



# Consolidated Financial Statements

SUMITOMO METAL MINING CO., LTD.

For the Year ended March 31, 2021  
Together with Independent Auditors' Report

KPMG AZSA LLC  
July 2021



# Independent auditor's report

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

## Opinion

We have audited the accompanying consolidated financial statements of Sumitomo Metal Mining Co., Ltd. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

## Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Reasonableness of the estimate of the allowance for doubtful accounts for loans receivable to Sierra Gorda S.C.M.

The key audit matter	How the matter was addressed in our audit
As described in Note 15, “Other Financial Assets” to the consolidated financial statements, Sumitomo Metal Mining Co., Ltd. (the “Company”) recognized loans receivable of ¥138,433 million in the consolidated statement of financial position	The primary procedures we performed to assess whether the estimate of the allowance for doubtful accounts for loans receivable to Sierra Gorda S.C.M. was reasonable included the following:  <b>(1) Internal control testing</b>

for the current fiscal year. Included in the loans receivable were loans receivable to Sierra Gorda S.C.M., an associate dedicated to the development and mining of copper mines in the Republic of Chile, that amounted to ¥59,123 million, which accounted for a significant proportion of total assets (3.1%) in the consolidated financial statements. As described in Note 14, “Investments Accounted for Using Equity Method” to the consolidated financial statements, Sierra Gorda S.C.M. had negative equity of ¥176,829 million at the end of the current fiscal year.

As described in Note 33, “Financial Instruments” to the consolidated financial statements, the allowance for doubtful accounts of ¥113,999 million was directly deducted from the carrying amount of loans receivable to Sierra Gorda S.C.M. of ¥54,876 million. The allowance for doubtful accounts is measured based on the present value of the difference between all contractual cash flows that are paid to the Company by a debtor and all contractual cash flows expected to be received by the Company.

The cash flows that Sumitomo Metal Mining, Ltd. and its consolidated subsidiaries expected to receive were estimated based on the business plan of the borrower, Sierra Gorda S.C.M., which reflected highly uncertain assumptions, such as the forecast of copper prices. Accordingly, management’s judgment on the forecast of copper prices thereon had a significant effect on the estimate of the allowance for doubtful accounts.

We, therefore, determined that our assessment of the reasonableness of the estimate of the allowance for doubtful accounts for loans receivable to Sierra Gorda S.C.M. was the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to the assessment of loans receivable. In this assessment, we focused our testing on controls designed to prevent and/or detect the use of unreasonable assumptions for the forecast of copper prices, the key assumption included in the business plan of the borrower.

**(2) Assessment of the reasonableness of the estimated future cash flows that the Company expected to receive from loans receivable**

In order to assess the key assumption included in the business plan of Sierra Gorda S.C.M., we requested the component auditors of Sierra Gorda S.C.M and SMM Holland B.V., a consolidated subsidiary that provides loans to Sierra Gorda S.C.M., to perform an audit including the procedures that we deemed necessary to assess the reasonableness of the estimated future cash flows. Then we evaluated the reports of the component auditors as to whether sufficient and appropriate audit evidence was obtained from the following procedures among others:

- inspection of the supporting materials to estimate the forecast of copper prices and comparison of the forecast of copper prices with those by external organizations, which were used as the basis for the estimate by the Company; and
- comparison of the forecast of copper prices with applicable market data related to non-ferrous metal that was independently obtained by engaging a valuation specialist within the network firms of the component auditor of Sierra Gorda S.C.M.

## Responsibilities of Management and Audit & Supervisory Board members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or

business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 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.

### **Interest required to be disclosed by the Certified Public Accountants Act of Japan**

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

袖川 兼輔 

Kensuke Sodekawa

Designated Engagement Partner

Certified Public Accountant

秋山 高広 

Takahiro Akiyama

Designated Engagement Partner

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加瀬 幸広 

Yukihiro Kase

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

July 30, 2021

# 1 Consolidated Financial Statements

## (1) Consolidated Financial Statements

### 1) Consolidated Statement of Financial Position

	Notes	FY2019	FY2020	
		(As of March 31, 2020)	(As of March 31, 2021)	
		Millions of yen	Millions of yen	Thousands of U.S. dollars
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	7	155,530	158,373	1,430,521
Trade and other receivables	8, 33	123,393	153,645	1,387,815
Other financial assets	15, 33	8,959	3,995	36,085
Inventories	9	249,884	323,229	2,919,601
Other current assets	16	23,456	34,494	311,571
<b>Total current assets</b>		<b>561,222</b>	<b>673,736</b>	<b>6,085,593</b>
<b>Non-current assets</b>				
Property, plant and equipment	10	463,405	457,662	4,133,881
Intangible assets and goodwill	11	58,338	53,180	480,354
Investment property	13	3,428	3,477	31,406
Investments accounted for using equity method	14	365,090	311,768	2,816,078
Other financial assets	15, 33	241,957	354,465	3,201,743
Deferred tax assets	17	8,466	8,693	78,520
Other non-current assets	16, 22	17,784	23,018	207,913
<b>Total non-current assets</b>		<b>1,158,468</b>	<b>1,212,263</b>	<b>10,949,896</b>
<b>Total assets</b>	<b>6</b>	<b>1,719,690</b>	<b>1,885,999</b>	<b>17,035,489</b>

	Notes	FY2019	FY2020	
		(As of March 31, 2020)	(As of March 31, 2021)	
		Millions of yen	Millions of yen	Thousands of U.S. dollars
<b>Liabilities and equity</b>				
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	18, 33	104,803	151,128	1,365,080
Bonds and borrowings	19, 33	80,656	120,725	1,090,462
Other financial liabilities	19, 20, 33	5,019	6,794	61,368
Income taxes payable		4,687	22,544	203,631
Provisions	21	4,392	4,952	44,729
Other current liabilities	23	6,753	19,179	173,236
<b>Total current liabilities</b>		<b>206,310</b>	<b>325,322</b>	<b>2,938,506</b>
<b>Non-current liabilities</b>				
Bonds and borrowings	19, 33	316,847	239,702	2,165,134
Other financial liabilities	19, 20, 33	11,705	11,499	103,866
Provisions	21	21,708	22,650	204,589
Retirement benefit liability	22	14,024	5,851	52,850
Deferred tax liabilities	17	37,394	57,041	515,229
Other non-current liabilities	23	842	951	8,590
<b>Total non-current liabilities</b>		<b>402,520</b>	<b>337,694</b>	<b>3,050,257</b>
<b>Total liabilities</b>		<b>608,830</b>	<b>663,016</b>	<b>5,988,763</b>
<b>Equity</b>				
Share capital	24	93,242	93,242	842,218
Capital surplus	24	87,598	87,604	791,293
Treasury shares	24	(38,002)	(38,027)	(343,483)
Other components of equity		(94)	25,148	227,152
Retained earnings	24	859,202	945,956	8,544,449
<b>Total equity attributable to owners of parent</b>		<b>1,001,946</b>	<b>1,113,923</b>	<b>10,061,629</b>
Non-controlling interests		108,914	109,060	985,096
<b>Total equity</b>		<b>1,110,860</b>	<b>1,222,983</b>	<b>11,046,726</b>
<b>Total liabilities and equity</b>		<b>1,719,690</b>	<b>1,885,999</b>	<b>17,035,489</b>

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

	Notes	FY2019	FY2020	
		(From April 1, 2019 to March 31, 2020)	(From April 1, 2020 to March 31, 2021)	Thousands of U.S. dollars
		Millions of yen	Millions of yen	
Net sales	26	851,946	926,122	8,365,297
Cost of sales	27	(742,475)	(775,246)	(7,002,493)
Gross profit		109,471	150,876	1,362,804
Selling, general and administrative expenses	27	(49,098)	(46,297)	(418,183)
Finance income	28	15,390	22,955	207,344
Finance costs	28	(7,858)	(4,757)	(42,968)
Share of profit of investments accounted for using equity method	14	6,178	8,719	78,755
Other income	29	12,855	5,757	52,001
Other expenses	29	(7,903)	(13,874)	(125,318)
Profit before tax	6	79,035	123,379	1,114,434
Income tax expense	17	(18,283)	(24,670)	(222,834)
Profit		60,752	98,709	891,600
Profit attributable to:				
Owners of parent		60,600	94,604	854,521
Non-controlling interests		152	4,105	37,079
Profit		60,752	98,709	891,600
Earnings per share		Yen	Yen	U.S. dollars
Basic earnings per share	31	220.54	344.29	3.11
Diluted earnings per share	31	220.54	344.29	3.11

## Consolidated Statement of Comprehensive Income

	Notes	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)	
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit		60,752	98,709	891,600
Other comprehensive income				
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	30	(21,126)	44,921	405,754
Remeasurements of defined benefit plans	30	(2,520)	8,639	78,033
Share of other comprehensive income of investments accounted for using equity method	14, 30	(115)	304	2,746
Total of items that will not be reclassified to profit or loss		<u>(23,761)</u>	<u>53,864</u>	<u>486,532</u>
Items that will be reclassified to profit or loss:				
Cash flow hedges	30	(1,645)	(1,005)	(9,078)
Exchange differences on translation of foreign operations	30	(5,108)	(14,539)	(131,325)
Share of other comprehensive income of investments accounted for using equity method	14, 30	(2,979)	(7,080)	(63,951)
Total of items that will be reclassified to profit or loss		<u>(9,732)</u>	<u>(22,624)</u>	<u>(204,354)</u>
Other comprehensive income, net of tax		<u>(33,493)</u>	<u>31,240</u>	<u>282,179</u>
Comprehensive income		<u>27,259</u>	<u>129,949</u>	<u>1,173,778</u>
Comprehensive income attributable to:				
Owners of parent		28,541	128,758	1,163,021
Non-controlling interests		<u>(1,282)</u>	<u>1,191</u>	<u>10,758</u>
Comprehensive income		<u>27,259</u>	<u>129,949</u>	<u>1,173,778</u>

3) Consolidated Statement of Changes in Equity  
FY2019 (From April 1, 2019 to March 31, 2020)

Notes	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
As of April 1, 2019	93,242	87,598	(37,983)	(18,573)	631	43,698
Cumulative effect of accounting change	–	–	–	(1,045)	–	–
Restated balance as of April 1, 2019	93,242	87,598	(37,983)	(19,618)	631	43,698
Profit	–	–	–	–	–	–
Other comprehensive income	30	–	–	(6,758)	(1,547)	(21,039)
Total comprehensive income	–	–	–	(6,758)	(1,547)	(21,039)
Purchase of treasury shares	24	–	(19)	–	–	–
Disposal of treasury shares	24	0	0	–	–	–
Dividends	25	–	–	–	–	–
Changes in ownership interests	–	–	–	–	–	–
Transfer to retained earnings	15	–	–	–	–	4,539
Transactions with owners - total	–	0	(19)	–	–	4,539
As of March 31, 2020	93,242	87,598	(38,002)	(26,376)	(916)	27,198

Notes	Equity attributable to owners of parent					
	Other components of equity			Total	Non-controlling interests	Total equity
	Remeasurements of defined benefit plans	Total	Retained earnings			
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
As of April 1, 2019	–	25,756	878,948	1,047,561	103,719	1,151,280
Cumulative effect of accounting change	–	(1,045)	(56,330)	(57,375)	–	(57,375)
Restated balance as of April 1, 2019	–	24,711	822,618	990,186	103,719	1,093,905
Profit	–	–	60,600	60,600	152	60,752
Other comprehensive income	30	(2,715)	–	(32,059)	(1,434)	(33,493)
Total comprehensive income	–	(2,715)	60,600	28,541	(1,282)	27,259
Purchase of treasury shares	24	–	–	(19)	–	(19)
Disposal of treasury shares	24	–	–	0	–	0
Dividends	25	–	(16,762)	(16,762)	(3,121)	(19,883)
Changes in ownership interests	–	–	–	–	9,598	9,598
Transfer to retained earnings	15	2,715	(7,254)	–	–	–
Transactions with owners - total	–	2,715	(24,016)	(16,781)	6,477	(10,304)
As of March 31, 2020	–	(94)	859,202	1,001,946	108,914	1,110,860

FY2020 (From April 1, 2020 to March 31, 2021)

		Equity attributable to owners of parent				
		Other components of equity				
Notes	Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2020	93,242	87,598	(38,002)	(26,376)	(916)	27,198
Profit	–	–	–	–	–	–
Other comprehensive income	30	–	–	(18,707)	(1,071)	44,946
Total comprehensive income	–	–	–	(18,707)	(1,071)	44,946
Purchase of treasury shares	24	–	(25)	–	–	–
Disposal of treasury shares	24	1	0	–	–	–
Dividends	25	–	–	–	–	–
Changes in ownership interests	–	5	–	–	–	–
Obtaining of control of subsidiaries	–	–	–	–	–	–
Transfer to retained earnings	15	–	–	–	–	74
Transactions with owners - total	–	6	(25)	–	–	74
As of March 31, 2021	93,242	87,604	(38,027)	(45,083)	(1,987)	72,218

		Equity attributable to owners of parent				
		Other components of equity			Non-controlling interests	Total equity
Notes	Remeasurements of defined benefit plans	Total	Retained earnings	Total	Non-controlling interests	Total equity
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2020	–	(94)	859,202	1,001,946	108,914	1,110,860
Profit	–	–	94,604	94,604	4,105	98,709
Other comprehensive income	30	8,986	34,154	34,154	(2,914)	31,240
Total comprehensive income	8,986	34,154	94,604	128,758	1,191	129,949
Purchase of treasury shares	24	–	–	(25)	–	(25)
Disposal of treasury shares	24	–	–	1	–	1
Dividends	25	–	(16,762)	(16,762)	(3,224)	(19,986)
Changes in ownership interests	–	–	–	5	2,151	2,156
Obtaining of control of subsidiaries	–	–	–	–	28	28
Transfer to retained earnings	15	(8,986)	8,912	–	–	–
Transactions with owners - total	(8,986)	(8,912)	(7,850)	(16,781)	(1,045)	(17,826)
As of March 31, 2021	–	25,148	945,956	1,113,923	109,060	1,222,983

Equity attributable to owners of parent						
Notes	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars			
As of April 1, 2020	842,218	791,238	(343,257)	(238,244)	(8,274)	245,669
Profit	–	–	–	–	–	–
Other comprehensive income	30	–	–	(168,973)	(9,674)	405,980
Total comprehensive income	–	–	–	(168,973)	(9,674)	405,980
Purchase of treasury shares	24	–	(226)	–	–	–
Disposal of treasury shares	24	9	0	–	–	–
Dividends	25	–	–	–	–	–
Changes in ownership interests	–	45	–	–	–	–
Obtaining of control of subsidiaries	–	–	–	–	–	–
Transfer to retained earnings	15	–	–	–	–	668
Transactions with owners - total	–	54	(226)	–	–	668
As of March 31, 2021	842,218	791,293	(343,483)	(407,217)	(17,948)	652,317

Equity attributable to owners of parent						
Notes	Other components of equity		Retained earnings	Total	Non-controlling interests	Total equity
	Remeasurements of defined benefit plans	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 April 1, 2020	–	(849)	7,760,835	9,050,185	983,777	10,033,963
Profit	–	–	854,521	854,521	37,079	891,600
Other comprehensive income	30	81,167	308,500	308,500	(26,321)	282,179
Total comprehensive income	–	81,167	854,521	1,163,021	10,758	1,173,778
Purchase of treasury shares	24	–	–	(226)	–	(226)
Disposal of treasury shares	24	–	–	9	–	9
Dividends	25	–	(151,405)	(151,405)	(29,121)	(180,526)
Changes in ownership interests	–	–	–	45	19,429	19,474
Obtaining of control of subsidiaries	–	–	–	–	253	253
Transfer to retained earnings	15	(81,167)	80,499	–	–	–
Transactions with owners - total	–	(81,167)	(70,906)	(151,576)	(9,439)	(161,015)
As of March 31, 2021	–	227,152	8,544,449	10,061,629	985,096	11,046,726

#### 4) Consolidated Statement of Cash Flows

	Notes	FY2019	FY2020	
		(From April 1, 2019 to March 31, 2020)	(From April 1, 2020 to March 31, 2021)	Thousands of U.S. dollars
		Millions of yen	Millions of yen	
<b>Cash flows from operating activities</b>				
Profit before tax		79,035	123,379	1,114,434
Depreciation and amortization expense		45,355	45,729	413,052
Loss (gain) on sale of property, plant and equipment		(8,616)	(174)	(1,572)
Impairment losses		1,506	262	2,367
Share of loss (profit) of investments accounted for using equity method		(6,178)	(8,719)	(78,755)
Loss (gain) on sale of subsidiaries		488	–	–
Increase or decrease in retirement benefit asset or liability		892	(14,646)	(132,292)
Increase (decrease) in provisions		(1,635)	(2,392)	(21,606)
Finance income		(15,390)	(22,955)	(207,344)
Finance costs		7,858	4,757	42,968
Decrease (increase) in trade and other receivables		26,820	(30,489)	(275,395)
Decrease (increase) in inventories	2	36,842	(70,653)	(638,181)
Increase (decrease) in trade and other payables		(28,825)	52,133	470,897
Decrease (increase) in advance payments to suppliers	2	(3,788)	3,144	28,399
Increase (decrease) in accrued consumption taxes		553	(187)	(1,689)
Other	2	235	8,587	77,563
Subtotal		135,152	87,776	792,846
Interest received		5,112	4,034	36,438
Dividends received		11,991	11,931	107,768
Interest paid		(6,669)	(3,834)	(34,631)
Income taxes paid		(10,587)	(8,463)	(76,443)
Income taxes refund		1,546	78	705
Net cash provided by (used in) operating activities		136,545	91,522	826,682
<b>Cash flows from investing activities</b>				
Payments into time deposits		(9,272)	(21,401)	(193,307)
Proceeds from withdrawal of time deposits		10,652	24,736	223,431
Purchase of property, plant and equipment		(45,778)	(39,267)	(354,683)
Proceeds from sale of property, plant and equipment		10,849	375	3,387
Purchase of intangible assets		(695)	(1,203)	(10,866)
Proceeds from sale of investment securities		6,307	821	7,416
Purchase of shares of subsidiaries and associates		(43,657)	(4,566)	(41,243)
Proceeds from sale of shares of subsidiaries and associates		–	9,943	89,811
Collection of short-term loans receivable		260	253	2,285
Payments for long-term loans receivable		(3,246)	(3,424)	(30,928)
Collection of long-term loans receivable		3,138	1,596	14,416
Proceeds from sale of interests in subsidiaries resulting in change in scope of consolidation	32	885	–	–

		FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)	
	Notes	Millions of yen	Millions of yen	Thousands of U.S. dollars
Purchase of shares of subsidiaries resulting in change in scope of consolidation	32	–	(249)	(2,249)
Other	2	223	(7)	(63)
Net cash provided by (used in) investing activities		(70,334)	(32,393)	(292,593)
Cash flows from financing activities				
Proceeds from short-term borrowings	32	188,223	252,439	2,280,182
Repayments of short-term borrowings	32	(185,585)	(256,969)	(2,321,100)
Proceeds from long-term borrowings	32	28,629	1,350	12,194
Repayments of long-term borrowings	32	(29,891)	(32,908)	(297,245)
Proceeds from issuance of bonds	32	19,884	–	–
Proceeds from share issuance to non-controlling shareholders		9,598	2,158	19,492
Purchase of treasury shares		(19)	(25)	(226)
Dividends paid	25	(16,762)	(16,762)	(151,405)
Dividends paid to non-controlling shareholders		(3,121)	(3,224)	(29,121)
Other	32	(1,807)	(1,817)	(16,412)
Net cash provided by (used in) financing activities		9,149	(55,758)	(503,640)
Net increase (decrease) in cash and cash equivalents		75,360	3,371	30,449
Cash and cash equivalents at beginning of period	7	81,261	155,530	1,404,841
Effect of exchange rate changes on cash and cash equivalents		(1,091)	(528)	(4,769)
Cash and cash equivalents at end of period	7	155,530	158,373	1,430,521

## 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 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, 2021, 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

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.

#### (2) Approval of the consolidated financial statements

The consolidated financial statements of the SMM Group were approved on June 25, 2021, 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. Summary of 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 31, 2021, which was ¥110.71 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.

#### (5) Changes in accounting policies

Significant accounting policies applied in the consolidated financial statements of the SMM Group are the same as those applied in the consolidated financial statements for FY2019, with the following exception.

##### Changes in the accounting treatment for non-free supply transactions

The SMM Group had previously posted amounts relating to non-free supplied materials received from customers under inventories and recognized net sales and cost of sales at the time of delivery. However, from FY2020, the SMM Group has adopted the policy of posting such amounts under other current assets and reversing other current assets at the time of delivery. This change was due to changing to the determination that control over such non-free supplied materials had not been obtained, after a review of the criteria for determining whether the SMM Group had control over the non-free supplied materials. Accordingly, amounts relating to non-free supplied materials received from customers are not recognized as net sales and cost of sales at the time of delivery.

This change in accounting policy was applied retrospectively, and the consolidated financial statements of FY2019 represent the amounts after such retrospective application.

As a result, compared to the amounts before the retrospective application of this accounting policy, in FY2019, “Inventories” decreased by ¥2,915 million and “Other current assets” increased by ¥2,915 million. Furthermore, because amounts relating to non-free supplied materials were not included, “Net sales” and “Cost of sales” decreased by ¥20,669 million each. There was no effect on gross profit and profit before tax. Therefore, there was no effect on basic earnings per share and diluted earnings per share. In addition, under cash flows from operating activities in the consolidated statements of cash flows, “Decrease (increase) in inventories” increased by ¥1,511 million and “Other” decreased by ¥1,511 million.

In FY2020, compared to the amounts based on the previous accounting method, “Inventories” decreased by ¥2,615 million (U.S. \$23,620 thousand) and “Other current assets” increased by ¥2,615 million (U.S. \$23,620 thousand). Furthermore, because amounts relating to non-free supplied materials were not included, “Net sales” and “Cost of sales” decreased by ¥22,060 million (U.S. \$199,259 thousand) each. There was no effect on gross profit and profit before tax. Therefore, there was no effect on basic earnings per share and diluted earnings per share. In addition, under cash flows from operating activities in the consolidated statements of cash flows, “Decrease (increase) in inventories” decreased by ¥300 million (U.S. \$2,710 thousand) and “Other” increased by ¥300 million (U.S. \$2,710 thousand).

The impact on segment information is stated in the relevant section.

(6) Changes in presentation policies

(Consolidated statement of cash flows)

“Decrease (increase) in advance payments to suppliers,” which had been included in “Other” under “Cash flows from operating activities,” for FY2019, have been presented separately due to their increasing materiality from FY2020. In order to reflect this change in the presentation method, the consolidated financial statements for FY2019 have been restated. Moreover, in conjunction with the change in accounting policy, under cash flows from operating activities in the consolidated statements of cash flows, “Decrease (increase) in inventories” increased by ¥1,511 million and “Other” decreased by ¥1,511 million.

As a result, in the consolidated statements of cash flows for FY2019, ¥35,331 million that was presented in “Decrease (increase) in inventories” and ¥(2,042) million that was presented in “Other” under cash flows from operating activities has been reclassified to ¥36,842 million in “Decrease (increase) in inventories,” ¥(3,788) million in “Decrease (increase) in advance payments to suppliers,” and ¥235 million in “Other.”

“Payments for short-term loans receivable” which was presented separately under cash flows from investing activities in FY2019 has been included in “Other” under cash flows from investing activities due to its decreasing materiality. In order to reflect this change in the presentation policy, the consolidated statements of cash flows for FY2019 have been restated.

As a result, in the consolidated statements of cash flows for FY2019, ¥(2) million in “Payments for short-term loans receivable” and ¥225 million in “Other” presented under cash flows from investing activities have been reclassified to ¥223 million in “Other.”

### 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.

#### (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 is obtained and the date when the control is lost. 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 has a significant influence over the decisions on financial 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 in principle 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.

### (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.

### (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, etc. 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

The SMM Group recognizes right-of-use assets and lease liabilities at the commencement date of the lease contract.

1) Right-of-use assets

Right-of-use assets are initially measured at acquisition cost, which comprises the amount of the initial measurement of lease liabilities, initial direct costs, and the initial estimated cost of dismantling, removing and restoring to the original condition of underlying assets, among others.

Right-of-use assets are measured subsequent to recognition by using cost model, and measured at the value calculated by subtracting accumulated depreciation and accumulated impairment from acquisition cost.

Right-of-use assets are depreciated using the straight-line method over the shorter of lease term and useful lives of right-of-use assets.

2) Lease liabilities

Lease liabilities are initially recognized at the present value of outstanding lease payments at the commencement date of the contract, discounted using the interest rate implicit in the lease.

If the interest rate implicit in the lease is not readily determined, the SMM Group's incremental borrowing rate is used as the discount rate.

In subsequent measurement, lease liabilities are measured by increasing the carrying amount to reflect the interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

(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 a point in time or over time, 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.

The Company and some of its domestic consolidated subsidiaries have applied a consolidated taxation system from FY2020.

## (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 17. Income Taxes)
- Accounting for and measurement of provisions (Note 21. Provisions)
- Recognition of impairment of financial assets (Note 33. Financial Instruments)

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

There are no material standards and interpretations that were newly issued or amended prior to the date of approval of the consolidated financial statements.

## 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 four business divisions—the Mineral Resources Div., Non-Ferrous Metals Div., Battery Materials Div. and Advanced 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 Company has integrated operating segments with regard to the Battery Materials Div. and the Advanced Materials Div. which have similar business characteristics and similar economic characteristics in terms of their customers, etc., and are recognized to be similar in all aspects including product/service characteristics. The Company has classified these operating segments into three core reportable segments of Mineral Resources, Smelting & Refining, and Materials by classifying the mineral resource businesses into Mineral Resources, the metals businesses into Smelting & Refining, and the battery materials businesses and the advanced materials businesses into Materials.

#### 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, platinum and palladium.

In the Materials segment, the SMM Group mainly engages in manufacturing, processing and sales of battery materials (e.g., nickel hydroxide, lithium nickel oxide), pastes, powder materials (e.g., nickel powder), crystal materials (e.g., lithium tantalate substrates, lithium niobate substrates) and tape materials; 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.

FY2019 (From April 1, 2019 to March 31, 2020)

	Reportable Segments				Other Businesses (Note 2)	Adjustments (Note 3)	Consolidated Statement of Profit or Loss
	Mineral Resources	Smelting & Refining	Materials (Note 1)	Total			
	Millions of yen	Millions of yen	Millions of yen	Millions of yen			
Net sales:							
Outside customers	79,951	578,999	188,782	847,732	4,214	–	851,946
Inter-segment	34,910	35,032	19,184	89,126	5,806	(94,932)	–
Total	114,861	614,031	207,966	936,858	10,020	(94,932)	851,946
Segment income (Profit before tax)	37,956	48,257	5,274	91,487	(911)	(11,541)	79,035
Segmental assets	609,805	661,437	224,893	1,496,135	27,774	195,781	1,719,690
Other items:							
Depreciation and amortization expense	(12,841)	(20,581)	(9,360)	(42,782)	(582)	(1,991)	(45,355)
Finance income	12,143	5,480	1,565	19,188	1	(3,799)	15,390
Finance costs	(3,550)	(4,156)	(386)	(8,092)	(34)	268	(7,858)
Share of profit (loss) of investments accounted for using equity method	(2,240)	4,668	2,820	5,248	–	930	6,178
Impairment losses on non-financial assets	(657)	–	(783)	(1,440)	–	(66)	(1,506)
Other gain (loss)	685	6,968	(268)	7,385	(2,078)	(355)	4,952
Capital expenditures	14,551	24,305	8,245	47,101	636	2,952	50,689
Investments accounted for using equity method	240,262	104,216	24,124	368,602	–	(3,512)	365,090

FY2020 (From April 1, 2020 to March 31, 2021)

	Reportable Segments				Other Businesses (Note 2)	Adjustments (Note 3)	Consolidated Statement of Profit or Loss
	Mineral Resources	Smelting & Refining	Materials (Note 1)	Total			
	Millions of yen	Millions of yen	Millions of yen	Millions of yen			
Net sales:							
Outside customers	75,688	656,536	190,039	922,263	3,859	–	926,122
Inter-segment	51,354	37,222	21,494	110,070	5,844	(115,914)	–
Total	127,042	693,758	211,533	1,032,333	9,703	(115,914)	926,122
Segment income (Profit before tax)	65,290	55,816	11,326	132,432	(2,758)	(6,295)	123,379
Segmental assets	641,960	738,079	246,408	1,626,447	26,240	233,312	1,885,999
Other items:							
Depreciation and amortization expense	(12,323)	(20,622)	(10,166)	(43,111)	(636)	(1,982)	(45,729)
Finance income	18,208	2,234	1,079	21,521	–	1,434	22,955
Finance costs	(2,258)	(2,082)	(347)	(4,687)	(26)	(44)	(4,757)
Share of profit (loss) of investments accounted for using equity method	612	6,000	3,170	9,782	–	(1,063)	8,719
Impairment losses on non-financial assets	–	–	(262)	(262)	–	–	(262)
Other gain (loss)	1,172	(419)	333	1,086	(3,628)	(5,575)	(8,117)
Capital expenditures	10,236	16,071	6,365	32,672	764	1,623	35,059
Investments accounted for using equity method	247,517	63,553	25,735	336,805	–	(25,037)	311,768

	Reportable Segments				Other Businesses (Note 2)	Adjustments (Note 3)	Consolidated Statement of Profit or Loss
	Mineral Resources	Smelting & Refining	Material (Note 1)	Total			
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars			
Net sales:							
Outside customers	683,660	5,930,232	1,716,548	8,330,440	34,857	–	8,365,297
Inter-segment	463,861	336,212	194,147	994,219	52,787	(1,047,006)	–
Total	1,147,521	6,266,444	1,910,695	9,324,659	87,643	(1,047,006)	8,365,297
Segment income (Profit before tax)	589,739	504,164	102,303	1,196,206	(24,912)	(56,860)	1,114,434
Segmental assets	5,798,573	6,666,778	2,225,707	14,691,058	237,016	2,107,416	17,035,489
Other items:							
Depreciation and amortization expense	(111,309)	(186,270)	(91,825)	(389,405)	(5,745)	(17,903)	(413,052)
Finance income	164,466	20,179	9,746	194,391	–	12,953	207,344
Finance costs	(20,396)	(18,806)	(3,134)	(42,336)	(235)	(397)	(42,968)
Share of profit (loss) of investments accounted for using equity method	5,528	54,196	28,633	88,357	–	(9,602)	78,755
Impairment losses on non-financial assets	–	–	(2,367)	(2,367)	–	–	(2,367)
Other gain (loss)	10,586	(3,785)	3,008	9,809	(32,770)	(50,357)	(73,318)
Capital expenditures	92,458	145,163	57,493	295,113	6,901	14,660	316,674
Investments accounted for using equity method	2,235,724	574,049	232,454	3,042,227	–	(226,149)	2,816,078

- Notes: 1. As stated in “2. Basis of Preparation (5) Changes in accounting policies,” the change in accounting policy in FY2020 has been applied retrospectively, and the consolidated financial statements of FY2019 represent the amounts after such retrospective application. Although outside customers for “Material” segment for FY2019 decreased by ¥20,669 million compared to the amount before the retrospective application due to this change, there was no effect on segment income.
2. 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.

3. The adjustments are as follows.

1) The adjustments for segment income are as follows.

	FY2019	FY2020	
	(From April 1, 2019 to March 31, 2020)	(From April 1, 2020 to March 31, 2021)	Thousands of U.S. dollars
	Millions of yen	Millions of yen	
Head Office expenses not allocated to each reportable segment *1	(3,903)	(2,582)	(23,322)
Internal interest rate	890	867	7,831
Eliminations of inter-segmental transactions among the reportable segments	(2,861)	48	434
Profit or loss not allocated to each reportable segment *2	(5,667)	(4,628)	(41,803)
Adjustments for segment income	<u>(11,541)</u>	<u>(6,295)</u>	<u>(56,860)</u>

\*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

	FY2019	FY2020	
	(From April 1, 2019 to March 31, 2020)	(From April 1, 2020 to March 31, 2021)	Thousands of U.S. dollars
	Millions of yen	Millions of yen	
Corporate assets not allocated to each reportable segment *1	490,561	651,693	5,886,487
Offsets and eliminations of inter-segmental receivables among the reportable segments, including those toward Head Office divisions/departments, etc.	(294,780)	(418,381)	(3,779,071)
Adjustments on segmental assets	<u>195,781</u>	<u>233,312</u>	<u>2,107,416</u>

\*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 impairment losses on non-financial assets refer to impairment losses at the Head Office divisions/departments, which are not allocated to the reportable segments.
- 7) 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.
- 8) The adjustments on capital expenditures refer to an increase thereof at the Head Office divisions/departments, which is not allocated to the reportable segments.
- 9) The adjustments on investments accounted for using equity method refer to exchange differences on translation of foreign operations.

(3) Information by region

The breakdown of net sales by region is as follows. Net sales are broken down by location of shipping destination.

	FY2019	FY2020	
	(From April 1, 2019 to March 31, 2020)	(From April 1, 2020 to March 31, 2021)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Domestic (Note)	437,362	442,895	4,000,497
United States	173,857	154,505	1,395,583
China	76,108	123,530	1,115,798
Other	164,619	205,192	1,853,419
Total	851,946	926,122	8,365,297

Note: As stated in "2. Basis of Preparation (5) Changes in accounting policies," the change in accounting policy in FY2020 has been applied retrospectively, and the consolidated financial statements of FY2019 represent the amounts after such retrospective application. Due to this change, the amount decreased by ¥20,669 million compared to the amount before the retrospective application.

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

	FY2019	FY2020	
	(As of March 31, 2020)	(As of March 31, 2021)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Domestic	187,316	187,208	1,690,976
The Philippines	204,809	206,509	1,865,315
United States	120,614	109,144	985,855
Other	30,216	34,476	311,408
Total	542,955	537,337	4,853,554

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	FY2019	FY2020	
		(From April 1, 2019 to March 31, 2020)	(From April 1, 2020 to March 31, 2021)	
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Panasonic Corporation (Note)	Materials and Smelting & Refining	158,297	145,322	1,312,637

Note: As stated in "2. Basis of Preparation (5) Changes in accounting policies," the change in accounting policy in FY2020 has been applied retrospectively, and the consolidated financial statements of FY2019 represent the amounts after such retrospective application. Due to this change, the amount decreased by ¥20,669 million compared to the amount before the retrospective application.

## 7. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows.

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents			
Cash and deposits	155,530	158,373	1,430,521
Total	155,530	158,373	1,430,521

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

## 8. Trade and Other Receivables

The breakdown of trade and other receivables is as follows.

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Notes receivable – trade	4,230	5,179	46,780
Accounts receivable – trade	100,192	130,203	1,176,073
Accounts receivable – other	18,971	18,263	164,963
Total	123,393	153,645	1,387,815

The above amounts of accounts receivable – trade include trade receivables with embedded derivatives (¥8,805 million as of March 31, 2020, and ¥23,110 million (U.S. \$208,744 thousand) as of March 31, 2021). 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.

## 9. Inventories

The breakdown of inventories is as follows.

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Merchandise and finished goods (Note)	58,292	84,675	764,836
Work in process (Note)	92,614	106,837	965,017
Raw materials and supplies	98,978	131,717	1,189,748
Total	249,884	323,229	2,919,601

Note: As stated in “2. Basis of Preparation (5) Changes in accounting policies,” a change in accounting policy in FY2020 has been applied retrospectively, and the consolidated financial statements of FY2019 represent the amounts after such retrospective application. Due to this change, “Merchandise and finished goods” decreased by ¥420 million and “Work in process” decreased by ¥2,495 million compared to the amounts before the retrospective application.

The amounts of inventories recognized as an expense for FY2019 and FY2020 are ¥731,345 million and ¥764,330 million (U.S. \$6,903,893 thousand), respectively. For FY2019, the amount decreased by ¥20,669 million compared to the amount before the retrospective application of the above change in accounting policy.

The amounts of write-down of inventories recognized as an expense for FY2019 and FY2020 are ¥5,578 million and ¥2,616 million (U.S. \$23,629 thousand), respectively.

## 10. 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	Right-of-use assets	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2019	299,915	568,453	20,422	29,244	–	42,120	960,154
Cumulative effect of accounting change	(17)	(2,368)	(38)	–	11,776	–	9,353
As of April 1, 2019	299,898	566,085	20,384	29,244	11,776	42,120	969,507
Acquisition (Note 1)	325	809	135	1	2,032	48,637	51,939
Increase due to business combinations	–	–	–	–	–	–	–
Decrease due to deconsolidation	(1,113)	(630)	(127)	(263)	–	(8)	(2,141)
Transfer	9,564	28,217	1,188	281	–	(39,250)	–
Disposal (Note 2)	(3,737)	(11,148)	(1,277)	(495)	(547)	(5,024)	(22,228)
Exchange differences on translation	(2,354)	(4,800)	(23)	(46)	9	(512)	(7,726)
Other (Note 3)	1,458	2,688	86	(3,751)	–	–	481
As of March 31, 2020	304,041	581,221	20,366	24,971	13,270	45,963	989,832
Acquisition (Note 1)	92	166	337	–	2,460	33,187	36,242
Increase due to business combinations	274	1	–	–	–	–	275
Decrease due to deconsolidation	–	–	–	–	–	–	–
Transfer	4,637	17,950	1,041	60	–	(23,688)	–
Disposal (Note 2)	(610)	(3,834)	(1,098)	(50)	(739)	(508)	(6,839)
Exchange differences on translation	(567)	(2,271)	(19)	(195)	(26)	428	(2,650)
Other (Note 3)	873	3,091	60	–	–	–	4,024
As of March 31, 2021	308,740	596,324	20,687	24,786	14,965	55,382	1,020,884

Acquisition cost	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Right-of-use assets	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	Thousands of U.S. dollars
As of March 31, 2020	2,746,283	5,249,941	183,958	225,553	119,863	415,166	8,940,764
Acquisition (Note 1)	831	1,499	3,044	–	22,220	299,765	327,360
Increase due to business combinations	2,475	9	–	–	–	–	2,484
Decrease due to deconsolidation	–	–	–	–	–	–	–
Transfer	41,884	162,135	9,403	542	–	(213,964)	–
Disposal (Note 2)	(5,510)	(34,631)	(9,918)	(452)	(6,675)	(4,589)	(61,774)
Exchange differences on translation	(5,121)	(20,513)	(172)	(1,761)	(235)	3,866	(23,936)
Other (Note 3)	7,885	27,920	542	–	–	–	36,347
As of March 31, 2021	2,788,727	5,386,361	186,858	223,882	135,173	500,244	9,221,245

- Notes:
1. The amounts of borrowing costs for FY2019 and FY2020 are ¥182 million and ¥10 million (U.S. \$90 thousand), respectively. The capitalization rates applied for FY2019 and FY2020 are 1.16% and 0.54%, respectively.
  2. Includes decreases from the cancellation of leases.
  3. The amounts of Other represent a change in estimates of asset retirement obligations resulting from extinguishment of performance obligations at a domestic subsidiary and a change of the investment time horizon, interest rates and other factors for copper mines overseas as assumptions for their restoration plan.

Accumulated depreciation and impairment losses	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Right-of-use assets	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2019	(140,794)	(340,779)	(16,615)	(2,797)	–	(367)	(501,352)
Cumulative effect of accounting change	17	499	38	–	(554)	–	–
As of April 1, 2019	(140,777)	(340,280)	(16,577)	(2,797)	(554)	(367)	(501,352)
Depreciation (Note 1)	(11,328)	(28,579)	(819)	(22)	(1,759)	–	(42,507)
Impairment losses	(755)	(486)	(4)	–	(111)	(147)	(1,503)
Decrease due to deconsolidation	803	585	122	–	–	–	1,510
Disposal (Note 2)	3,483	9,715	1,245	–	94	367	14,904
Exchange differences on translation	732	1,738	15	36	(0)	–	2,521
As of March 31, 2020	(147,842)	(357,307)	(16,018)	(2,783)	(2,330)	(147)	(526,427)
Depreciation (Note 1)	(10,995)	(28,853)	(902)	(18)	(1,934)	–	(42,702)
Impairment losses	(152)	(109)	(1)	–	–	–	(262)
Decrease due to deconsolidation	–	–	–	–	–	–	–
Disposal (Note 2)	482	2,644	1,006	–	152	147	4,431
Exchange differences on translation	(172)	1,733	17	149	11	–	1,738
As of March 31, 2021	(158,679)	(381,892)	(15,898)	(2,652)	(4,101)	–	(563,222)

  

Accumulated depreciation and impairment losses	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Right-of-use assets	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	Thousands of U.S. dollars
As of March 31, 2020	(1,335,399)	(3,227,414)	(144,684)	(25,138)	(21,046)	(1,328)	(4,755,009)
Depreciation (Note 1)	(99,314)	(260,618)	(8,147)	(163)	(17,469)	–	(385,710)
Impairment losses	(1,373)	(985)	(9)	–	–	–	(2,367)
Decrease due to deconsolidation	–	–	–	–	–	–	–
Disposal (Note 2)	4,354	23,882	9,087	–	1,373	1,328	40,023
Exchange differences on translation	(1,554)	15,654	154	1,346	99	–	15,699
As of March 31, 2021	(1,433,285)	(3,449,481)	(143,600)	(23,954)	(37,043)	–	(5,087,363)

- Notes: 1. Depreciation is included in “Cost of sales” and “Selling, general and administrative expenses” of the consolidated statement of profit or loss.
2. Includes decreases from the cancellation of leases.

Carrying amount	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Right-of-use assets	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2019	159,121	225,805	3,807	26,447	11,222	41,753	468,155
As of March 31, 2020	156,199	223,914	4,348	22,188	10,940	45,816	463,405
As of March 31, 2021	150,061	214,432	4,789	22,134	10,864	55,382	457,662
	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
As of March 31, 2021	1,355,442	1,936,880	43,257	199,928	98,130	500,244	4,133,881

(2) Right-of-use assets

The carrying amounts of right-of-use assets included in property, plant and equipment are as follows.

Right-of-use assets	Land, 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, 2019	5,870	5,345	7	11,222
As of March 31, 2020	5,351	5,572	17	10,940
As of March 31, 2021	4,997	5,858	9	10,864
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2021	45,136	52,913	81	98,130

(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.

	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Mineral Resources	657	–	–
Smelting & Refining	–	–	–
Materials	780	262	2,367
Other	66	–	–
Total	1,503	262	2,367

FY2019 (From April 1, 2019 to March 31, 2020)

The Mineral Resources segment reported an impairment loss of ¥657 million. This is because the book value of facilities for the quarrying business 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 ¥780 million. This is because the book value of manufacturing facilities for SiC substrates was reduced to the recoverable amount as a result of the SMM Group's assessment that the facilities are not expected to generate cash flows sufficient to recover the invested capital. The recoverable amount, which is measured at fair value less costs of disposal, is assessed to be ¥783 million. The fair value less costs of disposal is calculated using the valuation technique that includes unobservable inputs (mainly cost approach) and classified as Level 3 in the fair value hierarchy.

FY2020 (From April 1, 2020 to March 31, 2021)

The Materials segment reported an impairment loss of ¥262 million (U.S. \$2,367 thousand). This is mainly because the carrying amount of thin-film fabrication facilities was reduced to the recoverable amount due to a sharp deterioration in the business environment for such facilities. 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.

(4) Commitments

Commitments to purchase property, plant and equipment as of March 31, 2020 and March 31, 2021 are ¥16,260 million and ¥21,684 million (U.S. \$195,863 thousand), respectively.

11. 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				
As of April 1, 2019	772	55,884	2,268	2,283	61,207
As of March 31, 2020	772	52,940	2,668	1,958	58,338
As of March 31, 2021	772	48,025	2,685	1,698	53,180
	Thousands of U.S. dollars				
As of March 31, 2021	6,973	433,791	24,253	15,337	480,354

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 the 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, 2019	61,618
Exchange differences on translation	(803)
As of March 31, 2020	60,815
Exchange differences on translation	(3,274)
As of March 31, 2021	57,541

Acquisition cost	Mining rights
	Thousands of U.S. dollars
As of March 31, 2020	549,318
Exchange differences on translation	(29,573)
As of March 31, 2021	519,745

Accumulated amortization and accumulated impairment losses	Mining rights
	Millions of yen
As of April 1, 2019	(5,734)
Amortization expense	(2,192)
Exchange differences on translation	51
As of March 31, 2020	(7,875)
Amortization expense	(2,075)
Exchange differences on translation	434
As of March 31, 2021	(9,516)

Accumulated amortization and accumulated impairment losses	Mining rights
	Thousands of U.S. dollars
As of March 31, 2020	(71,132)
Amortization expense	(18,743)
Exchange differences on translation	3,920
As of March 31, 2021	(85,954)

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, 2019	34,158	21,439	287	55,884
As of March 31, 2020	31,508	21,153	279	52,940
As of March 31, 2021	27,765	19,987	273	48,025
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2021	250,790	180,535	2,466	433,791

## 12. 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.

	FY2019	FY2020	
	(From April 1, 2019 to March 31, 2020)	(From April 1, 2020 to March 31, 2021)	Thousands of U.S. dollars
	Millions of yen	Millions of yen	
Exploration and evaluation expenses	1,075	995	8,987
Net cash provided by (used in) operating activities	(1,104)	(1,043)	(9,421)

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

## 13. 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	FY2019	FY2020	
	(From April 1, 2019 to March 31, 2020)	(From April 1, 2020 to March 31, 2021)	Thousands of U.S. dollars
	Millions of yen	Millions of yen	
Balance at beginning of period	3,428	3,428	30,964
Acquisition	–	49	443
Disposal	–	–	–
Transfer between accounts	–	–	–
Exchange differences on translation	–	–	–
Other	–	–	–
Balance at end of period	3,428	3,477	31,406

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	FY2019		FY2020		FY2020	
	(As of March 31, 2020)		(As of March 31, 2021)		(As of March 31, 2021)	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars	Thousands of U.S. dollars
	3,428	7,735	3,477	7,757	31,406	70,066

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

	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Lease income	505	563	5,085
Direct operating expenses	234	300	2,710

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.

14. 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	
			FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
			%	%
Sociedad Minera Cerro Verde S.A.A.	Development and mining of copper mines	Arequipa, Peru	21.0	21.0
Sierra Gorda S.C.M.	Development and mining of copper mines	Santiago, Chile	45.0	45.0
Quebrada Blanca Holdings SpA	Development and mining of copper mines	Santiago, Chile	33.3	33.3

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. The items of the statement of profit or loss in the condensed financial statements of Quebrada Blanca Holdings SpA for FY2019 represent the amounts arising from the date of the SMM Group obtaining significant influence over the company to the closing date of the company (from March 31, 2019 to December 31, 2019).

FY2019 (As of March 31, 2020)

	Sociedad Minera Cerro Verde S.A.A.	Sierra Gorda S.C.M.	Quebrada Blanca Holdings SpA
	Millions of yen	Millions of yen	Millions of yen
Current assets	176,899	34,276	55,064
Non-current assets	678,545	445,903	473,729
Total assets	855,444	480,179	528,793
Current liabilities	46,092	99,155	43,211
Non-current liabilities	223,395	572,183	295,210
Total liabilities	269,487	671,338	338,421
Total equity	585,957	(191,159)	190,372
The SMM Group’s share of total equity	123,051	(86,022)	63,451
Consolidation adjustment	6,058	86,022	(1,568)
Carrying amount of investments	129,109	–	61,883

FY2020 (As of March 31, 2021)

	Sociedad Minera Cerro Verde S.A.A.	Sierra Gorda S.C.M.	Quebrada Blanca Holdings SpA
	Millions of yen	Millions of yen	Millions of yen
Current assets	181,630	58,001	17,935
Non-current assets	622,302	427,715	602,358
Total assets	803,932	485,716	620,293
Current liabilities	46,645	94,755	56,712
Non-current liabilities	174,030	567,790	398,450
Total liabilities	220,675	662,545	455,162
Total equity	583,257	(176,829)	165,131
The SMM Group's share of total equity	122,484	(79,573)	55,038
Consolidation adjustment	5,457	79,573	(2,350)
Carrying amount of investments	127,941	–	52,688

	Sociedad Minera Cerro Verde S.A.A.	Sierra Gorda S.C.M.	Quebrada Blanca Holdings SpA
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Current assets	1,640,593	523,900	162,000
Non-current assets	5,621,010	3,863,382	5,440,864
Total assets	7,261,602	4,387,282	5,602,863
Current liabilities	421,326	855,885	512,257
Non-current liabilities	1,571,945	5,128,624	3,599,043
Total liabilities	1,993,271	5,984,509	4,111,300
Total equity	5,268,332	(1,597,227)	1,491,564
The SMM Group's share of total equity	1,106,350	(718,752)	497,137
Consolidation adjustment	49,291	718,752	(21,227)
Carrying amount of investments	1,155,641	–	475,910

FY2019 (From April 1, 2019 to March 31, 2020)

	Sociedad Minera Cerro Verde S.A.A.	Sierra Gorda S.C.M.	Quebrada Blanca Holdings SpA
	Millions of yen	Millions of yen	Millions of yen
Net sales	315,133	103,261	9,916
Profit (loss)	42,567	(28,656)	(9,312)
Other comprehensive income	(7,833)	2,473	(2,757)
Total comprehensive income	34,734	(26,183)	(12,069)
The SMM Group's share:			
Net sales	66,178	46,467	3,305
Profit (loss)	9,588	(11,863)	(1,076)
Other comprehensive income	(1,645)	779	(919)
Total comprehensive income	7,943	(11,084)	(1,995)
Dividends received by the SMM Group	3,435	–	–

FY2020 (From April 1, 2020 to March 31, 2021)

	Sociedad Minera Cerro Verde S.A.A.	Sierra Gorda S.C.M.	Quebrada Blanca Holdings SpA
	Millions of yen	Millions of yen	Millions of yen
Net sales	271,046	129,234	9,284
Profit (loss)	29,313	(6,235)	(22,205)
Other comprehensive income	(34,871)	10,419	(9,583)
Total comprehensive income	<u>(5,558)</u>	<u>4,184</u>	<u>(31,788)</u>

The SMM Group's share:

Net sales	56,920	58,155	3,094
Profit (loss)	5,225	(3,543)	(4,033)
Other comprehensive income	(7,323)	3,282	(3,194)
Total comprehensive income	<u>(2,098)</u>	<u>(261)</u>	<u>(7,227)</u>

Dividends received by the SMM Group

–

	Sociedad Minera Cerro Verde S.A.A.	Sierra Gorda S.C.M.	Quebrada Blanca Holdings SpA
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Net sales	2,448,252	1,167,320	83,859
Profit (loss)	264,773	(56,318)	(200,569)
Other comprehensive income	(314,976)	94,111	(86,559)
Total comprehensive income	<u>(50,203)</u>	<u>37,792</u>	<u>(287,129)</u>

The SMM Group's share:

Net sales	514,136	525,291	27,947
Profit (loss)	47,195	(32,003)	(36,429)
Other comprehensive income	(66,146)	29,645	(28,850)
Total comprehensive income	<u>(18,950)</u>	<u>(2,358)</u>	<u>(65,279)</u>

Dividends received by the SMM Group

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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.

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total carrying amount	139,352	93,805	847,304

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

	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Share of profit of the associates	6,235	7,169	64,755
Share of other comprehensive income of the associates	(1,160)	40	361
Share of total comprehensive income of the associates	5,075	7,209	65,116

(2) Investments in joint ventures

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

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total carrying amount	34,746	37,334	337,223

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

	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Share of profit of the joint ventures	3,294	3,901	35,236
Share of other comprehensive income of the joint ventures	(149)	419	3,785
Share of total comprehensive income of the joint ventures	3,145	4,320	39,021

## 15. Other Financial Assets

### (1) Breakdown of other financial assets

The breakdown of other financial assets is as follows.

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Equity securities	116,048	215,268	1,944,431
Loans receivable	126,629	138,433	1,250,411
Time deposits	3,880	76	686
Derivative assets	3,651	3,818	34,486
Other	708	865	7,813
Total	250,916	358,460	3,237,829
Current assets	8,959	3,995	36,085
Non-current assets	241,957	354,465	3,201,743
Total	250,916	358,460	3,237,829

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 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.

### (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.

Issue	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
PT Vale Indonesia Tbk	–	49,706	448,975
TOYOTA MOTOR CORPORATION	35,642	47,237	426,673
Sumitomo Forestry Co., Ltd.	14,003	24,123	217,894
Sumitomo Realty & Development Co., Ltd.	12,327	18,272	165,044
Teck Resources Limited	4,365	10,942	98,835
Other	49,711	64,988	587,011
Total	116,048	215,268	1,944,431

	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)	
	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	3,494	3,620	32,698

(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.

FY2019 (From April 1, 2019 to March 31, 2020)			FY2020 (From April 1, 2020 to March 31, 2021)		
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
6,310	(4,887)	328	823	(107)	11

  

FY2020 (From April 1, 2020 to March 31, 2021)		
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
7,434	(966)	99

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 FY2019 and FY2020 are ¥(3,391) million and ¥(74) million (U.S. \$(668) 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 amount of such reclassification for FY2019 is ¥(1,148) million. There is no pertinent information for FY2020.

16. Other Assets

The breakdown of other assets is as follows.

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
<b>Other current assets</b>			
Advance payments to suppliers	8,401	5,268	47,584
Prepaid expenses	4,619	6,124	55,316
Bullion in storage	4,068	16,338	147,575
Consumption taxes receivable	1,051	1,312	11,851
Other (Note)	5,317	5,452	49,246
Total	23,456	34,494	311,571
<b>Other non-current assets</b>			
Long-term prepaid expenses	8,548	7,506	67,799
Net defined benefit asset	7,342	13,805	124,695
Other	1,894	1,707	15,419
Total	17,784	23,018	207,913

Note: As stated in "2. Basis of Preparation (5) Changes in accounting policies," the change in accounting policy in FY2020 has been applied retrospectively, and the consolidated financial statements of FY2019 represent the amounts after such retrospective application. Due to this change, the amount increased by ¥2,915 million compared to the amount before the retrospective application.

## 17. 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.

FY2019 (From April 1, 2019 to March 31, 2020)

	As of April 1, 2019	Effect of accounting change	Recognized through profit or loss	Recognized in other comprehensive income	Other	As of March 31, 2020
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
<b>Deferred tax assets</b>						
Exploration costs	242	–	(117)	–	(4)	121
Inventories	3,183	–	(662)	–	–	2,521
Property, plant and equipment	1,311	–	1,771	–	–	3,082
Provisions	7,069	–	(1,305)	–	–	5,764
Lease liabilities	–	(43)	141	–	–	98
Retirement benefit asset and liability	4,086	–	(1,211)	1,148	–	4,023
Unused tax losses	8,373	–	(2,087)	–	(113)	6,173
Other	5,258	–	(159)	–	255	5,354
<b>Total</b>	<b>29,522</b>	<b>(43)</b>	<b>(3,629)</b>	<b>1,148</b>	<b>138</b>	<b>27,136</b>
<b>Deferred tax liabilities</b>						
Property, plant and equipment	(9,661)	–	2,059	–	72	(7,530)
Other financial assets	(21,352)	3,516	2,206	6,813	46	(8,771)
Retained earnings at subsidiaries and associates	(19,999)	–	(2,629)	–	77	(22,551)
Reserves	(11,285)	–	(1,632)	–	–	(12,917)
Other	(3,740)	–	(555)	–	–	(4,295)
<b>Total</b>	<b>(66,037)</b>	<b>3,516</b>	<b>(551)</b>	<b>6,813</b>	<b>195</b>	<b>(56,064)</b>

FY2020 (From April 1, 2020 to March 31, 2021)

	As of April 1, 2020	Recognized through profit or loss	Recognized in other comprehensive income	Other	As of March 31, 2021
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Deferred tax assets					
Exploration costs	121	(69)	–	(5)	47
Inventories	2,521	367	–	–	2,888
Property, plant and equipment	3,082	(396)	–	–	2,686
Provisions	5,764	(563)	–	33	5,234
Lease liabilities	98	105	–	–	203
Retirement benefit asset and liability	4,023	(128)	(3,895)	–	–
Unused tax losses	6,173	1,430	–	(376)	7,227
Other	5,354	1,708	–	38	7,100
Total	<u>27,136</u>	<u>2,454</u>	<u>(3,895)</u>	<u>(310)</u>	<u>25,385</u>
Deferred tax liabilities					
Property, plant and equipment	(7,530)	(158)	–	329	(7,359)
Other financial assets	(8,771)	(9,686)	(17,525)	(95)	(36,077)
Retained earnings at subsidiaries and associates	(22,551)	8,832	–	288	(13,431)
Reserves	(12,917)	143	–	–	(12,774)
Retirement benefit asset and liability	–	(599)	–	–	(599)
Other	(4,295)	802	–	–	(3,493)
Total	<u>(56,064)</u>	<u>(666)</u>	<u>(17,525)</u>	<u>522</u>	<u>(73,733)</u>

	As of April 1, 2020	Recognized through profit or loss	Recognized in other comprehensive income	Other	As of March 31, 2021
	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	1,093	(623)	–	(45)	425
Inventories	22,771	3,315	–	–	26,086
Property, plant and equipment	27,838	(3,577)	–	–	24,262
Provisions	52,064	(5,085)	–	298	47,277
Lease liabilities	885	948	–	–	1,834
Retirement benefit asset and liability	36,338	(1,156)	(35,182)	–	–
Unused tax losses	55,758	12,917	–	(3,396)	65,279
Other	48,361	15,428	–	343	64,132
Total	245,109	22,166	(35,182)	(2,800)	229,293
Deferred tax liabilities					
Property, plant and equipment	(68,016)	(1,427)	–	2,972	(66,471)
Other financial assets	(79,225)	(87,490)	(158,296)	(858)	(325,869)
Retained earnings at subsidiaries and associates	(203,694)	79,776	–	2,601	(121,317)
Reserves	(116,674)	1,292	–	–	(115,383)
Retirement benefit asset and liability	–	(5,411)	–	–	(5,411)
Other	(38,795)	7,244	–	–	(31,551)
Total	(506,404)	(6,016)	(158,296)	4,715	(666,001)

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 realized from recognized deferred tax assets. However, the periods in which taxable profits are generated and the amount may be affected by future changes in economic conditions, and the amounts on the consolidated financial statements for the next fiscal year may be affected if it becomes necessary to review the periods and amount.

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

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Unused tax losses	11,879	12,974	117,189
Deductible temporary differences	3,070	2,753	24,867
Total	14,949	15,727	142,056

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

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
1st year	67	97	876
2nd year	200	126	1,138
3rd year	125	118	1,066
4th year	118	233	2,105
5th year and after	11,369	12,400	112,004
Total	11,879	12,974	117,189

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 March 31, 2020 and March 31, 2021 totaled ¥213,345 million, and ¥227,346 million (U.S. \$2,053,527 thousand), respectively.

(2) Income tax expense

The breakdown of income tax expense is as follows.

	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Current tax expense	14,103	26,458	238,985
Deferred tax expense			
Origination and reversal of temporary differences	7,040	(1,193)	(10,776)
Assessed recoverability of deferred tax assets	(2,860)	337	3,044
Changes in applicable tax rates and other factors	–	(932)	(8,418)
Total	18,283	24,670	222,834

The tax reforms were implemented in the Netherlands during FY2020. 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 ¥3,751 million and ¥102 million (U.S. \$921 thousand) for FY2019 and FY2020, 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 expense by ¥1,702 million and ¥9 million (U.S. \$81 thousand) for FY2019 and FY2020, 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 FY2019 and FY2020.

	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)
	%	%
Japanese statutory tax rates	30.6	30.6
Changes in unrecognized deferred tax assets	(2.5)	0.0
Non-taxable revenues	(1.3)	(0.9)
Differences in applicable tax rates of consolidated subsidiaries	(3.0)	(4.0)
Changes in tax effects of undistributed profit of subsidiaries and associates	3.8	(0.7)
Share of profit (loss) of investments accounted for using equity method	(2.4)	(2.4)
Tax credit	(2.2)	(0.9)
Other	0.1	(1.7)
Average effective tax rates	23.1	20.0

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 FY2019 and FY2020 are 30.6%. Overseas consolidated subsidiaries, however, are subject to local corporate and other taxes.

## 18. Trade and Other Payables

The breakdown of trade and other payables is as follows.

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Accounts payable – trade (Note)	54,472	101,966	921,019
Accounts payable (Note)	36,551	35,354	319,339
Other	13,780	13,808	124,722
Total	104,803	151,128	1,365,080

Note: As stated in “2. Basis of Preparation (5) Changes in accounting policies,” the change in accounting policy in FY2020 has been applied retrospectively, and the consolidated financial statements of FY2019 represent the amounts after such retrospective application. Due to this change, “Accounts payable – trade” decreased by ¥4,650 million and “Accounts payable” increased by ¥4,650 million compared to the amounts before the retrospective application.

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

## 19. 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.

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)		Average interest rate (Note)	Due date
	Millions of yen	Millions of yen	Thousands of U.S. dollars	%	
Short-term borrowings	47,045	44,519	402,123	0.43	–
Current portion of long-term borrowings	33,611	46,222	417,505	1.33	–
Current portion of bonds payable	–	29,984	270,834	0.43	–
Long-term borrowings	237,394	190,053	1,716,674	0.83	From December 20, 2022 to July 22, 2031
Bonds payable	49,832	19,900	179,749	0.18	December 13, 2024 and December 13, 2029
Convertible bond-type bonds with share acquisition rights	29,621	29,749	268,711	–	March 15, 2023
Lease liabilities	11,396	11,505	103,920	1.57	From April 5, 2021 to June 25, 2097
Derivative liabilities	3,574	6,105	55,144	–	–
Other	1,754	683	6,169	–	–
<b>Total</b>	<b>414,227</b>	<b>378,720</b>	<b>3,420,829</b>		
Current liabilities	85,675	127,519	1,151,829		
Non-current liabilities	328,552	251,201	2,269,000		
<b>Total</b>	<b>414,227</b>	<b>378,720</b>	<b>3,420,829</b>		

Note: The item “average interest rate” represents the weighted average interest rates for the balances as of the end of FY2020.

Restrictive financial covenants have been attached to some of the SMM Group’s borrowings; the covenants require, for example, that the SMM Group maintain a certain level of net assets. No events resulting in a breach of the covenants have occurred during FY2019 and FY2020.

Short-term borrowings, current portion of long-term borrowings, current portion of bonds payable, 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	FY2019	FY2020	
			(As of March 31, 2020)	(As of March 31, 2021)	
			Millions of yen	Millions of yen	Thousands of U.S. dollars
Sumitomo Metal Mining Co., Ltd.	29th series straight bonds	August 31, 2011	9,989	9,997	90,299
Sumitomo Metal Mining Co., Ltd.	30th series straight bonds	September 18, 2018	19,959	19,987	180,535
Sumitomo Metal Mining Co., Ltd.	31st series straight bonds	December 13, 2019	9,947	9,957	89,938
Sumitomo Metal Mining Co., Ltd.	32nd series straight bonds	December 13, 2019	9,937	9,943	89,811
Sumitomo Metal Mining Co., Ltd.	Euro-yen denominated convertible bond-type bonds with share acquisition rights due 2023	March 15, 2018	29,621	29,749	268,711
Total			79,453	79,633	719,294

Company name	Coupon rate	Collateral	Redemption date
	%		
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.	0.10	None	December 13, 2024
Sumitomo Metal Mining Co., Ltd.	0.25	None	December 13, 2029
Sumitomo Metal Mining Co., Ltd.	–	None	March 15, 2023
Total			

(2) Assets pledged as collateral

Assets pledged as collateral are as follows.

	FY2019	FY2020	
	(As of March 31, 2020)	(As of March 31, 2021)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Investments accounted for using equity method (Note)	0	0	0
Total	0	0	0

Liabilities with collateral are as follows.

	FY2019	FY2020	
	(As of March 31, 2020)	(As of March 31, 2021)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Long-term borrowings (including current portion)	34,680	25,198	227,604
Total	34,680	25,198	227,604

Note: 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.

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Shares of consolidated subsidiaries (amount before inter-company eliminations)	28,032	28,032	253,202
Total	28,032	28,032	253,202

## 20. Leases

The SMM Group's lease assets include buildings and structures; machinery, equipment and vehicles; tools; furniture and fixtures; and land as a lessee. Right-of-use assets are included in "Property, plant and equipment," and lease liabilities are included in "Other financial liabilities" (current) and "Other financial liabilities" (non-current) in the consolidated statement of financial position. Some contracts include a renewal option. There are no restrictions imposed by lease contracts such as significant renewal or purchase options, or escalation clauses.

### (1) Right-of-use assets

The breakdown of the carrying amounts of right-of-use assets as of March 31, 2021 is presented in "Note 10. Property, Plant and Equipment, (2) Right-of-use assets."

Additions to right-of-use assets are as follows.

	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)	FY2020 (From April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Right-of-use assets increased	2,032	2,460	22,220

### (2) Lease liabilities

The balances of lease liabilities by due date as of March 31, 2021 are as follows.

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)	FY2020 (As of March 31, 2021)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Due within one year	1,973	2,153	19,447
Due after one year through five years	4,596	5,040	45,524
Due after five years	4,827	4,312	38,949
Total balance of lease liabilities	11,396	11,505	103,920

(3) Amounts presented in the consolidated statement of profit or loss

The breakdown of items related to leases is as follows.

	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)	FY2020 (From April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Depreciation of right-of-use assets			
Land, buildings and structures	753	818	7,389
Machinery, equipment and vehicles	1,002	1,107	9,999
Tools, furniture and fixtures	4	9	81
Total depreciation	1,759	1,934	17,469
Interest expense related to lease liabilities	112	147	1,328
Lease expenses arising from short- term lease exemptions	44	203	1,834
Lease expenses arising from low- value asset exemptions	45	46	415
Total lease expenses	1,960	2,330	21,046

(4) Amount recognized in the consolidated statement of cash flows

The total amount of cash outflows related to leases is as follows.

	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)	FY2020 (From April 1, 2020 to March 31, 2021)
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total amount of cash outflows related to leases	2,001	2,214	19,998

## 21. Provisions

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

	Provision for decommission- ing 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, 2020	10,845	10,707	3,368	1,180	26,100
Increases due to new consolidation	–	–	81	–	81
Increases	908	629	3,755	506	5,798
Effect of changes in the discount rate	–	3,447	–	–	3,447
Unwinding of discount	–	213	–	–	213
Decreases (utilized)	(3,796)	(8)	(3,449)	(244)	(7,497)
Decreases (reversed)	–	–	–	(28)	(28)
Exchange differences on translation	–	(518)	1	5	(512)
As of March 31, 2021	7,957	14,470	3,756	1,419	27,602
Current liabilities	–	87	3,368	937	4,392
Non-current liabilities	10,845	10,620	–	243	21,708
Total (as of March 31, 2020)	10,845	10,707	3,368	1,180	26,100
Current liabilities	–	105	3,756	1,091	4,952
Non-current liabilities	7,957	14,365	–	328	22,650
Total (as of March 31, 2021)	7,957	14,470	3,756	1,419	27,602

  

	Provision for decommission- ing 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, 2020	97,959	96,712	30,422	10,658	235,751
Increases due to new consolidation	–	–	732	–	732
Increases	8,202	5,682	33,917	4,570	52,371
Effect of changes in the discount rate	–	31,135	–	–	31,135
Unwinding of discount	–	1,924	–	–	1,924
Decreases (utilized)	(34,288)	(72)	(31,153)	(2,204)	(67,717)
Decreases (reversed)	–	–	–	(253)	(253)
Exchange differences on translation	–	(4,679)	9	45	(4,625)
As of March 31, 2021	71,872	130,702	33,926	12,817	249,318
Current liabilities	–	948	33,926	9,855	44,729
Non-current liabilities	71,872	129,753	–	2,963	204,589
Total (as of March 31, 2021)	71,872	130,702	33,926	12,817	249,318

### (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 the 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 the 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 fiscal year.

## 22. 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.

	FY2019 (As of March 31, 2020)	(Thousands of U.S. dollars)	
		(Millions of yen)	
		FY2020 (As of March 31, 2021)	
Present value of funded defined benefit obligations	70,746	68,900	622,347
Fair value of plan assets	(66,167)	(79,440)	(717,550)
Subtotal	4,579	(10,540)	(95,204)
Present value of unfunded defined benefit obligations	2,103	2,586	23,358
Net defined benefit liability (asset)	6,682	(7,954)	(71,845)
Amounts on the consolidated statement of financial position			
Retirement benefit liability	14,024	5,851	52,850
Retirement benefit asset (Note)	(7,342)	(13,805)	(124,695)
Net liability (asset) on the consolidated statement of financial position	6,682	(7,954)	(71,845)

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)
	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)	
Defined benefit obligation at beginning of period	73,785	72,849	658,016
Service cost	2,139	2,252	20,341
Interest expenses	331	389	3,514
Remeasurements			
Actuarial gains and losses arising from changes in demographic assumptions	122	(178)	(1,608)
Actuarial gains and losses arising from changes in financial assumptions	(721)	(568)	(5,131)
Past service cost	725	129	1,165
Benefits paid	(3,449)	(3,499)	(31,605)
Exchange differences on translation	(6)	29	262
Other	(77)	83	750
Defined benefit obligation at end of period	72,849	71,486	645,705

The weighted-average duration of the defined benefit obligations was 11 years and 11 years for FY2019 and FY2020, respectively.

(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)
	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)	
Fair value of the plan assets at beginning of period	67,986	66,167	597,661
Interest revenue	150	194	1,752
Remeasurements			
Return on plan assets	(4,267)	11,788	106,476
Contribution to the plan			
Contribution from employers	3,974	2,355	21,272
Contribution from participants in the plan	89	88	795
Benefits paid	(1,647)	(1,578)	(14,253)
Other	(118)	426	3,848
Fair value of the plan assets at end of period	66,167	79,440	717,550

The SMM Group plans to make contributions of ¥1,526 million (U.S. \$13,784 thousand) in the next fiscal year (ending March 31, 2022).

(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)

	FY2019 (As of March 31, 2020)			FY2020 (As of March 31, 2021)		
	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	18,655	–	18,655	24,993	–	24,993
Foreign equity securities	9,711	–	9,711	13,263	–	13,263
Japanese debt securities	9,066	9,864	18,930	10,765	10,342	21,107
Foreign debt securities	7,222	1,434	8,656	10,034	–	10,034
General accounts of insurance companies	–	1,173	1,173	–	1,176	1,176
Other	6,830	2,212	9,042	7,225	1,642	8,867
Total plan assets	51,484	14,683	66,167	66,280	13,160	79,440

(Thousands of U.S. dollars)

	FY2020 (As of March 31, 2021)		
	With quoted prices in active markets	With no quoted prices in active markets	Total
Japanese equity securities	225,752	–	225,752
Foreign equity securities	119,799	–	119,799
Japanese debt securities	97,236	93,415	190,651
Foreign debt securities	90,633	–	90,633
General accounts of insurance companies	–	10,622	10,622
Other	65,261	14,832	80,092
Total plan assets	598,681	118,869	717,550

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.

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Discount rate	0.50%	0.60%

(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)	
		FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)	
Discount rate	0.5% increase	(3,478)	(3,254)	(29,392)
	0.5% decrease	3,800	3,513	31,732

2) Defined contribution plan

The amounts recognized as expenses associated with a defined contribution plan are ¥415 million and ¥186 million (U.S. \$1,680 thousand) for FY2019 and FY2020, respectively.

23. Other Liabilities

The breakdown of other liabilities is as follows.

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Other current liabilities			
Borrowed bullion	4,068	16,338	147,575
Deposits received	845	802	7,244
Other	1,840	2,039	18,417
Total	<u>6,753</u>	<u>19,179</u>	<u>173,236</u>
Other non-current liabilities			
Other	842	951	8,590
Total	<u>842</u>	<u>951</u>	<u>8,590</u>

24. 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
The beginning of FY2019 (As of April 1, 2019)	500,000,000	290,814,015
Increase (decrease) during the period	—	—
FY2019 (As of March 31, 2020)	<u>500,000,000</u>	<u>290,814,015</u>
Increase (decrease) during the period	—	—
FY2020 (As of March 31, 2021)	<u>500,000,000</u>	<u>290,814,015</u>

Note: 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) Treasury shares

Changes in the number of treasury shares are as follows.

	Number of shares	Amount
	Shares	Millions of yen
The beginning of FY2019 (As of April 1, 2019)	16,026,270	37,983
Increase (decrease) during the period (Note 1)	6,215	19
FY2019 (As of March 31, 2020)	16,032,485	38,002
Increase (decrease) during the period (Note 2)	6,234	25
FY2020 (As of March 31, 2021)	16,038,719	38,027
	Amount	
	Thousands of	
	U.S. dollars	
FY2019 (As of March 31, 2020)	343,257	
Increase (decrease) during the period (Note 2)	226	
FY2020 (As of March 31, 2021)	343,483	

Notes: 1. The number of treasury shares increased by 6,263 shares during the period. The increase is attributable to the purchase of fractional shares.

The number of treasury shares decreased by 48 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.

2. The number of treasury shares increased by 6,565 shares during the period. The increase is attributable to the purchase of fractional shares.

The number of treasury shares decreased by 331 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 Companies Act provides that legal retained earnings may be reversed pursuant to a resolution at the general meeting of shareholders.

## 25. Dividends

### (1) Dividends paid

FY2019 (From April 1, 2019 to March 31, 2020)

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 25, 2019	6,045	22	March 31, 2019	June 26, 2019
Board of Directors meeting held on November 8, 2019	10,717	39	September 30, 2019	December 9, 2019

FY2020 (From April 1, 2020 to March 31, 2021)

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, 2020	10,716	96,793	39	0.35	March 31, 2020	June 29, 2020
Board of Directors meeting held on November 9, 2020	6,045	54,602	22	0.20	September 30, 2020	December 9, 2020

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

FY2019 (From April 1, 2019 to March 31, 2020)

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, 2020	10,716	39	March 31, 2020	June 29, 2020

FY2020 (From April 1, 2020 to March 31, 2021)

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, 2021	27,203	245,714	99	0.89	March 31, 2021	June 28, 2021

## 26. Net Sales

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

FY2019 (From April 1, 2019 to March 31, 2020)

	Reportable segments				Other businesses	Total
	Mineral Resources	Smelting & Refining	Materials	Total		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Major products/services						
Ore	114,861	–	–	114,861	–	114,861
Metals						
Copper and precious metals	–	438,839	–	438,839	–	438,839
Nickel	–	160,175	–	160,175	–	160,175
Zinc and lead	–	12,634	–	12,634	–	12,634
Materials						
Powder materials	–	–	29,341	29,341	–	29,341
Battery materials (Note)	–	–	106,266	106,266	–	106,266
Package materials	–	–	17,376	17,376	–	17,376
Other	–	2,383	54,983	57,366	10,020	67,386
Subtotal	114,861	614,031	207,966	936,858	10,020	946,878
Adjustments	(34,910)	(35,032)	(19,184)	(89,126)	(5,806)	(94,932)
Outside customers	79,951	578,999	188,782	847,732	4,214	851,946

Note: As stated in “2. Basis of Preparation (5) Changes in accounting policies,” the change in accounting policy in FY2020 has been applied retrospectively, and the consolidated financial statements of FY2019 represent the amounts after such retrospective application. Due to this change, the amount decreased by ¥20,669 million compared to the amount before the retrospective application.

FY2020 (From April 1, 2020 to March 31, 2021)

	Reportable segments				Other businesses	Total
	Mineral Resources	Smelting & Refining	Materials	Total		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		
Major products/services						
Ore	127,042	–	–	127,042	–	127,042
Metals						
Copper and precious metals	–	518,557	–	518,557	–	518,557
Nickel	–	160,463	–	160,463	–	160,463
Zinc and lead	–	12,341	–	12,341	–	12,341
Materials						
Powder materials	–	–	37,154	37,154	–	37,154
Battery materials	–	–	95,613	95,613	–	95,613
Package materials	–	–	17,283	17,283	–	17,283
Other	–	2,397	61,483	63,880	9,703	73,583
Subtotal	127,042	693,758	211,533	1,032,333	9,703	1,042,036
Adjustments	(51,354)	(37,222)	(21,494)	(110,070)	(5,844)	(115,914)
Outside customers	75,688	656,536	190,039	922,263	3,859	926,122

	Reportable segments				Other businesses	Total
	Mineral Resources	Smelting & Refining	Materials	Total		
	Thousands of U.S. dollars					
Major products/services						
Ore	1,147,521	–	–	1,147,521	–	1,147,521
Metals						
Copper and precious metals	–	4,683,922	–	4,683,922	–	4,683,922
Nickel	–	1,449,399	–	1,449,399	–	1,449,399
Zinc and lead	–	111,471	–	111,471	–	111,471
Materials						
Powder materials	–	–	335,598	335,598	–	335,598
Battery materials	–	–	863,635	863,635	–	863,635
Package materials	–	–	156,111	156,111	–	156,111
Other	–	21,651	555,352	577,003	87,643	664,646
Subtotal	1,147,521	6,266,444	1,910,695	9,324,659	87,643	9,412,302
Adjustments	(463,861)	(336,212)	(194,147)	(994,219)	(52,787)	(1,047,006)
Outside customers	683,660	5,930,232	1,716,548	8,330,440	34,857	8,365,297

### 1) Mineral Resources

In the Mineral Resources business, 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, platinum and palladium. 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 battery materials, pastes, powder materials, crystal materials and tape 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 in principle measured at the transaction price in contracts with customers. Products using non-free supplied materials over which it was determined that the SMM Group had not obtained control are measured at the amount calculated by deducting the amount relating to the non-free supplied materials from the transaction price under the agreement with the customer. 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 8. 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.

27. Breakdown of Expenses by Nature

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

	FY2019	FY2020	
	(From April 1, 2019 to March 31, 2020)	(From April 1, 2020 to March 31, 2021)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Material cost and cost of merchandise sold (Note)	586,416	626,260	5,656,761
Personnel expenses	65,229	62,336	563,057
Depreciation	43,020	42,495	383,841
Subcontract expenses	20,750	22,365	202,014
Repair expenses	21,936	19,221	173,616
Research and development expenses	6,920	6,229	56,264
Other	47,302	42,637	385,123
Total	<u>791,573</u>	<u>821,543</u>	<u>7,420,676</u>

Note: As stated in "2. Basis of Preparation (5) Changes in accounting policies," the change in accounting policy in FY2020 has been applied retrospectively, and the consolidated financial statements of FY2019 represent the amounts after such retrospective application. Due to this change, the amount decreased by ¥20,669 million compared to the amount before the retrospective application.

## 28. Finance Income and Costs

### (1) Finance income

The breakdown of finance income is as follows.

	FY2019	FY2020	
	(From April 1, 2019 to March 31, 2020)	(From April 1, 2020 to March 31, 2021)	Thousands of U.S. dollars
	Millions of yen	Millions of yen	
Interest income			
Financial assets measured at amortized cost	8,897	8,576	77,464
Dividend income			
Equity financial assets measured at fair value through other comprehensive income	3,822	3,631	32,797
Foreign exchange gains	–	2,100	18,968
Reversal of allowance for doubtful accounts (Note)	2,255	8,648	78,114
Other	416	–	–
<b>Total</b>	<b>15,390</b>	<b>22,955</b>	<b>207,344</b>

(Note) Incurred from loans receivable.

### (2) Finance costs

The breakdown of finance costs is as follows.

	FY2019	FY2020	
	(From April 1, 2019 to March 31, 2020)	(From April 1, 2020 to March 31, 2021)	Thousands of U.S. dollars
	Millions of yen	Millions of yen	
Interest expense			
Financial liabilities measured at amortized cost	6,393	3,610	32,608
Lease liabilities	112	147	1,328
Foreign exchange losses	1,239	–	–
Other	114	1,000	9,033
<b>Total</b>	<b>7,858</b>	<b>4,757</b>	<b>42,968</b>

## 29. Other Income and Expenses

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

	FY2019	FY2020	
	(From April 1, 2019 to March 31, 2020)	(From April 1, 2020 to March 31, 2021)	Thousands of U.S. dollars
	Millions of yen	Millions of yen	
Gain on remeasurement in conjunction with discontinuing the application of equity method (Note 1)	–	2,289	20,676
Gain on sale of fixed assets (Note 2)	9,224	210	1,897
Foreign exchange gains	192	–	–
Gain on sale of subsidiaries	112	–	–
Other	3,327	3,258	29,428
<b>Total</b>	<b>12,855</b>	<b>5,757</b>	<b>52,001</b>

- Notes:
1. During FY2020, in conjunction with exclusion of PT Vale Indonesia Tbk (Smelting & Refining segment) from associates accounted for using equity method due to partial sale of shares of PT Vale Indonesia Tbk, fair value of shares of PT Vale Indonesia Tbk that are still held by the Company after the sale was measured. Accordingly, gain on remeasurement in conjunction with discontinuing the application of equity method of ¥2,289 million (U.S. \$20,676 thousand) was recorded.
  2. During FY2019, the Company's then consolidated subsidiary, Taihei Metal Industry Co., Ltd. (Smelting & Refining segment) sold and transferred its own operating assets consisting of land and buildings as part of its asset liquidation consequent to business withdrawal. Accordingly, the Company recorded ¥8,953 million as gain on sale of fixed assets for FY 2019.

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

	FY2019	FY2020	
	(From April 1, 2019 to March 31, 2020)	(From April 1, 2020 to March 31, 2021)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Foreign exchange losses	–	3,067	27,703
Maintenance expense of suspended or abandoned mines	1,246	2,346	21,190
Loss on sale of shares of associates (Note 1)	–	1,614	14,579
Loss on sale and retirement of fixed assets	608	1,136	10,261
Provision for decommissioning preparations	191	908	8,202
Suspended business management expense	986	784	7,082
Loss on sale of subsidiaries	488	–	–
Other	4,384	4,019	
Total	7,903	13,874	125,318

- Note:
1. During FY2020, loss on sale of shares of associates of ¥1,614 million (U.S. \$14,579 thousand) was recorded due to partial sale of shares of PT Vale Indonesia Tbk which was an associate accounted for using equity method.

### 30. 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.

FY2019 (From April 1, 2019 to March 31, 2020)

	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	(28,815)	–	(28,815)	7,689	(21,126)
Remeasurements of defined benefit plans	(3,668)	–	(3,668)	1,148	(2,520)
Share of other comprehensive income of investments accounted for using equity method	(115)	–	(115)	–	(115)
Total of items that will not be reclassified to profit or loss	(32,598)	–	(32,598)	8,837	(23,761)
Items that will be reclassified to profit or loss:					
Cash flow hedges	(2,129)	(136)	(2,265)	620	(1,645)
Exchange differences on translation of foreign operations	(5,108)	–	(5,108)	–	(5,108)
Share of other comprehensive income of investments accounted for using equity method	(2,979)	–	(2,979)	–	(2,979)
Total of items that will be reclassified to profit or loss	(10,216)	(136)	(10,352)	620	(9,732)
Total	(42,814)	(136)	(42,950)	9,457	(33,493)

FY2020 (From April 1, 2020 to March 31, 2021)

	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	62,675	–	62,675	(17,754)	44,921
Remeasurements of defined benefit plans	12,534	–	12,534	(3,895)	8,639
Share of other comprehensive income of investments accounted for using equity method	304	–	304	–	304
Total of items that will not be reclassified to profit or loss	75,513	–	75,513	(21,649)	53,864
Items that will be reclassified to profit or loss:					
Cash flow hedges	(1,512)	245	(1,267)	262	(1,005)
Exchange differences on translation of foreign operations	(14,537)	(2)	(14,539)	–	(14,539)
Share of other comprehensive income of investments accounted for using equity method	(10,206)	3,126	(7,080)	–	(7,080)
Total of items that will be reclassified to profit or loss	(26,255)	3,369	(22,886)	262	(22,624)
Total	49,258	3,369	52,627	(21,387)	31,240

	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	566,119	–	566,119	(160,365)	405,754
Remeasurements of defined benefit plans	113,215	–	113,215	(35,182)	78,033
Share of other comprehensive income of investments accounted for using equity method	2,746	–	2,746	–	2,746
Total of items that will not be reclassified to profit or loss	682,079	–	682,079	(195,547)	486,532
Items that will be reclassified to profit or loss:					
Cash flow hedges	(13,657)	2,213	(11,444)	2,367	(9,078)
Exchange differences on translation of foreign operations	(131,307)	(18)	(131,325)	–	(131,325)
Share of other comprehensive income of investments accounted for using equity method	(92,187)	28,236	(63,951)	–	(63,951)
Total of items that will be reclassified to profit or loss	(237,151)	30,431	(206,720)	2,367	(204,354)
Total	444,928	30,431	475,359	(193,180)	282,179

### 31. Earnings per Share

	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)
Profit attributable to owners of parent (Millions of yen)	60,600	94,604
Adjustment of profit attributable to owners of parent (Millions of yen)	–	–
Profit used to calculate diluted earnings per share (Millions of yen)	60,600	94,604
Weighted average number of ordinary shares outstanding (Thousands of shares)	274,785	274,779
Increase in ordinary shares (Thousands of shares)	–	–
Weighted average number of diluted ordinary shares (Thousands of shares)	274,785	274,779
Basic earnings per share (Yen)	220.54	344.29
Diluted earnings per share (Yen)	220.54	344.29

	FY2020 (From April 1, 2020 to March 31, 2021)
Profit attributable to owners of parent (Thousands of U.S. dollars)	854,521
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)	854,521
Basic earnings per share (U.S. dollars)	3.11
Diluted earnings per share (U.S. dollars)	3.11

## 32. Cash Flow Information

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

During FY2019, the Company sold the shares of Stone Boy Inc., and Nittosha Co., Ltd., which had been consolidated subsidiaries. The breakdown of assets and liabilities of the subsidiaries at the time of the sale, as well as considerations received and proceeds from sale of the shares, are as follows.

(Millions of yen)	
	FY2019 (From April 1, 2019 to March 31, 2020)
Breakdown of assets at time of loss of control	
Current assets	1,060
Non-current assets	691
Breakdown of liabilities at time of loss of control	
Current liabilities	258
Non-current liabilities	23

(Millions of yen)	
	FY2019 (From April 1, 2019 to March 31, 2020)
Consideration received	885
Cash and cash equivalents	-
Proceeds from sale of interests in subsidiaries resulting in change in scope of consolidation (received)	(885)

There is no pertinent information for FY2020.

(2) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities are as follows.

FY2019 (From April 1, 2019 to March 31, 2020)

	As of April 1, 2019	Effect of accounting change	Changes with cash flows	Changes without cash flows			As of March 31, 2020
				Exchange differences on translation of foreign operations	Changes under amortized cost method	Other (Note)	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Short-term borrowings	44,760	–	2,638	(353)	–	–	47,045
Long-term borrowings	275,126	–	(1,262)	(2,911)	52	–	271,005
Bonds payable	59,405	–	19,884	–	164	–	79,453
Lease liabilities	–	11,083	(1,800)	7	–	2,106	11,396
Total	379,291	11,083	19,460	(3,257)	216	2,106	408,899

(Note) Mainly an increase in lease liabilities associated with new lease contracts.

FY2020 (From April 1, 2020 to March 31, 2021)

	As of April 1, 2020	Changes with cash flows	Changes without cash flows				As of March 31, 2021
			Exchange differences on translation of foreign operations	Changes under amortized cost method	Change in scope of consolidation	Other (Note)	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Short-term borrowings	47,045	(4,530)	204	–	1,800	–	44,519
Long-term borrowings	271,005	(31,558)	(3,220)	48	–	–	236,275
Bonds payable	79,453	–	–	180	–	–	79,633
Lease liabilities	11,396	(1,818)	10	–	–	1,917	11,505
Total	408,899	(37,906)	(3,006)	228	1,800	1,917	371,932

	As of April 1, 2020	Changes with cash flows	Changes without cash flows				As of March 31, 2021
			Exchange differences on translation of foreign operations	Changes under amortized cost method	Change in scope of consolidation	Other (Note)	
	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	424,939	(40,918)	1,843	–	16,259	–	402,123
Long-term borrowings	2,447,882	(285,051)	(29,085)	434	–	–	2,134,179
Bonds payable	717,668	–	–	1,626	–	–	719,294
Lease liabilities	102,936	(16,421)	90	–	–	17,316	103,920
Total	3,693,424	(342,390)	(27,152)	2,059	16,259	17,316	3,359,516

(Note) Mainly an increase in lease liabilities associated with new lease contracts.

### 33. 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.

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total equity attributable to owners of parent	1,001,946	1,113,923	10,061,629
Total liabilities and equity	1,719,690	1,885,999	17,035,489
Consolidated equity ratio (Equity attributable to owners of parent ratio)	58.3%	59.1%	59.1%

#### (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 such as 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.

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.

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Guarantee obligations	49,713	105,885	956,418

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 such as loans receivable, etc. 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.

FY2019 (From April 1, 2019 to March 31, 2020)

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	
As of April 1, 2019	–	1	–	–	1
Increase	–	–	–	–	–
Decrease (utilized)	–	–	–	–	–
Decrease (reversed)	–	–	–	–	–
Other	–	–	–	–	–
As of March 31, 2020	–	1	–	–	1

FY2020 (From April 1, 2020 to March 31, 2021)

Allowance for doubtful accounts for	Financial assets recorded at an amount equal to lifetime ECL				Total
	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, 2020	–	1	–	–	1
Increase	–	–	–	–	–
Decrease (utilized)	–	–	–	–	–
Decrease (reversed)	–	–	–	–	–
Other	–	–	–	–	–
As of March 31, 2021	–	1	–	–	1

Allowance for doubtful accounts for	Financial assets recorded at an amount equal to lifetime ECL				Total
	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	
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	
As of April 1, 2020	–	9	–	–	9
Increase	–	–	–	–	–
Decrease (utilized)	–	–	–	–	–
Decrease (reversed)	–	–	–	–	–
Other	–	–	–	–	–
As of March 31, 2021	–	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 March 31, 2020	–	95,618	–	–
As of March 31, 2021	–	112,273	–	–
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2021	–	1,014,118	–	–

(ii) Loans receivable, etc.

Changes in allowance for doubtful accounts for loans receivable, etc. are as follows.

FY2019 (From April 1, 2019 to March 31, 2020)

Allowance for doubtful accounts for	Financial assets recorded at an amount equal to lifetime ECL				Total
	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, 2019	–	–	–	–	–
Cumulative effect of accounting change	–	–	–	60,891	60,891
Restated balance as of April 1, 2019	–	–	–	60,891	60,891
Increase	–	–	–	4,533	4,533
Decrease (utilized)	–	–	–	–	–
Decrease (reversed)	–	–	–	(2,255)	(2,255)
Exchange differences on translation	–	–	–	(786)	(786)
As of March 31, 2020	–	–	–	62,383	62,383

FY2020 (From April 1, 2020 to March 31, 2021)

Allowance for doubtful accounts for	Financial assets recorded at an amount equal to lifetime ECL				Total
	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, 2020	–	–	–	62,383	62,383
Increase	–	–	–	4,452	4,452
Decrease (utilized)	–	–	–	–	–
Decrease (reversed)	–	–	–	(8,648)	(8,648)
Exchange differences on translation	–	–	–	(3,311)	(3,311)
As of March 31, 2021	–	–	–	54,876	54,876

Allowance for doubtful accounts for	Financial assets recorded at an amount equal to lifetime ECL				Total
	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	
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	
As of April 1, 2020	–	–	–	563,481	563,481
Increase	–	–	–	40,213	40,213
Decrease (utilized)	–	–	–	–	–
Decrease (reversed)	–	–	–	(78,114)	(78,114)
Exchange differences on translation	–	–	–	(29,907)	(29,907)
As of March 31, 2021	–	–	–	495,673	495,673

The carrying amounts by borrower for loans receivable subject to allowance for doubtful accounts are as follows.

As of March 31, 2020

Borrower	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
Sierra Gorda S.C.M. (Note)	–	–	–	107,021
Compania Minera Teck Quebrada Blanca S.A.	77,537	–	–	–
Other	4,454	–	–	–
Total	81,991	–	–	107,021

As of March 31, 2021

Borrower	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
Sierra Gorda S.C.M. (Note)	–	–	–	113,999
Compania Minera Teck Quebrada Blanca S.A.	76,470	–	–	–
Other	2,840	–	–	–
Total	79,310	–	–	113,999

Borrower	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
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Sierra Gorda S.C.M. (Note)	–	–	–	1,029,708
Compania Minera Teck Quebrada Blanca S.A.	690,724	–	–	–
Other	25,653	–	–	–
<b>Total</b>	<b>716,376</b>	<b>–</b>	<b>–</b>	<b>1,029,708</b>

Note: Sierra Gorda S.C.M. was in balance sheet insolvency as of FY2019 and FY2020. Having assessed that Sierra Gorda is facing significant financial difficulty, the Company has measured an expected credit loss as a result of treating loan and other receivables extended by the SMM Group to Sierra Gorda as credit-impaired financial assets.

Cash flows that the SMM Group expects to receive were estimated based on the business plan of Sierra Gorda S.C.M., the debtor, and other factors. However, such cash flows may be affected by future changes in economic conditions including copper prices, etc., and the amounts on the consolidated financial statements for the next fiscal year may be significantly affected if it becomes necessary to change accounting estimates.

(iii) Other receivables and other financial assets

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

FY2019 (From April 1, 2019 to March 31, 2020)

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, 2019	–	–	–	200	200
Increase	–	–	–	5	5
Decrease (utilized)	–	–	–	–	–
Decrease (reversed)	–	–	–	(4)	(4)
Other	–	–	–	(4)	(4)
<b>As of March 31, 2020</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>197</b>	<b>197</b>

FY2020 (From April 1, 2020 to March 31, 2021)

Allowance for doubtful accounts for	Financial assets recorded at an amount equal to lifetime ECL				Total
	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, 2020	–	–	–	197	197
Increase	–	–	–	–	–
Decrease (utilized)	–	–	–	(1)	(1)
Decrease (reversed)	–	–	–	–	–
Other	–	–	–	–	–
As of March 31, 2021	–	–	–	196	196

Allowance for doubtful accounts for	Financial assets recorded at an amount equal to lifetime ECL				Total
	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	
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	
As of April 1, 2020	–	–	–	1,779	1,779
Increase	–	–	–	–	–
Decrease (utilized)	–	–	–	(9)	(9)
Decrease (reversed)	–	–	–	–	–
Other	–	–	–	–	–
As of March 31, 2021	–	–	–	1,770	1,770

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 March 31, 2020	19,027	–	–	376
As of March 31, 2021	18,318	–	–	376
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2021	165,459	–	–	3,396

## 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.

The amount of lease liabilities by remaining term to maturity is presented in "Note 20. Leases."

FY2019 (As of March 31, 2020)

	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	104,803	104,803	104,803	-	-	-	-	-
Bonds and borrowings	397,503	416,669	84,482	72,848	75,295	32,129	34,686	117,229
Total	502,306	521,472	189,285	72,848	75,295	32,129	34,686	117,229

FY2020 (As of March 31, 2021)

	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	151,128	151,128	151,128	-	-	-	-	-
Bonds and borrowings	360,427	366,402	121,882	66,371	31,616	33,574	27,578	85,381
Total	511,555	517,530	273,010	66,371	31,616	33,574	27,578	85,381

	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			
Non-derivative financial liabilities								
Trade and other payables	1,365,080	1,365,080	1,365,080	-	-	-	-	-
Bonds and borrowings	3,255,596	3,309,566	1,100,912	599,503	285,575	303,261	249,101	771,213
Total	4,620,676	4,674,645	2,465,992	599,503	285,575	303,261	249,101	771,213

### 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.

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
	Thousands of U.S. dollars	Thousands of U.S. dollars
Net exposure (liability)	636,182	211,619

#### **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.

	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit	477	162	1,463

#### (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.

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net exposure (liability)	(164,203)	(135,471)	(1,223,656)

#### **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. This analysis is based on the assumption that other variable factors (balance, exchange rate, etc.) are constant.

	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit	(1,277)	(1,040)	(9,394)

(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 FY2019 and FY2020.

(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 other variable factors are constant.

	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Other comprehensive income (net of tax effect)	(7,546)	(14,625)	(132,102)

(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. Nor does the table below include lease liabilities, whose fair value is not required to be disclosed under IFRS 7.

	FY2019 (As of March 31, 2020)		FY2020 (As of March 31, 2021)			
	Carrying amount	Fair value	Carrying amount		Fair value	
	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 (Note)	126,610	192,369	138,407	1,250,176	209,366	1,891,121
Bonds payable	49,832	49,888	49,884	450,583	49,801	449,833
Convertible bond-type bonds with share acquisition rights	29,621	29,991	29,749	268,711	30,069	271,601
Long-term borrowings	271,005	272,882	236,275	2,134,179	237,811	2,148,053

(Note) Long-term loans receivables predominantly are long-term interests that substantively form part of the net investment in associates. Their carrying amounts are determined by concurrently performing evaluations by applying the expected credit loss model under IFRS 9 and the equity method procedures under IAS 28.

The method to measure fair value is as follows.

#### **Long-term loans receivable**

The fair values of floating-rate long-term loans receivables 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 receivables 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 receivables are included and presented in other financial assets in the consolidated statement of financial position.

#### **Bonds payable**

Bonds payables 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.

FY2019 (As of March 31, 2020)

	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	–	8,805	–	8,805
Derivatives to which hedge accounting is not applied	–	2,409	3	2,412
Derivatives to which hedge accounting is applied	–	1,239	–	1,239
Financial assets measured at fair value through other comprehensive income				
Equity instruments	108,207	–	7,841	116,048
Total	<u>108,207</u>	<u>12,453</u>	<u>7,844</u>	<u>128,504</u>
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives to which hedge accounting is not applied	–	2,537	–	2,537
Derivatives to which hedge accounting is applied	–	1,037	–	1,037
Total	<u>–</u>	<u>3,574</u>	<u>–</u>	<u>3,574</u>

FY2020 (As of March 31, 2021)

	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	–	23,110	–	23,110
Derivatives to which hedge accounting is not applied	–	3,668	84	3,752
Derivatives to which hedge accounting is applied	–	66	–	66
Financial assets measured at fair value through other comprehensive income				
Equity instruments	207,657	–	7,611	215,268
Total	<u>207,657</u>	<u>26,844</u>	<u>7,695</u>	<u>242,196</u>
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives to which hedge accounting is not applied	–	2,941	–	2,941
Derivatives to which hedge accounting is applied	–	3,164	–	3,164
Total	<u>–</u>	<u>6,105</u>	<u>–</u>	<u>6,105</u>

	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	–	208,744	–	208,744
Derivatives to which hedge accounting is not applied	–	33,132	759	33,890
Derivatives to which hedge accounting is applied	–	596	–	596
Financial assets measured at fair value through other comprehensive income				
Equity instruments	1,875,684	–	68,747	1,944,431
Total	<u>1,875,684</u>	<u>242,471</u>	<u>69,506</u>	<u>2,187,661</u>
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives to which hedge accounting is not applied	–	26,565	–	26,565
Derivatives to which hedge accounting is applied	–	28,579	–	28,579
Total	<u>–</u>	<u>55,144</u>	<u>–</u>	<u>55,144</u>

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.

	FY2019	FY2020	
	(From April 1, 2019 to March 31, 2020)	(From April 1, 2020 to March 31, 2021)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Balance at beginning of period	6,481	7,844	70,852
Total gains and losses			
Profit or loss (Note 1)	(6)	81	732
Other comprehensive income (Note 2)	(486)	(230)	(2,077)
Sales	(2)	–	–
Other	1,857	–	–
Balance at end of period	<u>7,844</u>	<u>7,695</u>	<u>69,506</u>

- 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.

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 discount rate used for FY2019 is approximately 11% and the SMM Group estimates the illiquidity discount at 30%. The discount rate used for FY2020 is approximately 7% and the SMM Group 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.

For cathode and others that will be sold at overseas copper mines, there exists the risk of future fluctuations in commodity prices. In order to provide hedges for this risk, the SMM Group has entered into commodity option contracts and designated them 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.

FY2019 (As of March 31, 2020)

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)	155	13	13	129	Fixed interest rate 2.019%
		Interest rate swaps (Millions of U.S. dollars)	180	–	–	180	Fixed interest rate 2.185%
		Interest rate options (Millions of U.S. dollars)	155	13	13	129	Interest rate cap 3.0%
Fair value hedges	Commodity price risk	Short copper futures contracts (T)	21,341	21,341	–	–	Average price ¥602 thousand/T
		Long copper futures contracts (T)	10,651	10,651	–	–	Average price ¥563 thousand/T

FY2020 (As of March 31, 2021)

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)	141	13	13	115	Fixed interest rate 2.019%
		Interest rate swaps (Millions of U.S. dollars)	180	–	–	180	Fixed interest rate 2.185%
		Interest rate options (Millions of U.S. dollars)	141	13	13	115	Interest rate cap 3.0%
	Commodity price risk	Commodity options (T)	12,225	12,225	–	–	Price cap 7,600\$/T Price floor 5,700\$/T
12,225			12,225	–	–	Price cap 8,250\$/T Price floor 6,250\$/T	
Fair value hedges	Commodity price risk	Short copper futures contracts (T)	40,781	40,781	–	–	Average price ¥952 thousand/T (U.S. \$8,599.04 /T)
		Long copper futures contracts (T)	254	254	–	–	Average price ¥997 thousand/T (U.S. \$9,005.51 /T)

Contract amount and fair value are as follows.

(Millions of yen)

	FY2019 (As of March 31, 2020)			FY2020 (As of March 31, 2021)		
	Contract amount and others	o/w Mature after one year	Fair value	Contract amount and others	o/w Mature after one year	Fair value
Interest rate swap / option contracts	37,071	35,559	(907)	35,020	33,586	(1,385)
Commodity option / futures contracts	18,857	–	1,109	54,197	–	(1,713)
Total	55,928	35,559	202	89,217	33,586	(3,098)

(Thousands of U.S. dollars)

	FY2020 (As of March 31, 2021)		
	Contract amount and others	o/w Mature after one year	Fair value
Interest rate swap / option contracts	316,322	303,369	(12,510)
Commodity option / futures contracts	489,540	–	(15,473)
Total	805,862	303,369	(27,983)

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

FY2019 (As of March 31, 2020)

(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	Interest rate risk	130	1,037	Other financial assets Other financial liabilities	(2,160)
Fair value hedges	Commodity price risk	1,109	–	Other financial assets	1,109

FY2020 (As of March 31, 2021)

(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	Interest rate risk	66	1,450	Other financial assets Other financial liabilities	(722)
	Commodity price risk	–	855	Other financial liabilities	(855)
Fair value hedges	Commodity price risk	–	859	Other financial liabilities	(859)

(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	Interest rate risk	596	13,097	Other financial assets Other financial liabilities	(6,522)
	Commodity price risk	–	7,723	Other financial liabilities	(7,723)
Fair value hedges	Commodity price risk	–	7,759	Other financial liabilities	(7,759)

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.

FY2019 (As of March 31, 2020)

(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	278	278	278
	Inventories	11,468	(1,387)	(1,387)

FY2020 (As of March 31, 2021)

(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	6	6	6
	Inventories	39,676	853	853

(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 assets	54	54	54
	Inventories	358,378	7,705	7,705

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

FY2019 (As of March 31, 2020)

(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	(1,015)	—

FY2020 (As of March 31, 2021)

(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	(1,372)	—
Commodity price risk	(648)	—

(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
Interest rate risk	(12,393)	—
Commodity price risk	(5,853)	—

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

FY2019 (As of March 31, 2020)

(Millions of yen)	
Category of risk	Changes in fair value used as the basis for recognizing ineffective portion
Interest rate risk	(2,160)

FY2020 (As of March 31, 2021)

Category of risk	(Millions of yen)	(Thousands of U.S. dollars)
	Changes in fair value used as the basis for recognizing ineffective portion	Changes in fair value used as the basis for recognizing ineffective portion
Interest rate risk	(722)	(6,522)
Commodity price risk	(855)	(7,723)

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.

FY2019 (As of March 31, 2020)

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
Interest rate risk	(2,129)	-	-	136	Finance income

FY2020 (As of March 31, 2021)

(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
Interest rate risk	(657)	-	-	245	Finance costs
Commodity price risk	(855)	-	-	-	-

(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
Interest rate risk	(5,934)	-	-	2,213	Finance costs
Commodity price risk	(7,723)	-	-	-	-

2) Derivative transactions to which hedge accounting is not applied

FY2019 (As of March 31, 2020)

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)	36	36	–	–	Average ¥106.99/U.S. \$
	Forward exchange contracts (Millions of pounds sterling)	53	17	15	21	Average ¥136.88/GBP
	Forward exchange contracts (Millions of yen)	762	753	9	–	Average ¥108.55/U.S. \$
	Forward exchange contracts (Millions of Philippine pesos)	290	223	67	–	Average PHP 55.74/U.S. \$
	Currency options (Millions of U.S. dollars)	330	234	95	1	Exercise price CLP 625/U.S. \$
Commodity price risk	Short copper futures contracts (T)	9,300	6,300	3,000	–	Average price ¥621 thousand/T
	Long copper futures contracts (T)	24,000	21,725	2,275	–	Average price ¥606 thousand/T
	Short gold futures contracts (Toz)	1,290	1,290	–	–	Average price ¥176 thousand/Toz
	Long gold futures contracts (Toz)	1,286	1,286	–	–	Average price ¥172 thousand/Toz

FY2020 (As of March 31, 2021)

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)	28	28	-	-	Average ¥109.08/U.S. \$
	Forward exchange contracts (Millions of pounds sterling)	31	9	14	8	Average ¥136.84/GBP
	Forward exchange contracts (Millions of yen)	9	9	-	-	Average ¥108.55/U.S. \$
	Forward exchange contracts (Millions of Philippine pesos)	66	66	-	-	Average PHP 55.74/U.S. \$
	Currency options (Millions of U.S. dollars)	96	95	1	-	Exercise price CLP 625/U.S. \$
Commodity price risk	Short copper futures contracts (T)	7,500	5,000	2,500	-	Average price ¥939 thousand/T (U.S. \$8,481.62/T)
	Long copper futures contracts (T)	16,250	16,125	125	-	Average price ¥810 thousand/T (U.S. \$7,316.41/T)
	Long gold futures contracts (Toz)	64,458	64,458	-	-	Average price ¥187 thousand/Toz (U.S. \$1,689.10/Toz)

Contract amount and fair value are as follows.

(Millions of yen)

	FY2019 (As of March 31, 2020)			FY2020 (As of March 31, 2021)		
	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	13,990	5,586	(214)	8,040	3,008	538
Commodity futures contracts	23,102	3,046	86	36,282	2,600	189
Total	37,092	8,632	(128)	44,322	5,608	727

(Thousands of U.S. dollars)

	FY2020 (As of March 31, 2021)		
	Contract amount and others	o/w Mature after one year	Fair value
Forward exchange contracts	72,622	27,170	4,860
Commodity futures contracts	327,721	23,485	1,707
Total	400,343	50,655	6,567

### 34. 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 (%)	
			FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
Sumitomo Metal Mining America Inc.	U.S.A.	Mineral Resources	100	100
Sumitomo Metal Mining Arizona Inc.	U.S.A.	Mineral Resources	80	80
SMM Morenci Inc.	U.S.A.	Mineral Resources	100	100
Sumitomo Metal Mining Oceania Pty. Ltd.	Australia	Mineral Resources	100	100
Hyuga Smelting Co., Ltd.	Japan	Smelting & Refining	60	60
Coral Bay Nickel Corporation	The Philippines	Smelting & Refining	54	54
Taganito HPAL Nickel Corporation	The Philippines	Smelting & Refining	75	75
Ohkuchi Electronics Co., Ltd.	Japan	Materials	100	100
Shinko Co., Ltd.	Japan	Materials	99	100
Sumitomo Metal Mining Siporex Co., Ltd.	Japan	Materials	100	100
JCO Co., Ltd.	Japan	Other Businesses	100	100

### 35. Related Parties

#### (1) Related party transactions

The SMM Group conducts transactions with the following related parties.

FY2019 (From April 1, 2019 to March 31, 2020)

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 Millions of yen	Account item	Ending balance Millions of yen
Associate	Sierra Gorda S.C.M.	Santiago, Chile	2,724,400	Mineral resources	Indirectly 45.0	Debt guarantee and pledge as security for loans, etc., from financial institutions, etc.	Debt guarantee	44,440 (Note 1)	—	—
							Debt guarantee fee	695 (Note 1)	Other financial assets	3,926
							Pledge as security	22,850 (Note 2)	—	—
							Providing loans	— (Note 3)	Other financial assets	16,033
						Financing support	Interest on loans	6,404 (Note 3)	Other financial assets	24,679
Subsidiary of an associate	Compañía Minera Teck Quebrada Blanca S.A.	Santiago, Chile	701,060	Mineral resources	—	Financing support	Providing loans	3,174 (Note 4)	Other financial assets	77,537 (Note 4)

- Notes:
- The SMM Group guarantees for loans, etc., from financial institutions, etc.
  - 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, 2020.
  - Terms and conditions of loan are determined based on the market interest rates, etc. The SMM Group deducted allowance for doubtful accounts of ¥62,383 million for the loans receivable.
  - Terms and conditions of loan are determined based on the market interest rates, etc.

FY2020 (From April 1, 2020 to March 31, 2021)

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	2,819,400	Mineral resources	Indirectly 45.0	Debt guarantee and pledge as security for loans, etc., from financial institutions, etc.	Debt guarantee	23,883 (Note 1)	215,726	–	–	–
							Debt guarantee fee	824 (Note 1)	7,443	Other financial assets	4,834	43,664
							Pledge as security	3,875 (Note 2)	35,001	–	–	–
							Providing loans	– (Note 3)	–	Other financial assets	16,609	150,023
							Interest on loans	6,288 (Note 3)	56,797	Other financial assets	37,680	340,349
Subsidiary of an associate	Compañía Minera Teck Quebrada Blanca S.A.	Santiago, Chile	789,609	Mineral resources	–	Debt guarantee for loans, etc., from financial institutions, etc.	Debt guarantee	80,902 (Note 1)	730,756	–	–	–
							Debt guarantee fee	62 (Note 1)	560	Other financial assets	30	271
							Providing loans	3,310 (Note 4)	29,898	Other financial assets	76,470 (Note 4)	690,724

- 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, 2021.
  3. Terms and conditions of loan are determined based on the market interest rates, etc. The SMM Group deducted allowance for doubtful accounts of ¥54,876 million (U.S. \$495,673 thousand) for the loans receivable.
  4. Terms and conditions of loan are determined based on the market interest rates, etc.

(2) Compensation for key management personnel

The compensation for key management personnel is as follows.

	FY2019 (From April 1, 2019 to March 31, 2020)	FY2020 (From April 1, 2020 to March 31, 2021)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Compensations and bonuses	391	443	4,001
Total	391	443	4,001

36. Contingencies

The SMM Group has no material contingencies.

37. Subsequent Event

There are no pertinent items.

## (2) Other

## Quarterly information for FY2020

	Three months ended June 30, 2020	Six months ended September 30, 2020	Nine months ended December 31, 2020	FY2020
Net sales (Millions of yen) (Note)	190,792	406,709	655,200	926,122
Profit before tax (Millions of yen)	3,543	25,884	64,582	123,379
Profit attributable to owners of parent (Millions of yen)	171	17,470	45,402	94,604
Basic earnings per share (Yen)	0.62	63.58	165.23	344.29

	Three months ended June 30, 2020	Six months ended September 30, 2020	Nine months ended December 31, 2020	FY2020
Net sales (Thousands of U.S. dollars) (Note)	1,723,349	3,673,643	5,918,165	8,365,297
Profit before tax (Thousands of U.S. dollars)	32,003	233,800	583,344	1,114,434
Profit attributable to owners of parent (Thousands of U.S. dollars)	1,545	157,800	410,098	854,521
Basic earnings per share (U.S. dollars)	0.01	0.57	1.49	3.11

Note: As stated in “2. Basis of Preparation (5) Changes in accounting policies,” the SMM Group has changed the accounting policy in FY2020. Compared to the amounts based on the previous accounting policy, net sales in three months ended June 30, 2020, six months ended September 30, 2020, nine months ended December 31, 2020 and FY2020 decreased by ¥6,078 million (U.S. \$54,900 thousand), ¥12,414 million (U.S. \$112,131 thousand), ¥16,932 million (U.S. \$152,940 thousand) and ¥22,060 million (U.S. \$199,259 thousand), respectively.

	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	0.62	62.96	101.65	179.06

	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (U.S. dollars)	0.01	0.57	0.92	1.62