Eleven-Year Financial Summary

SUMITOMO METAL MINING CO., LTD. AND CONSOLIDATED SUBSIDIARIES

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

IFRS

Years ended March 31	2019	2018
Results for the year:		
Net sales	¥ 912,208	¥ 929,746
Gross profit	126,637	149,015
Profit before tax	89,371	108,286
Profit attributable to owners of parent	66,790	90,227
Capital expenditures	47,445	74,675
Depreciation	43,541	46,762
Net cash provided by (used in) operating activities	114,744	78,552
Net cash provided by (used in) investing activities	(142,354)	(22,787)
Net cash provided by (used in) financing activities	(29,047)	(89,797)
Free cash flows	(27,610)	55,765
Financial position at year-end:		
Total assets	¥1,797,701	¥1,732,333
Equity	1,151,280	1,113,349
Non-current liabilities	388,943	378,438
Interest-bearing liabilities	349,798	361,775
Amounts per share (Yen)*3:		
Equity attributable to owners of parent per share	¥ 3,812	¥ 3,746
Basic earnings per share	243	327
Diluted earnings per share	243	295
Dividends	73	100
Key ratios:		
ROA (%)	3.8	5.2
ROE (%)	6.4	9.1
Equity ratio (%)	58.3	59.4
Interest-bearing liabilities to total asset ratio (%)	19.5	20.9
Debt-to-equity ratio (times)	0.33	0.35
Current ratio (times)	2.1	2.6

J-GAAP

Years ended March 31	2018	2017	2016	2015	2014	2013	2012*2	2011	2010	2009
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
Gross profit	157,089	122,296	113,862	174,257	124,822	140,650	132,421	138,810	105,956	56,887
Operating income	110,203	76,390	59,720	125,779	75,418	95,785	88,577	96,038	66,265	10,534
Other income (expenses)	124,853	(1,565)	(12,764)	174,226	114,352	115,034	108,829	123,701	87,791	32,572
Profit (loss) before income taxes	105,795	(5,999)	559	123,261	111,006	122,455	87,962	123,394	82,776	22,942
Profit (loss) attributable to owners of parent	91,648	(18,540)	(309)	91,113	80,258	86,640	65,286	83,962	53,952	21,974
Capital expenditures	74,589	125,950	51,013	55,232	66,441	59,291	73,143	53,105	26,414	47,723
Depreciation	46,865	44,232	46,141	38,125	32,426	27,578	31,132	34,625	34,746	34,268
Financial revenue (expenses)	10,804	10,546	8,927	6,250	3,530	(144)	663	257	(654)	(271)
Net cash provided by (used in) operating activities	79,405	43,796	119,704	120,003	80,014	114,665	144,999	102,458	44,153	128,000
Net cash provided by (used in) investing activities	(22,994)	(143,219)	(92,876)	(105,024)	(126,937)	(88,745)	(135,932)	(75,735)	(75,443)	(28,386)
Net cash provided by (used in) financing activities	(90,095)	70,392	(4,003)	(39,047)	81	21,549	50,314	7,379	(19,322)	(74,086)
Free cash flows	56,411	(99,423)	26,828	14,979	(46,923)	25,920	9,067	26,723	(31,290)	99,614
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
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
Long-term loans payable after one year	257,409	358,564	248,036	245,000	243,130	212,323	157,119	135,128	132,311	141,716
Interest-bearing liabilities	362,297	495,504	400,559	394,094	383,580	330,073	265,951	210,969	200,939	218,534
Working capital	369,668	382,810	313,812	307,436	314,198	338,866	312,542	267,072	229,259	206,123
Amounts per share (Yen)*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
—Diluted	299.94	—	—	149.44	129.71	142.40	106.84	136.98	88.75	36.18
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
Cash dividends	100.0	11.0	31.0	48.0	37.0	34.0	28.0	32.0	20.0	13.0
Key ratios:										
ROA (%)	5.42	(1.12)	(0.02)	5.50	5.49	6.94	5.94	8.26	5.80	2.23
ROE (%)*1	9.17	(1.93)	(0.03)	9.28	9.54	12.13	10.12	13.80	9.89	4.02
Equity ratio (%)*1	61.0	57.1	60.3	60.4	58.1	56.9	57.5	59.9	59.8	57.3
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
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
Current ratio (times)	2.70	2.82	2.39	2.29	2.40	2.60	2.67	2.30	2.19	2.17

*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 year.

1 Consolidated Financial Statements

(1) Consolidated Financial Statements

1) Consolidated Statement of Financial Position

	Notes	Date of transition (As of April 1, 2017)	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	
		Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Assets					
Current assets					
Cash and cash equivalents	8	172,907	137,330	81,261	732,081
Trade and other receivables	9, 35	163,971	155,964	151,598	1,365,748
Other financial assets	16, 35	2,382	18,162	9,493	85,523
Inventories	10	255,065	278,112	288,918	2,602,865
Other current assets	17	20,165	25,562	19,945	179,685
Subtotal		614,490	615,130	551,215	4,965,901
Assets held for sale	18	2,430	–	–	–
Total current assets		616,920	615,130	551,215	4,965,901
Non-current assets					
Property, plant and equipment	11	480,063	461,888	458,802	4,133,351
Intangible assets and goodwill	12	47,048	65,695	61,207	551,414
Investment property	14	3,427	3,427	3,428	30,883
Investments accounted for using equity method	15	292,449	300,032	363,165	3,271,757
Other financial assets	16, 35	251,715	255,209	330,212	2,974,883
Deferred tax assets	19	7,469	15,663	11,276	101,586
Other non-current assets	17, 24	15,888	15,289	18,396	165,730
Total non-current assets		1,098,059	1,117,203	1,246,486	11,229,604
Total assets	6	1,714,979	1,732,333	1,797,701	16,195,505

	Notes	Date of transition (As of April 1, 2017)	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	
		Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Liabilities and equity					
Liabilities					
Current liabilities					
Trade and other payables	20, 35	101,402	125,494	165,823	1,493,901
Bonds and borrowings	21, 35	95,007	94,879	75,282	678,216
Other financial liabilities	21	1,496	509	2,225	20,045
Income taxes payable		17,268	3,978	2,724	24,541
Provisions	23	4,843	4,896	4,753	42,820
Other current liabilities	25	8,520	10,790	6,671	60,099
Subtotal		228,536	240,546	257,478	2,319,622
Liabilities directly associated with assets held for sale	18	3,440	–	–	–
Total current liabilities		231,976	240,546	257,478	2,319,622
Non-current liabilities					
Bonds and borrowings	21, 35	395,930	296,261	304,009	2,738,820
Other financial liabilities	21, 35	2,217	2,704	3,502	31,550
Provisions	23	22,260	28,546	22,362	201,459
Retirement benefit liability	24	9,479	7,491	10,391	93,613
Deferred tax liabilities	19	31,612	42,288	47,791	430,550
Other non-current liabilities	25	1,147	1,148	888	8,000
Total non-current liabilities		462,645	378,438	388,943	3,503,991
Total liabilities		694,621	618,984	646,421	5,823,613
Equity					
Share capital	26	93,242	93,242	93,242	840,018
Capital surplus	26	86,840	87,598	87,598	789,171
Treasury shares	26	(32,877)	(37,959)	(37,983)	(342,189)
Other components of equity		41,450	38,415	25,756	232,036
Retained earnings	26	768,847	848,089	878,948	7,918,450
Total equity attributable to owners of parent		957,502	1,029,385	1,047,561	9,437,486
Non-controlling interests		62,856	83,964	103,719	934,405
Total equity		1,020,358	1,113,349	1,151,280	10,371,892
Total liabilities and equity		1,714,979	1,732,333	1,797,701	16,195,505

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

Consolidated Statement of Profit or Loss

	Notes	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Net sales	28	929,746	912,208	8,218,090
Cost of sales	29	(780,731)	(785,571)	(7,077,216)
Gross profit		149,015	126,637	1,140,874
Selling, general and administrative expenses	29	(45,820)	(49,329)	(444,405)
Finance income	30	17,364	20,967	188,892
Finance costs	30	(14,251)	(8,862)	(79,838)
Share of profit (loss) of investments accounted for using equity method	15, 38	12,338	(4,901)	(44,153)
Other income	31	5,685	13,011	117,216
Other expenses	31	(16,045)	(8,152)	(73,441)
Profit before tax	6	108,286	89,371	805,144
Income tax expense	19	(13,384)	(22,130)	(199,369)
Profit		94,902	67,241	605,775
Profit attributable to:				
Owners of parent		90,227	66,790	601,712
Non-controlling interests		4,675	451	4,063
Profit		94,902	67,241	605,775
Earnings per share				
Basic earnings per share (Yen)	33	327.26	243.06	2.19
Diluted earnings per share (Yen)	33	295.31	243.06	2.19

Consolidated Statement of Comprehensive Income

	Notes	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit		94,902	67,241	605,775
Other comprehensive income	32			
Items that will not be reclassified to profit or loss:				
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income		8,914	(6,969)	(62,784)
Remeasurements of defined benefit plans		1,641	(3,036)	(27,351)
Share of other comprehensive income of investments accounted for using equity method	15	148	(205)	(1,847)
Total of items that will not be reclassified to profit or loss		10,703	(10,210)	(91,982)
Items that will be reclassified to profit or loss:				
Cash flow hedges		(106)	466	4,198
Exchange differences on transition of foreign operations		(10,287)	475	4,279
Share of other comprehensive income of investments accounted for using equity method	15	(5,024)	(6,323)	(56,964)
Total of items that will be reclassified to profit or loss		(15,417)	(5,382)	(48,486)
Other comprehensive income, net of tax		(4,714)	(15,592)	(140,468)
Comprehensive income		90,188	51,649	465,306
Comprehensive income attributable to:				
Owners of parent		88,893	50,351	453,613
Non-controlling interests		1,295	1,298	11,694
Comprehensive income		90,188	51,649	465,306

3) Consolidated Statement of Changes in Equity

FY2017 (From April 1, 2017 to March 31, 2018)

	Notes	Equity attributable to owners of parent: Share capital (Millions of yen)	Capital surplus (Millions of yen)	Treasury shares (Millions of yen)	Other components of equity: Exchange differences on transition of foreign operations (Millions of yen)	Other components of equity: Cash flow hedges (Millions of yen)	Other components of equity: Financial assets measured at fair value through other comprehensive income (Millions of yen)
As of April 1, 2017		93,242	86,840	(32,877)	–	292	41,158
Profit		–	–	–	–	–	–
Other comprehensive income	32	–	–	–	(11,944)	(51)	9,006
Total comprehensive income		–	–	–	(11,944)	(51)	9,006
Purchase of treasury shares	26	–	–	(5,084)	–	–	–
Disposal of treasury shares	26	–	1	2	–	–	–
Dividends	27	–	–	–	–	–	–
Increase (decrease) by business combination	7	–	–	–	–	–	–
Changes in ownership interests		–	25	–	–	–	0
Changes from loss of control of subsidiaries		–	–	–	–	–	–
Transfer to retained earnings	16	–	–	–	–	–	(46)
Other		–	732	–	–	–	–
Transactions with owners - total		–	758	(5,082)	–	–	(46)
As of March 31, 2018		93,242	87,598	(37,959)	(11,944)	241	50,118

	Notes	Equity attributable to owners of parent: Other components of equity: Remeasurements of defined benefit plans (Millions of yen)	Other components of equity: Total (Millions of yen)	Retained earnings (Millions of yen)	Total (Millions of yen)	Non-controlling interests (Millions of yen)	Total equity (Millions of yen)
As of April 1, 2017		–	41,450	768,847	957,502	62,856	1,020,358
Profit		–	–	90,227	90,227	4,675	94,902
Other comprehensive income	32	1,655	(1,334)	–	(1,334)	(3,380)	(4,714)
Total comprehensive income		1,655	(1,334)	90,227	88,893	1,295	90,188
Purchase of treasury shares	26	–	–	–	(5,084)	–	(5,084)
Disposal of treasury shares	26	–	–	–	3	–	3
Dividends	27	–	–	(12,686)	(12,686)	(4,448)	(17,134)
Increase (decrease) by business combination	7	–	–	–	–	1,713	1,713
Changes in ownership interests		–	0	–	25	22,654	22,679
Changes from loss of control of subsidiaries		–	–	–	–	(106)	(106)
Transfer to retained earnings	16	(1,655)	(1,701)	1,701	–	–	–
Other		–	–	–	732	–	732
Transactions with owners - total		(1,655)	(1,701)	(10,985)	(17,010)	19,813	2,803
As of March 31, 2018		–	38,415	848,089	1,029,385	83,964	1,113,349

FY2018 (From April 1, 2018 to March 31, 2019)

	Notes	Equity attributable to owners of parent: Share capital (Millions of yen)	Capital surplus (Millions of yen)	Treasury shares (Millions of yen)	Other components of equity: Exchange differences on transition of foreign operations (Millions of yen)	Other components of equity: Cash flow hedges (Millions of yen)	Other components of equity: Financial assets measured at fair value through other comprehensive income (Millions of yen)
As of April 1, 2018		93,242	87,598	(37,959)	(11,944)	241	50,118
Profit		–	–	–	–	–	–
Other comprehensive income	32	–	–	–	(6,629)	390	(7,120)
Total comprehensive income		–	–	–	(6,629)	390	(7,120)
Purchase of treasury shares	26	–	–	(25)	–	–	–
Disposal of treasury shares	26	–	0	1	–	–	–
Dividends	27	–	–	–	–	–	–
Establishment of subsidiaries with non-controlling interests		–	–	–	–	–	–
Changes in ownership interests		–	–	–	–	–	–
Transfer to retained earnings	16	–	–	–	–	–	700
Transactions with owners - total		–	0	(24)	–	–	700
As of March 31, 2019		93,242	87,598	(37,983)	(18,573)	631	43,698

	Notes	Equity attributable to owners of parent: Other components of equity: Remeasurements of defined benefit plans (Millions of yen)	Other components of equity: Total (Millions of yen)	Retained earnings (Millions of yen)	Total (Millions of yen)	Non-controlling interests (Millions of yen)	Total equity (Millions of yen)
As of April 1, 2018		–	38,415	848,089	1,029,385	83,964	1,113,349
Profit		–	–	66,790	66,790	451	67,241
Other comprehensive income	32	(3,080)	(16,439)	–	(16,439)	847	(15,592)
Total comprehensive income		(3,080)	(16,439)	66,790	50,351	1,298	51,649
Purchase of treasury shares	26	–	–	–	(25)	–	(25)
Disposal of treasury shares	26	–	–	–	1	–	1
Dividends	27	–	–	(32,151)	(32,151)	(5,049)	(37,200)
Establishment of subsidiaries with non-controlling interests		–	–	–	–	17,976	17,976
Changes in ownership interests		–	–	–	–	5,530	5,530
Transfer to retained earnings	16	3,080	3,780	(3,780)	–	–	–
Transactions with owners - total		3,080	3,780	(35,931)	(32,175)	18,457	(13,718)
As of March 31, 2019		–	25,756	878,948	1,047,561	103,719	1,151,280

	Notes	Equity attributable to owners of parent					
					Other components of equity		
		Share capital	Capital surplus	Treasury shares	Exchange differences on transition of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehen-sive income
		Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of April 1, 2018		840,018	789,171	(341,973)	(107,604)	2,171	451,514
Profit		–	–	–	–	–	–
Other comprehensive income	32	–	–	–	(59,721)	3,514	(64,144)
Total comprehensive income		–	–	–	(59,721)	3,514	(64,144)
Purchase of treasury shares	26	–	–	(225)	–	–	–
Disposal of treasury shares	26	–	0	9	–	–	–
Dividends	27	–	–	–	–	–	–
Establishment of subsidiaries with non-controlling interests		–	–	–	–	–	–
Changes in ownership interests		–	–	–	–	–	–
Transfer to retained earnings	16	–	–	–	–	–	6,306
Transactions with owners - total		–	0	(216)	–	–	6,306
As of March 31, 2019		840,018	789,171	(342,189)	(167,324)	5,685	393,676

	Notes	Equity attributable to owners of parent					
		Other components of equity					
		Remeasure-ments of defined benefit plans	Total	Retained earnings	Total	Non-controlling interests	Total equity
		Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of April 1, 2018		–	346,081	7,640,441	9,273,739	756,432	10,030,171
Profit		–	–	601,712	601,712	4,063	605,775
Other comprehensive income	32	(27,748)	(148,099)	–	(148,099)	7,631	(140,468)
Total comprehensive income		(27,748)	(148,099)	601,712	453,613	11,694	465,306
Purchase of treasury shares	26	–	–	–	(225)	–	(225)
Disposal of treasury shares	26	–	–	–	9	–	9
Dividends	27	–	–	(289,649)	(289,649)	(45,486)	(335,135)
Establishment of subsidiaries with non-controlling interests		–	–	–	–	161,946	161,946
Changes in ownership interests		–	–	–	–	49,820	49,820
Transfer to retained earnings	16	27,748	34,054	(34,054)	–	–	–
Transactions with owners - total		27,748	34,054	(323,703)	(289,865)	166,279	(123,586)
As of March 31, 2019		–	232,036	7,918,450	9,437,486	934,405	10,371,892

4) Consolidated Statement of Cash Flows

	Notes	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash flows from operating activities				
Profit before tax		108,286	89,371	805,144
Depreciation and amortization expense		46,762	43,541	392,261
Impairment losses		10,103	–	–
Share of loss (profit) of investments accounted for using equity method		(12,338)	4,901	44,153
Loss (gain) on sale of subsidiaries		67	(9,512)	(85,694)
Increase or decrease in retirement benefit asset or liability		(1,973)	(1,438)	(12,955)
Increase (decrease) in provisions		6,050	(2,930)	(26,396)
Finance income		(17,364)	(20,967)	(188,892)
Finance costs		14,251	8,862	79,838
Decrease (increase) in trade and other receivables		(30,232)	3,941	35,505
Decrease (increase) in inventories		(25,204)	(14,573)	(131,288)
Increase (decrease) in trade and other payables		5,630	12,849	115,757
Increase (decrease) in accrued consumption taxes		2,657	1,451	13,072
Other		(7,606)	(3,664)	(33,009)
Subtotal		99,089	111,832	1,007,495
Interest received		1,950	2,607	23,486
Dividends received		15,927	14,662	132,090
Interest paid		(6,076)	(6,737)	(60,694)
Income taxes paid		(34,694)	(12,701)	(114,423)
Income taxes refund		2,356	5,081	45,775
Net cash provided by (used in) operating activities		78,552	114,744	1,033,730
Cash flows from investing activities				
Payments into time deposits		(34,901)	(32,300)	(290,991)
Proceeds from withdrawal of time deposits		33,307	28,674	258,324
Purchase of investments		(10,610)	–	–
Proceeds from redemption of investments		–	10,610	95,586
Purchase of property, plant and equipment		(42,196)	(49,657)	(447,360)
Purchase of intangible assets		(595)	(1,527)	(13,757)
Proceeds from sale of investment securities		15,393	740	6,667
Purchase of shares of subsidiaries and associates		(11,856)	(49,169)	(442,964)
Payments for short-term loans receivable		(225)	(969)	(8,730)
Collection of short-term loans receivable		565	3,698	33,315
Payments for long-term loans receivable		(47)	(75,408)	(679,351)
Collection of long-term loans receivable		39,589	27	243
Proceeds from sale of interests in subsidiaries resulting in change in scope of consolidation	34	490	24,531	221,000
Payment for purchase of mining rights	34	(11,122)	–	–
Other	7	(579)	(1,604)	(14,450)
Net cash provided by (used in) investing activities		(22,787)	(142,354)	(1,282,468)

	Notes	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash flows from financing activities				
Proceeds from short-term borrowings	34	70,172	78,577	707,901
Repayments of short-term borrowings	34	(104,333)	(75,816)	(683,027)
Proceeds from long-term borrowings	34	30,795	15,928	143,495
Repayments of long-term borrowings	34	(117,459)	(23,985)	(216,081)
Proceeds from issuance of bonds	34	30,150	19,917	179,432
Redemption of bonds	34	–	(30,000)	(270,270)
Proceeds from share issuance to non-controlling shareholders		26,239	23,556	212,216
Repayments to non-controlling shareholders		(3,032)	–	–
Purchase of treasury shares		(5,082)	(25)	(225)
Dividends paid		(12,686)	(32,151)	(289,649)
Dividends paid to non-controlling shareholders		(4,553)	(5,049)	(45,486)
Other		(8)	1	9
Net cash provided by (used in) financing activities		(89,797)	(29,047)	(261,685)
Net increase (decrease) in cash and cash equivalents		(34,032)	(56,657)	(510,423)
Cash and cash equivalents at beginning of period	8	172,907	137,330	1,237,207
Effect of exchange rate changes on cash and cash equivalents		(1,545)	588	5,297
Cash and cash equivalents at end of period	8	137,330	81,261	732,081

Notes to Consolidated Financial Statements

1. Reporting Entity

Sumitomo Metal Mining Co., Ltd. (hereinafter the "Company") is a company based in Japan, and its shares are listed on the Tokyo Stock Exchange. The address of its registered head office is 11-3, Shimbashi 5-chome Minato-ku, Tokyo. The Company's consolidated financial statements, which were prepared with the end of the fiscal year on March 31, 2019, represent the Company and its subsidiaries (hereinafter the "SMM Group") as well as the Company's interests in its associates and joint ventures.

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

2. Basis of Preparation

(1) Statement of compliance with International Financial Reporting Standards and matters related to the first-time adoption

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

These consolidated financial statements are the first consolidated financial statements prepared by the Company in accordance with IFRS, and the date of transition to IFRS was April 1, 2017. The SMM Group also applied IFRS 1 "First-time Adoption of International Financial Reporting Standards" (hereinafter "IFRS 1"). Effects of the transition to IFRS on the SMM Group's consolidated financial position, financial results and cash flows are stated in the first-time adoption section (40. First-time Adoption).

(2) Approval of the consolidated financial statements

The consolidated financial statements of the SMM Group were approved on June 25, 2019, by Akira Nozaki, President and Representative Director.

(3) Basis of measurement

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

(4) Presentation currency

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

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate as of March 29, 2019, which was ¥111 to U.S. $1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange. The totals of U.S. dollars conversions of the Japanese yen item amounts may not match the totals due to rounding.

3. Summary of Significant Accounting Policies

Unless otherwise specified, significant accounting policies applied in the consolidated financial statements are the same as those applied in all the periods stated in these consolidated financial statements (including the consolidated statement of financial position on the date of transition to IFRS).

(1) Basis for consolidation

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

1) Subsidiaries

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

2) Associates and joint agreement

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

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

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

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

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

3) Business combinations and goodwill

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

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

Additional acquisition of non-controlling interest after the acquisition of control is accounted for as equity transaction, for which no goodwill is recognized. The SMM Group has adopted the optional exemption under IFRS 1, whereby IFRS 3 "Business Combinations" has not retroactively been adopted for the business combinations prior to the transition date.

(2) Foreign currency translation

1) Foreign currency denominated transactions

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

2) Foreign operations

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

The SMM Group has adopted the optional exemption under IFRS 1, whereby the cumulative amount of exchange differences prior to the transition date was reclassified in its entirety to retained earnings.

(3) Cash and cash equivalents

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

(4) Financial instruments

1) Non-derivative financial assets

(i) Initial recognition and measurement

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

Unless classified into those measured at fair value through profit or loss, all financial assets are measured at fair value added with transaction costs directly attributable thereto, provided, however, that trade receivables not containing a significant financing component are subject to initial measurement at transaction price.

(a) Financial assets measured at amortized cost

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

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

(b) Financial assets measured at fair value

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

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

(ii) Subsequent measurement

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

(a) Financial assets measured at amortized cost

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

(b) Financial assets measured at fair value

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

(iii) Impairment of financial assets

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

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

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

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

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

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

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

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

(iv) Derecognition of financial assets

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

2) Non-derivative financial liabilities

(i) Initial recognition and measurement

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

(ii) Subsequent measurement

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

(iii) Derecognition

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

3) Derivatives and hedge accounting

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

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

(i) Fair value hedges

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

(ii) Cash flow hedges

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

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

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

4) Embedded derivatives

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

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

(5) Inventories

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

(6) Property, plant and equipment

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

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

Buildings and structures:	From two to sixty (60) years
Machinery, equipment and vehicles:	From two to thirty five (35) years

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

(7) Intangible assets and goodwill

1) Goodwill

Goodwill arising from business combinations is presented at acquisition cost less accumulated impairment. Goodwill is not amortized, but allocated to cash-generating units or cash-generating unit groups and subjected to impairment test on an annual basis, or as appropriate if there is an indication of impairment. Impairment loss of goodwill is recognized in profit or loss, involving no subsequent reversal. Measurement of goodwill at initial recognition is described in “(1) Basis for consolidation, 3) Business combinations and goodwill.”

2) Other intangible assets

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

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

Mining rights (mineral rights):	By the units-of-production method
Mining rights (exploration rights):	Five years
Software:	Five years

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

(8) Investment property

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

(9) Exploration and evaluation of mining resources

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

(10) Stripping costs

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

(11) Leases

Leasing arrangements are classified as finance lease if it transfers substantially all the risks and economic benefits incidental to ownership of an asset to the SMM Group. Lease assets are measured at initial recognition at the lower of fair value or present value of minimum lease payments amounts. Lease assets are, subsequent to initial recognition, depreciated over the shorter of lease term and economic useful lives, and expenses associated therewith are recognized in profit or loss. All leases other than finance lease are classified as operating lease, where lease payment is recognized in profit or loss over the lease term by using the straight-line method.

(12) Impairment of non-financial assets

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

(13) Assets held for sale

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

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

(14) Employee benefits

1) Defined benefit plan

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

2) Defined contribution plan

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

(15) Provisions

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

(16) Government grants

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

(17) Equity

1) Ordinary shares

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

2) Treasury shares

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

(18) Revenue

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

Step 1: Identify contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

Revenue is recognized at one point in time or over a period, when or as the performance obligations in the contract with a customer are satisfied. With regard to revenue from the sale of goods in the regular course of trading activities, a performance obligation is satisfied by transferring control over the goods to the customer and the revenue is recorded at the time of delivery of the goods.

(19) Finance income and finance costs

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

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

(20) Income taxes

Income taxes are the sum of current and deferred tax.

1) Current tax

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

2) Deferred tax

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

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

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

- Taxable temporary differences arising from investments in subsidiaries and associates, when the Company retains control over the timing of reversal of such taxable temporary differences, and such taxable temporary differences are unlikely to be reversed in the foreseeable future.

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

(21) Earnings per share

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

4. Significant Accounting Estimates and Judgments Involving Estimates

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

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

- Recoverability of deferred tax assets (Note 19. Income Taxes)
- Accounting for and measurement of provisions (Note 23. Provisions)
- Measurement of defined benefit obligations (Note 24. Employee Benefits)
- Fair value measurement of financial instruments (Note 35. Financial Instruments)

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

Of major standards and interpretations that were newly issued or amended prior to the date of approval of the consolidated financial statements, the SMM Group does not early adopt the following standards.

IFRS		Mandatory effective date (from the fiscal year beginning on or after)	Scheduled adoption by the SMM Group	Summary of new or amended standards
IFRS 16	Leases	January 1, 2019	Year ending March 31, 2020	The new standard amends accounting treatment for lease contracts
IAS 28	Investments in Associates and Joint Ventures	January 1, 2019	Year ending March 31, 2020	The amended standard clarifies accounting treatment for long-term interests in an associate or joint venture.

(1) IFRS 16 Leases

Whereas the currently applicable IAS 17 Leases requires an entity to classify certain lease contracts as operating leases by lessee and recognize expenses when the lease payments are made, IFRS 16 Leases requires an entity to recognize at the commencement date a right-of-use asset and a lease liability reflecting the lease term in its consolidated statement of financial position for such operating lease contracts and recognize expenses over the lease term. The SMM Group plans to adopt the method of recognizing the cumulative effect of applying IFRS 16 as of the effective date. The balances of the consolidated statement of financial position as of April 1, 2019 is expected to be a ¥9,300 million (U.S. $83,784 thousand) increase in both assets and liabilities.

(2) IAS 28 Investments in Associates and Joint Ventures

The amendment of IAS 28 Investments in Associates and Joint Ventures clarifies accounting treatment for long-term interests in an associate or joint venture. The cumulative effect of applying the amendment of IAS 28 on the balances of the consolidated statement of financial position as of April 1, 2019 is expected to be a ¥57,400 million (U.S. $517,117 thousand) decrease in assets and equity.

6. Operating Segments

(1) Summary of reportable segments

1) Decision method of the reportable segments

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

The Company currently has 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 within the Company and through the consolidated subsidiaries and equity-method associates over which it holds jurisdiction. The three aforementioned businesses are classified as "Operating Segments" of the Company.

The Company has classified these operating segments into three core reportable segments of Mineral Resources, Smelting & Refining, and Materials by integrating the mineral resource businesses into Mineral Resources, the non-ferrous metals businesses into Smelting & Refining, and materials businesses into Materials based on their similarities of product/service characteristics and economic characteristics represented primarily by the segment income margin.

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

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

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

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

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

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

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

FY2017 (From April 1, 2017 to March 31, 2018)

	Reportable Segments				Other Businesses[1]	Adjustments[2]	Consolidated Statement of Profit or Loss
	Mineral Resources	Smelting & Refining	Materials	Total			
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Net sales:							
Outside customers	120,648	636,025	167,619	924,292	5,454	–	929,746
Inter-segment	34,078	32,669	17,173	83,920	4,865	(88,785)	–
Total	154,726	668,694	184,792	1,008,212	10,319	(88,785)	929,746
Segment income (loss) (Profit before tax)	57,994	47,763	7,087	112,844	(7,390)	2,832	108,286
Segmental assets	493,026	680,061	236,868	1,409,955	27,807	294,571	1,732,333
Other items:							
Depreciation and amortization expense	(20,003)	(18,274)	(7,270)	(45,547)	(437)	(778)	(46,762)
Finance income	2,207	4,303	1,045	7,555	–	9,809	17,364
Finance costs	(2,496)	(3,620)	(276)	(6,392)	(9)	(7,850)	(14,251)
Share of profit (loss) of investments accounted for using equity method	3,716	6,016	3,262	12,994	–	(656)	12,338
Impairment losses on non-financial assets	–	(596)	(9,259)	(9,855)	(248)	–	(10,103)
Other gain (loss)	530	(4,194)	167	(3,497)	(5,938)	(925)	(10,360)
Capital expenditures	32,499	19,168	18,970	70,637	809	3,229	74,675
Investments accounted for using equity method	178,343	101,869	24,660	304,872	–	(4,840)	300,032

FY2018 (From April 1, 2018 to March 31, 2019)

	Reportable Segments				Other Businesses[1]	Adjustments[2]	Consolidated Statement of Profit or Loss
	Mineral Resources	Smelting & Refining	Materials	Total			
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Net sales:							
Outside customers	100,099	605,393	203,008	908,500	3,708	–	912,208
Inter-segment	29,979	32,386	16,388	78,753	5,156	(83,909)	–
Total	130,078	637,779	219,396	987,253	8,864	(83,909)	912,208
Segment income (loss) (Profit before tax)	36,465	40,935	13,780	91,180	(2,007)	198	89,371
Segmental assets	611,084	693,126	256,389	1,560,599	28,211	208,891	1,797,701
Other items:							
Depreciation and amortization expense	(15,390)	(18,945)	(7,817)	(42,152)	(427)	(962)	(43,541)
Finance income	2,579	3,923	1,079	7,581	3	13,383	20,967
Finance costs	(2,494)	(4,888)	(346)	(7,728)	(5)	(1,129)	(8,862)
Share of profit (loss) of investments accounted for using equity method	(14,021)	5,989	3,217	(4,815)	–	(86)	(4,901)
Impairment losses on non-financial assets	–	–	–	–	–	–	–
Other gain (loss)	10,549	(2,619)	348	8,278	(2,317)	(1,102)	4,859
Capital expenditures	13,573	13,688	14,308	41,569	854	5,022	47,445
Investments accounted for using equity method	241,210	104,285	24,715	370,210	–	(7,045)	363,165

	Reportable Segments				Other Businesses[1]	Adjustments [2]	Consolidated Statement of Profit or Loss
	Mineral Resources	Smelting & Refining	Materials	Total			
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Net sales:							
Outside customers	901,793	5,453,991	1,828,901	8,184,685	33,405	–	8,218,090
Inter-segment	270,081	291,766	147,640	709,486	46,450	(755,937)	–
Total	1,171,874	5,745,757	1,976,541	8,894,171	79,856	(755,937)	8,218,090
Segment income (loss) (Profit before tax)	328,514	368,784	124,144	821,441	(18,081)	1,784	805,144
Segmental assets	5,505,261	6,244,378	2,309,811	14,059,450	254,153	1,881,901	16,195,505
Other items:							
Depreciation and amortization expense	(138,649)	(170,676)	(70,423)	(379,748)	(3,847)	(8,667)	(392,261)
Finance income	23,234	35,342	9,721	68,297	27	120,568	188,892
Finance costs	(22,468)	(44,036)	(3,117)	(69,622)	(45)	(10,171)	(79,838)
Share of profit (loss) of entities accounted for using equity method	(126,315)	53,955	28,982	(43,378)	–	(775)	(44,153)
Impairment losses on non-financial assets	–	–	–	–	–	–	–
Other gain (loss)	95,036	(23,595)	3,135	74,577	(20,874)	(9,928)	43,775
Capital expenditures	122,279	123,315	128,901	374,495	7,694	45,243	427,432
Investments accounted for using equity method	2,173,063	939,505	222,658	3,335,225	–	(63,468)	3,271,757

Notes: 1. The Other Businesses segment refers to the operating segments and other income-seeking business activities that are under the control of the Head Office divisions/departments and are engaged in by business segments other than those included in the reportable segments. Other Businesses include real estate and technical engineering businesses.

2. The adjustments are as follows:

1) The adjustments for segment income (loss) are as follows:

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Head Office expenses not allocated to each reportable segment *1	(1,684)	(3,731)	(33,613)
Internal interest rate	378	794	7,153
Eliminations of inter-segmental transactions among the reportable segments	(660)	(7,734)	(69,676)
Profit or loss not allocated to each reportable segment *2	4,798	10,869	97,919
Adjustments for segment income (loss)	2,832	198	1,784

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

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

2) The adjustments on segmental assets are as follows:

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Corporate assets not allocated to each reportable segment *1	549,225	628,576	5,662,847
Offsets and eliminations of inter-segmental receivables among the reportable segments, including those toward Head Office divisions/departments, etc.	(254,654)	(419,685)	(3,780,946)
Adjustments on segmental assets	294,571	208,891	1,881,901

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

3) The adjustments on depreciation and amortization expense refer to depreciation and amortization expense at the Head Office divisions/departments, which are not allocated to the reportable segments.

4) The adjustments on finance income and costs consist of interest income and interest expense at the Head Office divisions/departments, which are not allocated to the reportable segments, and eliminations of transactions among the reportable segments.

5) The adjustments on share of profit (loss) of investments accounted for using equity method refer to the deduction of unrealized income relating to the inter-segmental transactions among the reportable segments.

6) The adjustments on other gain (loss) consist of other income and expenses at the Head Office divisions/departments, which are not allocated to the reportable segments, and eliminations of transactions among the reportable segments.

7) The adjustments on capital expenditures refer to an increase thereof at the Head Office divisions/departments, which is not allocated to the reportable segments.

8) The adjustments on investments accounted for using equity method refer to exchange differences on transition of foreign operations

(3) Information by region

The breakdown of net sales by region is as follows.

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Domestic	526,291	502,496	4,526,991
United States	145,440	152,526	1,374,108
Other	258,015	257,186	2,316,991
Total	929,746	912,208	8,218,090

Note: Net sales are broken down by location of shipping destination.

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

	Date of transition (As of April 1, 2017)	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Domestic	162,976	170,234	182,102	1,640,559
The Philippines	216,440	203,205	210,859	1,899,631
United States	160,562	144,381	120,955	1,089,685
Other	6,448	28,479	27,917	251,505
Total	546,426	546,299	541,833	4,881,378

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

(4) Information about major customers

Net sales to the major external customers are as follows.

	Relevant reportable segment	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Panasonic Corporation	Materials and Smelting & Refining	127,128	179,529	1,617,378
Sumitomo Corporation	Smelting & Refining and Materials	124,029	90,048	811,243

7. Business Combinations and Acquisition of Non-controlling Interests

FY2017 (From April 1, 2017 to March 31, 2018)

(Business combinations through acquisition)

The Company additionally acquired the shares of GRANOPT Co., Ltd., which had been a joint venture of the Company, making it a consolidated subsidiary. The outline of the business combination is described as follows.

(1) Outline of the business combination

1) 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)

2) Primary reasons for the business combination

In the Company's 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 has decided to acquire 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.

3) Date of the business combination

June 23, 2017

4) Legal form of the business combination

Acquisition of shares

5) Name of the company after the business combination

There is no change in the name of the company

6) Percentage of voting rights acquired

Percentage of voting rights owned before acquisition	50.00%
Percentage of voting rights additionally acquired on the date of the business combination	1.00%
Percentage of voting rights owned after acquisition	51.00%

7) Main grounds for determining which company to acquire

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

(2) Acquisition cost, fair value of assets acquired and liabilities assumed, and goodwill

(Millions of yen)

	Amount
Acquisition cost	
Cash and cash equivalents	110
Fair value of equity interests held immediately before the acquisition date	2,367
Total	2,477
Assets acquired and liabilities assumed	
Cash and cash equivalents	1,275
Trade and other receivables	223
Inventories	393
Property, plant and equipment	1,779
Intangible assets	14
Other assets	79
Trade and other payables	(136)
Income taxes payable	(143)
Provisions	(21)
Other liabilities	(119)
Total	3,344
Non-controlling interests	(1,639)
Goodwill	772

Notes: 1. Goodwill that arose from the business combination represents excess earning power of GRANOPT Co., Ltd. that would be expected through its future business development, and is not tax-deductible.

2. Fair value of trade and other receivables is ¥223 million. The aggregate amount of accounts receivable-other arising from contracts is ¥223 million, of which no contractual cash flows are estimated to be uncollectible.

3. Non-controlling interests are measured at the non-controlling shareholders' proportionate share of the fair value of the acquiree's identifiable net assets.

(3) Cash flows arising from acquisition

(Millions of yen)

	Amount
Cash and cash equivalents paid for the acquisition	110
Cash and cash equivalents held by the acquiree at the time of acquisition	(1,275)
Net cash and cash equivalents paid (received)	(1,165)

(4) Difference between acquisition cost of the acquiree and total acquisition cost of individual transactions leading to acquisition

The Company remeasured equity interests of the acquiree held immediately before the acquisition date at fair value on the acquisition date. Consequently, gain on step acquisitions of ¥693 million was recognized in "other income" of the consolidated statement of profit or loss.

(5) Other

The disclosure of the following items is omitted due to their insignificant effect on the consolidated financial statements:

- Net sales and profit of the acquiree for the period from the acquisition date recognized in the consolidated statement of profit or loss,
- Net sales and profit of the acquiree assuming that the acquisition date had been the beginning of FY2018, and
- Acquisition-related cost for the business combination.

FY2018 (From April 1, 2018 to March 31, 2019)

There are no pertinent items.

8. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows.

	Date of transition (As of April 1, 2017)	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents				
Cash and deposits	83,907	74,205	81,261	732,081
Negotiable certificates of deposit	89,000	63,125	–	–
Total	172,907	137,330	81,261	732,081

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

9. Trade and Other Receivables

The breakdown of trade and other receivables is as follows.

	Date of transition (As of April 1, 2017)	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Notes receivable – trade	4,357	6,128	5,485	49,414
Accounts receivable – trade	99,729	140,493	114,763	1,033,901
Accounts receivable – other	59,885	9,343	31,350	282,432
Total	163,971	155,964	151,598	1,365,748

The above amounts of accounts receivable – trade include trade receivables with embedded derivatives (¥3,590 million at the date of transition, ¥4,826 million as of March 31, 2018, and ¥11,892 million (U.S. $107,135 thousand) as of March 31, 2019). The SMM Group classifies such trade receivables as financial instruments measured at fair value through profit or loss and the others as financial instruments measured at amortized cost.

10. Inventories

The breakdown of inventories is as follows.

	Date of transition (As of April 1, 2017)	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Merchandise and finished goods	56,959	59,798	62,371	561,901
Work in process	99,225	108,238	104,158	938,360
Raw materials and supplies	98,881	110,076	122,389	1,102,604
Total	255,065	278,112	288,918	2,602,865

The amounts of inventories recognized as an expense for FY 2017 and FY2018 are ¥761,428 million and ¥775,620 million (U.S. $6,987,568 thousand), respectively.

The amounts of inventories written down and recognized as an expense for FY2017 and FY2018 are ¥2,995 million and ¥3,913 million (U.S. $35,252 thousand), respectively.

11. Property, Plant and Equipment

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

Acquisition cost	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2017	313,166	595,197	20,105	25,884	25,535	979,887
Acquisition	2,190	4,128	72	–	48,814	55,204
Increase due to business combinations	476	826	1,242	–	22	2,566
Decrease due to deconsolidation	(1,577)	(1,368)	(93)	–	(73)	(3,111)
Transfer	5,053	16,518	645	4	(22,220)	–
Disposal	(1,630)	(13,101)	(1,074)	–	(5,088)	(20,893)
Exchange differences on translation	(6,303)	(13,704)	(41)	(99)	(1,104)	(21,251)
Other	–	–	(1)	–	(5)	(6)
As of March 31, 2018	311,375	588,496	20,855	25,789	45,881	992,396
Acquisition	814	2,484	315	3,751	43,144	50,508
Increase due to business combinations	–	–	–	–	–	–
Decrease due to deconsolidation	(23,632)	(40,557)	–	(9)	(284)	(64,482)
Transfer	10,381	33,208	1,023	115	(44,727)	–
Disposal	(2,238)	(22,946)	(1,760)	(308)	(2,638)	(29,890)
Exchange differences on translation	3,215	7,771	(11)	(77)	781	11,679
Other	–	(3)	–	(17)	(37)	(57)
As of March 31, 2019	299,915	568,453	20,422	29,244	42,120	960,154

Acquisition cost	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2018	2,805,180	5,301,766	187,883	232,333	413,342	8,940,505
Acquisition	7,333	22,378	2,838	33,793	388,685	455,027
Increase due to business combinations	–	–	–	–	–	–
Decrease due to deconsolidation	(212,901)	(365,378)	–	(81)	(2,559)	(580,919)
Transfer	93,523	299,171	9,216	1,036	(402,946)	–
Disposal	(20,162)	(206,721)	(15,856)	(2,775)	(23,766)	(269,279)
Exchange differences on translation	28,964	70,009	(99)	(694)	7,036	105,216
Other	–	(27)	–	(153)	(333)	(514)
As of March 31, 2019	2,701,937	5,121,198	183,982	263,459	379,459	8,650,036

Note: The amounts of borrowing costs included in the acquisition cost of property, plant and equipment for FY2017 and FY2018 are ¥45 million and ¥168 million (U.S. $1,514 thousand), respectively. The capitalization rates applied for FY2017 and FY2018 are 0.93% and 1.16%, respectively.

Accumulated depreciation and impairment losses	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2017	(134,843)	(344,513)	(17,754)	(2,714)	–	(499,824)
Depreciation	(13,476)	(28,807)	(851)	(137)	–	(43,271)
Impairment losses	(3,177)	(5,879)	(63)	–	(428)	(9,547)
Decrease due to deconsolidation	1,284	560	62	–	–	1,906
Disposal	1,273	11,485	1,070	–	–	13,828
Exchange differences on translation	1,715	4,979	34	77	–	6,805
Other	(102)	(238)	(65)	–	–	(405)
As of March 31, 2018	(147,326)	(362,413)	(17,567)	(2,774)	(428)	(530,508)
Depreciation	(11,829)	(28,153)	(795)	(70)	–	(40,847)
Impairment losses	–	–	–	–	–	–
Decrease due to deconsolidation	17,861	33,263	–	–	–	51,124
Disposal	1,525	19,140	1,721	–	61	22,447
Exchange differences on translation	(1,032)	(2,706)	6	47	–	(3,685)
Other	7	90	20	–	–	117
As of March 31, 2019	(140,794)	(340,779)	(16,615)	(2,797)	(367)	(501,352)

Accumulated depreciation and impairment losses	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2018	(1,327,261)	(3,264,982)	(158,261)	(24,991)	(3,856)	(4,779,351)
Depreciation	(106,568)	(253,631)	(7,162)	(631)	–	(367,991)
Impairment losses	–	–	–	–	–	–
Decrease due to deconsolidation	160,910	299,667	–	–	–	460,577
Disposal	13,739	172,432	15,505	–	550	202,225
Exchange differences on translation	(9,297)	(24,378)	54	423	–	(33,198)
Other	63	811	180	–	–	1,054
As of March 31, 2019	(1,268,414)	(3,070,081)	(149,685)	(25,198)	(3,306)	(4,516,685)

Note: Depreciation is included in "cost of sales" and "selling, general and administrative expenses" of the consolidated statement of profit or loss.

Carrying amount	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2017	178,323	250,684	2,351	23,170	25,535	480,063
As of March 31, 2018	164,049	226,083	3,288	23,015	45,453	461,888
As of March 31, 2019	159,121	227,674	3,807	26,447	41,753	458,802
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2019	1,433,523	2,051,117	34,297	238,261	376,153	4,133,351

(2) Assets held under finance leases

The carrying amounts of assets held under finance leases included in property, plant and equipment are as follows.

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2017	6	227	–	233
As of March 31, 2018	2	898	–	900
As of March 31, 2019	–	1,869	–	1,869
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2019	–	16,838	–	16,838

(3) Impairment losses

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

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

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Mineral Resources	–	–	–
Smelting & Refining	592	–	–
Materials	8,767	–	–
Other	188	–	–
Total	9,547	–	–

FY2017 (From April 1, 2017 to March 31, 2018)

The Smelting & Refining segment reported an impairment loss of ¥592 million. This is because the book value of manufacturing facilities for cast products was reduced to the recoverable amount as a result of the SMM Group's decision to withdraw from this business. As the recoverable amount is measured at value in use and the estimated value in use based on future cash flows is negative, the recoverable amount is assessed to be zero.

The Materials segment reported an impairment loss of ¥8,767 million. This is because the book value of manufacturing facilities for crystal substrates was reduced to the recoverable amount as a result of a sharp deterioration of the business environment. The recoverable amount, which is measured at fair value less costs of disposal, is assessed to be ¥5,415 million. The assessed amount reflects the appraisal value by a third party of precious metals contained in the facilities.

The Other Businesses segment reported an impairment loss of ¥188 million. This is because the book value of the facilities for technical engineering was reduced to the recoverable amount due to a decrease in engineering-related business commissioned by nuclear energy-related companies. The recoverable amount, which is measured at fair value less costs of disposal, is assessed to be zero because sale of the facilities will be difficult.

The fair value less costs of disposal is classified as Level 3 in the fair value hierarchy.

FY2018 (From April 1, 2018 to March 31, 2019)

There are no pertinent items.

(4) Commitments

Commitments to purchase property, plant and equipment as of April 1, 2017, March 31, 2018 and March 31, 2019 are ¥17,036 million, ¥12,359 million and ¥26,034 million (U.S. $234,541 thousand), respectively.

12. Intangible Assets and Goodwill

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

Carrying amount	Goodwill	Mining rights	Software	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2017	–	43,679	1,677	1,692	47,048
As of March 31, 2018	772	61,284	1,513	2,126	65,695
As of March 31, 2019	772	55,884	2,268	2,283	61,207
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2019	6,955	503,459	20,432	20,568	551,414

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

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

Acquisition cost	Mining rights
	Millions of yen
As of April 1, 2017	55,431
Acquisition	21,424
Exchange differences on translation	(1,528)
As of March 31, 2018	75,327
Decrease due to deconsolidation	(12,636)
Exchange differences on translation	(1,073)
As of March 31, 2019	61,618

Acquisition cost	Mining rights
	Thousands of U.S. dollars
As of March 31, 2018	678,622
Decrease due to deconsolidation	(113,838)
Exchange differences on translation	(9,667)
As of March 31, 2019	555,117

Accumulated amortization and accumulated impairment losses	Mining rights
	Millions of yen
As of April 1, 2017	(11,752)
Amortization expense	(2,856)
Exchange differences on translation	565
As of March 31, 2018	(14,043)
Amortization expense	(2,235)
Decrease due to deconsolidation	10,501
Exchange differences on translation	43
As of March 31, 2019	(5,734)

Accumulated amortization and accumulated impairment losses	Mining rights
	Thousands of U.S. dollars
As of March 31, 2018	(126,514)
Amortization expense	(20,135)
Decrease due to deconsolidation	94,604
Exchange differences on translation	387
As of March 31, 2019	(51,658)

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

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

Carrying amount	SMM Morenci Inc.	SMM Gold Cote Inc.	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2017	39,618	–	4,061	43,679
As of March 31, 2018	36,529	21,821	2,934	61,284
As of March 31, 2019	34,158	21,439	287	55,884
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2019	307,730	193,144	2,586	503,459

13. Expenditures Concerning Exploration for and Evaluation of Mining Resources

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

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Exploration and evaluation expenses	2,060	2,861	25,775
Net cash provided by (used in) operating activities	(2,011)	(2,842)	(25,604)

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

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14. Investment Property

(1) Changes in carrying amount of investment properties

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

Carrying amount	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Balance at beginning of period	3,427	3,427	30,874
Acquisition	–	1	9
Disposal	–	–	–
Transfer between accounts	–	–	–
Exchange differences on translation	–	–	–
Other	–	–	–
Balance at end of period	3,427	3,428	30,883

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

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

Carrying amount and fair value	Date of transition (As of April 1, 2017)		FY2017 (As of March 31, 2018)		FY2018 (As of March 31, 2019)	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
	3,427	7,666	3,427	7,633	3,428	7,743

Carrying amount and fair value	FY2018 (As of March 31, 2019)	
	Carrying amount	Fair value
	Thousands of U.S. dollars	Thousands of U.S. dollars
	30,883	69,757

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

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

(2) Income and expenses arising from investment properties

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Lease income	563	506	4,559
Direct operating expenses	256	267	2,405

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

15. Investments Accounted for Using Equity Method

(1) Investments in associates

1) Significant associates

Associates individually material to the SMM Group are as follows:

Name	Description of main businesses	Location	Voting rights held by the Company: Date of transition (As of April 1, 2017)	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)
			%	%	%
Sociedad Minera Cerro Verde S.A.A.	Development and mining of copper mines	Arequipa, Peru	21.0	21.0	21.0
Sierra Gorda S.C.M.	Development and mining of copper mines	Santiago, Chile	45.0	45.0	45.0

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

Date of transition (As of April 1, 2017)

	Sociedad Minera Cerro Verde S.A.A.	Sierra Gorda S.C.M.
	Millions of yen	Millions of yen
Current assets	141,945	37,685
Non-current assets	747,530	427,810
Total assets	889,475	465,495
Current liabilities	34,205	68,403
Non-current liabilities	291,541	584,349
Total liabilities	325,746	652,752
Total equity	563,729	(187,257)
The SMM Group's share of total equity	118,383	(84,266)
Consolidation adjustment	6,626	84,266
Carrying amount of investments	125,009	–

FY2017 (As of March 31, 2018)

	Sociedad Minera Cerro Verde S.A.A.	Sierra Gorda S.C.M.
	Millions of yen	Millions of yen
Current assets	176,717	39,855
Non-current assets	692,368	439,027
Total assets	869,085	478,882
Current liabilities	57,720	81,428
Non-current liabilities	224,989	581,929
Total liabilities	282,709	663,357
Total equity	586,376	(184,475)
The SMM Group’s share of total equity	123,139	(83,014)
Consolidation adjustment	6,253	83,014
Carrying amount of investments	129,392	–

FY2018 (As of March 31, 2019)

	Sociedad Minera Cerro Verde S.A.A.	Sierra Gorda S.C.M.
	Millions of yen	Millions of yen
Current assets	164,925	42,643
Non-current assets	673,798	432,577
Total assets	838,723	475,220
Current liabilities	45,379	87,962
Non-current liabilities	226,157	574,584
Total liabilities	271,536	662,546
Total equity	567,187	(187,326)
The SMM Group’s share of total equity	119,109	(84,297)
Consolidation adjustment	6,141	84,297
Carrying amount of investments	125,250	–

	Sociedad Minera Cerro Verde S.A.A.	Sierra Gorda S.C.M.
	Thousands of U.S. dollars	Thousands of U.S. dollars
Current assets	1,485,811	384,171
Non-current assets	6,070,252	3,897,090
Total assets	7,556,063	4,281,261
Current liabilities	408,820	792,450
Non-current liabilities	2,037,450	5,176,432
Total liabilities	2,446,270	5,968,883
Total equity	5,109,793	(1,687,622)
The SMM Group’s share of total equity	1,073,054	(759,432)
Consolidation adjustment	55,324	759,432
Carrying amount of investments	1,128,378	–

	FY2017 (From April 1, 2017 to March 31, 2018)		FY2018 (From April 1, 2018 to March 31, 2019)	
	Sociedad Minera Cerro Verde S.A.A.	Sierra Gorda S.C.M.	Sociedad Minera Cerro Verde S.A.A.	Sierra Gorda S.C.M.
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Net sales	359,273	108,547	337,317	107,998
Profit (loss)	37,652	(28,113)	13,029	(41,144)
Other comprehensive income	(17,686)	–	(10,857)	–
Total comprehensive income	19,966	(28,113)	2,172	(41,144)
The SMM Group’s share:				
Net sales	75,447	48,846	70,837	48,599
Profit (loss)	7,907	(12,651)	2,736	(18,515)
Other comprehensive income	(3,714)	–	(2,280)	–
Total comprehensive income	4,193	(12,651)	456	(18,515)
Dividends received by the SMM Group	–	–	4,639	–

	FY2018 (From April 1, 2018 to March 31, 2019)	
	Sociedad Minera Cerro Verde S.A.A.	Sierra Gorda S.C.M.
	Thousands of U.S. dollars	Thousands of U.S. dollars
Net sales	3,038,892	972,955
Profit (loss)	117,378	(370,667)
Other comprehensive income	(97,811)	–
Total comprehensive income	19,568	(370,667)
The SMM Group’s share:		
Net sales	638,171	437,829
Profit (loss)	24,649	(166,802)
Other comprehensive income	(20,541)	–
Total comprehensive income	4,108	(166,802)
Dividends received by the SMM Group	41,793	–

2) Associates individually immaterial to the SMM Group

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

	Date of transition (As of April 1, 2017)	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total carrying amount	130,099	135,444	202,719	1,826,297

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

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Share of profit of the associates	12,432	7,174	64,631
Share of other comprehensive income of the associates	(1,163)	(4,208)	(37,910)
Share of total comprehensive income of the associates	11,269	2,966	26,721

SMM Quebrada Blanca SpA, a consolidated subsidiary of the Company, acquired 33% interests in Quebrada Blanca Holdings SpA, which has 90 percent ownership of the Quebrada Blanca Copper Mine, effective March 30, 2019 (with ¥67,433 million consideration for the acquisition). As the SMM Group has significant influence over the financial and operating policy decisions of Quebrada Blanca Holdings SpA, the investment was accounted for by applying the equity method.

The consideration paid for the investment includes contingent consideration, which is an estimated amount to be paid to Teck Resources Chile Ltd. determined based primarily on the production level and other factors at the mine over a certain period of time in the future.

As the fair values of the investee's assets and liabilities and contingent consideration are the amounts provisionally recognized at the acquisition date, they may be adjusted during the measurement period (one year from the acquisition date).

(2) Investments in joint ventures

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

	Date of transition (As of April 1, 2017)	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total carrying amount	37,341	35,196	35,196	317,081

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

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Share of profit of the joint ventures	4,650	3,704	33,369
Share of other comprehensive income of the joint ventures	1	(40)	(360)
Share of total comprehensive income of the joint ventures	4,651	3,664	33,009

16. Other Financial Assets

(1) Breakdown of other financial assets

The breakdown of other financial assets is as follows.

	Date of transition (As of April 1, 2017)	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Equity securities	146,626	159,220	150,183	1,353,000
Loans receivable	102,432	96,404	177,756	1,601,405
Bonds payable	–	10,625	–	–
Time deposits	24	1,667	5,293	47,685
Derivative assets	2,756	2,670	2,927	26,369
Other	2,259	2,785	3,546	31,946
Total	254,097	273,371	339,705	3,060,405
Current assets	2,382	18,162	9,493	85,523
Non-current assets	251,715	255,209	330,212	2,974,883
Total	254,097	273,371	339,705	3,060,405

Derivative assets are classified as financial assets measured at fair value through profit or loss; equity securities as financial assets measured at fair value through other comprehensive income; and loans receivable, corporate bonds and time deposits as financial assets measured at amortized cost. Loans receivable mainly consist of long-term investments of the SMM Group from associates and joint ventures.

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

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

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

	Date of transition (As of April 1, 2017)	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	
Issue	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Toyota Motor Corporation	33,125	37,418	35,565	320,405
Sumitomo Realty & Development Co., Ltd.	13,501	18,408	21,453	193,270
Sumitomo Forestry Co., Ltd.	17,086	17,248	15,540	140,000
Teck Resources Limited	10,805	11,560	10,817	97,450
MS&AD Insurance Group Holdings, Inc.	6,053	5,736	5,762	51,910
Other	66,056	68,850	61,046	549,964
Total	146,626	159,220	150,183	1,353,000

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Dividend income from financial assets held by the SMM Group as of the fiscal year-end	3,593	3,778	34,036

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

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

FY2017 (From April 1, 2017 to March 31, 2018)			FY2018 (From April 1, 2018 to March 31, 2019)		
Fair value at time of sale	Accumulated gains (losses)	Dividend income	Fair value at time of sale	Accumulated gains (losses)	Dividend income
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
246	65	3	321	264	25

FY2018 (From April 1, 2018 to March 31, 2019)		
Fair value at time of sale	Accumulated gains (losses)	Dividend income
Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
2,892	2,378	225

These assets were sold primarily due to the reconsideration of business relationships. Accumulated gains net of tax were reclassified from other components of equity into retained earnings at the time of sale. The amounts of such reclassification for FY2017 and FY2018 are ¥46 million and ¥185 million (U.S. $1,667 thousand), respectively.

Furthermore, for the financial assets measured at fair value through other comprehensive income, those whose fair value declined significantly when compared with their cost, accumulated losses net of tax were reclassified from other components of equity into retained earnings if the decline is deemed other-than-temporary. The amounts of such reclassification for FY2018 are ¥(885) million (U.S. $(7,973) thousand).

17. Other Assets

The breakdown of other assets is as follows.

	Date of transition (As of April 1, 2017)	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Other current assets				
Prepaid expenses	4,945	5,377	7,371	66,405
Advance payments to suppliers	2,024	2,761	4,619	41,613
Bullion in storage	59	2,742	4,041	36,405
Consumption taxes receivable	5,259	3,818	1,282	11,550
Other	7,878	10,864	2,632	23,712
Total	20,165	25,562	19,945	179,685
Other non-current assets				
Long-term prepaid expenses	10,337	10,519	9,630	86,757
Net defined benefit asset	220	242	4,592	41,369
Other	5,331	4,528	4,174	37,604
Total	15,888	15,289	18,396	165,730

18. Assets Held for Sale

The SMM Group decided to transfer all the shares of Suzhou SH Precision Co., Ltd., Malaysian SH Precision Sdn. Bhd. and SH Precision Co., Ltd. held by SH Materials Co., Ltd., the Company's consolidated subsidiaries, to JIHLIN TECHNOLOGY CO., LTD. as part of the process to withdraw from the lead frame business in the materials business. Assets and liabilities held for sale as of the date of transition were associated with these three subsidiaries.

The assets held for sale of ¥2,430 million (U.S. $21,892 thousand) include inventories of ¥1,017 million (U.S. $9,162 thousand) and trade and other receivables of ¥931 million (U.S. $8,387 thousand). Liabilities directly associated with assets held for sale of ¥3,440 million (U.S. $30,991 thousand) include short-term borrowings of ¥1,957 million (U.S. $17,631 thousand) and trade and other payables of ¥1,413 million (U.S. $12,730 thousand).

The share transfer above completed in the previous fiscal year (on June 1, 2017), resulting in the exclusion of these three subsidiaries from the scope of consolidation.

19. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

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

FY2017 (From April 1, 2017 to March 31, 2018)

	As of April 1, 2017	Recognized through profit or loss	Recognized in other comprehensive income	Other	As of March 31, 2018
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Deferred tax assets					
Exploration costs	5,251	(1,672)	–	(170)	3,409
Inventories	2,980	754	–	–	3,734
Property, plant and equipment	1,713	(735)	–	–	978
Provisions	6,519	116	–	–	6,635
Retirement benefit liability	4,662	394	(674)	–	4,382
Unused tax losses	214	8,063	–	–	8,277
Other	4,732	729	–	370	5,831
Total	26,071	7,649	(674)	200	33,246
Deferred tax liabilities					
Property, plant and equipment	(12,883)	2,921	–	342	(9,620)
Other financial assets	(15,353)	208	(3,427)	25	(18,547)
Retained earnings at subsidiaries and associates	(11,091)	(8,208)	–	68	(19,231)
Reserves	(6,602)	373	–	–	(6,229)
Other	(4,285)	(2,337)	378	–	(6,244)
Total	(50,214)	(7,043)	(3,049)	435	(59,871)

FY2018 (From April 1, 2018 to March 31, 2019)

	As of April 1, 2018	Recognized through profit or loss	Recognized in other comprehensive income	Other	As of March 31, 2019
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Deferred tax assets					
Exploration costs	3,409	(3,091)	–	(76)	242
Inventories	3,734	(551)	–	–	3,183
Property, plant and equipment	978	333	–	–	1,311
Provisions	6,635	2,349	–	(1,915)	7,069
Retirement benefit liability	4,382	(1,641)	1,345	–	4,086
Unused tax losses	8,277	235	–	(139)	8,373
Other	5,831	(1,390)	–	817	5,258
Total	33,246	(3,756)	1,345	(1,313)	29,522
Deferred tax liabilities					
Property, plant and equipment	(9,620)	(133)	–	92	(9,661)
Other financial assets	(18,547)	(4,930)	2,132	(7)	(21,352)
Retained earnings at subsidiaries and associates	(19,231)	(874)	–	106	(19,999)
Reserves	(6,229)	(5,056)	–	–	(11,285)
Other	(6,244)	2,655	(151)	–	(3,740)
Total	(59,871)	(8,338)	1,981	191	(66,037)

	As of April 1, 2018	Recognized through profit or loss	Recognized in other comprehensive income	Other	As of March 31, 2019
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Deferred tax assets					
Exploration costs	30,712	(27,847)	–	(685)	2,180
Inventories	33,640	(4,964)	–	–	28,676
Property, plant and equipment	8,811	3,000	–	–	11,811
Provisions	59,775	21,162	–	(17,252)	63,685
Retirement benefit liability	39,477	(14,784)	12,117	–	36,811
Unused tax losses	74,568	2,117	–	(1,252)	75,432
Other	52,532	(12,523)	–	7,360	47,369
Total	299,514	(33,838)	12,117	(11,829)	265,964
Deferred tax liabilities					
Property, plant and equipment	(86,667)	(1,198)	–	829	(87,036)
Other financial assets	(167,090)	(44,414)	19,207	(63)	(192,360)
Retained earnings at subsidiaries and associates	(173,252)	(7,874)	–	955	(180,171)
Reserves	(56,117)	(45,550)	–	–	(101,667)
Other	(56,252)	23,919	(1,360)	–	(33,694)
Total	(539,378)	(75,117)	17,847	1,721	(594,928)

The SMM Group considers the possibility that a portion or all of the deductible temporary differences or unused tax losses can be utilized against future taxable profits upon recognition of deferred tax assets. In assessing the recoverability of deferred tax assets, the SMM Group considers the scheduled reversal of deferred tax liabilities, projected future taxable profits, and tax planning strategies. Based on the level of historical taxable profits and projected future taxable profits for the periods in which the deferred tax assets can be recognized, the SMM Group has determined that it is probable that the tax benefits can be utilized.

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

	Date of transition (As of April 1, 2017)	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Unused tax losses	4,830	11,487	16,114	145,171
Deductible temporary differences	49,768	19,560	9,569	86,207
Total	54,598	31,047	25,683	231,378

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

	Date of transition (As of April 1, 2017)	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
1st year	44	139	274	2,468
2nd year	274	291	122	1,099
3rd year	502	127	137	1,234
4th year	124	144	320	2,883
5th year and after	3,886	10,786	15,261	137,486
Total	4,830	11,487	16,114	145,171

Deferred tax liabilities related to the temporary differences are not recognized in cases where the SMM Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future. Taxable temporary differences related to investments in consolidated subsidiaries and other entities, for which deferred tax liabilities were not recognized, as of April 1, 2017, March 31, 2018 and March 31, 2019 totaled ¥194,583 million, ¥208,817 million and ¥203,159 million (U.S. $1,830,261 thousand), respectively.

(2) Income tax expense

The breakdown of income tax expense is as follows.

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Current tax expense	13,990	10,036	90,414
Deferred tax expense			
Origination and reversal of temporary differences	1,313	12,122	109,207
Assessed recoverability of deferred tax assets	(4,796)	(1,758)	(15,838)
Changes in applicable tax rates and other factors	2,877	1,730	15,586
Total	13,384	22,130	199,369

The tax reforms were implemented in the United States and the Netherlands during FY2017 and FY2018, respectively. Accordingly, the SMM Group has revised the valuation of deferred tax assets and deferred tax liabilities.

Current tax expense includes the benefits that arose from previously unrecognized unused tax losses or temporary differences for prior periods. Such benefits helped decrease current tax expense by ¥9,179 million and ¥583 million (U.S. $5,252 thousand) for FY2017 and FY2018, respectively.

Deferred tax expense includes the benefits that arose from previously unrecognized unused tax losses or temporary differences for prior periods. Such benefits helped decrease deferred tax expenses by ¥8,035 million and ¥2,374 million (U.S. $21,387 thousand) for FY2017 and FY2018, respectively.

The following shows the reconciliation of differences between the Japanese statutory tax rates and the average effective tax rates for the SMM Group for FY2017 and FY2018.

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)
	%	%
Japanese statutory tax rates	30.9	30.6
Changes in unrecognized deferred tax assets	(12.1)	(0.9)
Non-taxable revenues	(3.0)	(1.8)
Income taxes for prior years	(6.3)	0.0
Differences in applicable tax rates of consolidated subsidiaries	1.2	(3.2)
Changes in tax effects of undistributed profit of consolidated subsidiaries	4.9	1.0
Share of profit (loss) of investments accounted for using equity method	(2.1)	0.5
Other	(1.1)	(1.4)
Average effective tax rates	12.4	24.8

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

The SMM Group is subject to the Japanese corporate tax, inhabitant tax and business tax. The SMM Group's statutory income tax rates calculated based on these taxes for FY2017 and FY2018 are 30.9% and 30.6%, respectively. Overseas consolidated subsidiaries, however, are subject to local corporate and other taxes.

20. Trade and Other Payables

The breakdown of trade and other payables is as follows.

	Date of transition (As of April 1, 2017)	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Accounts payable - trade	65,286	67,600	92,900	836,937
Accounts payable	23,111	43,689	57,350	516,667
Other	13,005	14,205	15,573	140,297
Total	101,402	125,494	165,823	1,493,901

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

21. Other Financial Liabilities (Including Bonds and Borrowings)

(1) Breakdown of financial liabilities

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

	Date of transition (As of April 1, 2017)	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)		Average interest rate (Note)	Due date
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars	%	
Short-term borrowings	77,580	41,362	44,760	403,243	1.42	–
Current portion of long-term borrowings	17,427	23,526	30,522	274,973	3.19	–
Current portion of bonds	–	29,991	–	–	–	–
Long-term borrowings	355,992	256,922	244,604	2,203,640	2.26	From August 20, 2020 to June 15, 2031
Bonds payable	39,938	9,974	29,912	269,477	0.43	From August 31, 2021 to September 17, 2021
Convertible bond-type bonds with share acquisition rights	–	29,365	29,493	265,703	–	March 15, 2023
Derivative liabilities	1,599	510	1,849	16,658	–	–
Other	2,114	2,703	3,878	34,937	–	–
Total	494,650	394,353	385,018	3,468,631		
Current liabilities	96,503	95,388	77,507	698,261		
Non-current liabilities	398,147	298,965	307,511	2,770,369		
Total	494,650	394,353	385,018	3,468,631		

Note: The item “average interest rate” represents the weighted average nominal interest rates for the balances as of the end of FY2018.

Restrictive financial covenants have been attached to some of the SMM Group’s borrowings; the covenants require, for example, that the SMM Group maintains a certain level of net assets. No events resulting in a breach of the covenants have occurred during FY2017 and FY2018.

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

Terms and conditions for bond issuance are summarized below.

Company name	Issue	Issuance date	Date of transition (As of April 1, 2017)	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	
			Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Sumitomo Metal Mining Co., Ltd.	28th series straight bonds	August 31, 2011	29,970	29,991 (29,991)	–	–
Sumitomo Metal Mining Co., Ltd.	29th series straight bonds	August 31, 2011	9,968	9,974	9,981	89,919
Sumitomo Metal Mining Co., Ltd.	30th series straight bonds	September 18, 2018	–	–	19,931	179,559
Sumitomo Metal Mining Co., Ltd.	Euro-yen denominated convertible bond-type bonds with share acquisition rights due 2023	March 15, 2018	–	29,365	29,493	265,703
Total			39,938	69,330	59,405	535,180

Company name	Coupon rate	Collateral	Redemption date
	%		
Sumitomo Metal Mining Co., Ltd.	–	–	–
Sumitomo Metal Mining Co., Ltd.	1.26	None	August 31, 2021
Sumitomo Metal Mining Co., Ltd.	0.02	None	September 17, 2021
Sumitomo Metal Mining Co., Ltd.	–	None	March 15, 2023
Total			

Note: The figure in a parenthesis represents the amount to be redeemed within one year.

(2) Assets pledged as collateral

Assets pledged as collateral are as follows.

	Date of transition (As of April 1, 2017)	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash and deposits (Note 1)	1	–	–	–
Investments accounted for using equity method (Note 2)	0	0	0	0
Long-term loans receivable (Note 1)	26,094	–	–	–
Other	343	244	–	–
Total	26,438	244	0	0

Financial Data/Corporate Data

Liabilities with collateral are as follows.

	Date of transition (As of April 1, 2017)	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Long-term borrowings (including current portion)	88,686	53,227	45,492	409,838
Total	88,686	53,227	45,492	409,838

Notes: 1. The assets pledged as collateral for the borrowings that SMM Holland B.V. borrowed from financial institutions. In the case of a default in the repayment of principal and/or payment of interest of the loans that became due or a failure to comply with the representations and warranties or financial covenants, the guarantee institution can exercise its right to dispose of the assets pledged as collateral and appropriate the proceeds from such disposal for repaying or offsetting the loan amount.

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

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

	Date of transition (As of April 1, 2017)	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Shares of consolidated subsidiaries (amount before inter-company eliminations)	28,032	28,032	28,032	252,541
Total	28,032	28,032	28,032	252,541

22. Leases

Operating lease

The breakdown by due date of future minimum lease payments under noncancelable operating leases is as follows.

	Date of transition (As of April 1, 2017)	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Due within one year	445	370	431	3,883
Due after one year through five years	1,235	1,148	1,477	13,306
Due after five years	979	993	1,351	12,171
Total	2,659	2,511	3,259	29,360

The minimum lease payments and variable lease payments under operating lease contracts recognized as expense are as follows.

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Minimum lease payments	1,900	1,925	17,342
Variable lease payments	–	–	–
Total	1,900	1,925	17,342

The SMM Group, as a lessee, leases assets including machinery and equipment.

Some contracts include a renewal option. There are no restrictions imposed by lease contracts such as significant renewal or purchase options, or escalation clauses.

23. Provisions

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

	Provision for decommissioning preparations	Asset retirement obligations	Provision for bonuses	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of March 31, 2018	13,418	13,389	3,630	3,005	33,442
Increases	350	3,814	3,548	801	8,513
Effect of changes in the discount rate	–	(694)	–	–	(694)
Unwinding of discount	–	122	–	–	122
Decreases (utilized)	(2,423)	(48)	(3,630)	(865)	(6,966)
Decreases (reversed)	–	(1,054)	–	(699)	(1,753)
Decreases due to deconsolidation	–	(5,460)	–	(153)	(5,613)
Exchange differences on translation	–	79	(4)	(11)	64
As of March 31, 2019	11,345	10,148	3,544	2,078	27,115
Current liabilities	–	1	3,630	1,265	4,896
Non-current liabilities	13,418	13,388	–	1,740	28,546
Total (as of March 31, 2018)	13,418	13,389	3,630	3,005	33,442
Current liabilities	–	2	3,544	1,207	4,753
Non-current liabilities	11,345	10,146	–	871	22,362
Total (as of March 31, 2019)	11,345	10,148	3,544	2,078	27,115

	Provision for decommissioning preparations	Asset retirement obligations	Provision for bonuses	Other	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2018	120,883	120,622	32,703	27,072	301,279
Increases	3,153	34,360	31,964	7,216	76,694
Effect of changes in the discount rate	–	(6,252)	–	–	(6,252)
Unwinding of discount	–	1,099	–	–	1,099
Decreases (utilized)	(21,829)	(432)	(32,703)	(7,793)	(62,757)
Decreases (reversed)	–	(9,495)	–	(6,297)	(15,793)
Decreases due to deconsolidation	–	(49,189)	–	(1,378)	(50,568)
Exchange differences on translation	–	712	(36)	(99)	577
As of March 31, 2019	102,207	91,423	31,928	18,721	244,279
Current liabilities	–	18	31,928	10,874	42,820
Non-current liabilities	102,207	91,405	–	7,847	201,459
Total (as of March 31, 2019)	102,207	91,423	31,928	18,721	244,279

(1) Provision for decommissioning preparations

JCO Co., Ltd., a domestic consolidated subsidiary of the Company, is advancing measures to promote facility dismantlement and decontamination to prepare for the decommissioning of its facilities. As certain losses are anticipated to be incurred depending on the conditions of dismantlement and decontamination of its facilities in the future, the Company will post a provision for decommissioning preparations for losses that can be reasonably estimated.

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

(2) Asset retirement obligations

The amount of asset retirement obligations is the reasonable estimate of the expenses required for the Company under the business plan and its consolidated subsidiaries to fulfill their obligations under individual leasing contracts and restoration obligations under mining laws and regulations of each jurisdiction. Furthermore, for the SMM Group's business establishments, subsidiaries and associates in Japan, the amount of asset retirement obligations is based on the reasonable estimate of retirement, research and other expenses required to fulfill their obligations, for example to retire assets and conduct environmental researches in a special manner provided by asbestos related laws and regulations (such as the Ordinance on Prevention of Asbestos Hazards) and dioxins related laws and regulations (such as the Ordinance on Industrial Safety and Health).

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

(3) Provision for bonuses

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

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

24. Employee Benefits

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

(i) Investment risk

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

(ii) Interest rate risk

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

(iii) Inflation risk

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

(iv) Longevity risk

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

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

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

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

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

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

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

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

(1) Retirement benefits

1) Defined benefit plan

(i) Reconciliation of defined benefit obligations and plan assets

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

(Millions of yen) (Thousands of U.S. dollars)

	Date of transition (As of April 1, 2017)	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	
Present value of funded defined benefit obligations	68,069	68,678	71,892	647,676
Fair value of plan assets	(60,554)	(63,241)	(67,986)	(612,486)
Subtotal	7,515	5,437	3,906	35,189
Present value of unfunded defined benefit obligations	1,744	1,812	1,893	17,054
Net defined benefit liability (asset)	9,259	7,249	5,799	52,243
Amounts on the consolidated statement of financial position				
Retirement benefit liability	9,479	7,491	10,391	93,613
Retirement benefit asset (Note)	(220)	(242)	(4,592)	(41,369)
Net liability (asset) on the consolidated statement of financial position	9,259	7,249	5,799	52,243

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

(ii) Reconciliation of present value of defined benefit obligations

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

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	
Defined benefit obligation at beginning of period	69,813	70,490	635,045
Service cost	2,428	1,736	15,640
Interest expenses	355	360	3,243
Remeasurements			
Actuarial gains and losses arising from changes in demographic assumptions	21	2,574	23,189
Actuarial gains and losses arising from changes in financial assumptions	619	665	5,991
Past service cost	–	707	6,369
Benefits paid	(2,784)	(2,844)	(25,622)
Exchange differences on translation	(53)	(10)	(90)
Other	91	107	964
Defined benefit obligation at end of period	70,490	73,785	664,730

The weighted-average duration of the defined benefit obligations was 12 years for both of FY2017 and FY2018.

(iii) Reconciliation of fair value of plan assets

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

	(Millions of yen)		(Thousands of U.S. dollars)
	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	
Fair value of the plan assets at beginning of period	60,554	63,241	569,739
Interest revenue	172	181	1,631
Remeasurements			
Return on plan assets	2,955	(1,142)	(10,288)
Contribution to the plan			
Contribution from employers	688	6,963	62,730
Contribution from participants in the plan	90	90	811
Benefits paid	(1,429)	(1,553)	(13,991)
Other	211	206	1,856
Fair value of the plan assets at end of period	63,241	67,986	612,486

The SMM Group plans to make contributions of ¥4,070 million (U.S. $36,667 thousand) in the next fiscal year (ending March 31, 2020).

(iv) Breakdown of plan assets by item

Major components of the plan assets are as follows.

Breakdown of fair value by asset class

(Millions of yen)

	Date of transition (As of April 1, 2017)			FY2017 (As of March 31, 2018)			FY2018 (As of March 31, 2019)		
	With quoted prices in active markets	With no quoted prices in active markets	Total	With quoted prices in active markets	With no quoted prices in active markets	Total	With quoted prices in active markets	With no quoted prices in active markets	Total
Japanese equity securities	24,432	–	24,432	24,932	–	24,932	22,794	–	22,794
Foreign equity securities	10,306	–	10,306	10,814	–	10,814	11,312	–	11,312
Japanese debt securities	12,309	5,768	18,077	14,449	7,107	21,556	11,628	8,245	19,873
Foreign debt securities	2,010	131	2,141	1,939	96	2,035	2,394	35	2,429
General accounts of insurance companies	–	1,028	1,028	–	1,105	1,105	–	1,094	1,094
Other	3,170	1,400	4,570	1,378	1,421	2,799	9,199	1,285	10,484
Total plan assets	52,227	8,327	60,554	53,512	9,729	63,241	57,327	10,659	67,986

(Thousands of U.S. dollars)

	FY2018 (As of March 31, 2019)		
	With quoted prices in active markets	With no quoted prices in active markets	Total
Japanese equity securities	205,351	–	205,351
Foreign equity securities	101,910	–	101,910
Japanese debt securities	104,757	74,279	179,036
Foreign debt securities	21,568	315	21,883
General accounts of insurance companies	–	9,856	9,856
Other	82,874	11,577	94,450
Total plan assets	516,459	96,027	612,486

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

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

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

(v) Major actuarial assumptions

Major assumptions used for the actuarial calculation are as follows.

	Date of transition (As of April 1, 2017)	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)
Discount rate	0.60%	0.50%	0.40%

(vi) Sensitivity analysis

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

				(Millions of yen)	(Thousands of U.S. dollars)
		Date of transition (As of April 1, 2017)	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	
Discount rate	0.5% increase	(3,474)	(3,383)	(3,659)	(32,964)
	0.5% decrease	3,844	3,900	3,977	35,829

2) Defined contribution plan

The amounts recognized as expenses associated with a defined contribution plan are ¥491 million and ¥386 million (U.S. $3,477 thousand) for FY2017 and FY2018, respectively.

25. Other Liabilities

The breakdown of other liabilities is as follows.

	Date of transition (As of April 1, 2017)	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Other current liabilities				
Borrowed bullion	6,430	6,959	4,041	36,405
Deposits received	382	1,256	744	6,703
Other	1,708	2,575	1,886	16,991
Total	8,520	10,790	6,671	60,099
Other non-current liabilities				
Other	1,147	1,148	888	8,000
Total	1,147	1,148	888	8,000

26. Equity and Other Components of Equity

(1) Share capital and Capital surplus

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

	Number of authorized shares	Number of issued shares
	Shares	Shares
Date of transition (As of April 1, 2017)	1,000,000,000	581,628,031
Increase (decrease) during the period (Note 2)	(500,000,000)	(290,814,016)
FY2017 (As of March 31, 2018)	500,000,000	290,814,015
Increase (decrease) during the period	–	–
FY2018 (As of March 31, 2019)	500,000,000	290,814,015

Notes: 1. The shares issued by the Company are ordinary shares with no par value that have no restrictions on any rights. The issued shares have been fully paid up.

2. The Company carried out a consolidation of share at the ratio of 2 shares to 1 share on October 1, 2017. Decreases in the numbers of authorized shares and issued shares are attributable to the consolidation of share.

(2) Treasury shares

Changes in the number of treasury shares are as follows.

	Number of shares	Amount
	Shares	Millions of yen
Date of transition (As of April 1, 2017)	30,030,086	32,877
Increase (decrease) during the period (Notes 1 and 2)	(14,009,987)	5,082
FY2017 (As of March 31, 2018)	16,020,099	37,959
Increase (decrease) during the period (Note 3)	6,171	24
FY2018 (As of March 31, 2019)	16,026,270	37,983

	Amount
	Thousands of U.S. dollars
FY2017 (As of March 31, 2018)	341,973
Increase (decrease) during the period (Note 3)	216
FY2018 (As of March 31, 2019)	342,189

Notes: 1. The Company carried out a consolidation of share at the ratio of 2 shares to 1 share on October 1, 2017.

2. The number of treasury shares increased by 1,019,416 shares during the period. The increase is attributable to the purchase of fractional shares of 35,816 shares (27,169 shares and 8,647 shares before and after the share consolidation, respectively) and the purchase of treasury shares of 983,600 shares on February 28, 2018 pursuant to the resolution by the Board of Directors.

The number of treasury shares decreased by 15,029,403 shares during the period. The decrease is attributable to a decrease by 15,028,076 shares due to the share consolidation and a decrease by 1,327 shares due to sale of fractional shares to meet the demand for sale of shares less than one unit (1,103 shares and 224 shares before and after the share consolidation, respectively).

3. The number of treasury shares increased by 6,632 shares during the period. The increase is attributable to the purchase of fractional shares.

The number of treasury shares decreased by 461 shares during the period. The decrease is attributable to sale of fractional shares to meet the demand for sale of shares less than one unit.

(3) Capital surplus

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

Capital surplus. The Companies Act also provides that legal capital reserve may be credited to share capital pursuant to a resolution at the general meeting of shareholders.

(4) Retained earnings

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

27. Dividends

(1) Dividends paid

FY2017 (From April 1, 2017 to March 31, 2018)

Date of resolution	Total dividend amount	Dividend per share	Record date	Effective date
	Millions of yen	Yen		
Ordinary General Meeting of Shareholders held on June 27, 2017	3,310	6	March 31, 2017	June 28, 2017
Board of Directors meeting held on November 9, 2017	9,377	17	September 30, 2017	December 6, 2017

Note: The Company carried out a consolidation of share at the ratio of 2 shares to 1 share on October 1, 2017.
Dividend per share shows the amount before the said consolidation of share.

FY2018 (From April 1, 2018 to March 31, 2019)

Date of resolution	Total dividend amount		Dividend per share		Record date	Effective date
	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Ordinary General Meeting of Shareholders held on June 26, 2018	18,136	163,387	66	0.59	March 31, 2018	June 27, 2018
Board of Directors meeting held on November 8, 2018	14,014	126,252	51	0.46	September 30, 2018	December 5, 2018

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

FY2017 (From April 1, 2017 to March 31, 2018)

Date of resolution	Total dividend amount	Dividend per share	Record date	Effective date
	Millions of yen	Yen		
Ordinary General Meeting of Shareholders on June 26, 2018	18,136	66	March 31, 2018	June 27, 2018

FY2018 (From April 1, 2018 to March 31, 2019)

Date of resolution	Total dividend amount		Dividend per share		Record date	Effective date
	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Ordinary General Meeting of Shareholders on June 25, 2019	6,045	54,459	22	0.20	March 31, 2019	June 26, 2019

28. Net Sales

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

FY2017 (From April 1, 2017 to March 31, 2018)

	Reportable segments				Other businesses	Total
	Mineral Resources	Smelting & Refining	Materials	Total		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Major products/services						
Ore	154,726	–	–	154,726	–	154,726
Metals						
Copper and precious metals	–	491,118	–	491,118	–	491,118
Nickel	–	156,698	–	156,698	–	156,698
Zinc and lead	–	16,963	–	16,963	–	16,963
Materials						
Powder materials	–	–	31,893	31,893	–	31,893
Battery materials	–	–	72,674	72,674	–	72,674
Package materials	–	–	23,888	23,888	–	23,888
Other	–	3,915	56,337	60,252	10,319	70,571
Subtotal	154,726	668,694	184,792	1,008,212	10,319	1,018,531
Adjustments	(34,078)	(32,669)	(17,173)	(83,920)	(4,865)	(88,785)
Outside customers	120,648	636,025	167,619	924,292	5,454	929,746

FY2018 (From April 1, 2018 to March 31, 2019)

	Reportable segments				Other businesses	Total
	Mineral Resources	Smelting & Refining	Materials	Total		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Major products/services						
Ore	130,078	–	–	130,078	–	130,078
Metals						
Copper and precious metals	–	462,243	–	462,243	–	462,243
Nickel	–	158,833	–	158,833	–	158,833
Zinc and lead	–	13,970	–	13,970	–	13,970
Materials						
Powder materials	–	–	33,233	33,233	–	33,233
Battery materials	–	–	113,547	113,547	–	113,547
Package materials	–	–	18,193	18,193	–	18,193
Other	–	2,733	54,423	57,156	8,864	66,020
Subtotal	130,078	637,779	219,396	987,253	8,864	996,117
Adjustments	(29,979)	(32,386)	(16,388)	(78,753)	(5,156)	(83,909)
Outside customers	100,099	605,393	203,008	908,500	3,708	912,208

	Reportable segments				Other businesses	Total
	Mineral Resources	Smelting & Refining	Materials	Total		
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Major products/services						
Ore	1,171,874	–	–	1,171,874	–	1,171,874
Metals						
Copper and precious metals	–	4,164,351	–	4,164,351	–	4,164,351
Nickel	–	1,430,928	–	1,430,928	–	1,430,928
Zinc and lead	–	125,856	–	125,856	–	125,856
Materials						
Powder materials	–	–	299,396	299,396	–	299,396
Battery materials	–	–	1,022,946	1,022,946	–	1,022,946
Package materials	–	–	163,901	163,901	–	163,901
Other	–	24,622	490,297	514,919	79,856	594,775
Subtotal	1,171,874	5,745,757	1,976,541	8,894,171	79,856	8,974,027
Adjustments	(270,081)	(291,766)	(147,640)	(709,486)	(46,450)	(755,937)
Outside customers	901,793	5,453,991	1,828,901	8,184,685	33,405	8,218,090

1) Mineral Resources

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

2) Smelting & Refining

In the Smelting & Refining business, the SMM Group mainly engages in sales of copper, nickel, ferronickel and zinc, as well as sales of precious metals such as gold, silver and platinum. Regarding the timing of revenue recognition, the SMM Group records revenue at the time of delivery of the goods because a performance obligation is satisfied by transferring control over the goods to the customer. Revenue from sale of these products are measured at the transaction price in contracts with customers. The contracts do not contain a significant financing component as the consideration for most transactions is received within one year after the performance obligation is satisfied.

3) Materials

In the Materials business, the SMM Group mainly engages in sales of semiconductor materials such as tape materials, as well as sales of advanced materials such as battery materials, pastes, powder materials, crystal materials and thin film materials. Regarding the timing of revenue recognition, the SMM Group records revenue at the time of delivery of the goods because a performance obligation is satisfied by transferring control over the goods to the customer. Revenue from sale of these products are measured at the transaction price in contracts with customers. The contracts do not contain a significant financing component as the consideration for most transactions is received within one year after the performance obligation is satisfied.

(2) Contract balances

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

(3) Transaction price allocated to the remaining performance obligations

There are no significant transactions with the individual contract period exceeding one year. The SMM Group has applied the practical expedient provided in paragraph 121 of IFRS 15 and omitted disclosure of the information about the remaining performance obligations with an individual expected contract period of one year or less.
There are no significant considerations from contracts with customers that were not included in the transaction price.

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

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

29. Breakdown of Expenses by Nature

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

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Material cost and cost of merchandise sold	613,986	634,465	5,715,901
Personnel expenses	66,667	65,373	588,946
Depreciation	44,754	40,541	365,234
Subcontract expenses	21,975	22,107	199,162
Repair expenses	18,929	20,397	183,757
Research and development expenses	5,109	6,298	56,739
Other	55,131	45,719	411,883
Total	826,551	834,900	7,521,622

30. Finance Income and Costs

(1) Finance income

The breakdown of finance income is as follows.

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Interest income			
Financial assets measured at amortized cost	13,433	14,319	129,000
Dividend income			
Equity financial assets measured at fair value through other comprehensive income	3,596	3,803	34,261
Foreign exchange gains	–	2,845	25,631
Other	335	–	–
Total	17,364	20,967	188,892

(2) Finance costs

The breakdown of finance costs is as follows.

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Interest expense			
Financial liabilities measured at amortized cost	8,300	6,887	62,045
Foreign exchange losses	5,710	–	–
Other	241	1,975	17,793
Total	14,251	8,862	79,838

31. Other Income and Expenses

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

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Gain on sale of subsidiaries	–	9,512	85,694
Gain on sale of fixed assets	83	262	2,360
Foreign exchange gains	3,269	6	54
Gain on step acquisitions	693	–	–
Other	1,640	3,231	29,108
Total	5,685	13,011	117,216

During FY2018 the SMM Group recorded gain on sale of subsidiaries of ¥9,512 million (U.S. $85,694 thousand) as a result of selling Sumitomo Metal Mining Pogo LLC, a consolidated subsidiary of the Company, which belonged to the Mineral Resources segment.

The share transfer transaction was completed on September 28, 2018.

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

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Provision for decommissioning preparations	6,361	350	3,153
Loss on sales and retirement of fixed assets	729	1,079	9,721
Suspended business management expense	646	794	7,153
Maintenance expense of suspended or abandoned mines	640	700	6,306
Other	7,669	5,229	47,108
Total	16,045	8,152	73,441

32. Other Comprehensive Income

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

FY2017 (From April 1, 2017 to March 31, 2018)

	Amount that occurred during the period	Reclassification adjustment	Amount before tax	Income taxes	Amount after tax
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Items that will not be reclassified to profit or loss:					
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	12,360	–	12,360	(3,446)	8,914
Remeasurements of defined benefit plans	2,315	–	2,315	(674)	1,641
Share of other comprehensive income of investments accounted for using equity method	148	–	148	–	148
Total of items that will not be reclassified to profit or loss	14,823	–	14,823	(4,120)	10,703
Items that will be reclassified to profit or loss:					
Cash flow hedges	(649)	166	(483)	378	(106)
Exchange differences on transition of foreign operations	(12,074)	1,787	(10,287)	–	(10,287)
Share of other comprehensive income of investments accounted for using equity method	(5,024)	–	(5,024)	–	(5,024)
Total of items that will be reclassified to profit or loss	(17,747)	1,953	(15,794)	378	(15,417)
Total	(2,924)	1,953	(971)	(3,742)	(4,714)

FY2018 (From April 1, 2018 to March 31, 2019)

	Amount that occurred during the period	Reclassification adjustment	Amount before tax	Income taxes	Amount after tax
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Items that will not be reclassified to profit or loss:					
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	(9,022)	–	(9,022)	2,053	(6,969)
Remeasurements of defined benefit plans	(4,381)	–	(4,381)	1,345	(3,036)
Share of other comprehensive income of investments accounted for using equity method	(205)	–	(205)	–	(205)
Total of items that will not be reclassified to profit or loss	(13,608)	–	(13,608)	3,398	(10,210)
Items that will be reclassified to profit or loss:					
Cash flow hedges	721	(105)	616	(151)	466
Exchange differences on transition of foreign operations	475	–	475	–	475
Share of other comprehensive income of investments accounted for using equity method	(6,323)	–	(6,323)	–	(6,323)
Total of items that will be reclassified to profit or loss	(5,127)	(105)	(5,232)	(151)	(5,382)
Total	(18,735)	(105)	(18,840)	3,247	(15,592)

	Amount that occurred during the period	Reclassification adjustment	Amount before tax	Income taxes	Amount after tax
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Items that will not be reclassified to profit or loss:					
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	(81,279)	–	(81,279)	18,495	(62,784)
Remeasurements of defined benefit plans	(39,468)	–	(39,468)	12,117	(27,351)
Share of other comprehensive income of investments accounted for using equity method	(1,847)	–	(1,847)	–	(1,847)
Total of items that will not be reclassified to profit or loss	(122,595)	–	(122,595)	30,613	(91,982)
Items that will be reclassified to profit or loss:					
Cash flow hedges	6,495	(946)	5,550	(1,360)	4,198
Exchange differences on transition of foreign operations	4,279	–	4,279	–	4,279
Share of other comprehensive income of investments accounted for using equity method	(56,964)	–	(56,964)	–	(56,964)
Total of items that will be reclassified to profit or loss	(46,189)	(946)	(47,135)	(1,360)	(48,486)
Total	(168,784)	(946)	(169,730)	29,252	(140,468)

33. Earnings per Share

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)
Profit attributable to owners of parent (Millions of yen)	90,227	66,790
Adjustment of profit attributable to owners of parent (Millions of yen)	272	–
Profit used to calculate diluted earnings per share (Millions of yen)	90,499	66,790
Weighted average number of ordinary shares outstanding (Thousands of shares)	275,703	274,790
Increase in ordinary shares (Thousands of shares)	30,755	–
Weighted average number of diluted ordinary shares (Thousands of shares)	306,458	274,790
Basic earnings per share (Yen)	327.26	243.06
Diluted earnings per share (Yen)	295.31	243.06

	FY2018 (From April 1, 2018 to March 31, 2019)
Profit attributable to owners of parent (Thousands of U.S. dollars)	601,712
Adjustment of profit attributable to owners of parent (Thousands of U.S. dollars)	–
Profit used to calculate diluted earnings per share (Thousands of U.S. dollars)	601,712
Basic earnings per share (U.S. dollars)	2.19
Diluted earnings per share (U.S. dollars)	2.19

Note: The Company carried out a consolidation of share at the ratio of 2 shares to 1 share on October 1, 2017. Basic earnings per share and diluted earnings per share have been calculated on the assumption that the said consolidation of share was carried out at the beginning of the previous fiscal year.

34. Cash Flow Information

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

The breakdown of assets acquired and liabilities assumed by SMM Gold Cote Inc., the Company's consolidated subsidiary, in FY2017, as a result of the purchase of mining rights in the Côté Gold Project, and the relations between the acquisition amount of mining rights and payments for purchase of mining rights are listed as follows.

(Millions of yen)

	FY2017 (From April 1, 2017 to March 31, 2018)
Breakdown of assets at time of purchase of mining rights	
Current assets	8
Non-current assets	21,490
Breakdown of liabilities at time of purchase of mining rights	
Current liabilities	(10,342)
Non-current liabilities	(33)

(Millions of yen)

	FY2017 (From April 1, 2017 to March 31, 2018)
Consideration paid	11,123
Cash and cash equivalents	(1)
Payments for purchase of mining rights	11,122

During FY2018, the Company sold the shares of Sumitomo Metal Mining Pogo LLC., which had been a consolidated subsidiary. The breakdown of assets and liabilities of the subsidiary at the time of the sale, as well as considerations received and proceeds from sale of the shares, are as follows.

	(Millions of yen)	(Thousands of U.S. dollars)
	FY2018 (From April 1, 2018 to March 31, 2019)	
Breakdown of assets at time of loss of control		
Current assets	5,355	48,243
Non-current assets	17,619	158,730
Breakdown of liabilities at time of loss of control		
Current liabilities	(2,440)	(21,982)
Non-current liabilities	(5,743)	(51,739)

	(Millions of yen)	(Thousands of U.S. dollars)
	FY2018 (From April 1, 2018 to March 31, 2019)	
Consideration received	(25,101)	(226,135)
Cash and cash equivalents	570	5,135
Proceeds from sale of interests in subsidiaries resulting in change in scope of consolidation (received)	(24,531)	(221,000)

(2) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities are as follows.

FY2017 (From April 1, 2017 to March 31, 2018)

	As of April 1, 2017	Changes with cash flows	Changes without cash flows: Exchange differences on transition of foreign operations	Changes without cash flows: Changes under amortized cost method	Changes without cash flows: Changes in fair value	Changes without cash flows: Other	As of March 31, 2018
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Short-term borrowings	77,580	(34,161)	(2,057)	–	–	–	41,362
Long-term borrowings	373,419	(86,664)	(6,331)	24	–	–	280,448
Bonds payable	39,938	30,150	–	33	–	(791)	69,330
Total	490,937	(90,675)	(8,388)	57	–	(791)	391,140

FY2018 (From April 1, 2018 to March 31, 2019)

	As of April 1, 2018	Changes with cash flows	Changes without cash flows: Exchange differences on transition of foreign operations	Changes without cash flows: Changes under amortized cost method	Changes without cash flows: Changes in fair value	Changes without cash flows: Other	As of March 31, 2019
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Short-term borrowings	41,362	2,761	637	–	–	–	44,760
Long-term borrowings	280,448	(8,057)	2,682	53	–	–	275,126
Bonds payable	69,330	(10,083)	–	158	–	–	59,405
Total	391,140	(15,379)	3,319	211	–	–	379,291

	As of April 1, 2018	Changes with cash flows	Changes without cash flows: Exchange differences on transition of foreign operations	Changes without cash flows: Changes under amortized cost method	Changes without cash flows: Changes in fair value	Changes without cash flows: Other	As of March 31, 2019
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Short-term borrowings	372,631	24,874	5,739	–	–	–	403,243
Long-term borrowings	2,526,559	(72,586)	24,162	477	–	–	2,478,613
Bonds payable	624,595	(90,838)	–	1,423	–	–	535,180
Total	3,523,784	(138,550)	29,901	1,901	–	–	3,417,036

35. Financial Instruments

(1) Management of capital risk

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

Changes in consolidated equity ratio are as follows.

	Date of transition (As of April 1, 2017)	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total equity attributable to owners of parent	957,502	1,029,385	1,047,561	9,437,486
Total liabilities and equity	1,714,979	1,732,333	1,797,701	16,195,505
Consolidated equity ratio (Equity attributable to owners of parent ratio)	55.8%	59.4%	58.3%	58.3%

(2) Management of financial risk

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

1) Credit risk

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

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

As for other receivables (accounts receivable-other, etc.) and other financial assets (loans receivable, etc.), the SMM Group goes through an internal approval process regarding counterparties' credit status at the start of transaction. The SMM Group also monitors counterparties to check their credit status on a regular basis even after the start of transaction. The SMM Group's long-term interests in its associates and joint ventures are excluded from the scope of disclosure on credit risk management.

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

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

	Date of transition (As of April 1, 2017)	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Guarantee obligations	84,223	73,988	63,918	575,838

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

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

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

(i) Trade receivables

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

FY2017 (From April 1, 2017 to March 31, 2018)

Allowance for doubtful accounts for	Financial assets recorded at an amount equal to 12-month ECL	Financial assets recorded at an amount equal to lifetime ECL			Total
		Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2017	–	105	–	–	105
Increase	–	2	–	–	2
Decrease (utilized)	–	(103)	–	–	(103)
Decrease (reversed)	–	(1)	–	–	(1)
Other	–	–	–	–	–
As of March 31, 2018	–	3	–	–	3

FY2018 (From April 1, 2018 to March 31, 2019)

Allowance for doubtful accounts for	Financial assets recorded at an amount equal to 12-month ECL	Financial assets recorded at an amount equal to lifetime ECL			Total
		Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2018	–	3	–	–	3
Increase	–	–	–	–	–
Decrease (utilized)	–	(2)	–	–	(2)
Decrease (reversed)	–	–	–	–	–
Other	–	–	–	–	–
As of March 31, 2019	–	1	–	–	1

Allowance for doubtful accounts for	Financial assets recorded at an amount equal to 12-month ECL	Financial assets recorded at an amount equal to lifetime ECL			Total
		Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of April 1, 2018	–	27	–	–	27
Increase	–	–	–	–	–
Decrease (utilized)	–	(18)	–	–	(18)
Decrease (reversed)	–	–	–	–	–
Other	–	–	–	–	–
As of March 31, 2019	–	9	–	–	9

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

Carrying amount	Financial assets recorded at an amount equal to 12-month ECL	Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2017	–	100,601	–	–
As of March 31, 2018	–	141,798	–	–
As of March 31, 2019	–	108,357	–	–
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2019	–	976,189	–	–

(ii) Other receivables and other financial assets

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

FY2017 (From April 1, 2017 to March 31, 2018)

Allowance for doubtful accounts for	Financial assets recorded at an amount equal to 12-month ECL	Financial assets recorded at an amount equal to lifetime ECL			Total
		Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2017	–	–	–	827	827
Increase	–	–	–	28	28
Decrease (utilized)	–	–	–	(4)	(4)
Decrease (reversed)	–	–	–	(4)	(4)
Other	–	–	–	–	–
As of March 31, 2018	–	–	–	847	847

FY2018 (From April 1, 2018 to March 31, 2019)

Allowance for doubtful accounts for	Financial assets recorded at an amount equal to 12-month ECL	Financial assets recorded at an amount equal to lifetime ECL			Total
		Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2018	–	–	–	847	847
Increase	–	–	–	29	29
Decrease (utilized)	–	–	–	(676)	(676)
Decrease (reversed)	–	–	–	–	–
Other	–	–	–	–	–
As of March 31, 2019	–	–	–	200	200

Allowance for doubtful accounts for	Financial assets recorded at an amount equal to 12-month ECL	Financial assets recorded at an amount equal to lifetime ECL			Total
		Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of April 1, 2018	–	–	–	7,631	7,631
Increase	–	–	–	261	261
Decrease (utilized)	–	–	–	(6,090)	(6,090)
Decrease (reversed)	–	–	–	–	–
Other	–	–	–	–	–
As of March 31, 2019	–	–	–	1,802	1,802

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

Carrying amount	Financial assets recorded at an amount equal to 12-month ECL	Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2017	64,631	–	–	1,001
As of March 31, 2018	26,029	–	–	1,025
As of March 31, 2019	34,761	–	–	380
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2019	313,162	–	–	3,423

2) Liquidity risk

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

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

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

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

Date of transition (As of April 1, 2017)

	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Non-derivative financial liabilities								
Trade and other payables	101,402	101,402	101,402	–	–	–	–	–
Bonds and borrowings	490,937	549,198	99,753	58,957	132,762	33,118	48,477	176,131
Total	592,339	650,600	201,155	58,957	132,762	33,118	48,477	176,131

FY2017 (As of March 31, 2018)

	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Non-derivative financial liabilities								
Trade and other payables	125,494	125,494	125,494	–	–	–	–	–
Bonds and borrowings	391,140	417,016	99,827	32,240	32,919	47,768	69,589	134,673
Total	516,634	542,510	225,321	32,240	32,919	47,768	69,589	134,673

FY2018 (As of March 31, 2019)

	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Non-derivative financial liabilities								
Trade and other payables	165,823	165,823	165,823	–	–	–	–	–
Bonds and borrowings	379,291	406,992	81,041	39,257	74,152	75,471	26,864	110,207
Total	545,114	572,815	246,864	39,257	74,152	75,471	26,864	110,207

	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Non-derivative financial liabilities								
Trade and other payables	1,493,901	1,493,901	1,493,901	–	–	–	–	–
Bonds and borrowings	3,417,036	3,666,595	730,099	353,667	668,036	679,919	242,018	992,856
Total	4,910,937	5,160,495	2,224,000	353,667	668,036	679,919	242,018	992,856

3) Market risks

(i) Foreign currency risk

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

Exposure to foreign currency risk

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

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

	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)
	Thousands of U.S. dollars	Thousands of U.S. dollars
Net exposure (liability)	257,273	(320,088)

Sensitivity analysis of foreign exchange

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

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

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit	+192	(246)	(2,216)

(ii) Interest rate risk

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

Exposure to interest rate risk

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

	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net exposure (liability)	(190,625)	(183,919)	(1,656,928)

Sensitivity analysis of interest rate

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

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit	(1,558)	(1,477)	(13,306)

(iii) Commodity price risk

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

Sensitivity analysis of commodity prices

As for the SMM Group's commodity forward and other contracts, the impact of commodity price changes on profit in the consolidated statement of profit or loss is immaterial for FY2017 and FY2018.

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

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

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

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

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Other comprehensive income (net of tax effect)	(10,869)	(10,433)	(93,991)

(3) Fair value of financial instruments

1) Financial instruments measured at amortized cost

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

The table below does not include financial instruments whose carrying amounts reasonably approximate fair values and those that are immaterial, except for floating-rate long-term loans receivable and payable.

	Date of transition (As of April 1, 2017)		FY2017 (As of March 31, 2018)		FY2018 (As of March 31, 2019)			
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount		Fair value	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Long-term loans receivable	101,366	104,297	93,626	94,762	177,738	1,601,243	177,007	1,594,658
Bonds payable	39,938	40,780	39,965	40,457	29,912	269,477	30,285	272,838
Convertible bond-type bonds with share acquisition rights	–	–	29,365	29,973	29,493	265,703	30,126	271,405
Long-term borrowings	373,419	377,263	280,448	282,319	275,126	2,478,613	277,392	2,499,027

The method to measure fair value is as follows.

Long-term loans receivable

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

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

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

Bonds payable

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

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

Convertible bond-type bonds with share acquisition rights

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

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

Long-term borrowings

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

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

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

2) Financial instruments measured at fair value

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

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

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

Level 3: Unobservable inputs

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

Date of transition (As of April 1, 2017)

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets:				
Financial assets measured at fair value through profit or loss				
Trade receivables with embedded derivatives	–	3,590	–	3,590
Derivatives to which hedge accounting is not applied	–	1,214	–	1,214
Derivatives to which hedge accounting is applied	–	1,542	–	1,542
Financial assets measured at fair value through other comprehensive income				
Equity instruments	137,758	–	8,868	146,626
Total	137,758	6,346	8,868	152,972
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives to which hedge accounting is not applied	–	1,270	–	1,270
Derivatives to which hedge accounting is applied	–	329	–	329
Total	–	1,599	–	1,599

FY2017 (As of March 31, 2018)

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets:				
Financial assets measured at fair value through profit or loss				
Trade receivables with embedded derivatives	–	4,826	–	4,826
Derivatives to which hedge accounting is not applied	–	802	33	835
Derivatives to which hedge accounting is applied	–	1,835	–	1,835
Financial assets measured at fair value through other comprehensive income				
Equity instruments	152,788	–	6,432	159,220
Total	152,788	7,463	6,465	166,716
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives to which hedge accounting is not applied	–	294	–	294
Derivatives to which hedge accounting is applied	–	216	–	216
Total	–	510	–	510

FY2018 (As of March 31, 2019)

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets:				
Financial assets measured at fair value through profit or loss				
Trade receivables with embedded derivatives	–	11,892	–	11,892
Derivatives to which hedge accounting is not applied	–	1,528	9	1,537
Derivatives to which hedge accounting is applied	–	1,390	–	1,390
Financial assets measured at fair value through other comprehensive income				
Equity instruments	143,711	–	6,472	150,183
Total	143,711	14,810	6,481	165,002
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives to which hedge accounting is not applied	–	1,068	–	1,068
Derivatives to which hedge accounting is applied	–	781	–	781
Total	–	1,849	–	1,849

	Level 1	Level 2	Level 3	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Assets:				
Financial assets measured at fair value through profit or loss				
Trade receivables with embedded derivatives	–	107,135	–	107,135
Derivatives to which hedge accounting is not applied	–	13,766	81	13,847
Derivatives to which hedge accounting is applied	–	12,523	–	12,523
Financial assets measured at fair value through other comprehensive income				
Equity instruments	1,294,694	–	58,306	1,353,000
Total	1,294,694	133,423	58,387	1,486,505
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives to which hedge accounting is not applied	–	9,622	–	9,622
Derivatives to which hedge accounting is applied	–	7,036	–	7,036
Total	–	16,658	–	16,658

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

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

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

The method to measure fair value is as follows.

Trade receivables with embedded derivatives

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

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

Derivatives

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

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

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

Equity instruments

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

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

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

3) Reconciliation of financial instruments classified into Level 3 from the beginning to the end of period

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

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Balance at beginning of period	8,868	6,465	58,243
Total gains and losses			
Profit or loss (Note 1)	33	(24)	(216)
Other comprehensive income (Note 2)	(2,334)	35	315
Purchases	–	5	45
Sales	(19)	–	–
Transfers out of Level 3 (Note 3)	(83)	–	–
Other	–	–	–
Balance at end of period	6,465	6,481	58,387

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

2. Gains and losses included in other comprehensive income relate to financial assets measured at fair value through other comprehensive income as of the end of the reporting period. These gains and losses are included in "financial assets measured at fair value through other comprehensive income" in the consolidated statement of comprehensive income.

3. Transfers out of Level 3 recognized for FY2017 are due to listing of portfolio companies on stock exchanges.

Financial instruments classified into Level 3 consist of non-listed shares and derivatives embedded in convertible bond-type bonds with share acquisition rights.

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

Significant unobservable inputs used in the measurement of fair value of unlisted shares classified into Level 3 are the discount rate used in the calculation of discounted future cash flows as well as the assumptions used for illiquidity discount. The SMM Group uses an approximately 11% discount rate and estimates the illiquidity discount at 30%. If the discount rate rises, the fair value decreases.

(4) Derivatives and hedge accounting

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

1) Derivative transactions to which hedge accounting is applied

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

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

Notional amount and average price are as follows.

Date of transition (As of April 1, 2017)

Type of hedge	Category of risk	Type of transaction	Notional amount (Total)	Notional amount (Mature within one year)	Notional amount (Mature after one year through two years)	Notional amount (Mature after two years)	Rate / price
Cash flow hedges	Interest rate risk	Interest rate swaps (Millions of U.S. dollars)	187	12	7	168	Average fixed interest rate 1.96%
		Interest rate options (Millions of U.S. dollars)	175	–	7	168	Interest rate cap 3.0%
	Commodity price risk	Commodity options (Toz)	89,396	89,396	–	–	Price cap 1,410$/Toz Price floor 1,100$/Toz
			120,628	30,159	90,469	–	Price cap 1,430$/Toz Price floor 1,100$/Toz
Fair value hedges	Commodity price risk	Short copper futures contracts (T)	31,379	31,379	–	–	Average price ¥655 thousand/T
		Long copper futures contracts (T)	2,766	2,766	–	–	Average price ¥653 thousand/T

FY2017 (As of March 31, 2018)

Type of hedge	Category of risk	Type of transaction	Notional amount (Total)	Notional amount (Mature within one year)	Notional amount (Mature after one year through two years)	Notional amount (Mature after two years)	Rate / price
Cash flow hedges	Foreign currency risk	Forward exchange contracts (Millions of U.S. dollars)	3	3	–	–	¥105.82/U.S. $
	Interest rate risk	Interest rate swaps (Millions of U.S. dollars)	175	7	13	155	Fixed interest rate 2.019%
		Interest rate options (Millions of U.S. dollars)	175	7	13	155	Interest rate cap 3.0%
	Commodity price risk	Commodity options (Toz)	90,469	90,469	–	–	Price cap 1,430$/Toz Price floor 1,100$/Toz
			53,550	13,389	40,161	–	Price cap 1,450$/Toz Price floor 1,200$/Toz
Fair value hedges	Commodity price risk	Short copper futures contracts (T)	34,475	34,475	–	–	Average price ¥733 thousand/T
		Long copper futures contracts (T)	5,610	5,610	–	–	Average price ¥722 thousand/T

FY2018 (As of March 31, 2019)

Type of hedge	Category of risk	Type of transaction	Notional amount (Total)	Notional amount (Mature within one year)	Notional amount (Mature after one year through two years)	Notional amount (Mature after two years)	Rate / price
Cash flow hedges	Foreign currency risk	Forward exchange contracts (Millions of U.S. dollars)	0	0	–	–	¥107.85/U.S. $
	Interest rate risk	Interest rate swaps (Millions of U.S. dollars)	168	13	13	142	Fixed interest rate 2.019%
		Interest rate options (Millions of U.S. dollars)	168	13	13	142	Interest rate cap 3.0%
	Commodity price risk	Commodity options	–	–	–	–	–
			–	–	–	–	–
Fair value hedges	Commodity price risk	Short copper futures contracts (T)	31,189	31,189	–	–	Average price ¥694 thousand/T (U.S. $6,252.25 /T)
		Long copper futures contracts (T)	4,937	4,937	–	–	Average price ¥716 thousand/T (U.S. $6,450.45 /T)

Contract amount and fair value are as follows.

(Millions of yen)

	Date of transition (As of April 1, 2017)			FY2017 (As of March 31, 2018)			FY2018 (As of March 31, 2019)		
	Contract amount and others	o/w Mature after one year	Fair value	Contract amount and others	o/w Mature after one year	Fair value	Contract amount and others	o/w Mature after one year	Fair value
Forward exchange contracts	–	–	–	320	–	(1)	30	–	1
Interest rate swap / option contracts	22,270	20,979	1,452	20,351	19,583	1,002	19,240	17,722	1,389
Commodity option / futures contracts	49,418	11,165	(239)	47,776	5,121	618	25,191	–	(781)
Total	71,688	32,144	1,213	68,447	24,704	1,619	44,461	17,722	609

(Thousands of U.S. dollars)

	FY2018 (As of March 31, 2019)		
	Contract amount and others	o/w Mature after one year	Fair value
Forward exchange contracts	270	–	9
Interest rate swap / option contracts	173,333	159,658	12,514
Commodity option / futures contracts	226,946	–	(7,036)
Total	400,550	159,658	5,486

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

FY2017 (As of March 31, 2018)

(Millions of yen)

Type of hedge	Category of risk	Assets	Liabilities	Line items in the consolidated statement of financial position	Changes in fair value used as the basis for recognizing ineffective portion
Cash flow hedges	Foreign currency risk	–	1	Other financial liabilities	1
	Interest rate risk	1,002	–	Other financial assets	(614)
	Commodity price risk	–	215	Other financial liabilities	51
Fair value hedges	Commodity price risk	833	–	Other financial assets	732

FY2018 (As of March 31, 2019)

(Millions of yen)

Type of hedge	Category of risk	Assets	Liabilities	Line items in the consolidated statement of financial position	Changes in fair value used as the basis for recognizing ineffective portion
Cash flow hedges	Foreign currency risk	1	–	Other financial assets	1
	Interest rate risk	1,389	–	Other financial assets	409
	Commodity price risk	–	–	–	132
Fair value hedges	Commodity price risk	–	781	Other financial liabilities	781

(Thousands of U.S. dollars)

Type of hedge	Category of risk	Assets	Liabilities	Line items in the consolidated statement of financial position	Changes in fair value used as the basis for recognizing ineffective portion
Cash flow hedges	Foreign currency risk	9	–	Other financial assets	9
	Interest rate risk	12,514	–	Other financial assets	3,685
	Commodity price risk	–	–	–	1,189
Fair value hedges	Commodity price risk	–	7,036	Other financial liabilities	7,036

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

FY2017 (As of March 31, 2018)

(Millions of yen)

Category of risk	Line items in the consolidated statement of financial position	Carrying amount	Cumulative adjustment for fair value hedges	Changes in fair value used as the basis for recognizing ineffective portion
Commodity price risk	Other current assets	70	70	70
	Inventories	24,466	(802)	(802)

FY2018 (As of March 31, 2019)

(Millions of yen)

Category of risk	Line items in the consolidated statement of financial position	Carrying amount	Cumulative adjustment for fair value hedges	Changes in fair value used as the basis for recognizing ineffective portion
Commodity price risk	Other current liabilities	19	19	19
	Inventories	22,456	800	800

(Thousands of U.S. dollars)

Category of risk	Line items in the consolidated statement of financial position	Carrying amount	Cumulative adjustment for fair value hedges	Changes in fair value used as the basis for recognizing ineffective portion
Commodity price risk	Other current liabilities	171	171	171
	Inventories	202,306	7,207	7,207

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

Date of transition (As of April 1, 2017)

(Millions of yen)

Category of risk	Amount recorded in other components of equity related to continuing hedging relationships	Amount recorded in other components of equity related to discontinued hedging relationships
Interest rate risk	528	-
Commodity price risk	(258)	-

FY2017 (As of March 31, 2018)

(Millions of yen)

Category of risk	Amount recorded in other components of equity related to continuing hedging relationships	Amount recorded in other components of equity related to discontinued hedging relationships
Foreign currency risk	(1)	-
Interest rate risk	319	-
Commodity price risk	(154)	-

FY2018 (As of March 31, 2019)

(Millions of yen)

Category of risk	Amount recorded in other components of equity related to continuing hedging relationships	Amount recorded in other components of equity related to discontinued hedging relationships
Foreign currency risk	0	-
Interest rate risk	630	-
Commodity price risk	-	-

(Thousands of U.S. dollars)

Category of risk	Amount recorded in other components of equity related to continuing hedging relationships	Amount recorded in other components of equity related to discontinued hedging relationships
Foreign currency risk	0	-
Interest rate risk	5,676	-
Commodity price risk	-	-

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

FY2017 (As of March 31, 2018)

(Millions of yen)

Category of risk	Changes in fair value used as the basis for recognizing ineffective portion
Foreign currency risk	(1)
Interest rate risk	(614)
Commodity price risk	(53)

FY2018 (As of March 31, 2019)

Category of risk	(Millions of yen) Changes in fair value used as the basis for recognizing ineffective portion	(Thousands of U.S. dollars) Changes in fair value used as the basis for recognizing ineffective portion
Foreign currency risk	1	9
Interest rate risk	409	3,685
Commodity price risk	132	1,189

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

FY2017 (As of March 31, 2018)

(Millions of yen)

Category of risk	Gains or losses on hedge recorded in other comprehensive income during the reporting period	Ineffective portion of hedge recorded in profit or loss	Line items in which ineffective portion of hedge is recorded in the consolidated statement of profit or loss	Amount reclassified (recycled) from cash flow hedges to profit or loss	Line items in which reclassification adjustment is recorded in the consolidated statement of comprehensive income
Foreign currency risk	(1)	-	-	-	-
Interest rate risk	(595)	-	-	164	Finance costs
Commodity price risk	(53)	2	Finance costs	-	-

FY2018 (As of March 31, 2019)

(Millions of yen)

Category of risk	Gains or losses on hedge recorded in other comprehensive income during the reporting period	Ineffective portion of hedge recorded in profit or loss	Line items in which ineffective portion of hedge is recorded in the consolidated statement of profit or loss	Amount reclassified (recycled) from cash flow hedges to profit or loss	Line items in which reclassification adjustment is recorded in the consolidated statement of comprehensive income
Foreign currency risk	1	-	-	-	-
Interest rate risk	425	-	-	22	Finance income
Commodity price risk	295	-	-	83	Finance income

(Thousands of U.S. dollars)

Category of risk	Gains or losses on hedge recorded in other comprehensive income during the reporting period	Ineffective portion of hedge recorded in profit or loss	Line items in which ineffective portion of hedge is recorded in the consolidated statement of profit or loss	Amount reclassified (recycled) from cash flow hedges to profit or loss	Line items in which reclassification adjustment is recorded in the consolidated statement of comprehensive income
Foreign currency risk	9	-	-	-	-
Interest rate risk	3,829	-	-	198	Finance income
Commodity price risk	2,658	-	-	748	Finance income

2) Derivative transactions to which hedge accounting is not applied

Date of transition (As of April 1, 2017)

Category of risk	Type of transaction	Notional amount (Total)	Notional amount (Mature within one year)	Notional amount (Mature after one year through two years)	Notional amount (Mature after two years)	Rate / price
Foreign currency risk	Forward exchange contracts (Millions of U.S. dollars)	44	44	-	-	Average ¥113.18/U.S. $
	Forward exchange contracts (Millions of pounds sterling)	31	6	9	16	Average ¥136.73/GBP
Interest rate risk	Interest rate options (Millions of yen)	100,000	100,000	-	-	Interest rate cap 0.50%
Commodity price risk	Short copper futures contracts (T)	8,300	7,300	1,000	-	Average price ¥658 thousand/T
	Long copper futures contracts (T)	28,450	27,500	950	-	Average price ¥613 thousand/T
	Short gold futures contracts (Toz)	8,120	8,120	-	-	Average price ¥140 thousand/Toz

FY2017 (As of March 31, 2018)

Category of risk	Type of transaction	Notional amount (Total)	Notional amount (Mature within one year)	Notional amount (Mature after one year through two years)	Notional amount (Mature after two years)	Rate / price
Foreign currency risk	Forward exchange contracts (Millions of U.S. dollars)	26	26	-	-	Average ¥105.87/U.S. $
	Forward exchange contracts (Millions of pounds sterling)	42	12	13	17	Average ¥137.69/GBP
	Forward exchange contracts (Millions of yen)	545	545	-	-	Average ¥109.58/U.S. $
	Forward exchange contracts (Millions of Philippine pesos)	170	170	-	-	Average PHP 50.83/U.S. $
Commodity price risk	Short copper futures contracts (T)	8,000	8,000	-	-	Average price ¥748 thousand/T
	Long copper futures contracts (T)	20,600	19,600	1,000	-	Average price ¥728 thousand/T
	Long gold futures contracts (Toz)	14,702	14,702	-	-	Average price ¥141 thousand/Toz

FY2018 (As of March 31, 2019)

Category of risk	Type of transaction	Notional amount (Total)	Notional amount (Mature within one year)	Notional amount (Mature after one year through two years)	Notional amount (Mature after two years)	Rate / price
Foreign currency risk	Forward exchange contracts (Millions of U.S. dollars)	70	70	-	-	Average ¥111.10/U.S. $
	Forward exchange contracts (Millions of pounds sterling)	51	12	3	36	Average ¥137.14/GBP
	Forward exchange contracts (Millions of yen)	1,488	726	753	9	Average ¥108.55/U.S. $
	Forward exchange contracts (Millions of Philippine pesos)	518	228	223	67	Average PHP 55.74/U.S. $
	Currency options (Millions of U.S. dollars)	525	195	234	96	Exercise price CLP 625/U.S. $
Commodity price risk	Short copper futures contracts (T)	9,100	9,100	-	-	Average price ¥678 thousand/T (U.S. $6,108.11/T)
	Long copper futures contracts (T)	19,875	19,450	425	-	Average price ¥688 thousand/T (U.S. $6,198.20/T)
	Long nickel futures contracts (T)	30	30	-	-	Average price ¥1,399 thousand/T (U.S. $12,603.60/T)
	Short gold futures contracts (Toz)	24,030	24,030	-	-	Average price ¥144 thousand/Toz (U.S. $1,297.30/Toz)

Contract amount and fair value are as follows.

(Millions of yen)

	Date of transition (As of April 1, 2017)			FY2017 (As of March 31, 2018)			FY2018 (As of March 31, 2019)		
	Contract amount and others	o/w Mature after one year	Fair value	Contract amount and others	o/w Mature after one year	Fair value	Contract amount and others	o/w Mature after one year	Fair value
Forward exchange contracts	9,251	3,441	(60)	9,529	4,150	263	19,297	8,268	849
Interest rate option contracts	1,350	-	1	-	-	-	-	-	-
Commodity futures contracts	24,026	1,265	3	23,053	721	245	23,439	263	(389)
Total	34,627	4,706	(56)	32,582	4,871	508	42,736	8,531	460

(Thousands of U.S. dollars)

	FY2018 (As of March 31, 2019)		
	Contract amount and others	o/w Mature after one year	Fair value
Forward exchange contracts	173,847	74,486	7,649
Interest rate option contracts	-	-	-
Commodity futures contracts	211,162	2,369	(3,505)
Total	385,009	76,856	4,144

36. Significant Subsidiaries

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

Company name	Location	Reportable segments	Voting rights held by the Company (%) Date of transition (As of April 1, 2017)	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)
Sumitomo Metal Mining America Inc.	U.S.A.	Mineral Resources	100	100	100
Sumitomo Metal Mining Arizona Inc.	U.S.A.	Mineral Resources	80	80	80
SMM Morenci Inc.	U.S.A.	Mineral Resources	100	100	100
Sumitomo Metal Mining Pogo LLC	U.S.A.	Mineral Resources	100	100	–
Sumitomo Metal Mining Oceania Pty. Ltd.	Australia	Mineral Resources	100	100	100
Hyuga Smelting Co., Ltd.	Japan	Smelting & Refining	60	60	60
Coral Bay Nickel Corporation	The Philippines	Smelting & Refining	54	54	54
Taganito HPAL Nickel Corporation	The Philippines	Smelting & Refining	75	75	75
Ohkuchi Electronics Co., Ltd.	Japan	Materials	100	100	100
Shinko Co., Ltd.	Japan	Materials	99	99	99
Sumitomo Metal Mining Siporex Co., Ltd.	Japan	Materials	100	100	100
JCO Co., Ltd.	Japan	Materials	100	100	100

37. Related Parties

(1) Related party transactions

The SMM Group conducts transactions with the following related parties.

FY2017 (From April 1, 2017 to March 31, 2018)

Type	Name of the company or person	Location	Capital (Thousands of U.S. dollars)	Segment	Voting rights held by the Company	Description of the business relationship	Transaction detail	Transaction amount	Account item	Ending balance
					(%)			Millions of yen		Millions of yen
Associate	Sierra Gorda S.C.M.	Santiago, Chile	2,189,400	Mineral resources	Indirectly 45.0	Debt guarantee and pledge as security for loans, etc., from financial institutions, etc.	Debt guarantee	72,138 (Note 1)	–	–
							Debt guarantee fee	681 (Note 1)	Other financial assets	2,572
							Pledge as security	52,806 (Note 2)	–	–
						Financing support	Providing loans	– (Note 3)	Other financial assets	39,984
							Interest on loans	11,054 (Note 3)	Other financial assets	46,504

Notes: 1. The SMM Group guarantees for loans, etc., from financial institutions, etc.

2. The SMM Group pledges as security for the loan from the financial institution. The amounts of security are the debt balance as of March 31, 2018.

3. Terms and conditions of loan are determined based on the market interest rates, etc.

Financial Data/Corporate Data

FY2018 (From April 1, 2018 to March 31, 2019)

Type	Name of the company or person	Location	Capital (Thousands of U.S. dollars)	Segment	Voting rights held by the Company	Description of the business relationship	Transaction detail	Transaction amount		Account item	Ending balance	
					(%)			Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars
Associate	Sierra Gorda S.C.M.	Santiago, Chile	2,519,400	Mineral resources	Indirectly 45.0	Debt guarantee and pledge as security for loans, etc., from financial institutions, etc.	Debt guarantee	61,825 (Note 1)	556,982	–	–	–
							Debt guarantee fee	614 (Note 1)	5,532	Other financial assets	3,294	29,676
							Pledge as security	42,735 (Note 2)	385,000	–	–	–
						Financing support	Providing loans	– (Note 3)	–	Other financial assets	37,884	341,297
							Interest on loans	11,084 (Note 3)	99,856	Other financial assets	56,831	511,991
Associate	Quebrada Blanca Holdings SpA	Santiago, Chile	881,460	Mineral resources	Indirectly 27.7	Financing support	Subscription to capital increase	67,433 (Note 4)	607,505	Trade and other payables	35,065 (Note 4)	315,901
Subsidiary of an associate	Compañía Minera Teck Quebrada Blanca S.A.	Santiago, Chile	360,112	Mineral resources	–	Financing support	Providing loans	75,352 (Note 5)	678,847	Other financial assets	75,352 (Note 5)	678,847

Notes: 1. The SMM Group guarantees for loans, etc., from financial institutions, etc.

2. The SMM Group pledges as security for the loan from the financial institution. The amounts of security are the debt balance as of March 31, 2019.

3. Terms and conditions of loan are determined based on the market interest rates, etc.

4. The SMM Group subscribed to the capital increase of Quebrada Blanca Holdings SpA. Stock subscription payable is included in trade and other payables.

5. The SMM Group provided loans to Compañia Minera Teck Quebrada Blanca S.A.

(2) Compensation for key management personnel

The compensation for key management personnel is as follows.

	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Compensations and bonuses	365	425	3,829
Total	365	425	3,829

38. Contingencies

Contingent liabilities are as follows.

	Date of transition (As of April 1, 2017)	FY2017 (As of March 31, 2018)	FY2018 (As of March 31, 2019)	
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars
Payment for Sociedad Minera Cerro Verde S.A.A., including taxes, in the amount corresponding to the Company's equity, in case the revocation of exemption measures for prior year taxes is finalized	2,857 (Note 1)	7,309 (Note 2)	– (Note 3)	– (Note 3)
Total	2,857	7,309	–	–

Notes: 1. Sociedad Minera Cerro Verde S.A.A. (hereinafter "Cerro Verde"), an equity-method associate of the Company, had been making tax payments, assuming exemption from royalties levied on mining companies (enacted 2004), based on a tax rate stabilization agreement with the Peruvian government (valid from 1999 to 2013). However, Cerro Verde was given notice by the Peruvian national tax authorities in October 2013 to the effect that the said agreement did not apply to the copper mine development project (commenced in 2006), and was 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.

2. Although Cerro Verde made appeals to Peruvian government agencies claiming the validity of the tax rate stabilization agreement, in October 2017, the Peruvian Supreme Court 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 national tax authorities was valid.

In light of this decision, Cerro Verde posted a total of U.S. $393 million for royalties, penalties, and interest on overdue royalties for the period from December 2006 to 2008, which it had been disputing with the Peruvian national tax authorities through judicial bodies, as well as royalties and other payments for the period from 2009 to 2013, which had similarly been disputed. Consequently, the Company posted ¥9,257 million (approximately U.S. $83 million), which is equivalent to its interests, as share of profit (loss) of investments accounted for using equity method in FY2017. As a result, profit before tax decreased by ¥9,257 million.

Additionally, Cerro Verde has a total of U.S. $385 million in potentially unpaid penalties 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 these additional amounts become finalized.

3. In December 2018, Cerro Verde decided not to appeal against the decision by the Peruvian national tax authorities, and posted the potentially unpaid penalties and interest on overdue royalties. Consequently, the Company posted ¥8,846 million (approximately U.S. $80 million), which is equivalent to its interests, as share of profit (loss) of investments accounted for using equity method in FY2018. As a result, profit before tax decreased by ¥8,846 million.

39. Subsequent Event

There are no pertinent items.

40. First-time Adoption

The SMM Group has started to disclose IFRS-compliant consolidated financial statements from the fiscal year ending March 31, 2019. The latest J-GAAP-compliant consolidated financial statements were prepared for the fiscal year ended March 31, 2018, and the transition date to IFRS was April 1, 2017.

(1) Exemption under IFRS 1

A company adopting IFRS for the first time (hereinafter "first-time adopter") is required to apply the standards imposed under IFRS on a retroactive basis, provided, however, that IFRS 1 "First-time Adoption of International Financial Reporting Standards" (hereinafter "IFRS 1") defines standards subjected to mandatory application of exemption (from the aforementioned retroactive application), in contrast to those subjected to optional application of exemption. Impacts from the application of these exemptions are adjusted by retained earnings, or other components of equity on the date of transition to IFRS. In the process of transition to IFRS from J-GAAP, the SMM Group applied the following exemptions.

- Business combinations

  A first-time adopter is allowed to opt not to retroactively apply IFRS 3 "Business Combinations" (hereinafter "IFRS 3") to the business combinations that took place before the date of transition to IFRS. The SMM Group opted, by applying this exemption, not to retroactively apply IFRS 3 to the business combinations that took place before the date of transition. As a result, the amount of goodwill arising from the business combinations prior to the transition date is recognized at carrying amount at the transition date based on the J-GAAP.

  Incidentally, goodwill is subjected to impairment test on the transition date, regardless of whether there is an indication of impairment.

- Exchange differences on transition of foreign operations

  Under IFRS 1, entities are allowed to opt for an approach whereby it may assume the cumulative amount of exchange differences on transition of foreign operations at the date of transition to IFRS to be zero. The SMM Group opted for assuming such cumulative exchange differences on transition of foreign operations to be zero at the transition date.

- Leases

  IFRS 1 allows a first-time adopter to determine whether a contract contains a lease at the date of transition to IFRS. The SMM Group applied this exemption and determined whether contracts contain lease, based on the facts and circumstance existing at the transition date.

- Decommissioning liabilities included in the cost of property, plant and equipment

  With respect to the measurement of liabilities associated with decommissioning, etc. (hereinafter "decommissioning liabilities") which are included in the cost of property, plant and equipment, IFRS 1 allows entities to choose either a method in which decommissioning liabilities are measured retroactively from the point in time when such liabilities first arose, or a method in which decommissioning liabilities are measured at the transition date. The SMM Group opted for the latter in measuring decommissioning liabilities which are included in the cost of property, plant and equipment.

- Borrowing costs

  IFRS 1 allows entities to commence capitalizing the borrowing costs associated with qualifying assets on the date of the transition to IFRS. The SMM Group capitalizes the borrowing costs associated with qualifying assets that arise on or after the transition date.

- Designation of previously recognized financial instruments

  With respect to classification in IFRS 9 "Financial Instruments" (hereinafter "IFRS 9"), IFRS 1 allows entities to determine such classification based on the facts and circumstance existing at the transition date, rather than those existing at the initial recognition. Furthermore, it allows entities to designate changes in fair value of equity instruments as financial assets measured through other comprehensive income, subject to the facts and circumstance existing at the transition date.

  The SMM Group determines the classification under IFRS 9, based on the facts and circumstance existing at the transition date, while designating equity instruments as financial assets measured through other comprehensive income.

(2) Mandatory exemption under IFRS 1

IFRS 1 prohibits retroactive application of IFRS with respect to "estimates," "derecognition of financial assets and financial liabilities," "hedge accounting," "non-controlling interests," and "classification and measurement of financial assets." Thus the SMM Group applies IFRS with respect to these items for the period subsequent to the transition date.

(3) Reconciliation

The reconciliation required to disclose at the first-time adoption of IFRS is as follows.

"Effects of changes in closing dates" in this reconciliation include effects of the changes under IFRS at consolidated subsidiaries adopting different closing dates. In the meantime, "Reclassification" includes items that have no effects on retained earnings and comprehensive income, while "difference in recognition and measurement" includes items that have effects on retained earnings and comprehensive income.

Reconciliation of equity as of April 1, 2017 (transition date)

Line items presented under J-GAAP	J-GAAP	Effects of changes in closing dates	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line items presented under IFRS
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Assets							Assets
Current assets							Current assets
Cash and deposits	81,317	2,972	88,618	–	172,907	A	Cash and cash equivalents
Notes and accounts receivable-trade	103,886	(921)	58,886	2,120	163,971	A	Trade and other receivables
Securities	89,000	(261)	(86,357)	–	2,382	A	Other financial assets
Inventories	218,535	(112)	(1,017)	37,659	255,065	A	Inventories
Deferred tax assets	1,225	–	(1,225)	–	–	C	
Other	100,425	(63)	(63,145)	(17,052)	20,165	A	Other current assets
Allowance for doubtful accounts	(735)	–	735	–	–	A	
Total current assets	593,653	1,615	(3,505)	22,727	614,490		Subtotal
	–	–	2,430	–	2,430	A	Assets held for sale
	593,653	1,615	(1,075)	22,727	616,920		Total current assets
Non-current assets							Non-current assets
Property, plant and equipment	483,456	(1,819)	(3,427)	1,853	480,063	B	Property, plant and equipment
Intangible assets	47,590	(381)	–	(161)	47,048		Intangible assets and goodwill
	–	–	3,427	–	3,427	B	Investment property
Investment securities	422,226	–	(129,520)	(257)	292,449	C	Investments accounted for using equity method
Long-term loans receivable	61,000	–	(61,000)	–	–	C	
	–	(433)	245,974	6,174	251,715	C	Other financial assets
Deferred tax assets	5,666	971	1,225	(393)	7,469	C	Deferred tax assets
Net defined benefit asset	263	–	(263)	–	–		
Other	71,361	(6)	(55,538)	71	15,888	C	Other non-current assets
Allowance for doubtful accounts	(197)	–	197	–	–	C	
Total non-current assets	1,091,365	(1,668)	1,075	7,287	1,098,059		Total non-current assets
Total assets	1,685,018	(53)	–	30,014	1,714,979		Total assets

Line items presented under J-GAAP	J-GAAP	Effects of changes in closing dates	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line items presented under IFRS
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
							Liabilities and equity
Liabilities							Liabilities
Current liabilities							Current liabilities
Notes and accounts payable-trade	47,306	(283)	32,742	21,637	101,402	D	Trade and other payables
Short-term loans payable	96,940	–	(1,957)	24	95,007	D	Bonds and borrowings
Income taxes payable	17,274	–	(6)	–	17,268		Income taxes payable
Deferred tax liabilities	842	–	(842)	–	–	E	
Provision for bonuses	3,435	–	(3,435)	–	–	D	
	–	32	230	1,234	1,496	D	Other financial liabilities
Provision for furnace repair works	1,117	–	–	(1,117)	–	D	
Other provision	943	–	(943)	–	–	D	
Other	42,986	38	(34,390)	(114)	8,520	D	Other current liabilities
	–	–	4,319	524	4,843	D	Provisions
Total current liabilities	210,843	(213)	(4,282)	22,188	228,536		Subtotal
	–	–	3,440	–	3,440	D	Liabilities directly associated with assets held for sale
	210,843	(213)	(842)	22,188	231,976		Total current liabilities
Non-current liabilities							Non-current liabilities
Bonds payable	40,000	–	(40,000)	–	–	E	
Long-term loans payable	358,564	–	40,000	(2,634)	395,930	E	Bonds and borrowings
Deferred tax liabilities	21,807	418	842	8,545	31,612	E	Deferred tax liabilities
Provision for loss on business restructuring	1,004	–	(1,004)	–	–	E	
Allowance for decommissioning preparations	7,799	–	(7,799)	–	–	E	
Other provision	486	–	(486)	–	–	E	
	–	–	18,251	4,009	22,260	E	Provisions
Net defined benefit liability	9,118	–	23	338	9,479		Retirement benefit liability
Asset retirement obligations	8,985	–	(8,985)	–	–	E	
Other	2,291	–	(1,144)	–	1,147		Other non-current liabilities
	–	125	1,144	948	2,217	E	Other financial liabilities
Total non-current liabilities	450,054	543	842	11,206	462,645		Total non-current liabilities
Total liabilities	660,897	330	–	33,394	694,621		Total liabilities

Net assets							Equity
Capital stock	93,242	–	–	–	93,242		Share capital
Capital surplus	86,504	–	–	336	86,840		Capital surplus
Treasury shares	(32,877)	–	–	–	(32,877)		Treasury shares
Total accumulated other comprehensive income	96,749	(818)	–	(54,481)	41,450	F	Other components of equity
Retained earnings	718,072	435	–	50,340	768,847	F	Retained earnings
	961,690	(383)	–	(3,805)	957,502		Total equity attributable to owners of parent
Non-controlling interests	62,431	–	–	425	62,856		Non-controlling interests
Total net assets	1,024,121	(383)	–	(3,380)	1,020,358		Total equity
Total liabilities and net assets	1,685,018	(53)	–	30,014	1,714,979		Total liabilities and equity

<Notes to the reconciliation of equity at the date of transition to IFRS (as of April 1, 2017)>

A) Cash and cash equivalents, trade and other receivables, other financial assets, inventories, other current assets, and assets held for sale

Reclassification:

Term deposits with over three months maturity which were included in "cash and deposits" under J-GAAP are reclassified into "other financial assets" (current) under IFRS, while negotiable certificates of deposit that were included in "securities" under J-GAAP have been reclassified as "cash and cash equivalents" under IFRS.

Accounts receivable – other which were included in "other" under J-GAAP have been reclassified into "trade and other receivables" under IFRS, while "allowance for doubtful accounts" (current) under J-GAAP is directly deducted from "trade and other receivables" under IFRS.

Assets of subsidiaries covered under the stock purchase and sale agreement valid at the transition date have been reclassified into "assets held for sale."

Recognition and measurement:

[Trade and other receivables]

Under J-GAAP, revenue from some of the transactions of sales of goods was recognized upon customer acceptance, while under IFRS, it is recognized at the time when control over the goods is transferred. As a result, "trade and other receivables" increased by ¥2,120 million.

[Inventories and other current assets]

Under J-GAAP, some of the raw materials were recognized based on acceptance criteria, while under IFRS, they are recognized at the time when control over the asset is acquired. As a result, "inventories" increased by ¥37,659 million. Following the above change, advance payments for such raw materials were offset by "trade and other payables," resulting in ¥17,052 million decrease in "other current assets."

B) Property, plant and equipment, and investment property

Reclassification:

"Investment property" that was included in "property, plant and equipment" under J-GAAP has been reclassified and separately presented under IFRS.

Recognition and measurement:

[Property, plant and equipment]

Under J-GAAP, asset retirement obligations were recognized continuously at an amount measured by using the discount rate at initial recognition, whereas under IFRS such amount was remeasured by using the discount rate adjusted at the end of the reporting period, resulting in ¥1,853 million increase in "property, plant and equipment."

C) Investments accounted for using equity method, other financial assets, and deferred tax assets

Reclassification:

Shares of subsidiaries and associates that were included in "investment securities" under J-GAAP, have been separately presented as "investments accounted for using equity method" under IFRS, while "investment securities" other than the aforementioned, and long-term accounts receivables that were included in "other" (non-current) under J-GAAP have been reclassified into "other financial assets" (non-current) under IFRS. "Long-term loans receivable," etc. under J-GAAP have been reclassified into "other financial assets" (non-current) under IFRS, while "allowance for doubtful accounts" (non-current) under J-GAAP is directly deducted from "other financial assets" (non-current) under IFRS. Meanwhile, "deferred tax assets" (current) have been reclassified as "deferred tax assets" (non-current) under IFRS.

Recognition and measurement:

[Other financial assets]

Financial instruments such as unlisted shares considered to pose extreme difficulty in determining fair value were recognized at cost under J-GAAP, whereas fair value of such financial instruments is estimated by using appropriate valuation techniques under IFRS, resulting in ¥6,174 million increase in “other financial assets” (non-current).

D) Trade and other payables, other financial liabilities, provisions, and liabilities directly associated with assets held for sale

Reclassification:

Accounts payable and accrued expenses, etc. that were included in “other” under J-GAAP have been reclassified into “trade and other payables” under IFRS, while “provision for bonuses” and “other provision” (current) that were separately presented in current liabilities under J-GAAP have been reclassified into “provisions” (current) under IFRS.

Liabilities directly associated with assets of subsidiaries covered under the stock purchase and sale agreement valid at the transition date have been reclassified into “liabilities directly associated with assets held for sale.”

Recognition and measurement:

[Trade and other payables]

Under J-GAAP, some of the raw materials were recognized based on acceptance criteria, while under IFRS, they are recognized at the time when control over the asset is acquired. Also fixed asset tax, which under J-GAAP was recognized over the fiscal year in which such tax was paid, started to be wholly charged to expense on the base date for assessment under IFRS, while corresponding liabilities are recognized. As a result of the aforementioned, “trade and other payables” increased by ¥21,637 million.

[Provision for furnace repair works]

“Provision for furnace repair works” which was recognized as a provision under J-GAAP has been reversed for not qualifying for provision under IFRS, resulting in ¥1,117 million decrease in provisions.

[Other financial liabilities]

Some of the financial instruments (forward sales agreement) which were subjected to hedge accounting under J-GAAP started to be subjected to fair value option under IFRS with its futures portion valued at fair value, resulting in ¥1,234 million increase in “other financial liabilities.”

[Provisions]

Unused paid leave for which no provision was recognized under J-GAAP started to be treated as labor cost involving recognition of provision under IFRS, resulting in ¥524 million increase in “provisions” (current).

E) Bonds and borrowings, deferred tax liabilities, provisions and other financial liabilities

Reclassification:

“Bonds payable” and “long-term loans payable” under J-GAAP have been combined into “bonds and borrowings” (non-current) under IFRS, while provisions such as “provision for loss on business restructuring” and “allowance for decommissioning preparations” as well as “asset retirement obligations” under J-GAAP have been reclassified into “provisions” (non-current) under IFRS. Meanwhile, “deferred tax liabilities” (current) under J-GAAP have been reclassified as “deferred tax liabilities” (non-current) under IFRS.

Recognition and measurement:

[Bonds and borrowings]

Loans with share acquisition rights classified as “long-term loans payable” under J-GAAP are treated as compound financial instruments, and partially recognized in “retained earnings” under IFRS, resulting in ¥2,634 million decrease in “bonds and borrowings” (non-current).

[Deferred tax liabilities]

Since deferred tax liabilities started to be recognized in principle under IFRS for the taxable temporary differences arising from retained earnings and foreign currency translation adjustment at associates, “deferred tax liabilities” increased by ¥8,545 million.

[Provisions]

Under J-GAAP, asset retirement obligations were recognized continuously at an amount measured by using the discount rate used at initial recognition, whereas under IFRS such amount was remeasured by using the discount rate adjusted at the end of the reporting period, resulting in ¥4,009 million increase in “provisions” (non-current).

[Other financial liabilities]

For the leasing arrangements that did not take legal forms under J-GAAP, those effectively considered as leasing arrangement have started to involve recognition of lease obligations under IFRS, resulting in ¥948 million increase in “other financial liabilities” (non-current).

F) Retained earnings, and other components of equity

Recognition and measurement:

Main items of the reconciliation concerning retained earnings are as follows.

	Date of transition to IFRS (As of April 1, 2017)
	Millions of yen
Reclassification of cumulative exchange differences at foreign subsidiaries	57,272
Adjustment of trade receivables and inventories	1,799
Adjustment to compound financial instruments	1,599
Adjustment by tax effect	(6,531)
Adjustment to asset retirement obligations	(1,509)
Adjustment to liabilities on levies	(1,338)
Other	(952)
Total	50,340

[Reclassification of cumulative exchange differences at foreign subsidiaries]

As IFRS 1 allows entities to assume the cumulative exchange differences associated with investments in foreign operations to be zero at the date of transition to IFRS, such cumulative exchange differences were reclassified at the date of transition to IFRS from “other components of equity” into “retained earnings.” As a result, “other components of equity” decreased by ¥57,272 million, while “retained earnings” increased by the same amount.

[Adjustment of trade receivables and inventories]

As IFRS requires use of the same cost formula for all inventories with similar nature and use, it was necessary to change cost formula for part of inventories, resulting in ¥1,799 million increase in “retained earnings.”

[Adjustment to compound financial instruments]

As IFRS requires compound financial instruments to be classified into liabilities and equity as a basis for further accounting treatment, some compound financial instruments started to be treated as “retained earnings,” resulting in ¥1,599 million increase in “retained earnings.”

[Adjustment by tax effect]

Since deferred tax liabilities started to be recognized in principle under IFRS for the taxable temporary differences arising from retained earnings at associates, “retained earnings” decreased by ¥6,531 million.

[Adjustment to asset retirement obligations]

Under J-GAAP, asset retirement obligations were recognized continuously at an amount measured by using the discount rate at initial recognition, whereas under IFRS such amount was remeasured by using the discount rate adjusted at the end of the reporting period, resulting in ¥1,509 million decrease in "retained earnings."

[Adjustment to liabilities on levies]

Fixed asset tax, which under J-GAAP was recognized over the fiscal year in which such tax was paid, started to be wholly charged to expense on the base date for assessment under IFRS, while corresponding liabilities are recognized. As a result, "retained earnings" decreased by ¥1,338 million.

Reconciliation of equity as of March 31, 2018 (at the end of the previous fiscal year)

Line items presented under J-GAAP	J-GAAP	Effects of changes in closing dates	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line items presented under IFRS
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Assets							Assets
Current assets							Current assets
Cash and deposits	73,589	2,285	61,456	–	137,330	A	Cash and cash equivalents
Notes and accounts receivable-trade	148,761	(1,655)	9,346	(488)	155,964	A	Trade and other receivables
Securities	63,125	(2)	(45,268)	307	18,162	A	Other financial assets
Inventories	233,184	173	–	44,755	278,112	A	Inventories
Deferred tax assets	1,424	–	(1,424)	–	–	C	
Other	68,005	(64)	(26,191)	(16,188)	25,562	A	Other current assets
Allowance for doubtful accounts	(657)	–	657	–	–	A	
Total current assets	587,431	737	(1,424)	28,386	615,130		Total current assets
Non-current assets							Non-current assets
Property, plant and equipment	464,414	(1,728)	(3,427)	2,629	461,888	B	Property, plant and equipment
Intangible assets	65,950	(379)	–	124	65,695		Intangible assets and goodwill
	–	–	3,427	–	3,427	B	Investment property
Investment securities	441,583	–	(142,322)	771	300,032	C	Investments accounted for using equity method
Long-term loans receivable	43,231	–	(43,231)	–	–	C	
	–	(986)	251,620	4,575	255,209	C	Other financial assets
Deferred tax assets	14,597	132	1,424	(490)	15,663	C	Deferred tax assets
Net defined benefit asset	242	–	(242)	–	–		
Other	81,782	(6)	(66,018)	(469)	15,289	C	Other non-current assets
Allowance for doubtful accounts	(193)	–	193	–	–	C	
Total non-current assets	1,111,606	(2,967)	1,424	7,140	1,117,203		Total non-current assets
Total assets	1,699,037	(2,230)	–	35,526	1,732,333		Total assets

Line items presented under J-GAAP	J-GAAP	Effects of changes in closing dates	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line items presented under IFRS
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
							Liabilities and equity
Liabilities							Liabilities
Current liabilities							Current liabilities
Notes and accounts payable-trade	45,756	(67)	55,719	24,086	125,494	D	Trade and other payables
Short-term loans payable	64,888	–	30,000	(9)	94,879	E	Bonds and borrowings
Current portion of bonds	30,000	–	(30,000)	–	–	E	
Income taxes payable	4,022	–	–	(44)	3,978		Income taxes payable
Deferred tax liabilities	1,342	–	(1,342)	–	–	E	
Provision for bonuses	3,630	–	(3,630)	–	–	D	
	–	(26)	418	117	509		Other financial liabilities
Provision for furnace repair works	341	–	–	(341)	–		
Other provision	745	–	(745)	–	–	D	
Other	67,039	18	(56,138)	(129)	10,790	D	Other current liabilities
	–	–	4,376	520	4,896	D	Provisions
Total current liabilities	217,763	(75)	(1,342)	24,200	240,546		Total current liabilities
Non-current liabilities							Non-current liabilities
Bonds payable	40,150	–	(40,150)	–	–	E	
Long-term loans payable	257,409	–	40,150	(1,298)	296,261	E	Bonds and borrowings
Deferred tax liabilities	29,039	39	1,342	11,868	42,288	E	Deferred tax liabilities
Provision for loss on business restructuring	1,346	–	(1,346)	–	–	E	
Allowance for decommissioning preparations	13,418	–	(13,418)	–	–	E	
Other provision	424	–	(424)	–	–	E	
	–	(254)	24,476	4,324	28,546	E	Provisions
Net defined benefit liability	7,461	–	30	–	7,491		Retirement benefit liability
Asset retirement obligations	9,318	–	(9,318)	–	–	E	
Other	2,701	–	(1,553)	–	1,148		Other non-current liabilities
	–	(3)	1,553	1,154	2,704	E	Other financial liabilities
Total non-current liabilities	361,266	(218)	1,342	16,048	378,438		Total non-current liabilities
Total liabilities	579,029	(293)	–	40,248	618,984		Total liabilities
Net assets							Equity
Capital stock	93,242	–	–	–	93,242		Share capital
Capital surplus	86,530	–	–	1,068	87,598	E	Capital surplus
Treasury shares	(37,959)	–	–	–	(37,959)		Treasury shares
Total accumulated other comprehensive income	97,590	(2,466)	–	(56,709)	38,415	F	Other components of equity
Retained earnings	797,034	529	–	50,526	848,089	F	Retained earnings
	1,036,437	(1,937)	–	(5,115)	1,029,385		Total equity attributable to owners of parent
Non-controlling interests	83,571	–	–	393	83,964		Non-controlling interests
Total net assets	1,120,008	(1,937)	–	(4,722)	1,113,349		Total equity
Total liabilities and net assets	1,699,037	(2,230)	–	35,526	1,732,333		Total liabilities and equity

<Notes to the reconciliation of equity for the previous fiscal year (as of March 31, 2018)>

A) Cash and cash equivalents, trade and other receivables, other financial assets, inventories, and other current assets

Reclassification:

Term deposits with over three months maturity which were included in “cash and deposits” under J-GAAP are reclassified into “other financial assets” (current) under IFRS, while negotiable certificates of deposit that were included in “securities” under J-GAAP have been reclassified as “cash and cash equivalents” under IFRS. Accounts receivable – other which were included in “other” of current assets under J-GAAP have been reclassified into “trade and other receivables” under IFRS, while “allowance for doubtful accounts” (current) under J-GAAP is directly deducted from “trade and other receivables” under IFRS.

Recognition and measurement:

[Trade and other receivables]

Revenue from some of the transactions of sales of goods which was recognized on a delivery basis under J-GAAP, is recognized at the time when control over the goods is transferred under IFRS, resulting in ¥488 million decrease in “trade and other receivables.”

[Inventories and other current assets]

Under J-GAAP, some of the raw materials were recognized based on acceptance criteria, while under IFRS, they are recognized at the time when control over the asset is transferred. As a result, “inventories” increased by ¥44,755 million. Following the above change, advance payments for such raw materials were offset by “trade and other payables,” resulting in ¥16,188 million decrease in “other current assets.”

B) Property, plant and equipment, and investment property

Reclassification:

“Investment property” that was included in “property, plant and equipment” under J-GAAP has been reclassified and separately presented under IFRS.

Recognition and measurement:

[Property, plant and equipment]

Under J-GAAP, asset retirement obligations were recognized continuously at an amount measured by using the discount rate at initial recognition, whereas under IFRS such amount was remeasured by using the discount rate adjusted at the end of the reporting period, resulting in ¥2,629 million increase in “property, plant and equipment.”

C) Investments accounted for using equity method, other financial assets, and deferred tax assets

Reclassification:

Shares of subsidiaries and associates that were included in “investment securities” under J-GAAP, have been separately presented as “investments accounted for using equity method” under IFRS, while “investment securities” other than the aforementioned, and long-term accounts receivables that were included in “other” (non-current) under J-GAAP have been reclassified into “other financial assets” (non-current) under IFRS. “Long-term loans receivable,” etc. under J-GAAP have been reclassified into “other financial assets” (non-current) under IFRS, while “allowance for doubtful accounts” (non-current) under J-GAAP is directly deducted from “other financial assets” (non-current) under IFRS. Meanwhile, “deferred tax assets” (current) have been reclassified as “deferred tax assets” (non-current) under IFRS.

Recognition and measurement:

[Other financial assets]

Financial instruments such as unlisted shares considered to pose extreme difficulty in determining fair value were recognized at cost under J-GAAP, whereas fair value of such financial instruments is estimated by using appropriate valuation techniques under IFRS, resulting in ¥4,575 million increase in “other financial assets” (non-current).

D) Trade and other payables, and provisions

Reclassification:

Accounts payable and accrued expenses, etc. that were included in “other” of current liabilities under J-GAAP, have been reclassified into “trade and other payables” under IFRS, while “provision for bonuses” and “other provision” (current) that were separately presented in current liabilities under J-GAAP have been reclassified into “provisions” (current) under IFRS.

Recognition and measurement:

[Trade and other payables]

Under J-GAAP, some of the raw materials were recognized based on acceptance criteria, while under IFRS they are recognized at the time when control over the asset is acquired. Also fixed asset tax, which under J-GAAP was recognized over the fiscal year in which such tax was paid, started to be wholly charged to expense on the base date for assessment under IFRS, while corresponding liabilities are recognized. As a result of the aforementioned, “trade and other payables” increased by ¥24,086 million.

[Provisions]

Unused paid leave for which no provision was recognized under J-GAAP started to be treated as labor cost involving recognition of provision under IFRS, resulting in ¥520 million increase in “provisions” (current).

E) Bonds and borrowings, deferred tax liabilities, provisions and other financial liabilities

Reclassification:

“Short-term loans payable” and “current portion of bonds” under J-GAAP have been combined into “bonds and borrowings” (current) under IFRS, while “bonds payable” and “long-term loans payable” under J-GAAP have been combined into “bonds and borrowings” (non-current) under IFRS. Provisions such as “provision for loss on business restructuring” and “allowance for decommissioning preparations” as well as “asset retirement obligations” under J-GAAP have been reclassified into “provisions” (non-current) under IFRS. Meanwhile, “deferred tax liabilities” (current) under J-GAAP have been reclassified as “deferred tax liabilities” (non-current) under IFRS.

Recognition and measurement:

[Bonds and borrowings]

Convertible bond-type bonds with share acquisition rights included in “bonds payable” under J-GAAP are treated as compound financial instruments, and partially recognized in “capital surplus” under IFRS, resulting in ¥1,298 million decrease in “bonds and borrowings” (non-current).

[Deferred tax liabilities]

Since deferred tax liabilities started to be recognized under IFRS for the whole amount of taxable temporary differences arising from retained earnings and foreign currency translation adjustment at associates, “deferred tax liabilities” (non-current) increased by ¥11,868 million.

[Provisions]

Under J-GAAP, asset retirement obligations were recognized continuously at an amount measured by using the discount rate at initial recognition, whereas under IFRS such amount was remeasured by using the discount rate adjusted at the end of the reporting period, resulting in ¥4,324 million increase in “provisions” (non-current).

[Other financial liabilities]

For the leasing arrangements that did not take legal forms under J-GAAP, those effectively considered as leasing arrangement have started to involve recognition of lease obligations under IFRS, resulting in ¥1,154 million increase in “other financial liabilities” (non-current).

F) Retained earnings, and other components of equity

Recognition and measurement:

Main items of the reconciliation concerning retained earnings are as follows.

	FY2017 (As of March 31, 2018)
	Millions of yen
Reclassification of cumulative exchange differences at foreign subsidiaries	57,272
Adjustment of trade receivables and inventories	5,190
Adjustment to remeasurements of defined benefit plans	2,500
Adjustment by tax effect	(10,724)
Adjustment to asset retirement obligations	(1,776)
Adjustment to liabilities on levies	(1,345)
Other	(591)
Total	50,526

[Reclassification of cumulative exchange differences at foreign subsidiaries]

As IFRS 1 allows entities to assume the cumulative exchange differences associated with investments in foreign operations to be zero at the date of transition to IFRS, such cumulative exchange differences were reclassified at the date of transition to IFRS from “other components of equity” into “retained earnings.” As a result, “other components of equity” decreased by ¥57,272 million, while “retained earnings” increased by the same amount.

[Adjustment of trade receivables and inventories]

As IFRS requires use of the same cost formula for all inventories with similar nature and use, it was necessary to change cost formula for part of inventories, resulting in ¥5,190 million increase in “retained earnings.”

[Adjustment to remeasurements of defined benefit plans]

Actuarial gains and losses under J-GAAP were recognized in other comprehensive income at the time of occurrence, and then were evenly amortized over the period within the average remaining years of service of the eligible employees from the fiscal year following such occurrence, whereas under IFRS, actuarial gains and losses are recognized in other comprehensive income at the time of occurrence, and then immediately recognized in “retained earnings,” resulting in ¥2,500 million increase in “retained earnings.”

[Adjustment by tax effect]

Since deferred tax liabilities started to be recognized in principle under IFRS for the taxable temporary differences arising from retained earnings at associates, “retained earnings” decreased by ¥10,724 million.

[Adjustment to asset retirement obligations]

Under J-GAAP, asset retirement obligations were recognized continuously at an amount measured by using the discount rate at initial recognition, whereas under IFRS such amount was remeasured by using the discount rate adjusted at the end of the reporting period, resulting in ¥1,776 million decrease in “retained earnings.”

[Adjustment to liabilities on levies]

Fixed asset tax, which under J-GAAP was recognized over the fiscal year in which such tax was paid, started to be wholly charged to expense on the base date for assessment under IFRS, while corresponding liabilities are recognized. As a result, “retained earnings” decreased by ¥1,345 million.

Reconciliation to profit or loss and comprehensive income for the previous fiscal year (from April 1, 2017 to March 31, 2018)

Line items presented under J-GAAP	J-GAAP	Effects of changes in closing dates	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line items presented under IFRS
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Net sales	933,517	(1,188)	–	(2,583)	929,746	A	Net sales
Cost of sales	(776,428)	637	(9,622)	4,682	(780,731)	A	Cost of sales
Gross profit	157,089	(551)	(9,622)	2,099	149,015		Gross profit
	–	–	5,280	405	5,685	B	Other income
Selling, general and administrative expenses	(46,886)	50	–	1,016	(45,820)		Selling, general and administrative expenses
	–	9	(16,488)	434	(16,045)	B	Other expenses
Non-operating income	30,198	–	(30,198)	–	–	B	
Non-operating expenses	(15,548)	–	15,548	–	–	B	
Extraordinary income	1,315	–	(1,315)	–	–	B	
Extraordinary losses	(20,373)	–	20,373	–	–	A, B	
	–	(9)	16,997	376	17,364	B	Finance income
	–	–	(11,942)	(2,309)	(14,251)	B	Finance costs
	–	–	11,367	971	12,338	B	Share of profit of entities accounted for using equity method
Profit before income taxes	105,795	(501)	–	2,992	108,286		Profit before tax
Income taxes - current	(14,069)	–	14,069	–	–	B	
Income taxes - deferred	4,603	–	(4,603)	–	–	B	
	–	10	(9,466)	(3,928)	(13,384)	B	Income tax expense
Profit	96,329	(491)	–	(936)	94,902		Profit
Other comprehensive income							Other comprehensive income
							Items that will not be reclassified to profit or loss:
Valuation difference on available-for-sale securities	10,810	(333)	–	(1,563)	8,914	C	Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of tax	1,954	–	–	(313)	1,641	C	Remeasurements of defined benefit plans
	–	–	94	54	148		Share of other comprehensive income of investments accounted for using equity method
	12,764	(333)	94	(1,822)	10,703		Total of items
							Items that will be reclassified to profit or loss
Deferred gains or losses on hedges	(1,124)	433	–	585	(106)	C	Cash flow hedges
Foreign currency translation adjustment	(9,568)	(796)	–	77	(10,287)		Exchange differences on transition of foreign operations
Share of other comprehensive income of entities accounted for using equity method	(4,590)	–	(94)	(340)	(5,024)		Share of other comprehensive income of investments accounted for using equity method
	(15,282)	(363)	(94)	322	(15,417)		Total of items
Total other comprehensive income	(2,518)	(696)	–	(1,500)	(4,714)		Other comprehensive income, net of tax
Comprehensive income	93,811	(1,187)	–	(2,436)	90,188		Comprehensive income

A) Net sales and cost of sales

Reclassification:

Impairment loss presented in "extraordinary losses" under J-GAAP has been reclassified in "cost of sales" under IFRS.

Recognition and measurement:

Revenue from some of the transactions of sales of goods which was recognized on a delivery basis under J-GAAP, is recognized at the time when control is transferred under IFRS, resulting in ¥2,583 million decrease in "net sales." For the similar reason coupled with a change in cost formula, "cost of sales" decreased by ¥4,682 million.

B) Other income, other expenses, finance income, finance costs, share of profit of entities accounted for using equity method, and income tax expense

Reclassification:

Of the items presented in "non-operating income," "non-operating expenses," "extraordinary income," and "extraordinary losses" under J-GAAP, those concerning profit or loss related to finance are reclassified into "finance income" and "finance costs," while all other items into "other income," "other expenses," and "share of profit of entities accounted for using equity method" under IFRS. Meanwhile, "income taxes – current," and "income taxes – deferred" that were separately presented under J-GAAP are now wholly presented in "income tax expense" under IFRS.

Recognition and measurement:

[Finance costs]

Following the repayment of borrowings, expenses associated with such borrowings were amortized at once, resulting in ¥2,309 million increase in "finance costs."

C) Other comprehensive income, net of tax

Recognition and measurement:

[Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income]

Financial instruments such as unlisted shares considered to pose extreme difficulty in determining fair value were recognized at cost under J-GAAP, whereas fair value of such financial instruments is estimated by using appropriate valuation techniques under IFRS, resulting in ¥1,563 million decrease in "net change in fair value of equity instruments designated as measured at fair value through other comprehensive income."

[Remeasurements of defined benefit plans]

Actuarial gains and losses under J-GAAP were recognized in "other comprehensive income" at the time of occurrence, and then were evenly amortized over the period within the average remaining years of service of the eligible employees from the fiscal year following such occurrence, whereas under IFRS, actuarial gains and losses are recognized in "other comprehensive income" at the time of occurrence, and then immediately recognized in "retained earnings," resulting in ¥313 million decrease in "remeasurements of defined benefit plans."

[Cash flow hedges]

Derivatives that met the hedge accounting requirements were recognized by deferred hedge accounting under J-GAAP, whereas some of derivatives are subjected to fair value hedges accounting under IFRS, resulting in ¥585 million increase in "cash flow hedges."

Reconciliation to cash flows for the previous fiscal year (from April 1, 2017 to March 31, 2018)
There is no material difference between the consolidated statement of cash flows disclosed under J-GAAP and that under IFRS.

(2) Other

Quarterly information for FY2018.

	Three months ended June 30, 2018	Six months ended September 30, 2018	Nine months ended December 31, 2018	FY2018
Net sales (Millions of yen)	241,980	466,657	703,485	912,208
Profit before tax (Millions of yen)	37,865	73,208	86,697	89,371
Profit attributable to owners of parent (Millions of yen)	28,910	58,058	66,867	66,790
Basic earnings per share (Yen)	105.21	211.28	243.34	243.06

	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share (yen)	105.21	106.07	32.06	(0.28)

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 statement of financial position as at March 31, 2019, and the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year 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 International Financial Reporting Standards, 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 audit. We conducted our audit 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 judgment, 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, 2019, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

KPMG AZSA LLC

July 31, 2019
Tokyo, Japan