13.80	9.89	4.02	25.39	28.99	19.10	13.79
Equity ratio (%) *1	60.4	58.1	56.9	57.5	59.9	59.8	57.3	54.0	53.4	48.4	49.5
Interest-bearing debt to total asset ratio (%)	22.6	24.4	24.4	23.2	20.0	20.5	24.8	23.6	20.4	24.7	28.0
Debt-to-equity ratio (times) *1	0.37	0.42	0.43	0.40	0.33	0.34	0.43	0.44	0.38	0.51	0.57
Current ratio (times)	2.29	2.40	2.60	2.67	2.30	2.19	2.17	2.04	1.39	1.33	1.61

*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 2014 (the year ended March 31, 2015), the SMM Group comprised the parent company (Sumitomo Metal Mining Co., Ltd.), 68 subsidiaries (two subsidiaries more than in the previous fiscal year), and 16 equity-method affiliates (the same as in the previous fiscal year) on a global basis.

Operating Results

Overview of Operations and Consolidated Operating Results

In the non-ferrous metals industry during fiscal 2014, nickel prices remained high for a time due to supply concerns caused by Indonesia's imposition of controls on ore exports; however, this had no great effect on demand, causing prices to fall, and a rapid decline resulted due to prospects of a surplus. Copper prices had been assumed to rise, however recurring concerns of a decline in Chinese demand prompted a downward trend, resulting in a slump. A similar downward trend in gold continued, with prices remaining weak. 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 and other products were also 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 2014, consolidated net sales increased ¥90,788 million (10.9%) over the previous term to ¥921,334 million. 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 2014 was favorably impacted by the rising price of nickel and inventory valuation, resulting in a net increase of ¥50,361 million (66.8%), to ¥125,779 million.

Other Income / Income before Income Taxes and Minority Interests

In the category of other income (expenses), although gains were made on foreign exchange due to depreciation of the yen, significant allocations to reserves for investment losses and other allocations to reserves for corporate restructuring losses were recorded. As a result, income before taxes and minority interests increased ¥12,255 million (11.0%), to ¥123,261 million.

Net Income

After accounting for taxes and minority interests, net income increased ¥10,855 million (13.5%) to ¥91,113 million. As a result, basic net income per share increased from ¥145.35 at the end of the previous term to ¥165.11.

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 12 to 17.

Capital Expenditures

Total capital expenditures in fiscal 2014 amounted to ¥55,232 million, down ¥11,209 million (16.9%) compared to the previous term. By segment, capital expenditures were ¥20,193 million in the Mineral Resources segment, ¥20,126 million in the Smelting & Refining segment, and ¥10,962 million in the Materials segment.

Research and Development (R&D) Expenses

Total fiscal 2014 R&D expenses amounted to ¥5,865 million, an increase of ¥783 million (11.8%) 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 materials related to secondary batteries and SAW filters for information communications terminals, which are currently drawing attention in the environment- and energy-related field and information communications 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 vehicle batteries.

Financial Position

Assets

As of March 31, 2015, total assets amounted to ¥1,740,246 million, up ¥167,879 million from the level of ¥1,572,367 million recorded at the end of the previous term.

Of this total, current assets fell, mainly among marketable securities included in negotiable deposits, but the effects of the depreciating yen resulted in increased bills receivable and gold prices. This, along with increased inventories, raised current assets ¥7,900 million to ¥545,861 million. Total fixed assets rose ¥159,979 million to ¥1,194,385 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; long-term loans to the Sierra Gorda Project, etc.; and an increase in property, plant and equipment due to mine expansion work at the Morenci Mine.

Liabilities

Total liabilities amounted to ¥581,301 million as of the end of fiscal 2014, an increase of ¥27,987 million compared with ¥553,314 million a year earlier. Of this total, current liabilities rose ¥14,662 million to ¥238,425 million, attributable to such factors as an increase in accrued income taxes payable. Meanwhile, long-term liabilities rose ¥13,325 million to ¥342,876 million.

Net Assets

Net assets as of March 31, 2015 stood at ¥1,158,945 million, up ¥139,892 million from ¥1,019,053 million at the end of the previous fiscal year. Net income for the period was ¥91,113 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 ¥1,653.83 to ¥1,905.50 as of March 31, 2015.

Major Financial Indicators

Due to the aforementioned factors, the D/E ratio fell to 0.37, compared to 0.42 at the end of the previous year. The equity ratio remained sound, increasing from 58.1% to 60.4%.

Cash Flows

Net cash provided by operating activities came to ¥120,003 million, up from ¥80,014 million at the end of the previous fiscal year, due to an increase in inventories, coupled with higher income before taxes and minority interests, and lower corporate taxes.

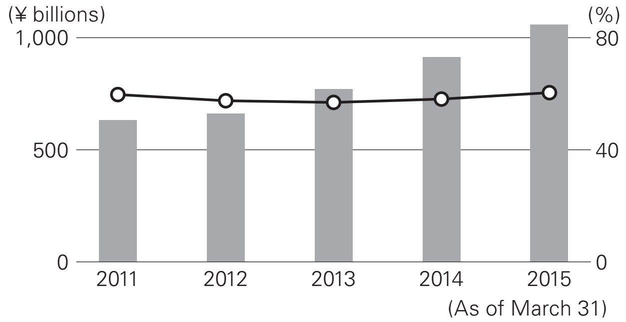
Net cash used in investing activities totaled ¥105,024 million, compared with ¥126,937 million in fiscal 2013, following factors including a drop in new investments.

Net cash used in financing activities amounted to ¥39,047 million, a reversal from ¥81 million provided in the previous fiscal year. Contributing factors included a decrease in new long-term debt due after one year and an increase in repayments.

Taking into account the aforementioned activities and after deducting the effect of exchange rate change, cash and cash equivalents as of March 31, 2015 amounted to ¥177,720 million, a decrease of ¥24,863 million over the previous term.

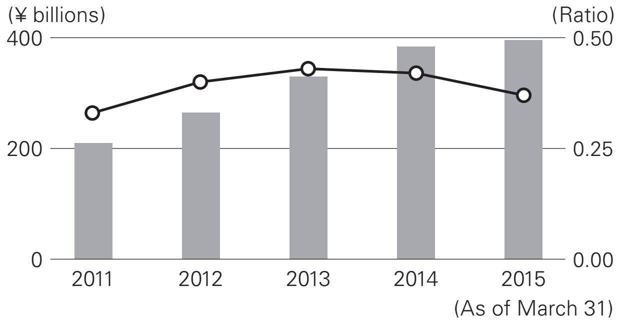
Shareholders' Equity and Equity Ratio

■Shareholders' Equity — Equity Ratio



Debt-to-Equity Ratio and Interest-Bearing Debt

■Interest-Bearing Debt — Debt-to-Equity Ratio



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 2014.

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.

8 Management of sensitive information

In the event of a leakage of client or personal information, the SMM Group would be liable for compensation, posing a risk to our business performance and financial position.

To mitigate such risks, the SMM Group installs security systems and carries out information security education for its employees.

Consolidated Balance Sheets

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

ASSETS

As of March 31, 2015 and 2014	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2015
Current assets:			
Cash and cash equivalents (Notes 3 and 8)	¥ 177,720	¥ 202,583	$ 1,479,151
Time deposits (Note 3)	4,944	187	41,149
Notes and accounts receivable (Note 3):			
Trade	110,287	86,715	917,911
Unconsolidated subsidiaries and affiliated companies	5,931	3,652	49,363
Allowance for doubtful accounts	(396)	(295)	(3,296)
Inventories (Note 6)	201,423	155,886	1,676,429
Deferred tax assets (Note 9)	3,765	1,834	31,336
Other current assets	42,187	87,399	351,120
Total current assets	545,861	537,961	4,543,163
Investments and long-term receivables:			
Investment securities (Notes 3, 4 and 8):			
Unconsolidated subsidiaries and affiliated companies	386,869	331,139	3,219,883
Others	205,622	181,099	1,711,377
Allowance for losses on investments	(50,683)	––	(421,831)
Long-term loans receivable (Notes 3 and 8):			
Unconsolidated subsidiaries and affiliated companies	106,111	69,791	883,154
Others	36,780	9,107	306,117
Other long-term receivables (Note 8)	26,593	14,016	221,333
Allowance for doubtful accounts	(201)	(209)	(1,673)
Total investments and long-term receivables	711,091	604,943	5,918,360
Property, plant and equipment (Note 8):			
Land	29,252	28,758	243,462
Buildings and structures	275,653	236,087	2,294,241
Machinery and equipment	589,168	524,957	4,903,604
Construction in progress	40,256	47,936	335,048
	934,329	837,738	7,776,355
Accumulated depreciation	(464,956)	(421,965)	(3,869,797)
Net property, plant and equipment	469,373	415,773	3,906,558
Deferred tax assets (Note 9)	3,156	2,593	26,267
Other assets	10,765	11,097	89,597
Total assets	¥ 1,740,246	¥ 1,572,367	$ 14,483,945

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

LIABILITIES AND NET ASSETS

As of March 31, 2015 and 2014	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars (Note 1) 2015
Current liabilities:			
Bank loans (Notes 3 and 8)	¥ 80,360	¥ 72,342	$ 668,831
Long-term debt due within one year (Notes 3 and 8)	18,734	18,108	155,922
Notes and accounts payable:			
Trade (Note 3)	34,388	34,012	286,209
Unconsolidated subsidiaries and affiliated companies (Note 3)	2,379	4,398	19,800
Others	25,574	20,275	212,851
Accrued income taxes	30,729	9,531	255,755
Accrued expenses	4,806	3,963	40,000
Advances received	516	943	4,295
Accrued restructuring charges	1,236	97	10,287
Accrued environmental measures	4,243	898	35,314
Deferred tax liabilities (Note 9)	25	442	208
Other current liabilities	35,435	58,754	294,922
Total current liabilities	238,425	223,763	1,984,394
Long-term liabilities:			
Long-term debt (Notes 3 and 8)	295,000	293,130	2,455,264
Deferred tax liabilities (Note 9)	28,571	22,301	237,794
Accrued environmental measures	534	1,280	4,444
Accrued restructuring charges	1,220	–	10,154
Other accruals	251	246	2,089
Net defined benefit liability (Note 10)	7,763	4,961	64,611
Asset retirement obligations (Note 16)	7,525	6,030	62,630
Other long-term liabilities	2,012	1,603	16,747
Total long-term liabilities	342,876	329,551	2,853,733
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	776,047
Capital surplus	86,066	86,062	716,321
Retained earnings	770,020	704,824	6,408,822
Treasury stock, at cost	(32,753)	(31,978)	(272,601)
Total shareholders' equity	916,575	852,150	7,628,589
Accumulated other comprehensive income:			
Net unrealized holding gains on securities	46,679	31,335	388,506
Deferred gains on hedges	247	100	2,056
Foreign currency translation adjustments	87,288	29,466	726,493
Remeasurements of defined benefit plans	435	120	3,620
Total accumulated other comprehensive income	134,649	61,021	1,120,675
Minority interests	107,721	105,882	896,554
Total net assets	1,158,945	1,019,053	9,645,818
Total liabilities and net assets	¥ 1,740,246	¥ 1,572,367	$ 14,483,945

Consolidated Statements of Income

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2015 and 2014	Millions of yen 2015	2014	Thousands of U.S. dollars (Note 1) 2015
Net sales (Note 15)	¥ 921,334	¥ 830,546	$ 7,668,198
Costs and expenses:			
Cost of sales	747,077	705,724	6,217,869
Selling, general and administrative expenses (Note 11)	48,478	49,404	403,479
	795,555	755,128	6,621,348
Operating income	125,779	75,418	1,046,850
Other income (expenses):			
Interest and dividend income	10,218	7,092	85,044
Interest expense	(3,968)	(3,562)	(33,025)
Write-down of investment securities	—	(3)	—
Gain (Loss) on sale and disposal of property, plant and equipment	(577)	306	(4,802)
Loss on impairment of fixed assets (Note 7)	(614)	(1,253)	(5,110)
Exchange gain	19,977	6,513	166,267
Provision for environmental measures	(2,861)	(2,134)	(23,812)
Maintenance cost for ceased projects	(535)	(500)	(4,453)
Casualty loss	(168)	(5)	(1,398)
Equity in earnings of affiliated companies	23,943	29,770	199,276
Loss from valuation of derivative instruments	(130)	(3)	(1,082)
Loss on change in equity	—	(101)	—
Provision for allowance for losses on investments	(44,474)	–	(370,154)
Provision for restructuring charges	(2,449)	(97)	(20,383)
Other, net	(880)	(435)	(7,325)
	(2,518)	35,588	(20,957)
Income before income taxes and minority interests	123,261	111,006	1,025,893
Income taxes (Note 9):			
Current	46,407	24,573	386,243
Deferred	(1,058)	(950)	(8,806)
	45,349	23,623	377,437
Income before minority interests	77,912	87,383	648,456
Minority interests in loss (income) of consolidated subsidiaries	13,201	(7,125)	109,871
Net income	¥ 91,113	¥ 80,258	$ 758,327

	Yen		U.S. dollars (Note 1)
Amounts per share of common stock:			
Net income (Note 19)			
– Basic	¥ 165.11	¥ 145.35	$ 1.37
– Diluted	149.44	129.71	1.24
Cash dividends applicable to the year	48.00	37.00	0.40

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

Consolidated Statements of Comprehensive Income

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2015 and 2014	Millions of yen 2015	2014	Thousands of U.S. dollars (Note 1) 2015
Income before minority interests	¥ 77,912	¥ 87,383	$ 648,456
Other comprehensive income			
Net unrealized holding gains on securities	15,277	6,666	127,149
Deferred gains on hedges	125	1,909	1,040
Foreign currency translation adjustments	27,975	45,784	232,835
Remeasurements of defined benefit plan	490	–	4,078
Share of other comprehensive income of affiliated companies accounted for using equity method	42,118	49,628	350,545
Total other comprehensive income	85,985	103,987	715,647
Comprehensive income (Note 14)	163,897	191,370	1,364,103
Comprehensive income attribute to:			
Owners of the parent	164,893	163,960	1,372,393
Minority interests	(996)	27,410	(8,290)

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

For the years ended March 31, 2015 and 2014	Number of shares issued (thousands)	Shareholders' Equity: Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity (Millions of yen)
Balance at April 1, 2013	581,628	¥ 93,242	¥ 86,062	¥ 644,642	¥ (31,895)	¥ 792,051
Cumulative effect of changes in accounting policies		–	–	–	–	–
Increase resulting from changes in accounting policies of affiliated companies (Note 2)		–	–	1,204	–	1,204
Restated balance at April 1, 2013	581,628	93,242	86,062	645,846	(31,895)	793,255
Cash dividends paid		–	–	(20,432)	–	(20,432)
Net income		–	–	80,258	–	80,258
Acquisition of treasury stock		–	–	–	(89)	(89)
Sale of treasury stock		–	–	–	6	6
Change of scope of consolidation		–	–	(848)	–	(848)
Net changes of items other than shareholders' equity		–	–	–	–	–
Balance at April 1, 2014	581,628	¥ 93,242	¥ 86,062	¥ 704,824	¥ (31,978)	¥ 852,150
Cumulative effect of changes in accounting policies		–	–	(2,062)	–	(2,062)
Increase resulting from changes in accounting policies of affiliated companies (Note 2)		–	–	429	–	429
Restated balance at April 1, 2014	581,628	93,242	86,062	703,191	(31,978)	850,517
Cash dividends paid		–	–	(24,284)	–	(24,284)
Net income		–	–	91,113	–	91,113
Acquisition of treasury stock		–	–	–	(778)	(778)
Sale of treasury stock		–	4	–	3	7
Change of scope of consolidation		–	–	–	–	–
Net changes of items other than shareholders' equity		–	–	–	–	–
Balance at March 31, 2015	**581,628**	**¥ 93,242**	**¥ 86,066**	**¥ 770,020**	**¥ (32,753)**	**¥ 916,575**

For the year ended March 31, 2015	Shareholders' Equity: Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity (Thousands of U.S. dollars (Note 1))
Balance at April 1, 2014	$ 776,047	$ 716,288	$ 5,866,201	$ (266,151)	$ 7,092,385
Cumulative effect of changes in accounting policies	–	–	(17,163)	–	(17,163)
Increase resulting from changes in accounting policies of affiliated companies (Note 2)	–	–	3,571	–	3,571
Restated balance at April 1, 2014	776,047	716,288	5,852,609	(266,151)	7,078,793
Cash dividends paid	–	–	(202,114)	–	(202,114)
Net income	–	–	758,327	–	758,327
Acquisition of treasury stock	–	–	–	(6,475)	(6,475)
Sale of treasury stock	–	33	–	25	58
Change of scope of consolidation	–	–	–	–	–
Net changes of items other than shareholders' equity	–	–	–	–	–
Balance at March 31, 2015	**$ 776,047**	**$ 716,321**	**$ 6,408,822**	**$ (272,601)**	**$ 7,628,589**

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

Consolidated Statements of Changes in Net Assets (continued)

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2015 and 2014	Accumulated other comprehensive income						
	Net unrealized holding gains on securities	Deferred gains on hedges	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, 2013	¥ 24,645	¥ (1,856)	¥ (45,590)	¥ –	¥ (22,801)	¥ 75,297	¥ 844,547
Cumulative effect of changes in accounting policies	–	–	–	–	–	–	–
Increase resulting from changes in accounting policies of affiliated companies (Note 2)	–	–	–	–	–	301	1,505
Restated balance at April 1, 2013	24,645	(1,856)	(45,590)	–	(22,801)	75,598	846,052
Cash dividends paid	–	–	–	–	–	–	(20,432)
Net income	–	–	–	–	–	–	80,258
Acquisition of treasury stock	–	–	–	–	–	–	(89)
Sale of treasury stock	–	–	–	–	–	–	6
Change of scope of consolidation	–	–	–	–	–	–	(848)
Net changes of items other than shareholders' equity	6,690	1,956	75,056	120	83,822	30,284	114,106
Balance at April 1, 2014	¥ 31,335	¥ 100	¥ 29,466	¥ 120	¥ 61,021	¥ 105,882	¥ 1,019,053
Cumulative effect of changes in accounting policies	–	–	–	–	–	–	(2,062)
Increase resulting from changes in accounting policies of affiliated companies (Note 2)	–	–	–	–	–	–	429
Restated balance at April 1, 2014	31,335	100	29,466	120	61,021	105,882	1,017,420
Cash dividends paid	–	–	–	–	–	–	(24,284)
Net income	–	–	–	–	–	–	91,113
Acquisition of treasury stock	–	–	–	–	–	–	(778)
Sale of treasury stock	–	–	–	–	–	–	7
Change of scope of consolidation	–	–	–	–	–	–	–
Net changes of items other than shareholders' equity	15,344	147	57,822	315	73,628	1,839	75,467
Balance at March 31, 2015	**¥ 46,679**	**¥ 247**	**¥ 87,288**	**¥ 435**	**¥ 134,649**	**¥ 107,721**	**¥ 1,158,945**

For the year ended March 31, 2015	Accumulated other comprehensive income						
	Net unrealized holding gains on securities	Deferred gains on hedges	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, 2014	$ 260,799	$ 832	$ 245,243	$ 999	$ 507,873	$ 881,248	$ 8,481,506
Cumulative effect of changes in accounting policies	–	–	–	–	–	–	(17,163)
Increase resulting from changes in accounting policies of affiliated companies (Note 2)	–	–	–	–	–	–	3,571
Restated balance at April 1, 2014	260,799	832	245,243	999	507,873	881,248	8,467,914
Cash dividends paid	–	–	–	–	–	–	(202,114)
Net income	–	–	–	–	–	–	758,327
Acquisition of treasury stock	–	–	–	–	–	–	(6,475)
Sale of treasury stock	–	–	–	–	–	–	58
Change of scope of consolidation	–	–	–	–	–	–	–
Net changes of items other than shareholders' equity	127,707	1,224	481,250	2,621	612,802	15,306	628,108
Balance at March 31, 2015	**$ 388,506**	**$ 2,056**	**$ 726,493**	**$ 3,620**	**$ 1,120,675**	**$ 896,554**	**$ 9,645,818**

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

Consolidated Statements of Cash Flows

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2015 and 2014	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 123,261	¥ 111,006	$ 1,025,893
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation	38,125	32,426	317,312
Loss on impairment of fixed assets	614	1,253	5,110
Loss (Gain) on sale and disposal of property, plant and equipment	577	(306)	4,802
Write-down of investment securities	–	3	–
Loss from valuation of derivative instruments	130	3	1,082
Increase in allowance for losses on investments	50,683	–	421,831
Interest and dividend income	(10,218)	(7,092)	(85,044)
Interest expense	3,968	3,562	33,025
Equity in earnings of affiliated companies	(23,943)	(29,770)	(199,276)
Casualty loss	168	5	1,398
Increase (Decrease) in trade receivables	(11,417)	2,588	(95,023)
Increase in inventories	(40,833)	(8,216)	(339,850)
Increase (Decrease) in trade payables	(14,557)	624	(121,157)
Others	3,252	(7,450)	27,067
Sub-total	119,810	98,636	997,170
Interest and dividend received	29,984	20,784	249,555
Interest paid	(3,545)	(3,518)	(29,505)
Payments for maintenance costs for ceased projects	(535)	(500)	(4,453)
Payments for recovery costs	(168)	(5)	(1,398)
Payments for income taxes	(25,543)	(35,383)	(212,593)
Net cash provided by operating activities	120,003	80,014	998,776
Cash flows from investing activities:			
Payments for acquisition of property, plant and equipment	(58,614)	(64,067)	(487,840)
Proceeds from sale of property, plant and equipment	809	1,788	6,733
Payments for acquisition of intangible assets	(117)	(883)	(974)
Proceeds from sale of intangible assets	30	86	250
Payments for purchases of investment securities	(1,506)	(18,098)	(12,534)
Proceeds from sales of investment securities	5,016	—	41,748
Payments for purchase of securities of subsidiaries and affiliated companies	(13,556)	(285)	(112,826)
Payments into time deposits	(4,398)	(60)	(36,604)
Proceeds from withdrawal of time deposits	57	1,038	474
Payments for loans lended	(33,373)	(46,741)	(277,761)
Collection of loans repaid	403	570	3,354
Others	225	(285)	1,873
Net cash used in investing activities	(105,024)	(126,937)	(874,107)
Cash flows from financing activities:			
Proceeds from long-term debt	747	27,596	6,217
Repayments of long-term debt	(19,281)	(7,410)	(160,474)
Net increase in bank loans	928	2,624	7,724
Contribution from minority in consolidated subsidiaries	5,386	40	44,827
Increase in treasury stocks	(771)	(83)	(6,417)
Cash dividends paid	(24,284)	(20,432)	(202,114)
Cash dividends paid to minority in consolidated subsidiaries	(1,772)	(2,254)	(14,748)
Net cash provided by (used in) financing activities	(39,047)	81	(324,985)
Effect of changes in exchange rate on cash and cash equivalents	(795)	9,715	(6,617)
Net decrease in cash and cash equivalents	(24,863)	(37,127)	(206,933)
Cash and cash equivalents at beginning of year	202,583	239,691	1,686,084
Increase in cash and cash equivalents resulting from change of scope of consolidation	–	19	–
Cash and cash equivalents at end of year	¥ 177,720	¥ 202,583	$ 1,479,151

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, 2015, which was ¥120.15 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 (68 subsidiaries in 2015, 66 in 2014). 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 2015, 16 in 2014). Investments in the remaining unconsolidated subsidiaries and affiliated companies are carried at cost because of their immaterial effect on the consolidated financial statements.

P.T. Vale Indonesia, which is the affiliate company of the Company, has changed a certain accounting policy for the year ended December 31, 2014. The Sumitomo Metal Mining Group (the "Group") has presented the accumulated effects on the retained earnings in the consolidated financial statements as at April 1, 2014, which is the beginning of the earliest period in which retrospective application is practicable, as "increase resulting from changes in accounting policies of affiliated companies" in the consolidated statements of changes in net assets for the year ended March 31, 2015.

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 twenty years on a straight-line basis.

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

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

Allowance for losses on investments — The allowance for losses on investments is provided for the loss on investments in affiliates and others based on the amount to be required considering the financial position of the affiliates.

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

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

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

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

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

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

Foreign currency translation — Receivables and payables denominated in foreign currencies are translated into Japanese yen at the 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 are 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 — In calculating projected benefit obligations the benefit formula basis is used to attribute the expected benefit attributable to the respective years. Actuarial gains and losses are recognized in expenses using the straight-line method over 10 years within the average remaining service years commencing from the following period.

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

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

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

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

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

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

Change in accounting policies — The Company and its consolidated domestic subsidiaries have adopted Article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26, May 17, 2012 (hereinafter, "Statement No.26")) and Article 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25, March 26, 2015 (hereinafter, "Guidance No.25")) from the current fiscal year, and have changed the determination of retirement benefit obligations and current service costs. In addition the Company and its consolidated domestic subsidiaries have changed the method of attributing estimated retirement benefits to periods from the straight-line basis to the benefit formula basis, and the method of determining the discount rate from using the bond rate determined by reference to the terms closely related to the average of the estimated remaining service years of the employees, to using a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

In accordance with Article 37 of Statement No.26, the effect of changing the determination of retirement benefit obligations and current service costs has been recognized in retained earnings at the beginning of the current year.

As a result of the application, net liabilities for retirement benefit obligations increased by ¥3,332 million (US$27,732 thousands) and retained earnings decreased by ¥2,062 million (US$17,162 thousands) at the beginning of the current year. The impact on the profit for the current year is immaterial.

The effect on the earnings per share is immaterial.

Accounting standards issued but not yet effective —

- "Revised Accounting Standard for Business Combination" (ASBJ Statement No.21, September 13, 2013)
- "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013)
- "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013)
- "Revised Accounting Standard for Earnings Per Share" (ASBJ Statement No.2, September 13, 2013)
- "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standards for Business Divestitures" (ASBJ Guidance No.10, September 13, 2013)
- "Revised Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No.4, September 13, 2013)

(1) Summary

The above standards and guidances have been revised primarily to account for:

① How the changes of the shares in subsidiaries, over which the Company continues to control, should be treated by the Company when additional stock of a subsidiary is acquired.

② Treatment of acquisition related costs

③ Presentation of net income and the change of shareholders' equity from minority interests to non-controlling interests

④ Provisional application of accounting treatments

(2) Effective date

Effective from the beginning of the year ending March 31, 2016.

Provisional application of the accounting treatments is scheduled to begin for business combinations effective after the beginning of the year ending March 31, 2016.

(3) Effects of the application of the standards

The Company and its consolidated subsidiaries have not yet assessed the potential impact of these new standards on the consolidated financial statements.

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

Consolidated Statements of Income — "Provision for restructuring charges" that was included in "Other, net" in other income (expenses) of the consolidated statements of income for the year ended March 31, 2014 has become significant in its amounts and is therefore separately presented for the year ended March 31, 2015.

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, 2014.

Consolidated Statements of Cash Flows — "Payments into time deposits" and "Proceeds from withdrawal of time deposits" that was included in "Others" in cash flows from investing activities of the consolidated statements of cash flows for the year ended March 31, 2014 has become significant in its amounts and is therefore separately presented for the year ended March 31, 2015.

In order to reflect this change in presentation, the amounts of the accounts have been reclassified in the consolidated statements of cash flows for the year ended March 31, 2014.

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, 2015 and 2014 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
2015	Book values of Consolidated Balance Sheets	Fair Values	Difference	Book values of Consolidated Balance Sheets	Fair Values	Difference
Cash and cash equivalents	¥ 177,720	¥ 177,720	¥ –	$ 1,479,151	$ 1,479,151	$ –
Time deposits	4,944	4,944	–	41,149	41,149	–
Notes and accounts receivable	116,218	116,218	–	967,274	967,274	–
Investment securities	292,595	374,350	81,755	2,435,247	3,115,689	680,442
Long-term loans receivable	142,891	146,354	3,463	1,189,272	1,218,094	28,822
Total Assets	¥ 734,368	¥ 819,586	¥ 85,218	$ 6,112,093	$ 6,821,357	$ 709,264
Notes and accounts payable	36,767	36,767	–	306,009	306,009	–
Bank loans and long-term debt due within one year	99,094	99,094	–	824,752	824,752	–
Long-term debt due after one year	295,000	296,362	1,362	2,455,265	2,466,601	11,336
Total Liabilities	430,861	432,223	1,362	3,586,026	3,597,362	11,336
Derivative transactions	¥ 63	¥ (424)	¥ (487)	$ 524	$ (3,529)	$ (4,053)

			Millions of yen
2014	Book values of Consolidated Balance Sheets	Fair Values	Difference
Cash and cash equivalents	¥ 202,583	¥ 202,583	¥ –
Time deposits	187	187	–
Notes and accounts receivable	90,367	90,367	–
Investment securities	240,274	298,844	58,570
Long-term loans receivable	78,898	80,957	2,059
Total Assets	¥ 612,309	¥ 672,938	¥ 60,629
Notes and accounts payable	38,410	38,410	–
Bank loans and long-term debt due within one year	90,450	90,450	–
Long-term debt due after one year	293,130	294,419	1,289
Total Liabilities	421,990	423,279	1,289
Derivative transactions	¥ 883*	¥ 54*	¥ (829)

* 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 parenthesis.

＊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, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
	Book values of Consolidated Balance Sheets	Book values of Consolidated Balance Sheets	Book values of Consolidated Balance Sheets
Unlisted equity securities	¥ 289,458	¥ 263,225	$ 2,409,139

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, 2015 and 2014 for financial assets are as follows:

	Millions of yen				Thousands of U.S. dollars			
2015	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	¥ 177,720	¥ –	¥ –	¥ –	$ 1,479,151	$ –	$ –	$ –
Time deposits	4,944	–	–	–	41,149	–	–	–
Notes and accounts receivable	116,218	–	–	–	967,274	–	–	–
Long-term loans receivable	–	33,667	107,584	1,640	–	280,208	895,414	13,650
Total	¥ 298,882	¥ 33,667	¥ 107,584	¥ 1,640	$ 2,487,574	$ 280,208	$ 895,414	$ 13,650

	Millions of yen			
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
Cash and cash equivalents	¥ 202,583	¥ –	¥ –	¥ –
Time deposits	187	–	–	–
Notes and accounts receivable	90,367	–	–	–
Long-term loans receivable	–	29,089	48,090	1,719
Total	¥ 293,137	¥ 29,089	¥ 48,090	¥ 1,719

＊4

The amount scheduled to be repaid after March 31, 2015, 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, 2015 and 2014:

Available-for-sale securities

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

	Millions of yen					
	2015			2014		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥ 78,596	¥ 145,589	¥ 66,993	¥ 71,260	¥ 118,581	¥ 47,321

	Thousands of U.S. dollars		
	2015		
	Acquisition cost	Book value	Difference
Equity securities	$ 654,149	$ 1,211,727	$ 557,578

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

	Millions of yen					
	2015			2014		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥ 6,343	¥ 5,381	¥ (962)	¥ 11,791	¥ 9,269	¥ (2,522)

	Thousands of U.S. dollars		
	2015		
	Acquisition cost	Book value	Difference
Equity securities	$ 52,792	$ 44,786	$ (8,006)

(2) The following table summarizes book values of the securities with no available fair values as of March 31, 2015 and 2014:

Available-for-sale securities

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unlisted equity securities	¥ 54,418	¥ 53,035	$ 452,917

(3) Total sales of available-for-sale securities sold during the year ended March 31, 2015 amounted to ¥20 million (US$166 thousands) and related gains amounted to ¥10 million (US$83 thousands).

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

No losses on sales of available-for-sale securities were recognized during the year ended March 31, 2015.

(4) There was no impairment loss on available-for-sale securities during the year ended March 31, 2015.

Impairment losses on available-for-sale securities amounted to ¥3 million during the year ended March 31, 2014.

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

5 Derivative transactions

The following tables summarize the market value information as of March 31, 2015 and 2014 of derivative transactions for which hedge accounting has not been applied:

Millions of yen

	2015				2014			
	Contracted amount and others				Contracted amount and others			
	Total	Over 1 year	Fair Value	Recognized gains (losses)	Total	Over 1 year	Fair Value	Recognized gains (losses)
Currency:								
Forward contracts:								
Buy position–U.S. dollars	¥ 11,300	¥ –	¥ (22)	¥ (22)	¥ 9,285	¥ –	¥ 47	¥ 47
Total	¥ 11,300	¥ –	¥ (22)	¥ (22)	¥ 9,285	¥ –	¥ 47	¥ 47
Interest:								
Interest rate cap contracts:								
Buy position	¥ 1,350	¥ –	¥ 136	¥ (1,214)	¥ 1,350	¥ –	¥ 367	¥ (983)
Total	¥ 1,350	¥ –	¥ 136	¥ (1,214)	¥ 1,350	¥ –	¥ 367	¥ (983)
Commodity:								
Forward contracts:								
Sell position–Metal	¥ 792	¥ –	¥ (501)	¥ (501)	¥ 10,651	¥ –	¥ (11)	¥ (11)
Buy position–Metal	454	–	–	–	8,696	–	–	–
Option contracts:								
Sell position								
Call option–Metal	20,893	–	(60)	(60)	14,638	–	(108)	(108)
Buy position								
Put option–Metal	13,020	–	151	151	–	–	–	–
Total	¥ 35,159	¥ –	¥ (410)	¥ (410)	¥ 33,985	¥ –	¥ (119)	¥ (119)

Thousands of U.S. dollars

	2015			
	Contracted amount and others			
	Total	Over 1 year	Fair Value	Recognized gains (losses)
Currency:				
Forward contracts:				
Buy position–U.S. dollars	$ 94,049	$ –	$ (183)	$ (183)
Total	$ 94,049	$ –	$ (183)	$ (183)
Interest:				
Interest rate cap contracts:				
Buy position	$ 11,236	$ –	$ 1,132	$ (10,104)
Total	$ 11,236	$ –	$ 1,132	$ (10,104)
Commodity:				
Forward contracts:				
Sell position–Metal	$ 6,592	$ –	$ (4,170)	$ (4,170)
Buy position–Metal	3,779	–	–	–
Option contracts:				
Sell position				
Call option–Metal	173,890	–	(499)	(499)
Buy position				
Put option–Metal	108,365	–	1,257	1,257
Total	$ 292,626	$ –	$ (3,412)	$ (3,412)

Derivative transactions for which hedge accounting has been applied for the years ended March 31, 2015 and 2014 consisted of the following:

2015			Millions of yen		
			Contracted amount and others		
Type of transaction	Type of derivative transaction	Major hedged items	Total	Over 1 year	Fair Value
Currency	Forward contracts:				
	Buy position	Foreign currency expected transaction			
	U.S. dollars		¥ 248	¥ –	¥ (0)
	Total		¥ 248	¥ –	¥ (0)
Interest	Interest rate swap contracts:				
	Paid fixed/received floating	Long-term loans	¥ 6,909	¥ 4,145	¥ (32)
	Total		¥ 6,909	¥ 4,145	¥ (32)
Commodity	Forward contracts:				
	Sell position–Metal	Accounts receivable	¥ 18,775	¥ –	¥ (505)
	Buy position–Metal	Accounts receivable, Accounts payable	17,880	2,757	700
	Option contracts:				
	Sell position				
	Call position–Metal*	Accounts receivable	1,700	–	196
	Total		¥ 38,355	¥ 2,757	¥ 391
Interest	Interest rate swap contracts**:				
	Paid fixed/received floating	Long-term loans	¥ 20,523	¥ 12,314	¥ (487)
	Total		¥ 20,523	¥ 12,314	¥ (487)

* 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			Millions of yen		
			Contracted amount and others		
Type of transaction	Type of derivative transaction	Major hedged items	Total	Over 1 year	Fair Value
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.

2015			Thousands of U.S. dollars		
			Contracted amount and others		
Type of transaction	Type of derivative transaction	Major hedged items	Total	Over 1 year	Fair Value
Currency	Forward contracts:				
	Buy position	Foreign currency expected transaction			
	U.S. dollars		$ 2,064	$ –	$ (0)
	Total		$ 2,064	$ –	$ (0)
Interest	Interest rate swap contracts:				
	Paid fixed/received floating	Long-term loans	$ 57,503	$ 34,499	$ (266)
	Total		$ 57,503	$ 34,499	$ (266)
Commodity	Forward contracts:				
	Sell position–Metal	Accounts receivable	$ 156,263	$ –	$ (4,203)
	Buy position–Metal	Accounts receivable, Accounts payable	148,814	22,946	5,826
	Option contracts:				
	Sell position				
	Call position–Metal*	Accounts receivable	14,149	–	1,631
	Total		$ 319,226	$ 22,946	$ 3,254
Interest	Interest rate swap contracts**:				
	Paid fixed/received floating	Long-term loans	$ 170,811	$ 102,489	$ (4,053)
	Total		$ 170,811	$ 102,489	$ (4,053)

* 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, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Merchandise and finished products	¥ 75,188	¥ 62,304	$ 625,784
Work in process	57,962	45,057	482,414
Raw materials and supplies	68,273	48,525	568,231
Total	¥ 201,423	¥ 155,886	$ 1,676,429

7 Loss on impairment of fixed assets

Loss on impairment of fixed assets for the year ended March 31, 2015 consisted of the following:

2015			Millions of yen	Thousands of U.S. dollars
Location	Major use	Asset category	Loss	Loss
Kako-gun, Hyogo Prefecture, Japan	Manufacturing facilities for prime western grade zinc	Building and structures and machinery and other assets	¥ 612	$ 5,094
Niihama City, Ehime Prefecture, Japan	Manufacturing facilities for certain copper-clad polyimide film substrates	Machinery and other assets	1	8
Selangor, Malaysia	Office electronics	Other assets	1	8
Total			¥ 614	$ 5,110

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 manufacturing facilities for prime western grade zinc were reduced to their recoverable amount because the production of zinc at the Harima Smelter will be discontinued.
The values in use of assets were used as recoverable amounts for the measurement of impairment losses.
Since future cash flow was expected to be negative, it was assumed that there was no recoverable value.

(2) The book values of manufacturing facilities for certain copper-clad polyimide film substrates were reduced to their recoverable amounts due to the expectation that these facilities would cease to operate.
The net sales price (fair value less cost to sell) of the assets was used as the recoverable amount for the measurement of impairment loss. As sale of these assets was expected to be difficult, the net sales price was assessed as zero.

(3) The book values of office electronics were reduced to their recoverable amounts due to the expectation that they would no longer be in use.
The net sales price (fair value less cost to sell) of the assets was used as the recoverable amount for the measurement of impairment loss. As sale of these assets was expected to be difficult, the net sales price was assessed as zero.

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

2014			Millions of yen
Location	Major use	Asset category	Loss
Kashima City, Ibaraki Prefecture, Japan	Rental properties	Land and building and structures and machinery	¥ 830
Niihama City, Ehime Prefecture, Japan	Manufacturing facilities for powder materials	Building and structures and machinery and other assets	381
Chitose City, Hokkaido Prefecture, Japan	Idle land	Land	42
Total			¥ 1,253

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.

8 Bank loans and long-term debt

Bank loans are generally represented by short-term notes (most of which are unsecured) and bank overdrafts, and bore interest at annual weighted average rate of 0.74% and 0.81% as of March 31, 2015 and 2014, respectively.

Long-term debt as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Long-term loans:			
Due within one year *	¥ 18,734	¥ 18,108	$ 155,922
Due after one year, maturing through 2025 **	245,000	243,130	2,039,118
0.48% domestic bonds due in 2016	10,000	10,000	83,229
0.77% domestic bonds due in 2018	30,000	30,000	249,688
1.26% domestic bonds due in 2021	10,000	10,000	83,229
Total	313,734	311,238	2,611,186
Amount due within one year	(18,734)	(18,108)	(155,922)
Total	¥ 295,000	¥ 293,130	$ 2,455,264

* Weighted-average interest rate at March 31, 2015 is 1.08%
** Weighted-average interest rate at March 31, 2015 is 0.87%

The aggregate annual maturities of long-term debt as of March 31, 2015 are as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥ 18,734	$ 155,922
2017	35,910	298,876
2018	11,957	99,517
2019	47,372	394,274
2020	118,507	986,325
Thereafter	81,254	676,272
Total	¥ 313,734	$ 2,611,186

Assets pledged as collateral for bank loans and long-term debt as of March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cash and cash equivalents	¥ 1	¥ 83	$ 8
Property, plant and equipment, at net book value and other assets	42,477	50,616	353,533
Investment securities	93,690	74,690	779,775
Long-term loans receivable	26,914	23,045	224,003
Others	376	280	3,130
Total	¥ 163,458	¥ 148,714	$ 1,360,449

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, 2015 and 2014:

	2015	2014
Statutory tax rate	–	38.0%
Equity in earnings of unconsolidated subsidiaries and affiliated companies	–	(7.4)
Effect of eliminating intercompany dividends received	–	18.8
Permanently nontaxable dividends received	–	(19.8)
Tax credit	–	(0.9)
Effect of mining taxes	–	(0.9)
Undistributed earnings of foreign subsidiaries	–	(0.4)
Difference in local tax system	–	(4.4)
Increase (Decrease) in valuation allowance	–	(0.1)
Difference of statutory tax rate in subsidiaries	–	(1.8)
Loss (Gain) on change in equity	–	0.4
Refunded income taxes	–	(0.4)
Others	–	0.2
Effective tax rate	–	21.3%

Information for the year ended March 31, 2015 is not provided because the difference between the effective tax rate and the statutory tax rate is immaterial.

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

On March 31, 2015, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2015 to March 31, 2016 and on or after April 1, 2016 are changed from 35.6% for the year ended March 31, 2015 to 33.1% and 32.3%, respectively, as of March 31, 2015.

Due to these changes in statutory income tax rates, deferred tax liabilities (after deducting the deferred tax assets) increased by ¥2,440 million (US$20,308 thousands) as of March 31, 2015, deferred income tax expense recognized for the year ended March 31, 2015 increased by ¥254 million (US$2,114 thousands), net unrealized holding gains on securities increased by ¥2,028 million (US$16,879 thousands), and deferred gains (losses) on hedges increased by ¥5 million (US$42 thousands) as of March 31, 2015.

Significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Allowance for losses on investments	¥ 12,671	¥ –	$ 105,460
Net operating losses carry forwards	5,596	6,014	46,575
Net defined benefit liability	5,299	4,579	44,103
Overseas exploration costs	4,310	2,707	35,872
Unrealized profits	2,778	2,529	23,121
Loss on impairment of fixed assets	1,973	2,141	16,421
Accrued business taxes	1,905	429	15,855
Accrued environmental measures	1,729	838	14,390
Allowance for bonus payable	1,335	1,353	11,111
Contribution gains on securities to employee retirement benefits trust	1,183	1,189	9,846
Excess allowance for doubtful accounts	464	514	3,862
Others	5,158	4,592	42,930
Gross deferred tax assets	44,401	26,885	369,546
Less valuation allowance	(20,624)	(8,329)	(171,652)
Deferred tax assets after deducting valuation allowance	23,777	18,556	197,894
Deferred tax liabilities:			
Net unrealized holding gains on available-for-sale securities	(20,426)	(14,515)	(170,004)
Depreciation	(11,671)	(8,559)	(97,137)
Reserve for losses on overseas investment	(4,953)	(4,081)	(41,223)
Accumulated earnings of overseas subsidiaries	(3,039)	(3,737)	(25,293)
Deferred gains on properties for tax purpose	(2,068)	(2,346)	(17,212)
Reserve for explorations	(1,184)	(1,180)	(9,854)
Gains on securities contributed to employee retirement benefits trust	(472)	(520)	(3,928)
Others	(1,639)	(1,934)	(13,643)
Deferred tax liabilities	(45,452)	(36,872)	(378,294)
Net deferred tax assets (liabilities)	¥ (21,675)	¥ (18,316)	$ (180,400)

10 Retirement benefits and pension costs

(1) Outline of retirement benefits and pension costs

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

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

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

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

(2) Defined benefit plans

The detailed notes relating to retirement benefit plans for the 12-month period ended March 31, 2015 and 2014 are as follows:

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year	¥ 52,921	¥ 52,374	$ 440,458
The cumulative effect of an accounting change	3,279	–	27,291
Restated balance at beginning of year	56,200	52,374	467,749
Service costs	1,921	1,802	15,988
Interest costs	679	722	5,651
Actuarial gains and losses	2,798	(307)	23,288
Benefits paid	(1,928)	(1,783)	(16,047)
Prior service costs	58	–	483
Others	244	113	2,031
Balance at end of year	¥ 59,972	¥ 52,921	$ 499,143

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year	¥ 49,323	¥ 42,833	$ 410,512
Expected return on plan assets	1,034	922	8,606
Actuarial gains and losses	3,326	5,732	27,682
Contributions paid by the employer	857	968	7,133
Benefits paid	(1,170)	(1,132)	(9,738)
Balance at end of year	¥ 53,370	¥ 49,323	$ 444,195

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year	¥ 1,272	¥ 1,755	$ 10,587
Retirement benefit costs	(32)	(104)	(266)
Benefits paid	(220)	(138)	(1,832)
Contributions paid by the employer	(190)	(215)	(1,581)
Others	–	(26)	–
Balance at end of year	¥ 830	¥ 1,272	$ 6,908

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Funded retirement benefit obligations	¥ (63,567)	¥ (56,944)	$ (529,064)
Plan assets	57,452	53,007	478,169
	¥ (6,115)	¥ (3,937)	$ (50,895)
Unfunded retirement benefit obligations	(1,317)	(933)	(10,961)
Total net liability for retirement benefits at end of year	¥ (7,432)	¥ (4,870)	$ (61,856)
Liability for retirement benefits	¥ (7,763)	¥ (4,961)	$ (64,611)
Asset for retirement benefits	331	91	2,755
Total net liability for retirement benefits at end of year	¥ (7,432)	¥ (4,870)	$ (61,856)

Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service costs	¥ 1,921	¥ 1,795	$ 15,988
Interest costs	679	719	5,651
Expected return on plan assets	(1,034)	(922)	(8,606)
Net actuarial gains and losses amortization	102	289	849
Prior service costs amortization	191	(319)	1,590
Retirement benefit costs based on the simplified method	(32)	(104)	(266)
Total retirement benefit costs for the year	¥ 1,827	¥ 1,458	$ 15,206

Other comprehensive income on defined retirement benefit plans, before tax

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Prior service costs	¥ (133)	¥ –	$ (1,107)
Actuarial gains and losses	(645)	–	(5,368)
Total	¥ (778)	¥ –	$ (6,475)

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrecognized prior service costs	¥ 201	¥ 334	$ 1,673
Unrecognized actuarial gains and losses	(1,220)	(619)	(10,154)
Total	¥ (1,019)	¥ (285)	$ (8,481)

Plan assets

1) Plan assets consisted of the following:

	2015	2014
Bonds	32.4%	30.8%
Equity securities	58.0	58.0
Cash and cash equivalents	4.5	6.1
Others	5.1	5.1
Total	100.0	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:

		2015	2014
Discount rate	(Mainly)	0.9%	1.4%
Expected long-term return on plan assets	(Mainly)	3.5%	3.5%

(3) Defined contribution plans

The amount of required contributions to the defined contribution plans of the Company and certain consolidated subsidiaries for the years ended March 31, 2015 and 2014 were ¥327 million (US$2,722 thousands) and ¥265 million, respectively.

(4) Multiemployer pension plans

The amount of required contributions to the multiemployer plans which are recognized as defined contribution plans for the years ended March 31, 2015 and 2014 were ¥81million (US$674 thousands) and ¥82 million, respectively.

The funded status of the multiemployer pension plans at March 31, 2014 and 2013, to which contributions were recorded as net periodic retirement benefit costs, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Plan assets	¥ 349,753	¥ 322,615	$ 2,910,970
Actuarial liability based on pension plan finance calculation and minimum actuarial reserve*	386,624	367,888	3,217,845
Balance**	¥ (36,871)	¥ (45,273)	$ (306,875)

The percentage of the Group's contribution to the multiemployer pension plans at March 31, 2014 and 2013 were 0.45% and 0.46%, respectively.

* It was presented as "Retirement benefit obligations based on pension plan finance calculation" for the year ended March 31, 2014.

** The principle factor relating to the balance was the prior service obligations in pension financing which were △¥35,835 million (△US$298,252 thousands) at March 31, 2014, △¥38,526 million at March 31, 2013.

11 Research and development expense

Research and development expense included in selling, general and administrative expenses for the years ended March 31, 2015 and 2014 are ¥5,865 million (US$48,814 thousands) and ¥6,648 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, 2015 are as follows:

	Millions of yen	Thousands of U.S. dollars
Notes and accounts receivable sold to factoring companies with recourse	¥ 435	$ 3,620
As guarantor for loans of:		
Non-consolidated subsidiaries and affiliated companies	103,514	861,540
As guarantor for the construction costs of:		
Electric facilities which provides electric power to Pogo Gold Mine	480	3,995
As a stockholder for future payment of :		
The mining royalty tax, interests and penalties of Cerro Verde S.A.A.	3,331	27,724
Total	¥ 107,760	$ 896,879

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

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

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

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

14 Comprehensive Income

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net unrealized holding gains on securities			
Increase during the year	¥ 21,243	¥ 10,769	$ 176,804
Reclassification adjustments	(10)	3	(83)
Sub-total, before tax	21,233	10,772	176,721
Tax effect	(5,956)	(4,106)	(49,572)
Sub-total, net of tax	¥ 15,277	¥ 6,666	$ 127,149
Deferred gains on hedges			
Increase during the year	¥ 739	¥ 3,666	$ 6,151
Reclassification adjustments	(575)	(474)	(4,786)
Sub-total, before tax	164	3,192	1,365
Tax effect	(39)	(1,283)	(325)
Sub-total, net of tax	¥ 125	¥ 1,909	$ 1,040
Foreign currency translation adjustments			
Increase during the year	¥ 27,975	¥ 44,609	$ 232,835
Reclassification adjustments	–	1,175	–
Sub-total, before tax	27,975	45,784	232,835
Sub-total, net of tax	¥ 27,975	¥ 45,784	$ 232,835
Remeasurements of defined benefit plans			
Increase during the year	¥ 485	¥ –	$ 4,037
Reclassification adjustments	293	–	2,438
Sub-total, before tax	778	–	6,475
Tax effect	(288)	–	(2,397)
Sub-total, net of tax	¥ 490	¥ –	$ 4,078
Share of other comprehensive income of affiliated companies accounted for using equity method			
Increase during the year	¥ 42,123	¥ 49,628	$ 350,587
Reclassification adjustments	(5)	–	(42)
Sub-total	¥ 42,118	¥ 49,628	$ 350,545
Total other comprehensive income	¥ 85,985	¥ 103,987	$ 715,647

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 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 four business segments into three reported segments: "Mineral Resources," "Smelting & Refining" and "Materials." In determining these reported segments, the Sierra Gorda Project is into Mineral Resources, 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.

Due to the start of commercial operation, the Taganito Project has been abolished in the second quarter. The segment was not affected by the abolition.

(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, 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.

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

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

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

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

Segment information as of and for the years ended March 31, 2015 and 2014 are as follows:

Millions of yen

2015	Mineral Resources	Smelting & Refining	Materials	Total of reported segments	Others*	Adjustment**	Consolidated
Net sales:							
Outside customers	¥ 72,349	¥ 684,347	¥ 161,027	¥ 917,723	¥ 3,611	¥ –	¥ 921,334
Inter segment	41,442	25,944	13,179	80,565	13,755	(94,320)	—
Total	¥ 113,791	¥ 710,291	¥ 174,206	¥ 998,288	¥ 17,366	¥ (94,320)	¥ 921,334
Segment income	¥ 53,775	¥ 81,323	¥ 12,914	¥ 148,012	¥ (80)	¥ 26,294	¥ 174,226
Segment assets	¥ 402,391	¥ 701,040	¥ 179,143	¥ 1,282,574	¥ 18,796	¥ 438,876	¥ 1,740,246
Segment liabilities	¥ 28,683	¥ 371,970	¥ 90,232	¥ 490,885	¥ 8,969	¥ 81,447	¥ 581,301
Depreciation	10,615	18,044	7,392	36,051	327	1,747	38,125
Amortization of goodwill	118	–	23	141	–	–	141
Interest income	274	158	61	493	–	6,687	7,180
Interest expense	16	3,347	387	3,750	19	199	3,968
Equity in earnings of affiliated companies	8,920	10,943	3,755	23,618	–	325	23,943
Investment in equity-method affiliated companies	196,442	78,313	28,272	303,027	100	83,662	386,789
Capital expenditures	20,193	20,126	10,962	51,281	712	3,239	55,232

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

Thousands of U.S. dollars

2015	Mineral Resources	Smelting & Refining	Materials	Total of reported segments	Others*	Adjustment**	Consolidated
Net sales:							
Outside customers	$ 602,156	$ 5,695,772	$ 1,340,216	$ 7,638,144	$ 30,054	$ –	$ 7,668,198
Inter segment	344,919	215,930	109,688	670,537	114,482	(785,019)	–
Total	$ 947,075	$ 5,911,702	$ 1,449,904	$ 8,308,681	$ 144,536	$ (785,019)	$ 7,668,198
Segment income	$ 447,565	$ 676,846	$ 107,482	$ 1,231,893	$ (665)	$ 218,843	$ 1,450,071
Segment assets	$ 3,349,072	$ 5,834,707	$ 1,490,994	$ 10,674,773	$ 156,438	$ 3,652,734	$ 14,483,945
Segment liabilities	$ 238,727	$ 3,095,880	$ 750,994	$ 4,085,601	$ 74,648	$ 677,878	$ 4,838,127
Depreciation	88,348	150,179	61,523	300,050	2,722	14,540	317,312
Amortization of goodwill	983	–	191	1,174	–	–	1,174
Interest income	2,280	1,315	508	4,103	–	55,656	59,759
Interest expense	133	27,857	3,221	31,211	158	1,656	33,025
Equity in earnings of affiliated companies	74,240	91,078	31,253	196,571	–	2,705	199,276
Investment in equity-method affiliated companies	1,634,973	651,793	235,306	2,522,072	832	696,314	3,219,218
Capital expenditures	168,065	167,507	91,236	426,808	5,926	26,958	459,692

* 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 2015	Millions of yen 2014	Thousands of U.S. dollars 2015
Head Office expenses not allocated to each reported segment*	¥ (1,461)	¥ (2,835)	$ (12,160)
Internal interest expense	543	534	4,519
Eliminations of inter-segmental transactions among the reported segments	1,039	301	8,648
Non-operating income/expenses not allocated to each reported segment**	26,173	5,532	217,836
Total	¥ 26,294	¥ 3,532	$ 218,843

* 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 2015	Millions of yen 2014	Thousands of U.S. dollars 2015
Corporate assets not allocated to each reported segment*	¥ 471,716	¥ 473,725	$ 3,926,059
Offset and eliminations of inter-segmental receivables among the reported segments, including those toward Head Office divisions/departments	(32,840)	(103,458)	(273,325)
Total	¥ 438,876	¥ 370,267	$ 3,652,734

	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars 2015
Corporate liabilities not allocated to each reported segment*	¥ 203,498	¥ 220,828	$ 1,693,700
Offset and eliminations of inter-segmental payables among the reported segments, including those toward Head Office divisions/departments	(122,051)	(117,229)	(1,015,822)
Total	¥ 81,447	¥ 103,599	$ 677,878

* 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

2015 — Millions of yen

Japan	China	East Asia	Southeast Asia	North America	Others	Total
¥ 558,183	¥ 100,988	¥ 91,445	¥ 71,406	¥ 75,619	¥ 23,693	¥ 921,334

2014 — Millions of yen

Japan	China	East Asia	Southeast Asia	North America	Others	Total
¥ 498,457	¥ 81,894	¥ 89,798	¥ 77,489	¥ 70,922	¥ 11,986	¥ 830,546

2015 — Thousands of U.S. dollars

Japan	China	East Asia	Southeast Asia	North America	Others	Total
$ 4,645,718	$ 840,516	$ 761,090	$ 594,307	$ 629,372	$ 197,195	$ 7,668,198

*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: Taiwan, Hong Kong and South Korea
2. Southeast Asia: Indonesia, Malaysia, Thailand, Philippines, etc.
3. North America: United States, Mexico and Canada
4. Others: Australia, India, Germany, Belgium, etc.

(b) Property, plant and equipment

2015 — Millions of yen

Japan	East Asia	Philippines	Southeast Asia	United States	Others	Total
¥ 141,791	¥ 8,484	¥ 244,572	¥ 2,028	¥ 66,484	¥ 6,014	¥ 469,373

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

2015 — Thousands of U.S. dollars

Japan	East Asia	Philippines	Southeast Asia	United States	Others	Total
$ 1,180,117	$ 70,612	$ 2,035,556	$ 16,879	$ 553,342	$ 50,052	$ 3,906,558

*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

Customer's designation or name	Millions of yen 2015 Sales	Millions of yen 2014 Sales	Thousands of U.S. dollars 2015 Sales	Related reported segments
Sumitomo Corporation	¥ 136,925	¥ 123,763	$ 1,139,617	Smelting & Refining, Materials
MITSUI & CO., LTD.	¥ 75,918	¥ 62,359	$ 631,860	Smelting & Refining

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

2015						Millions of yen
	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
Loss on impairment of fixed assets	¥ –	612	2	–	–	¥ 614

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

2015						Thousands of U.S. dollars
	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
Loss on impairment of fixed assets	$ –	5,094	16	–	–	$ 5,110

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

2015						Millions of yen
	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
Balance at end of year	¥ 403	–	77	–	–	¥ 480

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

2015						Thousands of U.S. dollars
	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
Balance at end of year	$ 3,354	–	641	–	–	$ 3,995

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., Coral Bay Nickel Corporation and Taganito HPAL Nickel are subject to the U.S. GAAP or International Financial Reporting Standards, as well as the mining laws and regulations of the United States, Australia and the Republic of the Philippines, respectively. Based on its business plans, the Company determines asset retirement obligations by making rational estimates of its obligations under such regulations of restoring operating mines and smelters to their original condition and the expenses of fulfilling these obligations. Asset retirement obligations are calculated based on determining the estimated period until expenditure, the remaining useful life of facilities and the mine life (13 to 69) and discounted by the rates of 1.0% to 11.0%.

The asset retirement obligations as of March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year	¥ 6,030	¥ 5,337	$ 50,187
Newly recorded obligations	296	3	2,464
Adjustment due to passage of time	319	276	2,655
Decrease due to fulfillment of obligations	(93)	(9)	(774)
Increase due to change in estimates	130	(506)	1,082
Others	–	0—	—
Foreign exchange adjustment	843	929	7,016
Balance at end of year	¥ 7,525	¥ 6,030	$ 62,630

(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, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due within one year	¥ 246	¥ 248	$ 2,047
Due after one year	1,145	1,391	9,530
Total	¥ 1,391	¥ 1,639	$ 11,577

18 Related party transaction

(1) Related party transaction

Related party transaction for the years ended March 31, 2015 and 2014 are as follows:

2015

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	$ 1,214,302	Mineral Resources	Indirectly 45.0%	Debt guarantee and pledge as security for the loan etc. from the financial institution and others	Debt guarantee*	¥ 100,164	$ 833,658
						Pledge as security**	84,105	700,000
					Loans	Loans receivable***	36,318	302,272

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
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 and others	Debt guarantee*	¥ 82,729
						Pledge as security**	72,016
					Loans	Loans receivable***	47,164

* 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, 2015 and 2014.

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

(2) Condensed financial information of major affiliated companies

Pursuant to the relevant accounting standards, condensed financial information of major affiliated companies which are disclosed for the years ended December 31, 2014 and 2013 are as follows:

Sociedad Minera Cerro Verde S.A.A.

	Millions of yen		Thousands of U.S. dollars
	2014/12	2013/12	2014/12
Total current assets	¥ 81,698	¥ 175,987	$ 679,967
Total long-term assets	614,174	332,761	5,111,727
Total current liabilities	66,618	45,026	554,457
Total long-term liabilities	90,941	33,024	756,896
Total net assets	538,313	430,698	4,480,341
Net sales	155,204	177,037	1,291,752
Net income before tax	65,181	92,511	542,497
Net income	39,947	59,934	332,476

Sierra Gorda S.C.M.

	Millions of yen		Thousands of U.S. dollars
	2014/12	2013/12	2014/12
Total current assets	¥ 54,168	¥ 57,947	$ 450,836
Total long-term assets	696,018	411,520	5,792,909
Total current liabilities	50,517	40,397	420,449
Total long-term liabilities	552,921	330,315	4,601,923
Total net assets	146,748	98,755	1,221,373
Net sales	–	–	–
Net income before tax	–	–	–
Net income	–	–	–

Compania Contractual Minera Candelaria

	Millions of yen		Thousands of U.S. dollars
	2014/12*	2013/12	2014/12*
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	–

* Information for the year ended December 31, 2014 is not provided due to diminished importance.

19 Earnings per share

Reconciliation of the difference between basic and diluted net income per share for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Basic net income per share calculation			
Numerator:			
Net income	¥ 91,113	¥ 80,258	$ 758,327
Denominator (thousands of shares):			
Weighted average number of shares	551,848	552,186	–
Basic net income per share (yen and U.S. dollars)	¥ 165.11	¥ 145.35	$ 1.37
Diluted net income per share calculation			
Numerator:			
Net income	¥ 91,113	¥ 80,258	$ 758,327
Adjusted net income	91,503	80,656	761,573
Denominator (thousands of shares):			
Weighted average number of shares	551,848	552,186	–
Assumed conversion of convertible bonds	60,459	69,638	–
Adjusted weighted average number of shares	612,307	621,824	–
Diluted net income per share (yen and U.S. dollars)	¥ 149.44	¥ 129.71	$ 1.24

20 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, 2015, was approved at a shareholders' meeting held on June 29, 2015:

	Millions of yen	Thousands of U.S. dollars
Year-end dividends of ¥24.00 per share	¥ 13,240	$ 110,196

Independent Auditor's 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, 2015 and 2014, and the consolidated statements of income, 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, 2015 and 2014, 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, 2015 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, 2015
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 temperature to produce high-grade nickel using electrolysis. MCLE is competitive in cost terms, but poses significant operational challenges, and only two other producers besides SMM have commercialized it, using similar technology.

Main Applications for Metals

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

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

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

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

Materials Business

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

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 electric vehicles, hybrid vehicles or notebook computers, among other consumer applications.

Consolidated Subsidiaries and Equity-Method Affiliates

As of March 31, 2015

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
Sumitomo Metal Mining Chile Ltda.	100	Chile	Exploration
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
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
Sumitomo Metal Mining (Hong Kong) Co., Ltd.	100	China	Sale of Group products
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 SA	26	New Caledonia	Nickel ore mining, harbor transportation
MS Zinc Co., Ltd.	50	Japan	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
Ohkuchi Electronics Co., Ltd.	100	Japan	Recovery and recycling of non-ferrous metals, manufacture of functional ink and crystal products
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
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 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
Sumiko Energy Materials Co., Ltd.	100	Japan	Manufacture of battery materials
Shanghai Sumiko Electronic Paste Co., Ltd.	69	China	Manufacture and sale of thick-film paste
Dongguan Sumiko Electronic Paste Co., Ltd.	100	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 isolation products, and other construction 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 Co., 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
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
SMM Holland B.V.	100	Netherlands	Investment in nickel and cobalt development businesses

Corporate Data and Investor Information

As of March 31, 2015

Corporate Data

Founded 1590
Incorporated 1950
Paid-In Capital ¥93.2 billion
Number of Employees 8,766 (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 40,233
Listing of shares Tokyo
Stock transaction unit 1,000 shares

Contact Information
Public Relations & Investor Relations Department
11-3, Shimbashi 5-chome, Minato-ku,
Tokyo 105-8716, Japan
Phone: +81-3-3436-7705
Facsimile: +81-3-3434-2215
Website: http://www.smm.co.jp/E/

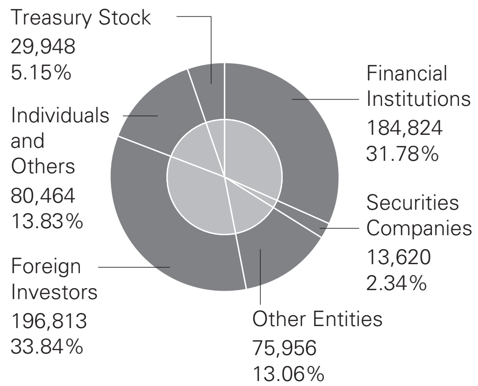
Registrar of Shareholders
Sumitomo Mitsui Trust Bank, Limited
4-1, Marunouchi 1-chome, Chiyoda-ku,
Tokyo 100-8233, Japan
Stock Transfer Agency Department: 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233, Japan

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.)

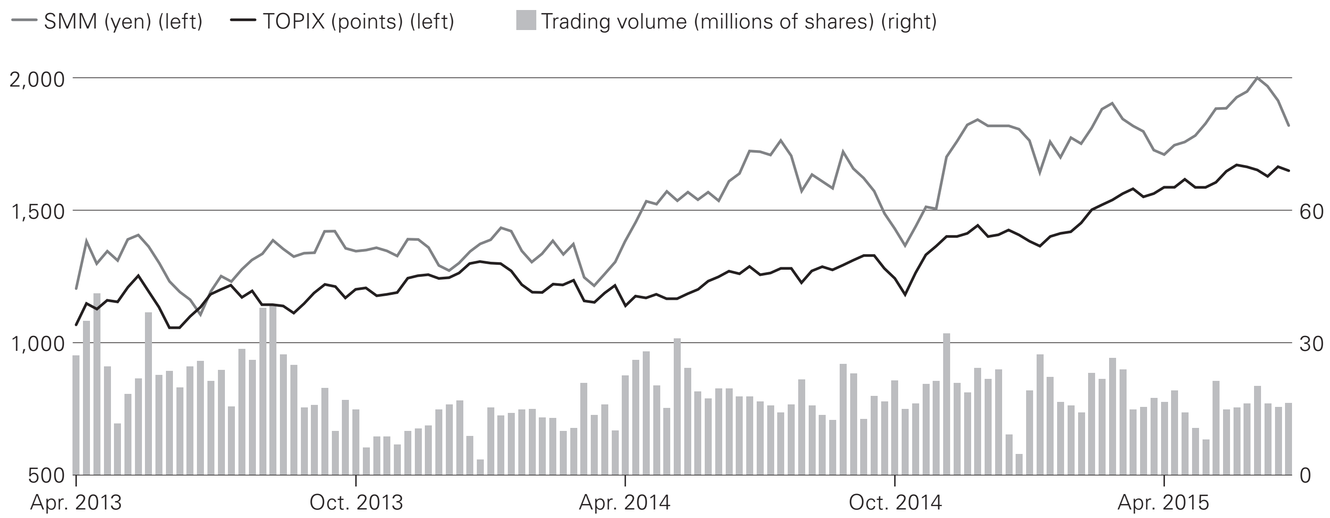
Independent Public Accountant
KPMG AZSA LLC
1-2, Tsukudo-cho, Shinjuku-ku, Tokyo

Major Shareholders	Number of shares held (thousands)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	30,319	5.21
The Master Trust Bank of Japan, Ltd. (Trust Account)	27,868	4.79
Toyota Motor Corporation	18,916	3.25
Sumitomo Mitsui Banking Corporation	7,650	1.31
Sumitomo Realty & Development Co., Ltd.	7,490	1.28
Sumitomo Life Insurance Company	7,474	1.28
THE BANK OF NEW YORK MELLON SA / NV 10	7,157	1.23
STATE STREET BANK AND TRUST COMPANY 505225	7,053	1.21
Sumitomo Corporation	7,000	1.20
THE BANK OF NEW YORK MELLON AS DEPOSITARY BANK FOR DR HOLDERS	6,958	1.19

Breakdown of Shareholders
(thousands of shares)



Stock Price and Trading Volume



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

SUMITOMO METAL MINING CO., LTD.

11-3, Shimbashi 5-chome, Minato-ku, Tokyo 105-8716, Japan

http://www.smm.co.jp/E/