Financial Section

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 standing 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 FY2006. In order to concentrate management resources into priority fields leveraging its solid financial base, SMM plans to invest aggressively to acquire interests in overseas mines and strengthen the competitiveness of smelting and refinery facilities, and also to strengthen both the expanding automotive secondary battery materials and crystal materials for SAW filter businesses, under the 2015 3-Year Business Plan, which covers the period from FY2016 to FY2018. Moving forward, SMM will aim for stable and sustainable business growth by maintaining a strong financial standing with a consolidated equity ratio of at least 50% and a low level of gearing as measured by the debt-to-equity (D/E) ratio.

Eleven-Year Financial Summary

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Years ended March 31	2016	2015	2014	2013
Results for the year:				
Net sales	**¥ 855,407**	¥ 921,334	¥ 830,546	¥ 808,540
Gross profit	**113,862**	174,257	124,822	140,650
Operating income	**59,720**	125,779	75,418	95,785
Other income (expenses)	**(59,161)**	(2,518)	35,588	26,670
Income before income taxes	**559**	123,261	111,006	122,455
Net income (loss) attributable to owners of the parent	**(309)**	91,113	80,258	86,640
Equity in earnings (losses) of affiliated companies	**(73,223)**	23,943	29,770	17,100
Capital expenditures	**51,013**	55,232	66,441	59,291
Depreciation	**46,141**	38,125	32,426	27,578
Net interest expenses	**8,927**	6,250	3,530	(144)
Net cash flows from operating activities	**119,704**	120,003	80,014	114,665
Net cash flows from investing activities	**(92,876)**	(105,024)	(126,937)	(88,745)
Net cash flows from financing activities	**(4,003)**	(39,047)	81	21,549
Free cash flows	**26,828**	14,979	(46,923)	25,920
Financial position at year-end:				
Total assets	**¥ 1,630,800**	¥ 1,740,246	¥ 1,572,367	¥ 1,351,153
Net assets	**1,075,995**	1,158,945	1,019,053	844,547
Shareholders' equity *1	**—**	—	—	—
Long-term loans due after one year	**248,036**	245,000	243,130	212,323
Interest-bearing debt	**400,559**	394,094	383,580	330,073
Working capital	**313,812**	307,436	314,198	338,866
Amounts per share:				
Net income (loss)				
—Basic	**¥ (0.56)**	¥ 165.11	¥ 145.35	¥ 155.58
—Diluted	**—**	149.44	129.71	142.40
Shareholders' equity	**1,781.91**	1,905.50	1,653.83	1,393.02
Cash dividends	**31.0**	48.0	37.0	34.0
Key ratios:				
ROA (%)	**(0.02)**	5.50	5.49	6.94
ROE (%) *1	**(0.03)**	9.28	9.54	12.13
Equity ratio (%) *1	**60.3**	60.4	58.1	56.9
Interest-bearing debt to total asset ratio (%)	**24.6**	22.6	24.4	24.4
Debt-to-equity ratio (times) *1	**0.41**	0.37	0.42	0.43
Current ratio (times)	**2.39**	2.29	2.40	2.60

*1 Shareholders' equity is defined by 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.

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

2012*2	2011	2010	2009	2008	2007	2006
¥ 847,897	¥ 864,077	¥ 725,827	¥ 793,797	¥ 1,132,372	¥ 966,764	¥ 625,579
132,421	138,810	105,956	56,887	198,147	203,180	120,137
88,577	96,038	66,265	10,534	155,394	162,632	82,756
(615)	27,356	16,511	12,408	61,110	42,985	10,218
87,962	123,394	82,776	22,942	216,504	205,617	92,974
65,286	83,962	53,952	21,974	137,808	126,054	62,800
23,217	34,832	26,090	31,536	73,956	46,708	21,915
73,143	53,105	26,414	47,723	65,145	51,567	50,568
31,132	34,625	34,746	34,268	30,505	25,693	22,951
663	257	(654)	(271)	(2,209)	(2,606)	(1,281)
144,999	102,458	44,153	128,000	157,383	95,985	70,772
(135,932)	(75,735)	(75,443)	(28,386)	(126,413)	(77,429)	(102,384)
50,314	7,379	(19,322)	(74,086)	55,727	(10,073)	28,723
9,067	26,723	(31,290)	99,614	30,970	18,556	(31,612)
¥ 1,146,759	¥ 1,052,353	¥ 981,458	¥ 880,001	¥ 1,091,716	¥ 929,208	¥ 772,562
726,039	684,103	629,684	547,251	640,345	528,921	394,899
—	—	—	—	—	—	—
157,119	135,128	132,311	141,716	169,394	93,800	114,405
265,951	210,969	200,939	218,534	258,054	189,910	190,891
312,542	267,072	229,259	206,123	266,250	103,791	72,228
¥ 116.17	¥ 149.38	¥ 96.26	¥ 38.87	¥ 238.13	¥ 220.49	¥ 109.96
106.84	136.98	88.75	36.18	231.50	213.67	108.87
1,173.97	1,121.19	1,043.50	913.92	1,017.96	859.82	654.15
28.0	32.0	20.0	13.0	30.0	27.0	14.0
5.94	8.26	5.80	2.23	13.64	14.81	9.33
10.12	13.80	9.89	4.02	25.39	28.99	19.10
57.5	59.9	59.8	57.3	54.0	53.4	48.4
23.2	20.0	20.5	24.8	23.6	20.4	24.7
0.40	0.33	0.34	0.43	0.44	0.38	0.51
2.67	2.30	2.19	2.17	2.04	1.39	1.33

Consolidated Balance Sheets

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

ASSETS

	Millions of yen		Thousands of U.S. dollars (Note1)
As of March 31, 2016 and 2015	**2016**	2015	**2016**
Current assets:			
Cash and cash equivalents (Notes 3 and 8)	**¥ 197,825**	¥ 177,720	**$ 1,756,571**
Time deposits (Note 3)	**5,049**	4,944	**44,832**
Notes and accounts receivable (Note 3):			
Trade	**94,101**	110,287	**835,562**
Unconsolidated subsidiaries and affiliated companies	**4,803**	5,931	**42,648**
Allowance for doubtful accounts	**(598)**	(396)	**(5,310)**
Inventories (Note 6)	**161,974**	201,423	**1,438,235**
Deferred tax assets (Note 9)	**1,455**	3,765	**12,920**
Other current assets	**74,470**	42,187	**661,250**
Total current assets	**539,079**	545,861	**4,786,708**
Investments and long-term receivables:			
Investment securities (Notes 3, 4 and 8):			
Unconsolidated subsidiaries and affiliated companies	**325,905**	386,869	**2,893,847**
Others	**132,602**	205,622	**1,177,429**
Allowance for losses on investments	**—**	(50,683)	**—**
Long-term loans receivable (Notes 3 and 8)			
Unconsolidated subsidiaries and affiliated companies	**122,236**	106,111	**1,085,384**
Others	**3,988**	36,780	**35,411**
Other long-term receivables (Note 8)	**40,626**	26,593	**360,735**
Allowance for doubtful accounts	**(200)**	(201)	**(1,776)**
Total investments and long-term receivables	**625,157**	711,091	**5,551,030**
Property, plant and equipment (Note 8):			
Land	**29,320**	29,252	**260,345**
Buildings and structures	**282,616**	275,653	**2,509,465**
Machinery and equipment	**596,369**	589,168	**5,295,409**
Construction in progress	**34,242**	40,256	**304,049**
	942,547	934,329	**8,369,268**
Accumulated depreciation	**(489,013)**	(464,956)	**(4,342,150)**
Net property, plant and equipment	**453,534**	469,373	**4,027,118**
Deferred tax assets (Note 9)	**3,648**	3,156	**32,392**
Other assets	**9,382**	10,765	**83,306**
Total assets	**¥ 1,630,800**	¥ 1,740,246	**$ 14,480,554**

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

LIABILITIES AND NET ASSETS

As of March 31, 2016 and 2015	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars (Note1) 2016
Current liabilities:			
Bank loans (Notes 3 and 8)	¥ 77,590	¥ 80,360	$ 688,954
Long-term debt due within one year (Notes 3 and 8)	34,933	18,734	310,185
Notes and accounts payable:			
Trade (Note 3)	37,822	34,388	335,837
Unconsolidated subsidiaries and affiliated companies (Note 3)	7,611	2,379	67,581
Others	12,083	25,574	107,290
Accrued income taxes	3,840	30,729	34,097
Accrued expenses	3,791	4,806	33,662
Advances received	416	516	3,694
Accrued restructuring charges	417	1,236	3,703
Accrued environmental measures	338	4,243	3,001
Deferred tax liabilities (Note 9)	195	25	1,732
Other current liabilities	46,231	35,435	410,504
Total current liabilities	225,267	238,425	2,000,240
Long-term liabilities:			
Long-term debt (Notes 3 and 8)	288,036	295,000	2,557,592
Deferred tax liabilities (Note 9)	15,912	28,571	141,289
Accrued environmental measures	325	534	2,886
Accrued restructuring charges	904	1,220	8,027
Other accruals	257	251	2,282
Net defined benefit liability (Note 10)	14,128	7,763	125,448
Asset retirement obligations (Note 16)	7,831	7,525	69,535
Other long-term liabilities	2,145	2,012	19,046
Total long-term liabilities	329,538	342,876	2,926,105
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	827,935
Capital surplus	86,067	86,066	764,225
Retained earnings	744,886	770,020	6,614,154
Treasury stock, at cost	(32,827)	(32,753)	(291,485)
Total shareholders' equity	891,368	916,575	7,914,829
Accumulated other comprehensive income:			
Net unrealized holding gains on securities	20,225	46,679	179,586
Deferred gains or losses on hedges	(1,587)	247	(14,091)
Foreign currency translation adjustments	77,274	87,288	686,148
Remeasurements of defined benefit plans	(4,322)	435	(38,377)
Total accumulated other comprehensive income	91,590	134,649	813,266
Non-controlling interests	93,037	107,721	826,114
Total net assets	1,075,995	1,158,945	9,554,209
Total liabilities and net assets	¥ 1,630,800	¥ 1,740,246	$ 14,480,554

Consolidated Statements of Operations

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2016 and 2015	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars (Note1) 2016
Net sales (Note 15)	¥ 855,407	¥ 921,334	$7,595,516
Costs and expenses:			
Cost of sales	741,545	747,077	6,584,488
Selling, general and administrative expenses (Note 11)	54,142	48,478	480,749
Total costs and expenses	795,687	795,555	7,065,237
Operating income	59,720	125,779	530,279
Other income (expenses):			
Interest and dividend income	13,800	10,218	122,536
Interest expenses	(4,873)	(3,968)	(43,269)
Loss on sale and disposal of property, plant and equipment	(380)	(577)	(3,374)
Loss on impairment of fixed assets (Note 7)	(813)	(614)	(7,219)
Exchange gain (loss)	(6,800)	19,977	(60,380)
Provision for environmental measures	(131)	(2,861)	(1,163)
Maintenance cost for ceased projects	(605)	(535)	(5,372)
Casualty loss	(100)	(168)	(888)
Equity in earnings (losses) of affiliated companies	(73,223)	23,943	(650,178)
Loss from valuation of derivative instruments	(194)	(130)	(1,723)
Reversal (Provision) for allowance for losses on investments	16,350	(44,474)	145,178
Provision for restructuring charges	(53)	(2,449)	(471)
Other, net	(2,139)	(880)	(18,992)
Total other income (expenses)	(59,161)	(2,518)	(525,315)
Income before income taxes	559	123,261	4,964
Income taxes (Note 9):			
Current	16,977	46,407	150,746
Deferred	3,379	(1,058)	30,004
Total income taxes	20,356	45,349	180,750
Net income (loss)	(19,797)	77,912	(175,786)
Net loss attributable to non-controlling interests	19,488	13,201	173,042
Net income (loss) attributable to owners of the parent	¥ (309)	¥ 91,113	$ (2,744)

	Yen 2016	Yen 2015	U.S. dollars (Note1) 2016
Amounts per share of common stock:			
Net income (loss) (Note 19)			
—Basic	¥ (0.56)	¥ 165.11	$ (0.00)
—Diluted	—	149.44	—
Cash dividends applicable to the year	31.00	48.00	0.28

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, 2016 and 2015	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars (Note1) 2016
Net income (loss)	¥ (19,797)	¥ 77,912	$ (175,786)
Other comprehensive income			
Net unrealized holding gains (losses) on securities	(26,228)	15,277	(232,889)
Deferred gains (losses) on hedges	(1,783)	125	(15,832)
Foreign currency translation adjustments	(9,104)	27,975	(80,838)
Remeasurements of defined benefit plan	(4,289)	490	(38,084)
Share of other comprehensive income of affiliated companies accounted for using equity method	(3,834)	42,118	(34,044)
Total other comprehensive income	(45,238)	85,985	(401,687)
Comprehensive income (Note 14)	(65,035)	163,897	(577,473)
Comprehensive income attributable to:			
Owners of the parent	(43,369)	164,893	(385,091)
Non-controlling interests	(21,666)	(996)	(192,382)

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

Consolidated Statements of Changes in Net Assets

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

		Shareholders' Equity				
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
For the years ended March 31, 2016 and 2015	(thousands)	Millions of yen				
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		—	—	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
Net changes of items other than shareholders' equity		—	—	—	—	—
Balance at April 1, 2015	581,628	¥ 93,242	¥ 86,066	¥ 770,020	¥ (32,753)	¥ 916,575
Cash dividends paid		**—**	**—**	**(24,825)**	**—**	**(24,825)**
Net loss		**—**	**—**	**(309)**	**—**	**(309)**
Acquisition of treasury stock		**—**	**—**	**—**	**(79)**	**(79)**
Sale of treasury stock		**—**	**1**	**—**	**5**	**6**
Net changes of items other than shareholders' equity		**—**	**—**	**—**	**—**	**—**
Balance at March 31, 2016	**581,628**	**¥ 93,242**	**¥ 86,067**	**¥ 744,886**	**¥ (32,827)**	**¥ 891,368**

	Shareholders' Equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
For the year ended March 31, 2016	Thousands of U.S. dollars (Note 1)				
Balance at April 1, 2015	$ 827,935	$ 764,216	$ 6,837,329	$ (290,828)	$ 8,138,652
Cash dividends paid	**—**	**—**	**(220,431)**	**—**	**(220,431)**
Net loss	**—**	**—**	**(2,744)**	**—**	**(2,744)**
Acquisition of treasury stock	**—**	**—**	**—**	**(701)**	**(701)**
Sale of treasury stock	**—**	**9**	**—**	**44**	**53**
Net changes of items other than shareholders' equity	**—**	**—**	**—**	**—**	**—**
Balance at March 31, 2016	**$ 827,935**	**$ 764,225**	**$ 6,614,154**	**$ (291,485)**	**$ 7,914,829**

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

Consolidated Statements of Changes in Net Assets (continued)

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

	Accumulated other comprehensive income						
	Net unrealized holding gains on securities	Deferred gains on hedges	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumu-lated other comprehensive income	Non-controlling interests	Total net assets
For the years ended March 31, 2016 and 2015							Millions of yen
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	—	—	—	—	—	—	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
Net changes of items other than shareholders' equity	15,344	147	57,822	315	73,628	1,839	75,467
Balance at April 1, 2015	¥ 46,679	¥ 247	¥ 87,288	¥ 435	¥ 134,649	¥ 107,721	¥1,158,945
Cash dividends paid	**—**	**—**	**—**	**—**	**—**	**—**	**(24,825)**
Net loss	**—**	**—**	**—**	**—**	**—**	**—**	**(309)**
Acquisition of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(79)**
Sale of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**6**
Net changes of items other than shareholders' equity	**(26,454)**	**(1,834)**	**(10,014)**	**(4,757)**	**(43,059)**	**(14,684)**	**(57,743)**
Balance at March 31, 2016	**¥ 20,225**	**¥ (1,587)**	**¥ 77,274**	**¥ (4,322)**	**¥ 91,590**	**¥ 93,037**	**¥1,075,995**

	Accumulated other comprehensive income						
	Net unrealized holding gains on securities	Deferred gains on hedges	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumu-lated other comprehensive income	Non-controlling interests	Total net assets
For the year ended March 31, 2016							Thousands of U.S. dollars (Note 1)
Balance at April 1, 2015	$ 414,482	$ 2,193	$ 775,067	$ 3,863	$1,195,605	$ 956,500	$10,290,757
Cash dividends paid	**—**	**—**	**—**	**—**	**—**	**—**	**(220,431)**
Net loss	**—**	**—**	**—**	**—**	**—**	**—**	**(2,744)**
Acquisition of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(701)**
Sale of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**53**
Net changes of items other than shareholders' equity	**(234,896)**	**(16,284)**	**(88,919)**	**(42,240)**	**(382,339)**	**(130,386)**	**(512,725)**
Balance at March 31, 2016	**$ 179,586**	**$ (14,091)**	**$ 686,148**	**$ (38,377)**	**$ 813,266**	**$ 826,114**	**$9,554,209**

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

Consolidated Statements of Cash Flows

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

	Millions of yen		Thousands of U.S. dollars (Note1)
For the years ended March 31, 2016 and 2015	**2016**	2015	**2016**
Cash flows from operating activities:			
Income before income taxes	**¥ 559**	¥ 123,261	**$ 4,964**
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation	**46,141**	38,125	**409,705**
Loss on impairment of fixed assets	**813**	614	**7,219**
Loss on sale and disposal of property, plant and equipment	**380**	577	**3,374**
Loss from valuation of derivative instruments	**194**	130	**1,723**
Decrease (Increase) in allowance for losses on investments	**(16,350)**	50,683	**(145,178)**
Interest and dividend income	**(13,800)**	(10,218)	**(122,536)**
Interest expense	**4,873**	3,968	**43,269**
Equity in losses (earnings) of affiliated companies	**73,223**	(23,943)	**650,178**
Casualty loss	**100**	168	**888**
Decrease (Increase) in trade received	**16,415**	(11,417)	**145,756**
Decrease (Increase) in inventories	**37,948**	(40,833)	**336,956**
Increase (Decrease) in trade payables	**18,128**	(14,557)	**160,966**
Others	**(7,982)**	3,252	**(70,877)**
Sub-total	**160,642**	119,810	**1,426,407**
Interest and dividend received	**10,647**	29,984	**94,539**
Interest paid	**(5,364)**	(3,545)	**(47,629)**
Payments for maintenance costs for ceased projects	**(605)**	(535)	**(5,372)**
Payments for recovery costs	**(100)**	(168)	**(888)**
Payments for income taxes	**(45,516)**	(25,543)	**(404,156)**
Net cash provided by operating activities	**119,704**	120,003	**1,062,901**
Cash flows from investing activities:			
Payments for acquisition of property, plant and equipment	**(42,880)**	(58,614)	**(380,750)**
Proceeds from sale of property, plant and equipment	**775**	809	**6,881**
Payments for acquisition of intangible assets	**(455)**	(117)	**(4,040)**
Proceeds from sale of intangible assets	**—**	30	**—**
Payments for purchases of investment securities	**(702)**	(1,506)	**(6,233)**
Proceeds from sales of investment securities	**2**	5,016	**18**
Payments for purchase of securities of subsidiaries and affiliated companies	**(25,523)**	(13,556)	**(226,629)**
Payments into time deposits	**(553)**	(4,398)	**(4,910)**
Proceeds from withdrawal of time deposits	**208**	57	**1,847**
Payments for loans lended	**(25,079)**	(33,373)	**(222,687)**
Collection of loans repaid	**394**	403	**3,498**
Others	**937**	225	**8,320**
Net cash used in investing activities	**(92,876)**	(105,024)	**(824,685)**
Cash flows from financing activities:			
Net decrease (increase) in bank loans	**(1,664)**	928	**(14,775)**
Proceeds from long-term debt	**37,299**	747	**331,193**
Repayments of long-term debt	**(21,035)**	(19,281)	**(186,779)**
Contribution from non-controlling interests	**10,507**	5,386	**93,296**
Increase in treasury stocks	**(73)**	(771)	**(648)**
Cash dividends paid	**(24,825)**	(24,284)	**(220,431)**
Cash dividends paid to non-controlling interests	**(4,212)**	(1,772)	**(37,400)**
Net cash provided by (used in) financing activities	**(4,003)**	(39,047)	**(35,544)**
Effect of changes in exchange rate on cash and cash equivalents	**(2,720)**	(795)	**(24,151)**
Net increase (decrease) in cash and cash equivalents	**20,105**	(24,863)	**178,521**
Cash and cash equivalents at beginning of year	**177,720**	202,583	**1,578,050**
Cash and cash equivalents at end of year	**¥ 197,825**	¥ 177,720	**$ 1,756,571**

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, 2016, which was ¥112.62 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 2016, 68 in 2015). 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 2016, 16 in 2015).

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

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

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

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

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

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 fair values. 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 cost. Securities issued by unconsolidated subsidiaries and affiliated companies other than those accounted for by the equity method are carried at cost.

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

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

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

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

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

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

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

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

Depreciation of property, plant and equipment is computed by the straight-line method, based on the estimated useful lives of respective assets. The depreciation period generally ranges from 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 lead.

Retirement benefits — In calculating projected benefits obligations the benefits formula basis is used to attribute the expected benefit 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 “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013 (hereinafter, “Statement No. 21”)), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013 (hereinafter, “Statement No. 22”)) and “Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013 (hereinafter, "Statement No. 7")) (together, the "Business Combination Accounting Standards"), from the current year. As a result, the Company changed its accounting policies to recognize in capital surplus the differences arising from the changes in the Company's ownership interest of subsidiaries over which the Company continues to maintain control and to record acquisition related costs as expenses in the year in which the costs are incurred. In addition, the Company changed its accounting policy for the reallocation of acquisition costs due to the completion following provisional accounting to reflect such reallocation in the consolidated financial statements for the year in which the business combination took place. The Company also changed the presentation of net income and the term "non-controlling interests" is used instead of "minority interests." Certain amounts in the prior year comparative information were reclassified to conform to such changes in the current year presentation.

With regard to the application of the Business Combination Accounting Standards, the Company followed the provisional treatments in article 58-2 (4) of Statement No. 21, article 44-5 (4) of Statement No. 22 and article 57-4 (4) of Statement No. 7 with application from the beginning of the current year prospectively.

There is no effect on the consolidated financial statements of the current year.

Accounting standards issued but not yet effective —
"Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016 (hereinafter, "Guidance No. 26")

(1) Overview

Following the framework in Auditing Committee Report No. 66 "Audit Treatment regarding the Judgment of Recoverability of Deferred Tax Assets," which prescribes estimation of deferred tax assets according to the classification of the entity by one of five types, the following treatments were changed as necessary:

(i) Treatment for an entity that does not meet any of the criteria in types 1 to 5;
(ii) Criteria for types 2 and 3;
(iii) Treatment for deductible temporary differences which an entity classified as type 2 is unable to schedule;
(iv) Treatment for the period which an entity classified as type 3 is able to reasonably estimate with respect to future taxable income before consideration of taxable or deductible temporary differences that exist at the end of the current year; and
(v) Treatment when an entity classified as type 4 also meets the criteria for types 2 or 3.

(2) Effective date

Effective from the beginning of the year ending March 31, 2017

(3) Effects of application of the Guidance

The Company and its consolidated domestic subsidiaries are currently in the process of determining the effect of the new guidance 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.

3 Notes to financial instruments

(1) Status of financial instruments

(i) Policies on the handling of financial instruments

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

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

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

(ii) Details of and risks associated with financial instruments

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

Notes and accounts payable, which are trade obligations, generally have maturity dates of one year or less. In similar fashion to trade receivables, trade obligations in the metals business are subject to the risk of movements in the prices of non-ferrous metals. A certain portion of trade obligations are related to the import of raw and other materials and as such are denominated in foreign currencies. On this basis, they too are open to the risk of fluctuations in the foreign currency exchange rates. Within loans and bonds payable, bank loans payable primarily represent funding applicable to operating transactions while long-term loans (with a maximum maturity up to January 6, 2031) and bonds mainly concern funding relating to capital expenditures. A certain portion of loans and bonds payable is provided on a floating rate of interest basis. Accordingly, this portion is exposed to the risk of fluctuation in interest rates.

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

(iii) Risk management systems relating to financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

(2) Fair values, etc. of financial instruments

Amounts on the consolidated balance sheets, fair values and the differences between the two as of March 31, 2016 and 2015 are shown as follows. Certain financial instruments were excluded from the following table as the fair values were not available (refer to the table shown in (ii) below).

	Millions of yen			Thousands of U.S. dollars		
2016	Book values of Consolidated Balance Sheets	Fair Values	Difference	Book values of Consolidated Balance Sheets	Fair Values	Difference
Cash and cash equivalents	**¥ 197,825**	**¥ 197,825**	**¥ —**	**$1,756,571**	**$1,756,571**	**$ —**
Time deposits	**5,049**	**5,049**	**—**	**44,832**	**44,832**	**—**
Notes and accounts receivable	**98,904**	**98,904**	**—**	**878,210**	**878,210**	**—**
Investment securities	**252,007**	**307,085**	**55,078**	**2,237,675**	**2,726,736**	**489,061**
Long-term loans receivable	**126,224**	**131,166**	**4,942**	**1,120,796**	**1,164,677**	**43,881**
Total Assets	**¥ 680,009**	**¥ 740,029**	**¥ 60,020**	**$6,038,084**	**$6,571,026**	**$ 532,942**
Notes and accounts payable	**45,433**	**45,433**	**—**	**403,419**	**403,419**	**—**
Bank loans and long-term debt due within one year	**112,523**	**112,536**	**13**	**999,139**	**999,254**	**115**
Long-term debt due after one year	**288,036**	**291,074**	**3,038**	**2,557,591**	**2,584,567**	**26,976**
Total Liabilities	**445,992**	**449,043**	**3,051**	**3,960,149**	**3,987,240**	**27,091**
Derivative transactions	**¥ (1,664)**[*1]	**¥ (1,761)**[*1]	**¥ (97)**	**$ (14,775)**[*1]	**$ (15,637)**[*1]	**$ (862)**

	Millions of yen		
2015	Book values of Consolidated Balance Sheets	Fair Values	Difference
Cash and cash equivalents	¥ 177,720	¥ 177,720	¥ —
Time deposits	4,944	4,944	—
Notes and accounts receivable	116,218	116,218	—
Investment securities	292,595	374,350	81,755
Long-term loans receivable	142,891	146,354	3,463
Total Assets	¥ 734,368	¥ 819,586	¥ 85,218
Notes and accounts payable	36,767	36,767	—
Bank loans and long-term debt due within one year	99,094	99,094	—
Long-term debt due after one year	295,000	296,362	1,362
Total Liabilities	430,861	432,223	1,362
Derivative transactions	¥ 63[*1]	¥ (424)[*1]	¥ (487)

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

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

Assets

(a) Cash and cash equivalents

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

(b) Time deposits

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

(c) Notes and accounts receivable

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

(d) Investment securities

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

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

(e) Long-term loans receivable

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

Liabilities

(a) Notes and accounts payable

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

(b) Bank loans

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

(c) Bonds

The fair values are based on market prices.

(d) Long-term debt

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

Derivative transactions

Refer to the Note 5 Derivative transactions.

(ii) The financial instruments excluded from the above table as of March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
	Book values of Consolidated Balance Sheets	Book values of Consolidated Balance Sheets	Book values of Consolidated Balance Sheets
Unlisted equity securities	**¥ 196,722**	¥ 289,458	**$ 1,746,777**

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

(iii) The aggregate maturities subsequent to March 31, 2016 and 2015 for financial assets are as follows:

2016	Millions of yen Due within 1 year	Due after 1 year and within 5 years	Due after 5 years and within 10 years	Due over 10 years	Thousands of U.S. dollars Due within 1 year	Due after 1 year and within 5 years	Due after 5 years and within 10 years	Due over 10 years
Cash and cash equivalents	¥197,825	¥ —	¥ —	¥ —	$1,756,571	$ —	$ —	$ —
Time deposits	5,049	—	—	—	44,832	—	—	—
Notes and accounts receivable	98,904	—	—	—	878,210	—	—	—
Long-term loans receivable	—	1,351	18,187	106,686	—	11,996	161,490	947,310
Total	¥301,778	¥ 1,351	¥ 18,187	¥106,686	$2,679,613	$ 11,996	$ 161,490	$947,310

2015	Millions of yen Due within 1 year	Due after 1 year and within 5 years	Due after 5 years and within 10 years	Due over 10 years
Cash and cash equivalents	¥177,720	¥ —	¥ —	¥ —
Time deposits	4,944	—	—	—
Notes and accounts receivable	116,218	—	—	—
Long-term loans receivable	—	33,667	107,584	1,640
Total	¥298,882	¥ 33,667	¥107,584	¥ 1,640

(iv) The amount scheduled to be repaid after March 31, 2016 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, 2016 and 2015:

Available-for-sale securities

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

Millions of yen	2016 Acquisition cost	2016 Book value	2016 Difference	2015 Acquisition cost	2015 Book value	2015 Difference
Equity securities	¥ 55,032	¥ 89,818	¥ 34,786	¥ 78,596	¥ 145,589	¥ 66,993

Thousands of U.S. dollars	2016 Acquisition cost	2016 Book value	2016 Difference
Equity securities	$ 488,652	$ 797,532	$ 308,880

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

Millions of yen	2016 Acquisition cost	2016 Book value	2016 Difference	2015 Acquisition cost	2015 Book value	2015 Difference
Equity securities	¥ 28,428	¥ 22,556	¥ (5,872)	¥ 6,343	¥ 5,381	¥ (962)

Thousands of U.S. dollars	2016 Acquisition cost	2016 Book value	2016 Difference
Equity securities	$ 252,424	$ 200,284	$ (52,140)

(2) The following table summarizes book values of the securities with no available fair values as of March 31, 2016 and 2015:

Available-for-sale securities

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Unlisted equity securities	**¥ 20,088**	¥ 54,418	**$ 178,370**

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

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

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

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

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

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

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, 2016 and 2015 of derivative transactions for which hedge accounting has not been applied:

Millions of yen

	2016				2015			
	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	¥ 7,676	¥ —	¥ (26)	¥ (26)	¥ 11,300	¥ —	¥ (22)	¥ (22)
Total	¥ 7,676	¥ —	¥ (26)	¥ (26)	¥ 11,300	¥ —	¥ (22)	¥ (22)
Interest:								
Interest rate cap contracts:								
Buy position	¥ 1,350	¥ —	¥ 14	¥ (1,336)	¥ 1,350	¥ —	¥ 136	¥ (1,214)
Total	¥ 1,350	¥ —	¥ 14	¥ (1,336)	¥ 1,350	¥ —	¥ 136	¥ (1,214)
Commodity:								
Forward contracts:								
Sell position—Metal	¥ 1,231	¥ —	¥ 559	¥ 559	¥ 792	¥ —	¥ (501)	¥ (501)
Buy position—Metal	5,264	—	—	—	454	—	—	—
Option contracts:								
Sell position								
Call option—Metal	—	—	—	—	20,893	—	(60)	(60)
Buy position								
Put option—Metal	—	—	—	—	13,020	—	151	151
Total	¥ 6,495	¥ —	¥ 559	¥ 559	¥ 35,159	¥ —	¥ (410)	¥ (410)

Thousands of U.S. dollars

	2016			
	Contracted amount and others			
	Total	Over 1 year	Fair value	Recognized gains (losses)
Currency:				
Forward contracts:				
Buy position—U.S. dollars	$ 68,158	$ —	$ (231)	$ (231)
Total	$ 68,158	$ —	$ (231)	$ (231)
Interest:				
Interest rate cap contracts:				
Buy position	$ 11,987	$ —	$ 124	$ (11,863)
Total	$ 11,987	$ —	$ 124	$ (11,863)
Commodity:				
Forward contracts:				
Sell position—Metal	$ 10,931	$ —	$ 4,964	$ 4,964
Buy position—Metal	46,741	—	—	—
Option contracts:				
Sell position				
Call option—Metal	—	—	—	—
Buy position				
Put option—Metal	—	—	—	—
Total	$ 57,672	$ —	$ 4,964	$ 4,964

Derivative transactions for which hedge accounting has been applied for the years ended March 31, 2016 and 2015 consisted of the following:

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

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

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

2015			Millions of yen		
			Contracted amount and others		
			Total	Over 1 year	Fair Value
Type of transaction	Type of derivative transaction	Major hedged items			
Interest	Interest rate swap contracts:				
	Paid fixed/received floating	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*1	Accounts receivable	1,700	—	196
	Total		¥ 38,355	¥ 2,757	¥ 391
Interest	Interest rate swap contracts*2:				
	Paid fixed/received floating	Long-term loans	¥ 20,523	¥ 12,314	¥ (487)
	Total		¥ 20,523	¥ 12,314	¥ (487)

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

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

2016			Thousands of U.S. dollars		
			Contracted amount and others		
			Total	Over 1 year	Fair Value
Type of transaction	Type of derivative transaction	Major hedged items			
Interest	Interest rate swap contracts:				
	Paid fixed/received floating	Long-term loans	$ 34,497	$ 11,499	$ (36)
	Total		$ 34,497	$ 11,499	$ (36)
Commodity	Forward contracts:				
	Sell position—Metal	Accounts receivable	$ 111,019	$ —	$ (4,013)
	Buy position—Metal	Accounts receivable, Accounts payable	245,214	10,567	(18,416)
	Option contracts:				
	Sell position				
	Call position—Metal*1	Accounts receivable	150,515	—	2,833
	Total		$ 506,748	$ 10,567	$ (19,596)
Interest	Interest rate swap contracts*2:				
	Paid fixed/received floating	Long-term loans	$ 102,486	$ 34,159	$ (861)
	Total		$ 102,486	$ 34,159	$ (861)

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

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

6 Inventories

Inventories as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Merchandise and finished products	¥ 47,648	¥ 75,188	$ 423,087
Work in process	60,197	57,962	534,514
Raw materials and supplies	54,129	68,273	480,634
Total	¥ 161,974	¥ 201,423	$ 1,438,235

7 Loss on impairment of fixed assets

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

2016			Millions of yen	Thousands of U.S. dollars
Location	Major use	Asset category	**Loss**	**Loss**
Ome City, Tokyo Metropolis, Japan	Manufacturing facilities for thin-film paste	Machinery and other assets	**¥ 233**	**$ 2,069**
Isa City, Kagoshima Prefecture, Japan	Manufacturing facilities for sapphire substrates	Machinery and other assets	**348**	**3,090**
Jiangsu, China	Manufacturing facilities for lead frames	Machinery and other assets	**64**	**568**
Hyuga City, Miyazaki Prefecture, Japan	Manufacturing facilities for ferronickel	Machinery and other assets	**143**	**1,270**
Kaohsiung, Taiwan	Building for thin-film paste manufacturing	Building	**25**	**222**
Total			**¥ 813**	**$ 7,219**

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

Loss on impairment was recognized for the following reasons:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Loss on impairment was recognized for the following reasons:

(i) The book values of manufacturing facilities for 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.

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

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

(iii) 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.

8 Bank loans and long-term debt

Bank loans are generally represented by short-term notes (most of which are unsecured) and bank overdrafts, and bore interest at annual weighted average rate of 1.01% and 0.74% as of March 31, 2016 and 2015, respectively.

(1) Long-term debt as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Long-term loans:			
Due within one year *1	**¥ 24,933**	¥ 18,734	**$ 221,391**
Due after one year, maturing through 2031 *2	**248,036**	245,000	**2,202,415**
0.48% domestic bonds due in 2016	**10,000**	10,000	**88,794**
0.77% domestic bonds due in 2018	**30,000**	30,000	**266,383**
1.26% domestic bonds due in 2021	**10,000**	10,000	**88,794**
Total	**322,969**	313,734	**2,867,777**
Amount due within one year	**(34,933)**	(18,734)	**(310,185)**
Total	**¥ 288,036**	¥ 295,000	**$ 2,557,592**

*1 Weighted average interest rate at March 31, 2016 is 1.33%

*2 Weighted average interest rate at March 31, 2016 is 0.82%

(2) The aggregate annual maturities of long-term debt as of March 31, 2016 are as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2017	¥ 34,933	$ 310,185
2018	15,098	134,061
2019	46,854	416,036
2020	117,990	1,047,682
2021	21,522	191,103
Thereafter	86,572	768,710
Total	¥ 322,969	$ 2,867,777

(3) Assets pledged as collateral for bank loans and long-term debt as of March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Cash and cash equivalents	**¥ 1**	¥ 1	**$ 9**
Property, plant and equipment, at net book value and other assets	**39,153**	42,477	**347,656**
Investment securities	**34,654**	93,690	**307,707**
Long-term loans receivable	**25,227**	26,914	**224,001**
Others	**338**	376	**3,001**
Total	**¥ 99,373**	¥ 163,458	**$ 882,374**

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, 2016 and 2015:

	2016	2015
Statutory tax rate	**33.1%**	—%
Loss of consolidated subsidiaries	**4,387.3**	—
Permanently nontaxable dividends received	**(2,783.4)**	—
Effect of eliminating intercompany dividends received	**2,285.7**	—
Difference of statutory tax rate in subsidiaries	**1,541.1**	—
Decrease (Increase) in valuation allowance	**(709.3)**	—
Equity in earnings of unconsolidated subsidiaries and affiliated companies	**(486.1)**	—
Difference in local tax system	**(197.9)**	—
Undistributed earnings of foreign subsidiaries	**(169.2)**	—
Tax credit	**(133.3)**	—
Effect of mining taxes	**(118.1)**	—
Permanently non-deductible items, including entertainment expenses	**34.5**	—
Others	**(42.9)**	—
Effective tax rate	**3,641.5%**	—%

Information for the year ended March 31, 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, 2016, 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, 2016 to March 31, 2018 and on or after April 1, 2018 were changed from 32.3% to 30.9% and 30.6%, respectively, as of March 31, 2016.

Due to these changes in statutory income tax rates, net deferred tax liabilities (after deducting deferred tax assets) decreased by ¥288 million (US$2,557 thousand) and deferred gains (losses) on hedges decreased by ¥37 million (US$329 thousand) as of March 31, 2016, deferred income tax expense recognized for the year ended March 31, 2016 increased by ¥206 million (US$1,829 thousand), net unrealized gains on securities increased by ¥531 million (US$4,715 thousand) as of March 31, 2016.

Significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Deferred tax assets:			
Net defined benefit liability	**¥ 6,786**	¥ 5,299	**$ 60,256**
Overseas exploration costs	**5,370**	4,310	**47,682**
Unrealized profits	**2,836**	2,778	**25,182**
Asset retirement obligations	**2,157**	112	**19,153**
Net operating losses carry forwards	**2,079**	5,596	**18,460**
Loss on impairment of fixed assets	**1,542**	1,973	**13,692**
Contribution gains on securities to employee retirement benefits trust	**1,238**	1,183	**10,993**
Allowance for bonus payable	**1,084**	1,335	**9,625**
Allowance for losses on investments	**—**	12,671	**—**
Others	**6,310**	9,144	**56,030**
Gross deferred tax assets	**29,402**	44,401	**261,073**
Less valuation allowance	**(4,616)**	(20,624)	**(40,988)**
Deferred tax assets after deducting valuation allowance	**24,786**	23,777	**220,085**
Deferred tax liabilities:			
Depreciation	**(11,592)**	(11,671)	**(102,930)**
Net unrealized holding gains on available-for-sale securities	**(9,585)**	(20,426)	**(85,109)**
Reserve for losses on overseas investment	**(4,973)**	(4,953)	**(44,157)**
Accumulated earnings of overseas subsidiaries	**(4,507)**	(3,039)	**(40,020)**
Deferred gains on properties for tax purpose	**(1,899)**	(2,068)	**(16,862)**
Reserve for explorations	**(1,402)**	(1,184)	**(12,449)**
Gains on securities contributed to employee retirement benefits trust	**(535)**	(472)	**(4,750)**
Others	**(1,297)**	(1,639)	**(11,517)**
Deferred tax liabilities	**(35,790)**	(45,452)	**(317,794)**
Net deferred tax assets (liabilities)	**¥ (11,004)**	¥ (21,675)	**$ (97,709)**

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, 2016 and 2015 are as follows:

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Balance at beginning of year	**¥ 59,972**	¥ 52,921	**$ 532,516**
The cumulative effect of an accounting change	**—**	3,279	**—**
Restated balance at beginning of year	**59,972**	56,200	**532,516**
Service costs	**2,051**	1,921	**18,212**
Interest costs	**550**	679	**4,884**
Actuarial gains and losses	**3,211**	2,798	**28,512**
Benefits paid	**(2,282)**	(1,928)	**(20,263)**
Prior service costs	**(19)**	58	**(169)**
Others	**93**	244	**826**
Balance at end of year	**¥ 63,576**	¥ 59,972	**$ 564,518**

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Balance at beginning of year	**¥ 53,370**	¥ 49,323	**$ 473,895**
Expected return on plan assets	**1,156**	1,034	**10,265**
Actuarial gains and losses	**(3,332)**	3,326	**(29,586)**
Contributions paid by the employer	**818**	857	**7,263**
Benefits paid	**(1,281)**	(1,170)	**(11,375)**
Balance at end of year	**¥ 50,731**	¥ 53,370	**$ 450,462**

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at beginning of year	¥ 830	¥ 1,272	$ 7,370
Retirement benefit costs	642	(32)	5,701
Benefits paid	(200)	(220)	(1,776)
Contributions paid by the employer	(178)	(190)	(1,581)
Balance at end of year	¥ 1,094	¥ 830	$ 9,714

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Funded retirement benefit obligations	¥ 66,858	¥ 63,567	$ 593,660
Plan assets	(54,555)	(57,452)	(484,417)
	¥ 12,303	¥ 6,115	$ 109,243
Unfunded retirement benefit obligations	1,636	1,317	14,527
Total net liability for retirement benefits at end of year	¥ 13,939	¥ 7,432	$ 123,770
Liability for retirement benefits	¥ 14,128	¥ 7,763	$ 125,448
Asset for retirement benefits	(189)	(331)	(1,678)
Total net liability for retirement benefits at end of year	¥ 13,939	¥ 7,432	$ 123,770

(v) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Service costs	¥ 2,051	¥ 1,921	$ 18,212
Interest costs	550	679	4,884
Expected return on plan assets	(1,156)	(1,034)	(10,265)
Net actuarial gains and losses amortization	(135)	102	(1,199)
Prior service costs amortization	154	191	1,367
Retirement benefit costs based on the simplified method	642	(32)	5,701
Total retirement benefit costs for the year	¥ 2,106	¥ 1,827	$ 18,700

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Prior service costs	¥ (154)	¥ (133)	$ (1,367)
Actuarial gains and losses	6,438	(645)	57,165
Total	¥ 6,284	¥ (778)	$ 55,798

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Unrecognized prior service costs	**¥ 47**	¥ 201	**$ 417**
Unrecognized actuarial gains and losses	**5,161**	(1,220)	**45,827**
Total	**¥ 5,208**	¥ (1,019)	**$ 46,244**

(viii) Plan assets

(a) Plan assets consisted of the following:

	2016	2015
Bonds	**35.7%**	32.4%
Equity securities	**53.8**	58.0
Cash and cash equivalents	**4.7**	4.5
Others	**5.8**	5.1
Total	**100.0**	100.0

Plan assets include the retirement benefit trusts that were established in regards to lump-sum payment plans of 35.1% at March 31, 2016 and 36.4% at March 31, 2015.

(b) Long-term expected rate of return

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

Assumptions used in calculating the above numbers are as follows:

		2016	2015
Discount rate	(Mainly)	**0.5%**	0.9%
Expected long-term return on plan assets	(Mainly)	**3.5%**	3.5%

(c) Defined contribution plans

The amounts of required contributions to the defined contribution plans of the Company and certain consolidated subsidiaries for the years ended March 31, 2016 and 2015 were ¥404 million (US$3,587 thousand) and ¥327 million, respectively.

(d) Multiemployer pension plans

The amounts of required contributions to the multiemployer plans which are recognized as defined contribution plans for the years ended March 31, 2016 and 2015 were ¥70 million (US$622 thousand) and ¥81 million, respectively.

The funded status of the multiemployer pension plans at March 31, 2015 and 2014, to which contributions were recorded as net periodic retirement benefit costs, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Plan assets	**¥ 329,141**	¥ 349,753	**$ 2,922,580**
Actuarial liability based on pension plan finance calculation and minimum actuarial reserve	**361,482**	386,624	**3,209,749**
Balance*	**¥ (32,341)**	¥ (36,871)	**$ (287,169)**

* The principle factor relating to the balance was the prior service costs in pension financing which were –¥32,939 million (–US$292,479 thousand) at March 31, 2015 and –¥35,835 million at March 31, 2014. The multiemployer pension plan (The Tokyo-to Kensetsu-gyou Employees' Pension Insurance), in which Igeta Heim Co., Ltd. had been enrolled, was dissolved on November 20, 2015, with the approval of the Minister of Health, Labour and Welfare who acted to return the contracted-out portion to the government, which has been handling it since December 2015. Consequently, it is not included in those assets at March 31, 2015. The impact of dissolution of the plan on operating income and loss before income taxes was immaterial.

The percentages of the Group's contributions to the multiemployer pension plans at March 31, 2015 and 2014 were 0.40% and 0.45%, respectively.

11 Research and development expense

Research and development expense included in selling, general and administrative expenses for the years ended March 31, 2016 and 2015 are ¥5,772 million (US$51,252 thousand) and ¥5,865 million, respectively.

12 Net assets

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

Under the Japanese 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 be capitalized 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, 2016 are as follows:

	Millions of yen	Thousands of U.S. dollars
Notes and accounts receivable sold to factoring companies with recourse	¥ 19	$ 169
As guarantor for loans of:		
Non-consolidated subsidiaries and affiliated companies	91,048	808,453
As guarantor for the construction costs of:		
Electric facilities which provides electric power to Pogo Gold Mine	225	1,998
As a stockholder for future payment of:		
The mining royalty tax, interests and penalties of Cerro Verde S.A.A.	3,387	30,075
Total	¥ 94,679	$ 840,695

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
	2016	2015	**2016**
Net unrealized holding gains on securities			
Increase during the year	**¥ (38,582)**	¥ 21,243	**$ (342,585)**
Reclassification adjustments	**1,464**	(10)	**12,999**
Sub-total, before tax	**(37,118)**	21,233	**(329,586)**
Tax effect	**10,890**	(5,956)	**96,697**
Sub-total, net of tax	**¥ (26,228)**	¥ 15,277	**$ (232,889)**
Deferred gains on hedges			
Increase during the year	**¥ (3,728)**	¥ 739	**$ (33,102)**
Reclassification adjustments	**1,160**	(575)	**10,300**
Sub-total, before tax	**(2,568)**	164	**(22,802)**
Tax effect	**785**	(39)	**6,970**
Sub-total, net of tax	**¥ (1,783)**	¥ 125	**$ (15,832)**
Foreign currency translation adjustments			
Increase during the year	**¥ (9,104)**	¥ 27,975	**$ (80,838)**
Reclassification adjustments	**—**	—	**—**
Sub-total, before tax	**(9,104)**	27,975	**(80,838)**
Sub-total, net of tax	**¥ (9,104)**	¥ 27,975	**$ (80,838)**
Remeasurements of defined benefit plans			
Increase during the year	**¥ (6,303)**	¥ 485	**$ (55,967)**
Reclassification adjustments	**19**	293	**169**
Sub-total, before tax	**(6,284)**	778	**(55,798)**
Tax effect	**1,995**	(288)	**17,714**
Sub-total, net of tax	**¥ (4,289)**	¥ 490	**$ (38,084)**
Share of other comprehensive income of affiliated companies accounted for using equity method			
Increase during the year	**¥ (3,798)**	¥ 42,123	**$ (33,724)**
Reclassification adjustments	**(36)**	(5)	**(320)**
Sub-total	**¥ (3,834)**	¥ 42,118	**$ (34,044)**
Total other comprehensive income	**¥ (45,238)**	¥ 85,985	**$ (401,687)**

15 Segment information

(1) General information about reported segments

(i) Basis of decision about reported segments

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

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

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

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

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

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

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

In the Smelting & Refining segment, the Group mainly engages in smelting and sales of copper, nickel, ferro-nickel, 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 (e.g., lithium tantalate, lithium niobate), manufacturing and sales of automotive exhaust processing catalysts, chemical catalysts, petroleum refinery and desulfurization catalysts, as well as autoclaved lightweight concrete (ALC) products.

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

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

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

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

Segment information as of and for the years ended March 31, 2016 and 2015 are as follows:

Millions of yen

2016	Mineral Resources	Smelting & Refining	Materials	Total of reported segments	Others*1	Adjustment*2	Consolidated
Net sales:							
Outside customers	¥ 70,448	¥ 622,523	¥ 158,302	¥ 851,273	¥ 4,134	¥ —	¥ 855,407
Inter segment	49,303	19,409	13,295	82,007	11,157	(93,164)	—
Total	¥ 119,751	¥ 641,932	¥ 171,597	¥ 933,280	¥ 15,291	¥ (93,164)	¥ 855,407
Segment income (loss)	¥ (44,317)	¥ 25,258	¥ 5,972	¥ (13,087)	¥ (828)	¥ 1,151	¥ (12,764)
Segment assets	¥ 344,673	¥ 683,830	¥ 197,114	¥1,225,617	¥ 20,767	¥ 384,416	¥1,630,800
Segment liabilities	¥ 54,299	¥ 323,449	¥ 107,939	¥ 485,687	¥ 10,526	¥ 58,592	¥ 554,805
Other items:							
Depreciation	¥ 13,972	¥ 21,673	¥ 8,014	¥ 43,659	¥ 386	¥ 2,096	¥ 46,141
Amortization of goodwill	135	—	23	158	—	—	158
Interest income	344	280	130	754	—	10,038	10,792
Interest expense	123	4,119	372	4,614	19	240	4,873
Equity in earnings (losses) of affiliated companies	(79,720)	2,885	2,856	(73,979)	—	756	(73,223)
Investment in equity-method affiliated companies	146,649	93,250	29,127	269,026	—	56,799	325,825
Capital expenditures	11,648	15,230	21,632	48,510	366	2,137	51,013

Millions of yen

2015	Mineral Resources	Smelting & Refining	Materials	Total of reported segments	Others*1	Adjustment*2	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
Other items:							
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

2016	Mineral Resources	Smelting & Refining	Materials	Total of reported segments	Others*1	Adjustment*2	Consolidated
							Thousands of U.S. dollars
Net sales:							
Outside customers	$ 625,537	$ 5,527,642	$ 1,405,630	$ 7,558,809	$ 36,707	$ —	$ 7,595,516
Inter segment	437,782	172,341	118,052	728,175	99,068	(827,243)	—
Total	$ 1,063,319	$ 5,699,983	$ 1,523,682	$ 8,286,984	$ 135,775	$ (827,243)	$ 7,595,516
Segment income (loss)	$ (393,509)	$ 224,276	$ 53,028	$ (116,205)	$ (7,352)	$ 10,220	$ (113,337)
Segment assets	$ 3,060,495	$ 6,072,012	$ 1,750,257	$ 10,882,764	$ 184,400	$ 3,413,390	$ 14,480,554
Segment liabilities	$ 482,143	$ 2,872,039	$ 958,435	$ 4,312,617	$ 93,465	$ 520,263	$ 4,926,345
Other items:							
Depreciation	$ 124,063	$ 192,444	$ 71,160	$ 387,667	$ 3,427	$ 18,611	$ 409,705
Amortization of goodwill	1,199	—	204	1,403	—	—	1,403
Interest income	3,055	2,486	1,154	6,695	—	89,132	95,827
Interest expense	1,092	36,574	3,303	40,969	169	2,131	43,269
Equity in earnings (losses) of affiliated companies	(707,868)	25,617	25,360	(656,891)	—	6,713	(650,178)
Investment in equity-method affiliated companies	1,302,158	828,006	258,631	2,388,795	—	504,341	2,893,136
Capital expenditures	103,427	135,234	192,080	430,741	3,250	18,975	452,966

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

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

(i) Adjustments for segment income

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Head Office expenses not allocated to each reported segment*1	¥ (90)	¥ (1,461)	$ (799)
Internal interest expense	562	543	4,990
Eliminations of inter-segmental transactions among the reported segments	267	1,039	2,371
Non-operating income/expenses not allocated to each reported segment*2	412	26,173	3,658
Total	¥ 1,151	¥ 26,294	$ 10,220

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

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

(ii) Adjustments for segment assets and liabilities

	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars 2016
Corporate assets not allocated to each reported segment*1	¥ 482,978	¥ 471,716	$ 4,288,563
Offset and eliminations of inter-segmental receivables among the reported segments, including those toward Head Office divisions/departments	(98,562)	(32,840)	(875,173)
Total	¥ 384,416	¥ 438,876	$ 3,413,390

	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars 2016
Corporate liabilities not allocated to each reported segment*1	¥ 197,656	¥ 203,498	$ 1,755,070
Offset and eliminations of inter-segmental payables among the reported segments, including those toward Head Office divisions/departments	(139,064)	(122,051)	(1,234,807)
Total	¥ 58,592	¥ 81,447	$ 520,263

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

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

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

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

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

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

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

Related information

(1) Information about geographic areas

(i) Sales

2016 — Millions of yen

Japan	East Asia	Southeast Asia	North America	Others	Total
¥ 515,177	¥ 175,901	¥ 70,140	¥ 73,384	¥ 20,805	¥ 855,407

2015 — Millions of yen

Japan	East Asia	Southeast Asia	North America	Others	Total
¥ 558,183	¥ 192,433	¥ 71,406	¥ 75,619	¥ 23,693	¥ 921,334

2016 — Thousands of U.S. dollars

Japan	East Asia	Southeast Asia	North America	Others	Total
$ 4,574,472	$ 1,561,898	$ 622,802	$ 651,607	$ 184,737	$ 7,595,516

*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:

· East Asia: China, Taiwan, Hong Kong, South Korea, etc.
· Southeast Asia: Indonesia, Malaysia, Thailand, Vietnam, etc.
· North America: United States, Mexico and Canada
· Others: Australia, Germany, Italy, Turkey, etc.

(ii) Property, plant and equipment

2016							Millions of yen
	Japan	East Asia	Philippines	Southeast Asia	United States	Others	Total
	¥ 152,008	**¥ 7,112**	**¥ 222,680**	**¥ 2,004**	**¥ 64,280**	**¥ 5,450**	**¥ 453,534**
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
2016							Thousands of U.S. dollars
	Japan	East Asia	Philippines	Southeast Asia	United States	Others	Total
	$ 1,349,742	**$ 63,150**	**$ 1,977,269**	**$ 17,794**	**$ 570,769**	**$ 48,394**	**$ 4,027,118**

*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:

· East Asia: China and Taiwan
· Southeast Asia: Malaysia and Singapore
· Others: Australia, Solomon Islands, Peru, Chile and Brazil

(2) Information about major customers

	Millions of yen		Thousands of U.S. dollars	
	2016	2015	**2016**	
Customer's designation or name	**Sales**	Sales	**Sales**	Related reported segments
Sumitomo Corporation	**¥ 133,912**	¥ 136,925	**$ 1,189,061**	Smelting & Refining, Materials
MITSUI & CO., LTD.	**¥ 63,915**	¥ 75,918	**$ 567,528**	Smelting & Refining

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

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

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

2016	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
	Thousands of U.S. dollars					
Loss on impairment of fixed assets	**$ —**	**$ 1,270**	**$ 5,949**	**$ —**	**$ —**	**$ 7,219**

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

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

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

2016	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
	Thousands of U.S. dollars					
Balance at end of year	**$ 2,380**	**$ —**	**$ 479**	**$ —**	**$ —**	**$ 2,859**

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 1.3% to 11.0%.

The asset retirement obligations as of March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Balance at beginning of year	**¥ 7,525**	¥ 6,030	**$ 66,818**
Newly recorded obligations	**—**	296	**—**
Adjustment due to passage of time	**421**	319	**3,738**
Decrease due to fulfillment of obligations	**(57)**	(93)	**(506)**
Increase due to change in estimates	**64**	130	**568**
Others	**(30)**	—	**(266)**
Foreign exchange adjustment	**(92)**	843	**(817)**
Balance at end of year	**¥ 7,831**	¥ 7,525	**$ 69,535**

(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, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Due within one year	**¥ 247**	¥ 246	**$ 2,193**
Due after one year	**1,498**	1,145	**13,302**
Total	**¥ 1,745**	¥ 1,391	**$ 15,495**

18 Related party transaction

(1) Related party transaction

Related party transaction for the years ended March 31, 2016 and 2015 are as follows:

2016

Name of related party	Location	Capital investment	Segment	Voting interest	Description of the business relationship	Transaction detail	Amounts		Accounts	Balance	
		Thousands of U.S. dollars					Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars
Sierra Gorda S.C.M.	Santiago, Chile	**$1,659,400**	Mineral Resources	Indirectly **45.0%**	Debt guarantee and pledge as security for the loan etc. from the financial institution and others	Debt guarantee*1	**¥ 89,948**	**$ 798,686**	**—**	**¥ —**	**$ —**
						Pledge as security*2	**71,739**	**637,001**	**—**	**—**	**—**
					Loans	Loans*3	**—**	**—**	Long-term loans receivable	**106,084**	**941,964**

2015

Name of related party	Location	Capital investment	Segment	Voting interest	Description of the business relationship	Transaction detail	Amounts	Accounts	Balance
		Thousands of U.S. dollars					Millions of yen		Millions of yen
Sierra Gorda S.C.M.	Santiago, Chile	$1,214,302	Mineral Resources	Indirectly 45.0%	Debt guarantee and pledge as security for the loan etc. from the financial institution and others	Debt guarantee*1	¥100,164	—	¥ —
						Pledge as security*2	84,015	—	—
					Loans	Loans*3	36,318	Long-term loans receivable	106,110

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

*2 The Company pledges its owned shares in Sierra Gorda S.C.M. as security for the loan from the financial institution to finance developments of the Sierra Gorda copper project. The amounts of security are the debt balance as of March 31, 2016 and 2015.

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

(2) Condensed financial information of major affiliated companies

Pursuant to the relevant accounting standards, condensed financial information of major affiliated companies which are disclosed for the years ended December 31, 2015 and 2014 are as follows:

Sociedad Minera Cerro Verde S.A.A.

	Millions of yen		Thousands of U.S. dollars
	2015/12	2014/12	**2015/12**
Total current assets	**¥ 127,342**	¥ 81,698	**$ 1,130,723**
Total long-term assets	**819,144**	614,174	**7,273,522**
Total current liabilities	**66,112**	66,618	**587,036**
Total long-term liabilities	**338,183**	90,941	**3,002,868**
Total net assets	**542,191**	538,313	**4,814,340**
Net sales	**135,112**	155,204	**1,199,716**
Net income before tax	**9,632**	65,181	**85,527**
Net income	**4,031**	39,947	**35,793**

Sierra Gorda S.C.M.

	Millions of yen		Thousands of U.S. dollars
	2015/12	2014/12	**2015/12**
Total current assets	**¥ 33,230**	¥ 54,168	**$ 295,063**
Total long-term assets	**687,588**	696,018	**6,105,381**
Total current liabilities	**54,348**	50,517	**482,579**
Total long-term liabilities	**577,797**	552,921	**5,130,501**
Total net assets	**88,673**	146,748	**787,365**
Net sales	**34,686**	—	**307,991**
Net income (loss) before tax	**(157,068)**	—	**(1,394,672)**
Net income (loss)	**(112,221)**	—	**(996,457)**

19 Earnings per share

Reconciliation of the difference between basic and diluted net income per share for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Basic net income per share calculation			
Numerator:			
Net income (loss) attributable to owners of the parent	**¥ (309)**	¥ 91,113	**$ (2,744)**
Denominator (thousands of shares):			
Weighted average number of shares	**551,653**	551,848	**—**
Basic net income (loss) per share (yen and U.S. dollars)	**¥ (0.56)**	¥ 165.11	**$ (5.00)**
Diluted net income (loss) per share calculation			
Numerator:			
Net income (loss) attributable to owners of the parent	**¥ (309)**	¥ 91,113	**$ (2,744)**
Adjusted net income (loss)	**—**	91,503	**—**
Denominator (thousands of shares):			
Weighted average number of shares	**551,653**	551,848	**—**
Assumed conversion of convertible bonds	**—**	60,459	**—**
Adjusted weighted average number of shares	**551,653**	612,307	**—**
Diluted net income per share (yen and U.S. dollars)	**¥ —***	¥ 149.44	**$ —***

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

20 Subsequent event

(1) Completion of acquisition of additional interest in the Morenci Copper Mine

On May 31, 2016, through SMM Morenci Inc., the Company's subsidiary, the Company completed procedures for acquisition of an additional interest in the Morenci Copper Mine in Arizona, USA, owned by a subsidiary of Freeport-McMoRan Inc.

(i) Reason of acquisition

Producing about 480,000 metric tons of copper a year, the Morenci Copper Mine is the largest copper mine in North America and has an attractive cost structure. This represents the expansion of copper business and the step to the goal in its long-term vision of achieving an annual copper production interest of 300,000 metric tons.

(ii) Percentage of shares to be acquired

The additional 13% interest in Morenci Copper Mine from owned by a subsidiary of Freeport-McMoRan Inc.

(iii) Percentage of shares after acquisition

The Company has the 25% interest of the mine.

(iv) Acquisition price

US$1 billion

(v) Timing of acquisition

On May 31, 2016

(vi) Financing procurement

· Method: Bank loans

· Timing: On June 28, 2016

(2) The expense for preparations for the decommissioning of facilities owned by JCO Co., Ltd.

JCO Co., Ltd., a consolidated subsidiary of the Company, is preparing for the decommissioning by dismantlement and decontamination of its facilities. As regards this plan, JCO Co., Ltd. provided the expenses of ¥9,770 million (US$86,752 thousand) for future losses that can be reasonably estimated in the first quarter of the year ending March 31, 2017.

(3) Appropriation of retained earnings

The following appropriation of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2016, was approved at a shareholders' meeting held on June 27, 2016:

	Millions of yen	Thousands of U.S. dollars
Year-end dividends of ¥10.00 per share	**¥ 5,516**	**$ 48,979**

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, 2016 and 2015, and the consolidated income statements, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sumitomo Metal Mining Co., Ltd. and its consolidated subsidiaries as at March 31, 2016 and 2015, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the followings:

(1) As discussed in Note 20 to the consolidated financial statements, on May 31, 2016, through SMM Morenci Inc., the Company's subsidiary, the Company completed procedures for acquisition of an additional interest in the Morenci Copper Mine in Arizona, USA, owned by a subsidiary of Freeport-McMoRan Inc.

(2) As discussed in Note 20 to the consolidated financial statements, JCO Co., Ltd., a consolidated subsidiary of the Company, is preparing for the decommissioning by dismantlement and decontamination of its facilities. As regards this plan, JCO Co., Ltd. provided the expenses of ¥9,770 million (86,752 thousands of U.S. dollars) for future losses that can be reasonably estimated in the first quarter of the year ending March 31, 2017.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

August 10, 2016
Tokyo, Japan

Glossary

Mineral Resources Business and Smelting & Refining Business

Metal Trading

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

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

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

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

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

Metal Refining

Smelting and refining
Refining processes extract valuable metals from ores or other raw materials. They fall into two basic types: pyrometallurgical (dry) and hydrometallurgical (wet). At SMM’s Toyo site (Saijo, Ehime Prefecture) copper concentrate preprocessing (treatment processes) 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 55–60% nickel by weight. This is used as a raw material in electrolytic nickel production.

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

Resource Reserves

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

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

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

• Identified resources
Total ore identified at the site.

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

Nickel Production Process

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

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

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

Main Applications for Metals

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

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

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

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

Materials Business

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

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 cathodes of nickel metal hydride batteries and lithium-ion rechargeable batteries, which supply power for electric vehicles, hybrid vehicles or notebook computers, among other consumer applications.

Consolidated Companies and Equity-Method Affiliated Companies

Consolidated companies (68), equity-method affiliated companies (16) at March 31, 2016

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

Smelting & Refining	Voting Shares (%)	Location	Operations
Consolidated companies			
Hyuga Smelting Co., Ltd.	60	Japan	Ferro-nickel smelting
Shisaka Smelting Co., Ltd.	100	Japan	Manufacture of crude zinc oxide
Sumiko Logistics Co., Ltd.	100	Japan	Maritime trading, harbor transportation and services, land transportation
Sumic Nickel Netherlands B.V.	52	Netherlands	Investment in nickel and cobalt development businesses, sale of nickel and cobalt
Coral Bay Nickel Corporation	54	Philippines	Manufacture of nickel and cobalt
Taganito HPAL Nickel Corporation	62.5	Philippines	Manufacture of nickel and cobalt
Sumitomo Metal Mining Philippine Holdings Corporation	100	Philippines	Regional headquarters for the nickel business
Sumitomo Metal Mining Management (Shanghai) Co., Ltd.	100	China	Sales of SMM and SMM group company products in China, provision of management business service for Chinese group companies, business consulting
Sumitomo Metal Mining (Hong Kong) Co., Ltd.	100	China	Sales of SMM and SMM group company products in China
Taihei Metal Industry Co., Ltd.	97	Japan	Manufacture of heat-, corrosion- and friction-resistant steel castings and precision castings

Equity-method affiliated companies			
Jinlong Copper Co., Ltd.	27	China	Manufacture and sale of electrolytic copper and sulfuric acid
Acids Co., Ltd.	50	Japan	Manufacture and sale of sulfuric acid and related products
P.T. Vale Indonesia Tbk.	20	Indonesia	Nickel ore mining, nickel smelting
Nickel Asia Corporation	25	Philippines	Nickel ore mining
Figesbal SA	26	New Caledonia	Nickel ore mining, harbor transportation
MS Zinc Co., Ltd.	50	Japan	Manufacture and sale of zinc and related operations
Mitsui Sumitomo Metal Mining Brass & Copper Co., Ltd.	50	Japan	Manufacture and sale of copper and brass products and processed copper and brass products

Materials	Voting Shares (%)	Location	Operations
Consolidated companies			
SH Materials Co., Ltd.	51	Japan	Manufacture and sale of leadframes
Ohkuchi Electronics Co., Ltd.	100	Japan	Recovery and recycling of non-ferrous metals, manufacture of functional inks
Ohkuchi Materials Co., Ltd.	100	Japan	Manufacture of leadframes
Niihama Electronics Co., Ltd.	100	Japan	Manufacture of flexible circuit materials
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 international lead frame operations
Sumiko Tape Materials Singapore Pte. Ltd.	100	Singapore	Regional headquarters for international tape materials 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 materials
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; components, electric wire, power cords and pressure bonding machines relating to the above and their maintenance; manufacture and sale of formed products for optical equipment, etc.
Nittosha Co., Ltd.	100	Japan	Plating of metal products, surface treatment processing and distribution; electromagnetic shielding processing to electronics resin products through a dry plating method
Sumiko Kunitomi Denshi Co., Ltd.	100	Japan	Manufacture of crystal products and magnetic materials
Sumiko Energy Materials Co., Ltd.	100	Japan	Manufacture of battery materials
Shanghai Sumiko Electronic Paste Co., Ltd.	69	China	Manufacture and sale of thick-film paste
Dongguan Sumiko Electronic Paste Co., Ltd.	85	China	Manufacture and sale of thick-film paste
SMM KOREA Co., Ltd.	100	Korea	Sales support for advanced materials and business operations
SMM Precision Co., Ltd.	100	Japan	Manufacture and sale of optical communications components
Sumico Lubricant Co., Ltd.	100	Japan	Manufacture and sale of various lubricants
Sumico Lubricant Trading (Shanghai) Co., Ltd.	100	China	Sale of various lubricants
Sumitomo Metal Mining Siporex Co., Ltd.	100	Japan	Manufacture and sale of ALC (autoclaved lightweight aerated concrete) and other construction materials

Equity-method affiliated companies			
SH Copper Products Co., Ltd.	50	Japan	Manufacture and sale of copper strips, copper bars, rods, and fabricated parts
N.E. Chemcat Corporation	50	Japan	Manufacture of precious metal catalysts, recovery and refining of precious metals
Nippon Ketjen Co., Ltd.	50	Japan	Manufacture and sale of desulphurization catalysts for petroleum processing
Granopt Co., Ltd.	50	Japan	Manufacture and sale of rare earth iron garnet (RIG)

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