Financial Data

Eleven-Year Financial Summary

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

Note: The totals of the yen conversions of dollar item amounts may not match the totals due to rounding.

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

Years ended March 31	2018	2017	2016	2015	2014	2013	2012*2	2011	2010	2009	2008
Results for the year:											
Net sales	**¥ 933,517**	¥ 786,146	¥ 855,407	¥ 921,334	¥ 830,546	¥ 808,540	¥ 847,897	¥ 864,077	¥ 725,827	¥ 793,797	¥ 1,132,372
Gross profit	**157,089**	122,296	113,862	174,257	124,822	140,650	132,421	138,810	105,956	56,887	198,147
Operating income	**110,203**	76,390	59,720	125,779	75,418	95,785	88,577	96,038	66,265	10,534	155,394
Other income (expenses)	**(4,408)**	(82,389)	(59,161)	(2,518)	35,588	26,670	(615)	27,356	16,511	12,408	61,110
Income (loss) before income taxes	**105,795**	(5,999)	559	123,261	111,006	122,455	87,962	123,394	82,776	22,942	216,504
Net income (loss) attributable to owners of the parent	**91,648**	(18,540)	(309)	91,113	80,258	86,640	65,286	83,962	53,952	21,974	137,808
Equity in earnings (losses) of affiliated companies	**11,367**	(85,972)	(73,223)	23,943	29,770	17,100	23,217	34,832	26,090	31,536	73,956
Capital expenditures	**74,589**	125,950	51,013	55,232	66,441	59,291	73,143	53,105	26,414	47,723	65,145
Depreciation	**46,865**	44,232	46,141	38,125	32,426	27,578	31,132	34,625	34,746	34,268	30,505
Net interest expenses	**10,804**	10,546	8,927	6,250	3,530	(144)	663	257	(654)	(271)	(2,209)
Net cash flows from operating activities	**79,405**	43,796	119,704	120,003	80,014	114,665	144,999	102,458	44,153	128,000	157,383
Net cash flows from investing activities	**(22,994)**	(143,219)	(92,876)	(105,024)	(126,937)	(88,745)	(135,932)	(75,735)	(75,443)	(28,386)	(126,413)
Net cash flows from financing activities	**(90,095)**	70,392	(4,003)	(39,047)	81	21,549	50,314	7,379	(19,322)	(74,086)	55,727
Free cash flows	**56,411**	(99,423)	26,828	14,979	(46,923)	25,920	9,067	26,723	(31,290)	99,614	30,970
Financial position at year-end:											
Total assets	**¥ 1,699,037**	¥ 1,685,018	¥ 1,630,800	¥ 1,740,246	¥ 1,572,367	¥ 1,351,153	¥ 1,146,759	¥ 1,052,353	¥ 981,458	¥ 880,001	¥ 1,091,716
Net assets	**1,120,008**	1,024,121	1,075,995	1,158,945	1,019,053	844,547	726,039	684,103	629,684	547,251	640,345
Long-term loans due after one year	**257,409**	358,564	248,036	245,000	243,130	212,323	157,119	135,128	132,311	141,716	169,394
Interest-bearing debt	**362,297**	495,504	400,559	394,094	383,580	330,073	265,951	210,969	200,939	218,534	258,054
Working capital	**369,668**	382,810	313,812	307,436	314,198	338,866	312,542	267,072	229,259	206,123	266,250
Amounts per share*3:											
Net income (loss)											
—Basic	**¥ 332.42**	¥ (33.61)	¥ (0.56)	¥ 165.11	¥ 145.35	¥ 155.58	¥ 116.17	¥ 149.38	¥ 96.26	¥ 38.87	¥ 238.13
—Diluted	**299.94**	—	—	149.44	129.71	142.40	106.84	136.98	88.75	36.18	231.50
Shareholders' equity*1	**3,771.69**	1,743.46	1,781.91	1,905.50	1,653.83	1,393.02	1,173.97	1,121.19	1,043.50	913.92	1,017.96
Cash dividends	**100.0**	11.0	31.0	48.0	37.0	34.0	28.0	32.0	20.0	13.0	30.0
Key ratios:											
ROA (%)	**5.42**	(1.12)	(0.02)	5.50	5.49	6.94	5.94	8.26	5.80	2.23	13.64
ROE (%)*1	**9.17**	(1.93)	(0.03)	9.28	9.54	12.13	10.12	13.80	9.89	4.02	25.39
Equity ratio (%)*1	**61.0**	57.1	60.3	60.4	58.1	56.9	57.5	59.9	59.8	57.3	54.0
Interest-bearing debt to total asset ratio (%)	**21.3**	29.4	24.6	22.6	24.4	24.4	23.2	20.0	20.5	24.8	23.6
Debt-to-equity ratio (times)*1	**0.35**	0.52	0.41	0.37	0.42	0.43	0.40	0.33	0.34	0.43	0.44
Current ratio (times)	**2.70**	2.82	2.39	2.29	2.40	2.60	2.67	2.30	2.19	2.17	2.04

*1 Shareholders' equity is defined by the following equation.
Shareholders' equity = Total shareholders' equity + Accumulated other comprehensive income

*2 The Company applied the new accounting method retrospectively and restated the consolidated financial statements for the year ended March 31, 2012.

*3 The Company consolidated its shares at a rate of one share for every two shares of its common stock with October 1, 2017 as the effective date.
"Amounts per share" is calculated on the assumption that the consolidation of its shares was conducted at the beginning of the current fiscal year.

Consolidated Balance Sheets

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

ASSETS

As of March 31, 2018 and 2017	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 1) 2018
Current assets:			
Cash and cash equivalents (Notes 3 and 8)	¥ 135,045	¥ 170,293	$ 1,271,012
Time deposits (Note 3)	1,669	24	15,708
Notes and accounts receivable (Note 3):			
Trade	145,952	102,168	1,373,666
Unconsolidated subsidiaries and affiliated companies	2,809	1,718	26,438
Allowance for doubtful accounts	(657)	(735)	(6,184)
Inventories (Note 6)	233,184	218,535	2,194,673
Deferred tax assets (Note 9)	1,424	1,225	13,402
Other current assets	68,005	100,425	640,047
Total current assets	587,431	593,653	5,528,762
Investments and long-term receivables:			
Investment securities (Notes 3, 4 and 8):			
Unconsolidated subsidiaries and affiliated companies	299,261	292,706	2,816,574
Others	155,639	140,164	1,464,838
Long-term loans receivable (Notes 3 and 8):			
Unconsolidated subsidiaries and affiliated companies	40,010	57,382	376,565
Others	3,221	3,618	30,315
Other long-term receivables (Note 8)	68,707	60,980	646,654
Allowance for doubtful accounts	(193)	(197)	(1,816)
Total investments and long-term receivables	566,645	554,653	5,333,129
Property, plant and equipment (Note 8):			
Land	29,217	29,311	274,983
Buildings and structures	305,313	310,755	2,873,534
Machinery and equipment	597,171	611,802	5,620,433
Construction in progress	45,440	25,552	427,671
	977,141	977,420	9,196,621
Accumulated depreciation	(512,727)	(493,964)	(4,825,666)
Net property, plant and equipment	464,414	483,456	4,370,955
Deferred tax assets (Note 9)	14,597	5,666	137,384
Other assets	65,950	47,590	620,706
Total assets	¥ 1,699,037	¥ 1,685,018	$ 15,990,936

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

LIABILITIES AND NET ASSETS

As of March 31, 2018 and 2017	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 1) 2018
Current liabilities:			
Bank loans (Notes 3 and 8)	¥ 41,362	¥ 79,513	$ 389,289
Long-term debt due within one year (Notes 3 and 8)	53,526	17,427	503,774
Notes and accounts payable:			
Trade (Note 3)	43,261	40,583	407,162
Unconsolidated subsidiaries and affiliated companies (Note 3)	2,495	6,723	23,482
Others	27,950	15,959	263,059
Accrued income taxes	4,022	17,274	37,854
Accrued expenses	3,971	4,552	37,374
Advances received	325	445	3,059
Accrued restructuring charges	497	600	4,678
Accrued environmental measures	30	232	282
Deferred tax liabilities (Note 9)	1,342	842	12,631
Other current liabilities	38,982	26,693	366,889
Total current liabilities	217,763	210,843	2,049,534
Long-term liabilities:			
Long-term debt (Notes 3 and 8)	297,559	398,564	2,800,555
Deferred tax liabilities (Note 9)	29,039	21,807	273,308
Accrued environmental measures	286	383	2,692
Accrued restructuring charges	1,346	1,004	12,668
Provision for discontinued operations	13,418	7,799	126,287
Other accruals	138	103	1,299
Net defined benefit liability (Note 10)	7,461	9,118	70,221
Asset retirement obligations (Note 16)	9,318	8,985	87,699
Other long-term liabilities	2,701	2,291	25,421
Total long-term liabilities	361,266	450,054	3,400,150
Contingent liabilities (Note 13)			
Net assets (Note 12):			
Shareholders' equity:			
Common stock			
Authorized — 500,000,000 shares			
Issued — 290,814,015 shares	93,242	93,242	877,572
Capital surplus	86,530	86,504	814,400
Retained earnings	797,034	718,072	7,501,496
Treasury stock, at cost	(37,959)	(32,877)	(357,261)
Total shareholders' equity	938,847	864,941	8,836,207
Accumulated other comprehensive income:			
Net unrealized holding gains on securities	47,602	36,700	448,019
Deferred gains or losses on hedges	532	1,601	5,007
Foreign currency translation adjustments	46,956	57,950	441,939
Remeasurements of defined benefit plans	2,500	498	23,529
Total accumulated other comprehensive income	97,590	96,749	918,494
Non-controlling interests	83,571	62,431	786,551
Total net assets	1,120,008	1,024,121	10,541,252
Total liabilities and net assets	¥ 1,699,037	¥ 1,685,018	$ 15,990,936

Consolidated Statements of Operations

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2018 and 2017	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 1) 2018
Net sales (Note 15)	¥ 933,517	¥ 786,146	$8,786,042
Costs and expenses:			
Cost of sales	776,428	663,850	7,307,558
Selling, general and administrative expenses (Note 11)	46,886	45,906	441,280
Total costs and expenses	823,314	709,756	7,748,838
Operating income	110,203	76,390	1,037,205
Other income (expenses):			
Interest and dividend income	17,036	15,588	160,339
Interest expenses	(6,232)	(5,042)	(58,654)
Loss on sale and disposal of property, plant and equipment	(646)	(245)	(6,080)
Loss on impairment of fixed assets (Note 7)	(10,103)	(3,461)	(95,087)
Gain on sales or liquidation of investment securities	46	6,966	433
Gain (loss) on sales or liquidation of subsidiaries and affiliated companies	(1,513)	1,859	(14,240)
Exchange loss	(3,582)	(284)	(33,713)
Provision for environmental measures	(4)	(73)	(38)
Maintenance cost for ceased projects	(646)	(578)	(6,080)
Casualty loss	(13)	(16)	(122)
Equity in earnings (losses) of affiliated companies	11,367	(85,972)	106,984
Gain (loss) from valuation of derivative instruments	306	(34)	2,880
Gain on step acquisitions	693	—	6,522
Restructuring charges	(190)	—	(1,788)
Provision for restructuring charges	(876)	(741)	(8,245)
Provision for discontinued operations	(6,361)	(8,667)	(59,868)
Other, net	(3,690)	(1,689)	(34,730)
Total other income (expenses)	(4,408)	(82,389)	(41,487)
Income (loss) before income taxes	105,795	(5,999)	995,718
Income taxes (Note 9):			
Current	14,069	26,687	132,414
Deferred	(4,603)	(3,641)	(43,322)
Total income taxes	9,466	23,046	89,092
Net income (loss)	96,329	(29,045)	906,626
Net income (loss) attributable to non-controlling interests	(4,681)	10,505	(44,056)
Net income (loss) attributable to owners of the parent	¥ 91,648	¥ (18,540)	$ 862,569

	Yen 2018	Yen 2017	U.S. dollars (Note 1) 2018
Amounts per share of common stock*1:			
Net income (loss) (Note 20)			
—Basic	¥ 332.42	¥ (33.61)	$ 3.13
—Diluted	299.94	—	2.82
Cash dividends applicable to the year	100.00	11.00	0.94

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

*1 The Company consolidated its shares at a rate of one share for every two shares of its common stock with October 1, 2017 as the effective date.
"Amounts per share of common stock" is calculated on the assumption that the consolidation of its shares was conducted at the beginning of the current fiscal year.

Consolidated Statements of Comprehensive Income

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2018 and 2017	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 1) 2018
Net income (loss)	¥ 96,329	¥ (29,045)	$ 906,626
Other comprehensive income			
Net unrealized holding gains (losses) on securities	10,810	16,362	101,741
Deferred gains (losses) on hedges	(1,124)	3,138	(10,579)
Foreign currency translation adjustments	(9,568)	16,707	(90,052)
Remeasurements of defined benefit plan	1,954	4,487	18,391
Share of other comprehensive income of affiliated companies accounted for using equity method	(4,590)	(39,646)	(43,200)
Total other comprehensive income	(2,518)	1,048	(23,699)
Comprehensive income (Note 14)	93,811	(27,997)	882,927
Comprehensive income attributable to:			
Owners of the parent	92,490	(13,381)	870,494
Non-controlling interests	1,321	(14,616)	12,433

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				
For the years ended March 31, 2018 and 2017	Number of shares issued*1 (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
		Millions of yen				
Balance at April 1, 2016	581,628	¥ 93,242	¥ 86,067	¥ 744,886	¥ (32,827)	¥ 891,368
Cash dividends paid		—	—	(8,274)	—	(8,274)
Net loss		—	—	(18,540)	—	(18,540)
Acquisition of treasury stock		—	—	—	(53)	(53)
Sale of treasury stock		—	1	—	3	4
Change in ownership interest of the parent due to transactions with non-controlling interests		—	436	—	—	436
Net changes of items other than shareholders' equity		—	—	—	—	—
Balance at March 31, 2017	581,628	¥ 93,242	¥ 86,504	¥ 718,072	¥ (32,877)	¥ 864,941
Cash dividends paid		—	—	(12,686)	—	(12,686)
Net income		—	—	91,648	—	91,648
Acquisition of treasury stock		—	—	—	(5,084)	(5,084)
Sale of treasury stock		—	1	—	2	3
Change in ownership interest of the parent due to transactions with non-controlling interests		—	25	—	—	25
Net changes of items other than shareholders' equity		—	—	—	—	—
Balance at March 31, 2018	290,814	¥ 93,242	¥ 86,530	¥ 797,034	¥ (37,959)	¥ 938,847

	Shareholders' equity				
For the year ended March 31, 2018	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
	Thousands of U.S. dollars (Note 1)				
Balance at April 1, 2017	$ 877,572	$ 814,155	$6,758,325	$(309,431)	$8,140,621
Cash dividends paid	—	—	(119,398)	—	(119,398)
Net income	—	—	862,569	—	862,569
Acquisition of treasury stock	—	—	—	(47,849)	(47,849)
Sale of treasury stock	—	10	—	19	29
Change in ownership interest of the parent due to transactions with non-controlling interests	—	235	—	—	235
Net changes of items other than shareholders' equity	—	—	—	—	—
Balance at March 31, 2018	$ 877,572	$ 814,400	$7,501,496	$(357,261)	$8,836,207

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

*1 The Company consolidated its shares at a rate of one share for every two shares of its common stock with October 1, 2017 as the effective date.
"Number of shares issued" is calculated on the assumption that the consolidation of its shares was conducted at the beginning of the current fiscal year.

Consolidated Statements of Changes in Net Assets (continued)

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2018 and 2017	Accumulated other comprehensive income: Net unrealized holding gains on securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
							Millions of yen
Balance at April 1, 2016	¥ 20,225	¥ (1,587)	¥ 77,274	¥ (4,322)	¥ 91,590	¥ 93,037	¥1,075,995
Cash dividends paid	—	—	—	—	—	—	(8,274)
Net loss	—	—	—	—	—	—	(18,540)
Acquisition of treasury stock	—	—	—	—	—	—	(53)
Sale of treasury stock	—	—	—	—	—	—	4
Change in ownership interest of the parent due to transactions with non-controlling interests	—	—	—	—	—	—	436
Net changes of items other than shareholders' equity	16,475	3,188	(19,324)	4,820	5,159	(30,606)	(25,447)
Balance at March 31, 2017	¥ 36,700	¥ 1,601	¥ 57,950	¥ 498	¥ 96,749	¥ 62,431	¥1,024,121
Cash dividends paid	**—**	**—**	**—**	**—**	**—**	**—**	**(12,686)**
Net income	**—**	**—**	**—**	**—**	**—**	**—**	**91,648**
Acquisition of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(5,084)**
Sale of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**3**
Change in ownership interest of the parent due to transactions with non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**25**
Net changes of items other than shareholders' equity	**10,902**	**(1,069)**	**(10,994)**	**2,002**	**841**	**21,140**	**21,981**
Balance at March 31, 2018	**¥ 47,602**	**¥ 532**	**¥ 46,956**	**¥ 2,500**	**¥ 97,590**	**¥ 83,571**	**¥1,120,008**

For the year ended March 31, 2018	Accumulated other comprehensive income: Net unrealized holding gains on securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
							Thousands of U.S. dollars (Note 1)
Balance at April 1, 2017	$ 345,412	$ 15,068	$ 545,412	$ 4,687	$ 910,579	$ 587,586	$9,638,786
Cash dividends paid	**—**	**—**	**—**	**—**	**—**	**—**	**(119,398)**
Net income	**—**	**—**	**—**	**—**	**—**	**—**	**862,569**
Acquisition of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**(47,849)**
Sale of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**29**
Change in ownership interest of the parent due to transactions with non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**235**
Net changes of items other than shareholders' equity	**102,607**	**(10,061)**	**(103,473)**	**18,842**	**7,915**	**198,965**	**206,880**
Balance at March 31, 2018	**$ 448,019**	**$ 5,007**	**$ 441,939**	**$ 23,529**	**$ 918,494**	**$ 786,551**	**$10,541,252**

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

Consolidated Statements of Cash Flows

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

For the years ended March 31, 2018 and 2017	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars (Note 1) 2018
Cash flows from operating activities:			
Income (loss) before income taxes	**¥ 105,795**	¥ (5,999)	**$ 995,718**
Adjustments to reconcile income before income taxes to net cash provided by operating activities:			
Depreciation	**46,865**	44,232	**441,082**
Loss on impairment of fixed assets	**10,103**	3,461	**95,087**
Loss on sale and disposal of property, plant and equipment	**646**	245	**6,080**
Loss (gain) from valuation of derivative instruments	**(306)**	34	**(2,880)**
Interest and dividend income	**(17,036)**	(15,588)	**(160,339)**
Interest expense	**6,232**	5,042	**58,654**
Equity in losses (earnings) of affiliated companies	**(11,367)**	85,972	**(106,984)**
Casualty loss	**13**	16	**122**
Decrease (Increase) in trade receivables	**(39,928)**	(23,858)	**(375,793)**
Decrease (Increase) in inventories	**(17,645)**	(46,634)	**(166,071)**
Increase (Decrease) in trade payables	**(264)**	2,766	**(2,485)**
Others	**18,223**	2,250	**171,513**
Sub-total	**101,331**	51,939	**953,704**
Interest and dividend received	**17,524**	8,660	**164,931**
Interest paid	**(6,197)**	(4,762)	**(58,325)**
Payments for maintenance costs for ceased projects	**(646)**	(578)	**(6,080)**
Payments for recovery costs	**(13)**	(16)	**(122)**
Payments for income taxes	**(32,594)**	(11,447)	**(306,767)**
Net cash provided by operating activities	**79,405**	43,796	**747,341**
Cash flows from investing activities:			
Payments for acquisition of property, plant and equipment	**(42,403)**	(50,619)	**(399,087)**
Proceeds from sale of property, plant and equipment	**520**	779	**4,894**
Payments for acquisition of intangible assets	**(595)**	(1,735)	**(5,600)**
Payments for purchases of investment securities	**(511)**	(5,024)	**(4,809)**
Proceeds from sales or liquidation of investment securities	**15,393**	9,081	**144,875**
Payments for purchase of securities of subsidiaries and affiliated companies	**(11,856)**	(11,187)	**(111,586)**
Payments into time deposits	**(1,594)**	(953)	**(15,002)**
Proceeds from withdrawal of time deposits	**—**	4,126	**—**
Payments for purchases of money held in trust	**(10,610)**	—	**(99,859)**
Payments for loans lended	**(272)**	(675)	**(2,560)**
Collection of loans repaid	**15,756**	9,092	**148,292**
Proceeds from sales of loans	**24,398**	—	**229,628**
Proceeds from acquisition of shares of subsidiaries resulting in change in scope of consolidation	**631**	—	**5,939**
Proceeds from (Payments for) sales of shares of subsidiaries resulting in change in scope of consolidation	**(729)**	10,051	**(6,861)**
Payments for purchase of mining rights	**(11,122)**	(106,155)	**(104,678)**
Net cash used in investing activities	**(22,994)**	(143,219)	**(216,414)**
Cash flows from financing activities:			
Net decrease (increase) in bank loans	**(34,459)**	5,980	**(324,320)**
Proceeds from long-term debt	**30,795**	120,488	**289,835**
Repayments of long-term debt	**(117,459)**	(24,018)	**(1,105,497)**
Issuance (redemption) of bonds	**30,150**	(10,000)	**283,765**
Contribution from non-controlling interests	**23,207**	3,231	**218,419**
Increase in treasury stocks	**(5,081)**	(49)	**(47,820)**
Payments for acquisition of treasury stocks of subsidiaries	**(8)**	—	**(75)**
Cash dividends paid	**(12,687)**	(8,274)	**(119,407)**
Cash dividends paid to non-controlling interests	**(4,553)**	(3,858)	**(42,852)**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**—**	(13,108)	**—**
Net cash provided by (used in) financing activities	**(90,095)**	70,392	**(847,953)**
Effect of changes in exchange rate on cash and cash equivalents	**(1,564)**	1,499	**(14,720)**
Net increase (decrease) in cash and cash equivalents	**(35,248)**	(27,532)	**(331,746)**
Cash and cash equivalents at beginning of year	**170,293**	197,825	**1,602,758**
Cash and cash equivalents at end of year	**¥ 135,045**	¥ 170,293	**$ 1,271,012**

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, 2018, which was ¥106.25 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 (57 subsidiaries in 2018, 61 in 2017). 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 (15 affiliated companies in 2018, 15 in 2017).

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.

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

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

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

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

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

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

Foreign currency translation — Receivables and payables denominated in foreign currencies are translated into Japanese yen at the 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 1 year to 60 years for buildings and structures and 1 year to 30 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 — Provisions for 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.

Provision for discontinued operations — JCO Co., Ltd., a consolidated subsidiary of the Company, is preparing for decommissioning by dismantlement and decontamination of its facilities. JCO Co., Ltd. provided the expenses for future losses that can be reasonably estimated.

Retirement benefits — In calculating projected benefits obligations the benefits formula basis is used to attribute the expected benefit attributable to the respective years. Actuarial gains and losses are recognized in expenses using the straight-line method over 10 years within the average remaining service years commencing from the following period.

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

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

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

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

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

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

Standards and guidance not yet adopted — The following guidances were issued but not adopted.

- "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018 (hereinafter, "Guidance No. 28"))
- "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26 (revised 2018), February 16, 2018 (hereinafter, "Guidance No. 26"))

Overview

The above guidances were revised in regard to the treatment of taxable temporary differences for investments in subsidiaries within the context of non-consolidated financial statements, and clarify the treatment in determining recoverability of deferred tax assets in a company which was categorized as 'Type 1' according to the guidance.

Effective date and effects of the application of the ASBJ standards

Because the Company is applying IFRSs from the first quarter of the fiscal year ending March 31, 2019, the Company is not applying these ASBJ accounting standards, and will not evaluate their impact on the consolidated financial statements.

The following standard and guidance were also issued but not adopted.

· "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018)
· "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

Overview

The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying the following five steps:

Step 1: Identify contract(s) with customers.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligation in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Effective date and effects of the application of the standards

Because the Company is applying IFRSs from the first quarter of the fiscal year ending March 31, 2019, the Company is not applying these ASBJ accounting standards and will not evaluate the impact 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 debt (with a maximum maturity up to June 15, 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 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, 2018 and 2017 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		
2018	Book values of consolidated balance sheets	Fair values	Difference	Book values of consolidated balance sheets	Fair values	Difference
Cash and cash equivalents	¥ 135,045	¥ 135,045	¥ —	$1,271,012	$1,271,012	$ —
Time deposits	1,669	1,669	—	15,708	15,708	—
Notes and accounts receivable	148,761	148,761	—	1,400,104	1,400,104	—
Investment securities	300,184	405,265	105,081	2,825,261	3,814,259	988,998
Long-term loans receivable	43,231	46,799	3,568	406,880	440,461	33,581
Total Assets	¥ 628,890	¥ 737,539	¥ 108,649	$5,918,965	$6,941,544	$ 1,022,579
Notes and accounts payable	45,756	45,756	—	430,645	430,645	—
Bank loans and long-term debt due within one year	94,888	94,975	87	893,064	893,882	818
Bank loans	64,888	64,888	—	610,711	610,711	—
Bonds	30,000	30,087	87	282,353	283,171	818
Long-term debt due after one year	297,559	300,108	2,549	2,800,555	2,824,546	23,991
Long-term loans	257,409	258,793	1,384	2,422,673	2,435,699	13,026
Bonds	10,000	10,370	370	94,117	97,600	3,483
Convertible bonds	30,150	30,945	795	283,765	291,247	7,482
Total Liabilities	438,203	440,839	2,636	4,124,264	4,149,073	24,809
Derivative transactions	¥ 1,810*1	¥ 1,810*1	¥ —	$ 17,035*1	$ 17,035*1	$ —

	Millions of Yen		
2017	Book values of consolidated balance Sheets	Fair values	Difference
Cash and cash equivalents	¥ 170,293	¥ 170,293	¥ —
Time deposits	24	24	—
Notes and accounts receivable	103,886	103,886	—
Investment securities	280,420	342,563	62,143
Long-term loans receivable	61,000	63,979	2,979
Total Assets	¥ 615,623	¥ 680,745	¥ 65,122
Notes and accounts payable	47,306	47,306	—
Bank loans and long-term debt due within one year	96,940	96,940	—
Bank loans	96,940	96,940	—
Long-term debt due after one year	398,564	400,616	2,052
Long-term loans	358,564	359,836	1,272
Bonds	40,000	40,780	780
Total Liabilities	542,810	544,862	2,052
Derivative transactions	¥ 2,785*1	¥ 2,785*1	¥ —

*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 and long-term debt due within one year

(b-1) Bank loans

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

(b-2) Bonds

The fair values are based on market prices.

(c) Long-term debt due after one year

(c-1) Long-term loans

The fair values of floating-rate long-term loans are based on their book values because the fair values of floating-rate long-term loans 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 are based on a method of calculation whereby the total principal and interest are discounted at the estimated fair values based on marginal borrowing rates.

(c-2) Bonds

The fair values are based on market prices.

(c-3) Convertible bonds

The fair values are measured at the quoted price obtained from counterparty financial institutions.

Derivative transactions

Refer to the Note 5 Derivative transactions.

(ii) The financial instruments excluded from the above table as of March 31, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. dollars
	2018	2017	2018
	Book values of consolidated balance sheets	Book values of consolidated balance sheets	Book values of consolidated balance sheets
Unlisted equity securities	¥ 141,399	¥ 141,806	$ 1,330,814

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, 2018 and 2017 for financial assets are as follows:

	Millions of yen				Thousands of U.S. dollars			
2018	Due within 1 year	Due after 1 year and within 5 years	Due after 5 years and within 10 years	Due over 10 years	Due within 1 year	Due after 1 year and within 5 years	Due after 5 years and within 10 years	Due over 10 years
Cash and cash equivalents	¥135,045	¥ —	¥ —	¥ —	$1,271,012	$ —	$ —	$ —
Time deposits	1,669	—	—	—	15,708	—	—	—
Notes and accounts receivable	148,761	—	—	—	1,400,104	—	—	—
Long-term loans receivable	—	1,246	1,258	40,727	—	11,727	11,840	383,313
Total	¥285,475	¥ 1,246	¥ 1,258	¥ 40,727	$2,686,824	$ 11,727	$ 11,840	$ 383,313

	Millions of yen			
2017	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	¥170,293	¥ —	¥ —	¥ —
Time deposits	24	—	—	—
Notes and accounts receivable	103,886	—	—	—
Long-term loans receivable	—	1,291	13,826	45,883
Total	¥274,203	¥ 1,291	¥ 13,826	¥ 45,883

(iv) The amount scheduled to be repaid after March 31, 2018 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, 2018 and 2017:

Available-for-sale securities

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

	Millions of yen					
	2018			2017		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥ 78,973	¥ 146,847	¥ 67,874	¥ 72,152	¥ 125,922	¥ 53,770

	Thousands of U.S. dollars		
	2018		
	Acquisition cost	Book value	Difference
Equity securities	$ 743,275	$ 1,382,089	$ 638,814

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

	Millions of yen					
	2018			2017		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥ 8,812	¥ 6,922	¥ (1,890)	¥ 15,098	¥ 12,267	¥ (2,831)

	Thousands of U.S. dollars		
	2018		
	Acquisition cost	Book value	Difference
Equity securities	$ 82,936	$ 65,148	$ (17,788)

(2) The following table summarizes book values of the securities with no available fair values as of March 31, 2018 and 2017:

Available-for-sale securities

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unlisted equity securities	¥ 1,737	¥ 1,836	$ 16,348

(3) Total sales of available-for-sale securities sold during the year ended March 31, 2018 amounted to ¥220 million (US$2,071 thousand) and related gains amounted to ¥46 million (US$433 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, 2017 amounted to ¥1,230 million (US$10,964 thousand) and related gains amounted to ¥1,115 million (US$9,939 thousand).

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

(4) There was no liquidation of available-for-sale securities during the year ended March 31, 2018.

Total liquidations of available-for-sale securities liquidated during the year ended March 31, 2017 amounted to ¥7,851 million (US$69,980 thousand) and related gains amounted to ¥5,851 million (US$52,153 thousand).

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

(5) There was no impairment loss on available-for-sale securities during the year ended March 31, 2018 and 2017.

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, 2018 and 2017 of derivative transactions for which hedge accounting has not been applied:

Millions of yen

	2018				2017			
	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—Japanese yen	¥ 528	¥ —	¥ 26	¥ 26	¥ —	¥ —	¥ —	¥ —
Buy position—U.S. dollars	2,789	—	5	5	4,980	—	(52)	(52)
Buy position—Philippine peso	355	—	(12)	(12)	—	—	—	—
Buy position—Sterling pound	5,830	4,150	233	233	4,271	3,441	(8)	(8)
Total	¥ 9,502	¥ 4,150	¥ 252	¥ 252	¥ 9,251	¥ 3,441	¥ (60)	¥ (60)
Interest:								
Interest rate cap contracts:								
Buy position	¥ —	¥ —	¥ —	¥ —	¥ 1,350	¥ —	¥ 1	¥ (1,349)
Total	¥ —	¥ —	¥ —	¥ —	¥ 1,350	¥ —	¥ 1	¥ (1,349)
Commodity:								
Forward contracts:								
Sell position—Metal	¥ 7,038	¥ —	¥ 345	¥ 345	¥ 7,719	¥ 653	¥ (162)	¥ (162)
Buy position—Metal	2,072	—	(0)	(0)	—	—	—	—
Total	¥ 9,110	¥ —	¥ 345	¥ 345	¥ 7,719	¥ 653	¥ (162)	¥ (162)

Thousands of U.S. dollars

	2018			
	Contracted amount and others			
	Total	Over 1 year	Fair value	Recognized gains (losses)
Currency:				
Forward contracts:				
Buy position—Japanese yen	$ 4,969	$ —	$ 245	$ 245
Buy position—U.S. dollars	26,249	—	47	47
Buy position—Philippine peso	3,341	—	(113)	(113)
Buy position—Sterling pound	54,871	39,059	2,193	2,193
Total	$ 89,430	$ 39,059	$ 2,372	$ 2,372
Interest:				
Interest rate cap contracts:				
Buy position	$ —	$ —	$ —	$ —
Total	$ —	$ —	$ —	$ —
Commodity:				
Forward contracts:				
Sell position—Metal	$ 66,240	$ —	$ 3,247	$ 3,247
Buy position—Metal	19,501	—	(1)	(1)
Total	$ 85,741	$ —	$ 3,246	$ 3,246

Derivative transactions for which hedge accounting has been applied for the years ended March 31, 2018 and 2017 consisted of the following:

Millions of yen

2018			Contracted amount and others		
Type of transaction	Type of derivative transaction	Major hedged items	Total	Over 1 year	Fair value
Currency	Forward contracts:				
	Buy position—U.S. dollars	Foreign currency expected transaction	¥ 320	¥ —	¥ (1)
	Total		¥ 320	¥ —	¥ (1)
Interest	Interest rate swap contracts:				
	Paid fixed/received floating	Long-term loans	¥ 19,775	¥ 19,775	¥ 605
	Interest rate cap contracts:				
	Buy position	Long-term loans	19,775	19,775	397
	Total		¥ 39,550	¥ 39,550	¥ 1,002
Commodity	Forward contracts:				
	Sell position—Metal	Accounts receivable	¥ 25,268	¥ —	¥ 801
	Buy position—Metal	Accounts receivable, Accounts payable	19,050	721	(355)
	Option contracts:				
	Sell position				
	Call position—Metal*1	Accounts receivable	22,255	7,262	(234)
	Total		¥ 66,573	¥ 7,983	¥ 212

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

Millions of yen

2017			Contracted amount and others		
Type of transaction	Type of derivative transaction	Major hedged items	Total	Over 1 year	Fair value
Interest	Interest rate swap contracts:				
	Paid fixed/received floating	Short-term loans	¥ 1,290	¥ —	¥ 2
		Long-term loans	20,386	20,386	678
	Interest rate cap contracts:				
	Buy position	Long-term loans	20,386	20,386	772
	Total		¥ 42,062	¥ 40,772	¥ 1,452
Commodity	Forward contracts:				
	Sell position—Metal	Accounts receivable	¥ 20,566	¥ —	¥ 91
	Buy position—Metal	Accounts receivable, Accounts payable	19,239	612	1,203
	Option contracts:				
	Sell position				
	Call position—Metal*1	Accounts receivable	15,274	—	261
	Total		¥ 55,079	¥ 612	¥ 1,555

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

2018			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			
Currency	Forward contracts:				
	Buy position—U.S. dollars	Foreign currency expected transaction	$ 3,012	$ —	$ (9)
	Total		$ 3,012	$ —	$ (9)
Interest	Interest rate swap contracts:				
	Paid fixed/received floating	Long-term loans	$ 186,118	$ 186,118	$ 5,694
	Interest rate cap contracts:				
	Buy position	Long-term loans	186,118	186,118	3,736
	Total		$ 372,236	$ 372,236	$ 9,430
Commodity	Forward contracts:				
	Sell position—Metal	Accounts receivable	$ 237,816	$ —	$ 7,539
	Buy position—Metal	Accounts receivable, Accounts payable	179,294	6,786	(3,341)
	Option contracts:				
	Sell position				
	Call position—Metal*1	Accounts receivable	209,459	68,348	(2,202)
	Total		$ 626,569	$ 75,134	$ 1,996

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

6 Inventories

Inventories as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Merchandise and finished products	¥ 59,048	¥ 57,704	$ 555,746
Work in process	102,858	96,524	968,075
Raw materials and supplies	71,278	64,307	670,852
Total	¥ 233,184	¥ 218,535	$ 2,194,673

7 Loss on impairment of fixed assets

(1) Loss on impairment of fixed assets for the year ended March 31, 2018 consisted of the following:

2018			Millions of yen	Thousands of U.S. dollars
Location	Major use	Asset category	Loss	Loss
Yamato City, Kanagawa Prefecture, Japan	Manufacturing facilities for special alloy cast products	Building, machinery and other assets	¥ 596	$ 5,609
Ome City, Tokyo Metropolis, Japan	Manufacturing facilities for thin-film material	Machinery and other assets	9	85
Iwanai District, Hokkaido, Japan Isa City, Kagoshima Prefecture, Japan Ome City, Tokyo Metropolis, Japan	Manufacturing facilities for crystal substrates	Building, machinery and other assets	8,722	82,090
Minato City, Tokyo Metropolis, Japan Niihama City, Ehime Prefecture, Japan	Manufacturing facilities for lead frames	Building and other assets	47	442
Naka District, Ibaraki Prefecture, Japan	Engineering service facilities	Building and other assets	248	2,334
Minato City, Tokyo Metropolis, Japan	—	Goodwill	481	4,527
Total			¥ 10,103	$ 95,087

The Group categorizes its operating assets by business units such 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 special alloy cast products were reduced to their recoverable amounts because the Company decided to withdraw the subsidiary that own such facilities from business.

The values in use of assets were used as recoverable amounts for the measurement of impairment losses and the difference between recoverable amounts and carrying amounts was recognized as impairment loss.

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 thin-film materials were reduced to their recoverable amounts because the Company decided to withdraw part of the products.

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.

(iii) The book values of manufacturing facilities for crystal substrates were reduced to their recoverable amounts due to a drastically deteriorating market environment.

The net sales value (fair value less cost to sell) of the precious metal comprised in the assets was used as the recoverable amount for the measurement of impairment loss. It was based on third-party appraisal.

(iv) Impairment losses were recognized for the manufacturing facilities for lead frames in fiscal 2016 because the Company decided to withdraw the subsidiaries that own such facilities from business. The book values of manufacturing facilities newly acquired in fiscal 2017 were also reduced to their recoverable amounts.

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.

(v) The book values of engineering service facilities were reduced to their recoverable amounts due to a decline in engineering related entrustment business from nuclear power related companies.

The net sales value (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.

(vi) On October 30, 2017, the Company acquired 51% of the shares in SICOXS CORPORATION, and therefore the financial statements of SICOXS CORPORATION are included in the consolidated financial statements of the Group in the fiscal year ended March 31, 2018. Although goodwill of ¥481 million, which is the difference between the acquisition cost of SICOXS CORPORATION and the market value of its net assets, occurred, as the excess earning power of SICOXS CORPORATION is not necessarily expected, the Group impaired the entire accounts of goodwill.

(2) Loss on impairment of fixed assets for the year ended March 31, 2017 consisted of the following:

2017			Millions of yen
Location	Major use	Asset category	Loss
Niihama City, Ehime Prefecture, Japan	Laboratory facilities	Machinery and other assets	¥ 130
Isa City, Kagoshima Prefecture, Japan	Manufacturing facilities for crystal substrates	Machinery	56
Minato City, Tokyo Metropolis, Japan Niihama City, Ehime Prefecture, Japan	Manufacturing facilities for lead frames (to be withdrawn)	Building, machinery and other assets	867
Yonezawa City, Yamagata Prefecture, Japan Jiangsu, China Negeri Sembilan, Malaysia	Manufacturing facilities for lead frames (to be sold)	Machinery, building and other assets	2,408
Total			¥ 3,461

The Company categorizes its operating assets by business units such 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 laboratory facilities were reduced to their recoverable amounts because it is not anticipated that they will be utilized in the future.

The net sales value (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.

(ii) The book values of manufacturing facilities for crystal substrates 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. It was based on the expected contract price.

(iii) The book values of manufacturing facilities for lead frames were reduced to their recoverable amounts because the Company decided to withdraw the subsidiaries that own such facilities from business.

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.

(iv) The book values of manufacturing facilities for lead frames were reduced to their recoverable amounts because the Company decided to sell the subsidiaries that own such facilities and concluded stock transaction agreements.

The net sales value (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 the expected contract prices. (Such subsidiaries are grouped into one independent cash-generating unit.)

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 1.17% and 1.16% as of March 31, 2018 and 2017, respectively.

(1) Long-term debt as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Long-term loans:			
Due within one year*1	**¥ 23,526**	¥ 17,427	**$ 221,421**
Due after one year, maturing through 2031*2	**257,409**	358,564	**2,422,673**
0.77% domestic bonds due in 2018	**30,000**	30,000	**282,353**
1.26% domestic bonds due in 2021	**10,000**	10,000	**94,118**
0.00% foreign bonds due in 2023*3	**30,150**	—	**283,765**
Total	**351,085**	415,991	**3,304,330**
Amount due within one year	**(53,526)**	(17,427)	**(503,774)**
Total	**¥ 297,559**	¥ 398,564	**$ 2,800,556**

*1 Weighted average interest rate at March 31, 2018 is 2.62%

*2 Weighted average interest rate at March 31, 2018 is 1.73%

*3 Based on the resolution of the board of directors held on February 27, 2018, the Company issued Euroyen convertible bond type bonds with stock acquisition rights on March 15, 2018 (London time).

(2) The aggregate annual maturities of long-term debt as of March 31, 2018 are as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2019	¥ 53,526	$ 503,774
2020	27,754	261,214
2021	29,127	274,136
2022	44,776	421,421
2023	67,420	634,541
Thereafter	128,332	1,207,832
Total	¥ 350,935	$ 3,302,918

(3) Assets pledged as collateral for bank loans and long-term debt as of March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Cash and cash equivalents	**¥ —**	¥ 1	**$ —**
Investment securities	**0**	0	**0**
Long-term loans receivable	**—**	26,094	**—**
Others	**244**	343	**2,296**
Total	**¥ 244**	¥ 26,438	**$ 2,296**

9 Income taxes

Income taxes in the accompanying consolidated statements of operations 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, 2018 and 2017:

	2018	2017
Statutory tax rate	**30.9%**	—%
Permanently nontaxable dividends received	**(16.2)**	—
Decrease (Increase) in valuation allowance	**(15.9)**	—
Effect of eliminating intercompany dividends received	**9.9**	—
Refund income tax	**(6.3)**	—
Loss of consolidated subsidiaries	**6.3**	—
Difference in local tax system	**(4.2)**	—
Difference of statutory tax rate in subsidiaries	**3.8**	—
US tax reform	**3.0**	—
Equity in earnings of unconsolidated subsidiaries and affiliated companies	**(2.9)**	—
Undistributed earnings of foreign subsidiaries	**0.5**	—
Permanently non-deductible items, including entertainment expenses	**0.1**	—
Others	**(0.1)**	—
Effective tax rate	**8.9%**	—%

Information for the year ended March 31, 2017 is not provided because income before income taxes is negative.

Significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as of March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Deferred tax assets:			
Net operating losses carry forwards	¥ 11,323	¥ 1,670	$ 106,569
Provision for discontinued operations	4,598	2,676	43,275
Net defined benefit liability	4,428	5,050	41,675
Loss on impairment of fixed assets	4,326	2,640	40,715
Overseas exploration costs	3,409	5,251	32,085
Asset retirement obligations	1,916	2,478	18,033
Contribution gains on securities to employee retirement benefits trust	1,492	1,356	14,042
Unrealized profits	1,346	1,626	12,668
Allowance for bonus payable	1,122	1,051	10,560
Others	7,775	7,440	73,178
Gross deferred tax assets	41,735	31,238	392,800
Less valuation allowance	(10,933)	(6,087)	(102,899)
Deferred tax assets after deducting valuation allowance	30,802	25,151	289,901
Deferred tax liabilities:			
Net unrealized holding gains on available-for-sale securities	(18,598)	(14,351)	(175,040)
Accumulated earnings of overseas subsidiaries	(7,956)	(4,787)	(74,880)
Depreciation	(6,288)	(10,027)	(59,181)
Reserve for losses on overseas investment	(4,267)	(4,973)	(40,160)
Reserve for explorations	(1,962)	(1,629)	(18,466)
Deferred gains on properties for tax purpose	(1,767)	(1,840)	(16,631)
Depletion	(1,565)	(1,016)	(14,729)
Gains on securities contributed to employee retirement benefits trust	(447)	(542)	(4,207)
Deferred gains or losses on hedges	(274)	(443)	(2,579)
Others	(2,038)	(1,301)	(19,181)
Deferred tax liabilities	(45,162)	(40,909)	(425,054)
Net deferred tax assets (liabilities)	¥ (14,360)	¥ (15,758)	$ (135,153)

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.

In addition, Sumiko Tec Co., Ltd., a consolidated domestic subsidiary of the Company, joined The Pension Fund of Japan Electronics Information Technology Industry, a multiemployer pension plan. Sumiko Tec Co., Ltd. accounts for its contributions in a manner similar to a defined contribution plan because Sumiko Tec Co., Ltd. cannot reasonably calculate the pension assets based on its contributions to the fund. Also, The Pension Fund of Japan Electronics Information Technology Industry was dissolved after approval by the Minister of Health, Labour and Welfare on March 31, 2018.

(2) Defined benefit plans

The detailed notes relating to retirement benefit plans for the 12-month period ended March 31, 2018 and 2017 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
	2018	2017	2018
Balance at beginning of year	¥ 64,739	¥ 63,576	$ 609,308
Service costs	2,249	2,253	21,167
Interest costs	426	349	4,009
Actuarial gains and losses	628	74	5,911
Benefits paid	(2,784)	(2,230)	(26,202)
Prior service costs	—	749	—
Others	1,190	(32)	11,200
Balance at end of year	¥ 66,448	¥ 64,739	$ 625,393

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance at beginning of year	¥ 56,775	¥ 50,731	$ 534,353
Expected return on plan assets	1,165	1,119	10,965
Actuarial gains and losses	1,964	5,542	18,485
Contributions paid by the employer	777	719	7,313
Benefits paid	(1,430)	(1,336)	(13,459)
Others	389	—	3,661
Balance at end of year	¥ 59,640	¥ 56,775	$ 561,318

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance at beginning of year	¥ 891	¥ 1,094	$ 8,386
Retirement benefit costs	229	178	2,155
Benefits paid	(158)	(190)	(1,487)
Contributions paid by the employer	(102)	(164)	(960)
Others	(448)	(27)	(4,216)
Balance at end of year	¥ 412	¥ 891	$ 3,878

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Funded retirement benefit obligations	¥ 68,648	¥ 67,911	$ 646,099
Plan assets	(63,241)	(60,800)	(595,209)
	¥ 5,407	¥ 7,111	$ 50,890
Unfunded retirement benefit obligations	1,812	1,744	17,054
Total net liability for retirement benefits at end of year	¥ 7,219	¥ 8,855	$ 67,944
Liability for retirement benefits	¥ 7,461	¥ 9,118	$ 70,221
Asset for retirement benefits	(242)	(263)	(2,277)
Total net liability for retirement benefits at end of year	¥ 7,219	¥ 8,855	$ 67,944

(v) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Service costs	¥ 2,249	¥ 2,253	$ 21,167
Interest costs	426	349	4,009
Expected return on plan assets	(1,165)	(1,119)	(10,965)
Net actuarial gains and losses amortization	1,366	1,732	12,857
Prior service costs amortization	79	79	744
Retirement benefit costs based on the simplified method	229	178	2,155
Total retirement benefit costs for the year	¥ 3,184	¥ 3,472	$ 29,967

In addition, there were additional retirement benefit costs of ¥458 million (US$4,311 thousand) for the year ended March 31, 2018.

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Prior service costs	¥ (79)	¥ 670	$ (744)
Actuarial gains and losses	(2,685)	(7,203)	(25,270)
Total	¥ (2,764)	¥ (6,533)	$ (26,014)

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unrecognized prior service costs	¥ 622	¥ 702	$ 5,854
Unrecognized actuarial gains and losses	(4,651)	(2,048)	(43,774)
Total	¥ (4,029)	¥ (1,346)	$ (37,920)

(viii) Plan assets

(a) Plan assets consisted of the following:

	2018	2017
Bonds	36.8%	32.5%
Equity securities	57.2	58.2
Cash and cash equivalents	1.3	1.2
Others	4.7	8.1
Total	100.0	100.0

Plan assets include the retirement benefit trusts that were established in regards to lump-sum payment plans of 39.4% at March 31, 2018 and 40.2% at March 31, 2017.

(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:

		2018	2017
Discount rate	(Mainly)	0.5%	0.6%
Expected long-term return on plan assets	(Mainly)	3.5%	3.5%

(c) Defined contribution plans

The amount of required contributions to the defined contribution plans of the Company and certain consolidated subsidiaries for the years ended March 31, 2018 and 2017 were ¥491 million (US$4,621 thousand) and ¥401 million, respectively.

(d) Multiemployer pension plans

The amount of required contributions to the multiemployer plans which are recognized as defined contribution plans for the years ended March 31, 2018 and 2017 were ¥21 million (US$198 thousand) and ¥42 million, respectively.

The multiemployer pension plan (The Pension Fund of Japan Electronics Information Technology Industry), in which Sumiko Tec Co., Ltd. had been enrolled, was dissolved on March 31, 2018, with the approval of the Minister of Health, Labour and Welfare, therefore we are not listing the matters concerning our premium contribution rate to and supplementary explanation of the total system of the plan in this fiscal year. There is no additional burden expected due to the dissolution of the plan.

The funded status of the multiemployer pension plans at March 31, 2017 and 2016, to which contributions were recorded as net periodic retirement benefit costs, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Plan assets	¥ —	¥ 256,616	$ —
Actuarial liability based on pension plan finance calculation and minimum actuarial reserve	—	287,428	—
Balance*1	¥ —	¥ (30,812)	$ —

*1 The principle factor relating to the balance was the prior service obligations in pension financing which was –¥28,990 million at March 31, 2016.

The percentage of the Group's contribution to the multiemployer pension plans at March 31, 2016 was 0.46%.

11 Research and development expense

Research and development expense included in selling, general and administrative expenses for the years ended March 31, 2018 and 2017 are ¥5,109 million (US$48,085 thousand) and ¥5,241 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 Companies Act (the "Act"), 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 Act, 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 Act, 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 should not be distributed as dividends. Under the Act, however, all additional paid-in capital and all of the legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, 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, 2018 are as follows:

	Millions of yen	Thousands of U.S. dollars
As guarantor for loans of:		
Non-consolidated subsidiaries and affiliated companies	¥ 73,988	$ 696,358
As a stockholder for future payment of:		
The mining royalty tax, interests and penalties of Cerro Verde S.A.A.	7,309	68,791
Total	¥ 81,297	$ 765,149

JCO Co., Ltd., a consolidated subsidiary of the Company, is preparing for decommissioning by dismantlement and decontamination of its facilities. Whenever the expenses for future loss can be reasonably estimated, JCO Co., Ltd. will provide the expenses.

Sociedad Minera Cerro Verde S.A.A. ("Cerro Verde"), an equity-method affiliate of the Company, had a tax rate stabilization agreement with the Peruvian government valid from 1999 to 2013. In 2004, the Law on Mineral Royalties was enacted, requiring payment of royalties, however, Cerro Verde continued making tax payments assuming exemption from those royalties, due to the stabilization agreement.

In October 2013, the Peruvian tax authorities notified Cerro Verde that the said agreement did not apply to the copper mine development project (commenced in 2006), and demanded payment for the amount corresponding to prior royalties (from 2006 to 2008) and interest on overdue royalties. The Company has reported, as per the above, the amount of payment corresponding to the equity interest of the Company, in case the demand for payment becomes finalized.

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

In light of this decision, Cerro Verde recognized a total of US$393 million for royalties, penalties and interest on overdue royalties for the period from December 2006 to 2008, as well as royalties and other payments for the period from 2009 to 2013, which had similarly been disputed. Consequently, the Company recognized ¥9,257 million (approximately US$83 million), which is equivalent to its interests, as its share of loss of entities in fiscal 2017, accounting for using the equity method in the consolidated statements of operations. As a result, Net income (loss) attributable to owners of parent for fiscal 2017 decreased by ¥7,406 million.

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

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
	2018	2017	2018
Net unrealized holding gains on securities			
Increase during the year	¥ 15,092	¥ 22,242	$ 142,042
Reclassification adjustments	(46)	(1,115)	(433)
Sub-total, before tax	15,046	21,127	141,609
Tax effect	(4,236)	(4,765)	(39,868)
Sub-total, net of tax	¥ 10,810	¥ 16,362	$ 101,741
Deferred gains or losses on hedges			
Increase during the year	¥ (2,980)	¥ 1,176	$ (28,047)
Reclassification adjustments	1,215	3,447	11,435
Sub-total, before tax	(1,765)	4,623	(16,612)
Tax effect	641	(1,485)	6,033
Sub-total, net of tax	¥ (1,124)	¥ 3,138	$ (10,578)
Foreign currency translation adjustments			
Increase during the year	¥ (11,003)	¥ 16,365	$ (103,558)
Reclassification adjustments	1,326	517	12,480
Sub-total, before tax	(9,677)	16,882	(91,078)
Tax effect	109	(175)	1,026
Sub-total, net of tax	¥ (9,568)	¥ 16,707	$ (90,052)
Remeasurements of defined benefit plans			
Increase during the year	¥ 1,319	¥ 4,722	$ 12,414
Reclassification adjustments	1,445	1,811	13,600
Sub-total, before tax	2,764	6,533	26,014
Tax effect	(810)	(2,046)	(7,624)
Sub-total, net of tax	¥ 1,954	¥ 4,487	$ 18,391
Share of other comprehensive income of affiliated companies accounted for using equity method			
Increase during the year	¥ (4,754)	¥ (39,601)	$ (44,744)
Reclassification adjustments	164	(45)	1,544
Sub-total	¥ (4,590)	¥ (39,646)	(43,200)
Total other comprehensive income	¥ (2,518)	¥ 1,048	$ (23,699)

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, ferronickel and zinc, 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 tape materials, 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, 2018 and 2017 are as follows:

Millions of yen

2018	Mineral Resources	Smelting & Refining	Materials	Total of reported segments	Others*1	Adjustment*2	Consolidated
Net sales:							
Outside customers	¥ 121,727	¥ 638,159	¥ 168,178	¥ 928,064	¥ 5,453	¥ —	¥ 933,517
Inter segment	37,340	32,669	17,172	87,181	4,865	(92,046)	—
Total	¥ 159,067	¥ 670,828	¥ 185,350	¥1,015,245	¥ 10,318	¥ (92,046)	¥ 933,517
Segment income (loss)	¥ 56,044	¥ 51,545	¥ 15,264	¥ 122,853	¥ (636)	¥ 2,636	¥ 124,853
Segment assets	¥ 474,602	¥ 654,676	¥ 236,234	¥1,365,512	¥ 28,968	¥ 304,557	¥1,699,037
Segment liabilities	¥ 121,131	¥ 221,868	¥ 149,639	¥ 492,638	¥ 19,752	¥ 66,639	¥ 579,029
Other items:							
Depreciation	¥ 20,106	¥ 18,274	¥ 7,270	¥ 45,650	¥ 437	¥ 778	¥ 46,865
Amortization of goodwill	123	—	147	270	—	—	270
Interest income	1,186	575	12	1,773	—	11,668	13,441
Interest expense	2,275	3,662	316	6,253	9	(30)	6,232
Equity in earnings of affiliated companies	2,967	5,557	3,262	11,786	—	(419)	11,367
Investment in equity-method affiliated companies	159,939	101,388	24,585	285,912	—	13,207	299,119
Capital expenditures	32,413	19,168	18,970	70,551	809	3,229	74,589

*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)

Millions of yen

2017	Mineral Resources	Smelting & Refining	Materials	Total of reported segments	Others*1	Adjustment*2	Consolidated
Net sales:							
Outside customers	¥ 77,857	¥ 543,079	¥ 159,913	¥ 780,849	¥ 5,297	¥ —	¥ 786,146
Inter segment	45,513	21,978	14,148	81,639	5,045	(86,684)	—
Total	¥ 123,370	¥ 565,057	¥ 174,061	¥ 862,488	¥ 10,342	¥ (86,684)	¥ 786,146
Segment income (loss)	¥ (53,594)	¥ 33,258	¥ 12,066	¥ (8,270)	¥ (65)	¥ 6,770	¥ (1,565)
Segment assets	¥ 468,981	¥ 671,938	¥ 205,425	¥1,346,344	¥ 20,741	¥ 317,933	¥1,685,018
Segment liabilities	¥ 155,441	¥ 300,310	¥ 124,429	¥ 580,180	¥ 15,311	¥ 65,406	¥ 660,897
Other items:							
Depreciation	¥ 16,095	¥ 17,822	¥ 9,089	¥ 43,006	¥ 388	¥ 838	¥ 44,232
Amortization of goodwill	121	—	23	144	—	—	144
Interest income	816	836	80	1,732	1	11,043	12,776
Interest expense	1,207	3,740	364	5,311	10	(279)	5,042
Equity in earnings (losses) of affiliated companies	(93,628)	4,240	3,644	(85,744)	—	(228)	(85,972)
Investment in equity-method affiliated companies	142,787	96,776	27,134	266,697	—	25,914	292,611
Capital expenditures	92,012	10,885	18,807	121,704	727	3,519	125,950

*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)

2018	Mineral Resources	Smelting & Refining	Materials	Total of reported segments	Others*1	Adjustment*2	Consolidated
							Thousands of U.S. dollars
Net sales:							
Outside customers	$1,145,666	$6,006,202	$1,582,852	$ 8,734,720	$ 51,322	$ —	$ 8,786,042
Inter segment	351,435	307,473	161,619	820,527	45,788	(866,315)	—
Total	$1,497,101	$6,313,675	$1,744,471	$ 9,555,247	$ 97,111	$ (866,315)	$ 8,786,042
Segment income (loss)	$ 527,473	$ 485,129	$ 143,661	$ 1,156,263	$ (5,986)	$ 24,809	$ 1,175,087
Segment assets	$4,466,842	$6,161,656	$2,223,379	$12,851,877	$ 272,640	$2,866,419	$15,990,936
Segment liabilities	$1,140,056	$2,088,169	$1,408,367	$ 4,636,592	$ 185,901	$ 627,191	$ 5,449,685
Other items:							
Depreciation	$ 189,233	$ 171,991	$ 68,424	$ 429,648	$ 4,113	$ 7,322	$ 441,082
Amortization of goodwill	1,158	—	1,384	2,542	—	—	2,541
Interest income	11,162	5,412	113	16,687	—	109,816	126,504
Interest expense	21,412	34,466	2,974	58,852	85	(282)	58,654
Equity in earnings of affiliated companies	27,925	52,301	30,701	110,927	—	(3,944)	106,984
Investment in equity-method affiliated companies	1,505,308	954,240	231,388	2,690,936	—	124,301	2,815,238
Capital expenditures	305,064	180,405	178,541	664,010	7,614	30,391	702,014

*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 2018	Millions of yen 2017	Thousands of U.S. dollars 2018
Head Office expenses not allocated to each reported segment*1	¥ (1,695)	¥ (674)	$ (15,953)
Internal interest expense	378	269	3,558
Eliminations of inter-segmental transactions among the reported segments	8,115	2,802	76,376
Non-operating income/expenses not allocated to each reported segment*2	(4,162)	4,373	(39,172)
Total	¥ 2,636	¥ 6,770	$ 24,809

*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 2018	Millions of yen 2017	Thousands of U.S. dollars 2018
Corporate assets not allocated to each reported segment*1	¥ 408,745	¥ 506,417	$ 3,847,012
Offset and eliminations of inter-segmental receivables among the reported segments, including those toward Head Office divisions/departments	(104,188)	(188,484)	(980,593)
Total	¥ 304,557	¥ 317,933	$ 2,866,419

	Millions of yen 2018	Millions of yen 2017	Thousands of U.S. dollars 2018
Corporate liabilities not allocated to each reported segment*1	¥ 204,300	¥ 264,533	$ 1,922,824
Offset and eliminations of inter-segmental payables among the reported segments, including those toward Head Office divisions/departments	(137,661)	(199,127)	(1,295,633)
Total	¥ 66,639	¥ 65,406	$ 627,191

*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 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

2018					Millions of yen
Japan	East Asia	Southeast Asia	United States	Others	Total
¥ 528,656	¥ 155,872	¥ 78,133	¥ 145,831	¥ 25,025	¥ 933,517

2017					Millions of yen
Japan	East Asia	Southeast Asia	United States	Others	Total
¥ 472,427	¥ 148,879	¥ 64,752	¥ 82,078	¥ 18,010	¥ 786,146

2018					Thousands of U.S. dollars
Japan	East Asia	Southeast Asia	United States	Others	Total
$ 4,975,586	$ 1,467,031	$ 735,369	$ 1,372,527	$ 235,529	$ 8,786,042

- Net sales are segmented by country or region according to customers' location data.
- 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 operations are separately listed.
- 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.
  - · Others: Australia, India, Germany, Italy, Turkey, etc.

(ii) Property, plant and equipment

2018					Millions of yen
Japan	East Asia	Philippines	United States	Others	Total
¥ 161,562	¥ 630	¥ 202,712	¥ 94,941	¥ 4,569	¥ 464,414

2017					Millions of yen
Japan	East Asia	Philippines	United States	Others	Total
¥ 155,693	¥ 404	¥ 216,057	¥ 106,438	¥ 4,864	¥ 483,456

2018					Thousands of U.S. dollars
Japan	East Asia	Philippines	United States	Others	Total
$ 1,520,584	$ 5,929	$ 1,907,878	$ 893,562	$ 43,002	$ 4,370,955

- 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.
- Major countries or regions that belong to the segments are as follows:
  - · East Asia: China and Taiwan
  - · Others: Australia, Solomon Islands, Canada, Peru, Chile and Brazil

(2) Information about major customers

	Millions of yen		Thousands of U.S. dollars	
	2018	2017	2018	
Customer's designation or name	Sales	Sales	Sales	Related reported segments
Panasonic Corporation	¥ 126,907	¥ 80,054	$ 1,194,419	Smelting & Refining, Materials
Sumitomo Corporation	¥ 122,391	¥ 104,256	$ 1,151,915	Smelting & Refining, Materials

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

2018	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
						Millions of yen
Loss on impairment of fixed assets	¥ —	¥ 596	¥ 9,259	¥ 248	¥ —	¥ 10,103

2017	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
						Millions of yen
Loss on impairment of fixed assets	¥ —	¥ —	¥ 3,331	¥ —	¥ 130	¥ 3,461

2018	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
						Thousands of U.S. dollars
Loss on impairment of fixed assets	$ —	$ 5,609	$ 87,144	$ 2,334	$ —	$ 95,087

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

2018	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
						Millions of yen
Balance at end of year	¥ —	¥ —	¥ 656	¥ —	¥ —	¥ 656

2017	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
						Millions of yen
Balance at end of year	¥ 130	¥ —	¥ 31	¥ —	¥ —	¥ 161

2018	Mineral Resources	Smelting & Refining	Materials	Others	Adjustment	Consolidated
						Thousands of U.S. dollars
Balance at end of year	$ —	$ —	$ 6,174	$ —	$ —	$ 6,174

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 is required to demolish them and conduct 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. The Company is also required to restore some facilities to their original condition in accordance with the contract to manufacture. Based on these requirements, the Company makes rational estimates of the cost of demolishing, conducting surveys, restoring, and any removal expenses, and posts these amounts as asset retirement obligations.

Sumitomo Metal Mining Pogo LLC, Sumitomo Metal Mining Arizona Inc., SMM Morenci Inc., Sumitomo Metal Mining Oceania Pty. Ltd., SMM Gold Cote Inc., 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, Canada, 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 (4 to 32) and discounted by the rates of 0.13 % to 11.0%.

The asset retirement obligations as of March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Balance at beginning of year	**¥ 8,985**	¥ 7,831	**$ 84,565**
Newly recorded obligations	**11**	—	**104**
Adjustment due to passage of time	**470**	399	**4,424**
Decrease due to fulfillment of obligations	**(83)**	—	**(781)**
Increase (decrease) due to change in estimates	**130**	(32)	**1,224**
Others	**12**	942	**111**
Foreign exchange adjustment	**(207)**	(155)	**(1,948)**
Balance at end of year	**¥ 9,318**	¥ 8,985	**$ 87,699**

(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, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Due within one year	**¥ 185**	¥ 241	**$ 1,741**
Due after one year	**1,369**	1,257	**12,885**
Total	**¥ 1,554**	¥ 1,498	**$ 14,626**

18 Business combination

Business combination through acquisition

(1) The Company acquired additional shares of GRANOPT Co., Ltd., which had been accounted for using the equity method. Accordingly, GRANOPT Co., Ltd. has been included in the scope of consolidation from the year ended March 31, 2018.

(i) Outline of the business combination

(a) Name and description of business of the acquired company

Name of the acquired company: GRANOPT Co., Ltd.

Description of business: Manufacture and sales of Rare-earth Iron Garnet single crystals (RIG)

(b) Primary reasons for the business combination

In our communication device business, GRANOPT Co., Ltd. manufactures and sells RIG, and SMM Precision Co., Ltd., a consolidated subsidiary of the Company, manufactures and sells Optical Isolators for communication (OI), utilizing RIG as its main raw material. The Company acquired additional shares of GRANOPT Co., Ltd. with a view to improving the efficiency of the communication device business and strengthening competitiveness by building a unified structure between RIG and OI.

(c) Date of the business combination

June 23, 2017

(d) Legal form of the business combination

Acquisition of shares by cash consideration

(e) Name of the company after the business combination

GRANOPT Co., Ltd.

(f) Percentage of voting rights owned before acquisition: 50.00%

Percentage of voting rights acquired: 1.00%

Percentage of voting rights owned after acquisition: 51%

(g) Main grounds for determining which company to acquire

Due to the Company acquiring GRANOPT Co., Ltd. through a share acquisition by cash consideration

(ii) Period of business results of the acquired company included in the consolidated financial statements

From April 1, 2017 to March 31, 2018

In addition, business results from April 1, 2017 to June 30, 2017 were included in equity in earnings of affiliated companies.

(iii) Acquisition cost of the acquired company and the breakdown thereof

- Market value of shares of GRANOPT Co., Ltd. held immediately prior to the business combination on the date of business combination: ¥2,367 million (US$22,278 thousand)
- Cash and deposits spent on additional acquisition: ¥110 million (US$1,035 thousand)
- Acquisition cost: ¥2,477 million (US$23,313 thousand)

(iv) The difference between the acquisition cost and the total of the acquisition costs for each acquisition transaction

Gain on step acquisitions: ¥693 million (US$6,522 thousand)

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

(a) Amount of goodwill

¥772 million (US$7,266 thousand)

(b) Reason for recognition

It is the expected excess earning power from GRANOPT Co., Ltd.'s future business development.

(c) Amortization method and period

Straight-line amortization over 5 years

(vi) Amount of assets and liabilities undertaken on the date of business combination and the breakdown thereof

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Current assets	¥ 1,967	$ 18,513
Non-current assets	1,796	16,904
Total amount of assets	3,763	35,417
Current liabilities	397	3,736
Long-term liabilities	22	207
Total amount of liabilities	¥ 419	$ 3,943

(vii) Estimated effects on the consolidated statements of operations for the current fiscal year assuming that business combination had been completed at the beginning of the fiscal year and assuming the calculation method.

Net sales: ¥769 million (US$7,238 thousand)

Operating income: ¥463 million (US$4,358 thousand)

The above shows the difference between the sales and operating income calculated on the assumption that the business combination had been completed at the beginning of the current fiscal year and the sales and operating income included in the consolidated statements of operations. The above figures have not been audited.

(2) The Company acquired 51% of the shares of SICOXS CORPORATION, on October 30, 2017. Accordingly, SICOXS CORPORATION has been included in the scope of consolidation from the year ended March 31, 2018.

(i) Outline of the business combination

(a) Name and description of business of the acquired company

Name of the acquired company: SICOXS CORPORATION

Description of business: Development, manufacture and sales of SiC substrates for power semiconductors

(b) Primary reasons for the business combination

The Company acquired shares of SICOXS CORPORATION, with a view to promoting investigation into the mass production of SiC substrates through a fusion of the SiC substrate manufacturing technology of SICOXS CORPORATION and the Company's substrate production technology, and to swiftly responding to market needs by leveraging the information gathering abilities and sales network in the electronics field of Kaga Electronics Co., Ltd., a joint investor in SICOXS CORPORATION.

(c) Date of the business combination

October 30, 2017

(d) Legal form of the business combination

Acquisition of shares by cash consideration

(e) Name of the company after the business combination

SICOXS CORPORATION

(f) Percentage of voting rights acquired

51%

(g) Main grounds for determining which company to acquire

Due to the Company acquiring SICOXS CORPORATION through a share acquisition by cash consideration

(ii) Period of business results of the acquired company included in the consolidated financial statements

From November 1, 2017 to March 31, 2018

(iii) Acquisition cost of the acquired company and the breakdown thereof

Consideration paid for the acquisition: ¥559 million (US$5,261 thousand)

(iv) Content and amount of main acquisition related cost

Legal due diligence cost, etc.: ¥7 million (US$66 thousand)

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

The difference between the acquisition cost of SICOXS CORPORATION, the acquired company, and its net assets at fair value was recognized as goodwill of ¥481 million. As excess earning power was not necessarily expected, the entire accounts were recognized as loss on impairment of fixed assets for the year ended March 31, 2018.

(vi) Amount of assets and liabilities undertaken on the date of business combination and breakdown thereof

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Current assets	¥ 68	$ 640
Non-current assets	370	3,482
Total amount of assets	439	4,122
Current liabilities	261	2,456
Long-term liabilities	25	235
Total amount of liabilities	¥ 286	$ 2,691

(vii) Estimated effect on the consolidated statements of operations for the current fiscal year assuming that business combination had been completed at the beginning of the current fiscal year and assuming the calculation method.

Net sales: ¥0 million (US$0 thousand)

Operating loss: ¥143 million (US$1,346 thousand)

The above shows the difference between the sales and operating loss calculated on the assumption that the business combination had been completed at the beginning of the fiscal year and the sales and operating loss included in the consolidated statements of operations.

The above figures have not been audited.

Business divestiture

(1) The Company's subsidiary SH Materials Co., Ltd. ("SH Materials") sold all the shares of Suzhou SH Precision Co., Ltd. ("Suzhou SH"), Malaysian SH Precision Sdn. Bhd. ("Malaysian SH") and SH Precision Co., Ltd. ("SH Precision"), on June 1, 2017. Accordingly, from the year ended March 31, 2018, those three companies have been excluded from the scope of consolidation.

(i) Outline of the business divestiture

(a) Name of the purchasing company

JIHLIN TECHNOLOGY CO., LTD.

(b) Description of the divested business

Lead frame business

(c) Primary reason for the business divestiture

The Company has decided to withdraw from the lead frame business, based on the changing business environment where the lead frame market itself has gone from a growth market to the mature phase, resulting in over-commoditization of lead frame products, and the emergence of Chinese local manufacturers has intensified competition for these products.

(d) Date of the business divestiture

June 1, 2017

(e) Other information on the business divestiture including the legal form thereof

Share transfer for which only assets such as cash were received as consideration

(ii) Outline of the accounting treatment applied

(a) Amount of transfer gain/loss

Gain (loss) on sales or liquidation of subsidiaries and affiliated companies: ¥95 million (US$894 thousand)

(b) Appropriate book values of assets and liabilities relating to the transferred business and the breakdown thereof

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Current assets	¥ 4,074	$ 38,344
Non-current assets	81	762
Total amount of assets	4,155	39,106
Current liabilities	3,830	36,047
Long-term liabilities	13	122
Total amount of liabilities	¥ 3,843	$ 36,169

(c) Accounting treatment

The difference between sales amounts of shares and book values of shares in consolidated financial statements is recognized as "Gain (loss) on sales or liquidation of subsidiaries and affiliated companies."

(iii) Reported segments including the divested business

Materials segment

(iv) Estimated effect of profit/loss of the divested business on the consolidated statements of operations

Net sales: ¥651 million (US$6,127 thousand)

Operating income: ¥19 million (US$179 thousand)

(2) The Company's subsidiary SH Materials Co., Ltd. transferred 49% of the shares of Ohkuchi Materials Co., Ltd. on October 2, 2017. Accordingly, Ohkuchi Materials Co., Ltd. has been excluded from the scope of consolidation from the year ended March 31, 2018.

(i) Outline of the business divestiture

(a) Name of the purchasing company

Chang Wah Technology Co., Ltd.

(b) Description of the divested business

Lead frame business

(c) Primary reason for the business divestiture

The Company has decided to withdraw from the lead frame business, based on the changing business environment where the lead frame market itself has gone from a growth market to the mature phase, resulting in over-commoditization of lead frame products, and the emergence of Chinese local manufacturers has intensified competition for these products. As part of this withdrawal, SH Materials Co., Ltd. has transferred shares of Ohkuchi Materials Co., Ltd.

(d) Date of the business divestiture

October 2, 2017

(e) Other information on the business divestiture including the legal form thereof

Share transfer for which only assets such as cash were received as consideration

(ii) Outline of the accounting treatment applied

(a) Amount of transfer gain/loss

Gain (loss) on sales or liquidation of subsidiaries and affiliated companies: ¥46 million (US$433 thousand)

(b) Appropriate book values of assets and liabilities relating to the transferred business and the breakdown thereof

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Current assets	¥ 1,334	$ 12,555
Non-current assets	1,190	11,200
Total amount of assets	2,524	23,755
Current liabilities	1,431	13,468
Total amount of liabilities	¥ 1,431	$ 13,468

(c) Accounting treatment

The difference between the book value of these transferred shares in the consolidated financial statements and the sales amount is recognized as “Gain (loss) on sales or liquidation of shares of subsidiaries and affiliated companies.”

(iii) Reported segment including the divested business

Materials segment

(iv) Estimated effect of profit/loss of the divested business on the consolidated statements of operations

Net sales: ¥— million (US$— thousand)

Operating income: ¥590 million (US$5,553 thousand)

Transactions under common control

(1) The Company’s subsidiary SH Materials Co., Ltd. transferred 51% of the shares of Ohkuchi Materials Co., Ltd. to the Company on October 2, 2017.

(i) Outline of the transaction

(a) Name and description of business of the combined company

Name of the company: Ohkuchi Materials Co., Ltd.

Description of business: Manufacture and sales of lead frames

(b) Date of the business combination

October 2, 2017

(c) Legal form of the business combination

Stock transfer for which only assets such as cash were received as consideration

(d) Name of the company after the business combination

Ohkuchi Materials Co., Ltd.

(e) Other information on the transaction

The Company has decided to withdraw from the lead frame business, based on the changing business environment where the lead frame market itself has gone from a growth market to the mature phase, resulting in over-commoditization of lead frame products, and the emergence of Chinese local manufacturers has intensified competition for these products. In order to facilitate the withdrawal from this business, SH Materials Co., Ltd. has transferred shares of Ohkuchi Materials Co., Ltd. to the Company.

(f) Outline of accounting treatment applied

“Accounting Standard for Business Combinations” (ASBJ Standard No. 21, September 13, 2013) and “Application Guidelines on Accounting Standards for Business Combinations and Business Divestitures” (ASBJ Guidelines No. 10, September 13, 2013) were applied so it was treated as a transaction under common control.

19 Related party transaction

(1) Related party transaction

Related party transaction for the years ended March 31, 2018 and 2017 are as follows:

2018

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	$2,189,400	Mineral Resources	Indirectly 45.0%	Debt guarantee and pledge as security for the loan etc. from the financial institution and others	Debt guarantee*1	¥ 72,138	$ 678,946	—	¥ —	$ —
						Pledge as security*2	52,806	496,998	—	—	—
					Loans	Loans*3	—	—	Long-term loans receivable*4	40,009	376,555
					Loans	Interest receivables*3	11,054	104,038	Other long-term receivables	46,504	437,685

2017

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	$1,959,400	Mineral Resources	Indirectly 45.0%	Debt guarantee and pledge as security for the loan etc. from the financial institution and others	Debt guarantee*1	¥ 83,373	—	¥ —
						Pledge as security*2	63,612	—	—
					Loans	Loans*3	—	Long-term loans receivable*4	41,639
					Loans	Interest receivables*3	9,946	Other long-term receivables	36,461

*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, 2018 and 2017.

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

*4 In consolidated balance sheets, long-term loans receivable is reduced by ¥59,447 million (US$559,501 thousand) as equity in losses (earnings) of affiliated companies. 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, 2017 and 2016 are as follows:

Sociedad Minera Cerro Verde S.A.A.

	Millions of yen		Thousands of U.S. dollars
	2017/12	2016/12	2017/12
Total current assets	¥ 176,717	¥ 141,945	$ 1,663,219
Total long-term assets	692,368	747,530	6,516,405
Total current liabilities	57,720	34,205	543,247
Total long-term liabilities	224,989	291,541	2,117,544
Total net assets	586,376	563,729	5,518,833
Net sales	359,273	259,372	3,381,393
Net income before tax	93,765	65,708	882,494
Net income	39,246	37,087	369,374

Candelaria S.A.A.

	Millions of yen		Thousands of U.S. dollars
	2017/12	2016/12	2017/12
Total current assets	¥ 83,101	¥ —	$ 782,127
Total long-term assets	192,312	—	1,809,995
Total current liabilities	32,777	—	308,489
Total long-term liabilities	30,131	—	283,586
Total net assets	212,505	—	2,000,047
Net sales	133,069	—	1,252,414
Net income before tax	53,799	—	506,344
Net income	38,521	—	362,551

Sierra Gorda S.C.M.

	Millions of yen		Thousands of U.S. dollars
	2017/12	2016/12	2017/12
Total current assets	¥ 39,855	¥ 37,685	$ 375,106
Total long-term assets	439,027	427,810	4,132,019
Total current liabilities	81,428	68,403	766,381
Total long-term liabilities	581,929	584,349	5,476,979
Total net assets	(184,475)	(187,257)	(1,736,235)
Net sales	108,547	69,473	1,021,619
Net loss before tax	(36,545)	(395,495)	(343,953)
Net loss	(28,603)	(287,554)	(269,205)

20 Earnings per share

Reconciliation of the difference between basic and diluted net income per share for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Basic net income (loss) per share calculation			
Numerator:			
Net income (loss) attributable to owners of the parent	¥ 91,648	¥ (18,540)	$ 862,569
Denominator (thousands of shares):			
Weighted average number of shares[*1]	275,703	551,619	—
Basic net income (loss) per share[*1] (yen and U.S. dollars)	¥ 332.42	¥ (33.61)	$ 3.13
Diluted net income per share calculation			
Numerator:			
Net income (loss) attributable to owners of the parent	¥ 91,648	¥ (18,540)	$ 862,569
Adjusted net income (loss)	¥ 91,920	¥ —	$ 865,129
Denominator (thousands of shares):			
Weighted average number of shares[*1]	275,703	551,619	—
Assumed conversion of convertible bonds	30,755	—	—
Adjusted weighted average number of shares[*1]	306,458	551,619	—
Diluted net income per share[*2] (yen and U.S. dollars)	¥ 299.94	¥ —	$ 2.82

*1 The Company consolidated its shares at a rate of one share for every two shares of its common stock with October 1, 2017 as the effective date. "Weighted average number of shares" and "Basic net income (loss) per share" are calculated on the assumption that the consolidation of its shares was conducted at the beginning of the current fiscal year.

*2 Diluted net income per share for the year ended March 31, 2017 is not calculated because of the net loss for the year although dilutive bonds exist.

Note: Zero coupon convertible bonds due 2023 (bonds with stock acquisition rights) are not included in the calculation of diluted net income per share for the year ended March 31, 2018 due to the absence of a dilution effect.

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, 2018 and 2017, and the consolidated statements of income and 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, 2018 and 2017, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 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

July 12, 2018
Tokyo, Japan

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

Glossary

Mineral Resources Business and Smelting & Refining Business

Metal Trading

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

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

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

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

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

Metal Refining

Smelting and refining
Refining processes extract valuable metals from ores or other raw materials. They fall into two basic types: pyrometallurgical (dry) and hydrometallurgical (wet). At SMM’s Toyo site (Saijo, Ehime Prefecture) copper concentrate preprocessing (treatment processes) is 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.

Lead frames
Lead frames 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 (57), equity-method affiliated companies (15) — as of March 31, 2018

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
SMM Morenci Inc.	100	USA	Mining and related operations
SMMA Candelaria Inc.	100	USA	Investment in local company in Chile operating Candelaria Mine
Sumitomo Metal Mining Canada Ltd.	100	Canada	Exploration, consulting
Sumitomo Metal Mining Oceania Pty. Ltd.	100	Australia	Resource surveys, mine development and related operations in Oceania
Sumitomo Metal Mining Pogo LLC	100	USA	Investment in 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
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
SMM Gold Cote Inc.	100	Canada	Investment in Côté Gold Project
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 Salado 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
Coral Bay Nickel Corporation	54	Philippines	Manufacture of nickel and cobalt
Taganito HPAL Nickel Corporation	75	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
PT Vale Indonesia Tbk.	20	Indonesia	Nickel ore mining, nickel smelting
Nickel Asia Corporation	26	Philippines	Nickel ore mining
Figesbal SA	26	New Caledonia	Nickel ore mining, harbor transportation
MS Zinc Co., Ltd.	50	Japan	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.	100	Japan	Manufacture and sale of lead frames
Ohkuchi Electronics Co., Ltd.	100	Japan	Recovery and recycling of non-ferrous metals, manufacture of functional inks
Niihama Electronics Co., Ltd.	100	Japan	Manufacture of flexible circuit materials
Niihama Materials Co., Ltd.	100	Japan	Manufacture of lead frames
Shinko Co., Ltd.	97	Japan	Design, manufacture, and sale of printed circuit boards
Taiwan Sumiko Materials Co., Ltd.	100	Taiwan	Manufacture of thin film materials
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.
Sumiko Tec (Dongguan) Co., Ltd.	100	China	Sales, quality service and export management service of terminals, connectors, and electronic circuit boards, also related jigs for these products
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
GRANOPT Co., Ltd.	51	Japan	Manufacture and sale of rare earth iron garnet (RIG)
SICOXS CORPORATION	51	Japan	Development, manufacture, and sale of SiC substrates for power semiconductors
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			
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
Ohkuchi Materials Co., Ltd.	51	Japan	Manufacture of lead frames

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; 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, manufacture, repair and maintain 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, pharmaceutical containers, etc.; modification of various industrial materials
SMM Holland B.V.	100	Netherlands	Investment in nickel and cobalt development businesses