Consolidated Financial Results for the Year Ended March 31, 2014 [J-GAAP]

May 9, 2014

Listed Company Name: Sumitomo Metal Mining Co., Ltd.
Code: 5713
Listings: Tokyo Stock Exchange
URL: http://www.smm.co.jp/
Representative: Yoshiaki Nakazato, President and Representative Director
Contact: Kunihiko Miyamoto, Deputy General Manager, PR & IR Dept. TEL: +81-3-3436-7705
Scheduled Ordinary General Meeting of Shareholders: June 23, 2014
Scheduled Date to Start Dividend Payment: June 24, 2014
Scheduled Date to Submit Securities Report: June 23, 2014
Preparation of Supplementary Explanation Materials for Financial Results: Yes
Briefing on Account Settlement: Yes (for institutional investors)

(Amounts less than one million yen are rounded off)

1. Consolidated Financial Results (From April 1, 2013, to March 31, 2014)

(1) Consolidated Operating Results

(% figures show year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2014	830,546	2.7	75,418	-21.3	114,352	-0.6	80,258	-7.4
Year ended March 31, 2013	808,540	-4.6	95,785	8.1	115,034	5.7	86,640	32.7

(Note) Comprehensive income
Year ended March 31, 2014: ¥191,370 million (31.6%); Year ended March 31, 2013: ¥145,467 million (207.8%)

	Net income per share (Basic)	Net income per share (Diluted)	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2014	145.35	129.71	9.5	7.8	9.1
Year ended March 31, 2013	155.58	142.40	12.1	9.2	11.8

(Reference) Equity in earnings (loss) of affiliates
Year ended March 31, 2014: ¥29,770 million; Year ended March 31, 2013: ¥17,100 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2014	1,572,367	1,019,053	58.1	1,653.83
As of March 31, 2013	1,351,153	844,547	56.9	1,393.02

(Reference) Shareholders' equity
As of March 31, 2014: ¥913,171 million; As of March 31, 2013: ¥769,250 million

(3) Consolidated Cash Flows

	Net cash provided by operating activities	Net cash used in investing activities	Net cash provided by financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2014	80,014	(126,937)	81	202,583
Year ended March 31, 2013	114,665	(88,745)	21,549	239,691

2. Dividends

	Dividend per share					Total dividend amount (Annual)	Dividend payout ratio (Consolidated)	Dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2013	—	14.00	—	20.00	34.00	18,874	21.9	2.6
Year ended March 31, 2014	—	17.00	—	20.00	37.00	20,430	25.5	2.4
Year ending March 31, 2015 (Forecast)	—	17.00	—	18.00	35.00		25.1	

3. Forecast of Consolidated Operating Results for the Year Ending March 31, 2015 (From April 1, 2014, to March 31, 2015)

(Percentages indicate changes from the previous fiscal year for full year and from the corresponding period of the previous year for second quarter)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Second quarter (cumulative)	431,000	3.6	44,000	8.1	55,000	-2.7	39,000	-2.6	70.63
Full year	865,000	4.1	93,000	23.3	112,000	-2.1	77,000	-4.1	139.45

Notes

(1) Change in Important Subsidiaries during the Period under Review (Change in specific subsidiaries that will accompany a change in scope of consolidation): Yes
Companies included in consolidation: 1 (Company name: SMM-SG Holding Inversiones Limitada)
Companies excluded from consolidation: —
(Note) For further details, please refer to “4. Consolidated Financial Statements, (5) Notes Relating to Consolidated Financial Statements (Basis of Presenting the Consolidated Financial Statements)” on page 21.

(2) Changes in Accounting Policies or Estimates and Retrospective Restatements
1) Changes in accounting policies in accordance with revision of accounting standards: Yes
2) Changes in accounting policies other than item 1) above: None
3) Change in accounting estimates: None
4) Retrospective restatements: None
(Note) For further details, please refer to “4. Consolidated Financial Statements, (5) Notes Relating to Consolidated Financial Statements (Changes in Accounting Policies)” on page 25.

(3) Number of Outstanding Shares (Common stock)
1) Number of shares issued as of end of period (including treasury stock)
581,628,031 shares at March 31, 2014
581,628,031 shares at March 31, 2013
2) Number of shares of treasury stock as of end of period
29,472,788 shares at March 31, 2014
29,410,627 shares at March 31, 2013
3) Average number of shares during the period
552,186,107 shares for the year ended March 31, 2014
556,883,429 shares for the year ended March 31, 2013
(Note) Please refer to “4. Consolidated Financial Statements, (5) Notes Relating to Consolidated Financial Statements (Earnings per Share)” on page 43 for the number of shares used as the basis for calculating “Net income per share (consolidated).”

(Reference) Summary of Non-Consolidated Financial Results

Non-Consolidated Financial Results (From April 1, 2013, to March 31, 2014)

(1) Non-Consolidated Operating Results

(% figures show year-on-year change)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2014	672,909	-1.8	39,195	-34.3	76,026	-15.5	59,331	-12.6
Year ended March 31, 2013	685,374	-5.3	59,670	33.2	89,994	17.1	67,910	28.6

	Net income per share (Basic)	Net income per share (Diluted)
	Yen	Yen
Year ended March 31, 2014	107.45	96.05
Year ended March 31, 2013	121.95	111.92

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2014	946,455	596,235	63.0	1,079.83
As of March 31, 2013	904,581	549,818	60.8	995.65

(Reference) Shareholders' equity

As of March 31, 2014: ¥ 596,235 million; As of March 31, 2013: ¥ 549,818 million

Auditing procedure

The consolidated financial results presented herein are not subject to the auditing procedure specified by the Financial Instruments and Exchange Act. The auditing procedure for consolidated financial statements specified by the Financial Instruments and Exchange Act has not been completed at the time of the disclosure of these financial results.

Explanation regarding appropriate use of operating results forecast and other special notes

The forward-looking statements, including business results forecast, contained in these materials are based on information available to the Company and on certain assumptions deemed to be reasonable as of the date of release of this document and they are not meant to be a commitment by the Company. Also, actual business results may differ substantially due to a number of factors.

(Supplementary Explanation Materials for Financial Results)

The Supplementary Explanation Materials will be posted on the Company's website on Friday, May 9, 2014.

Contents of the Attachment

1. Analysis of Business Performance and Financial Position

(1) Analysis of Business Performance

1) Business performance in fiscal 2013 (Year ended March 31, 2014)

(a) General overview (Millions of yen)

	Net sales	Operating income	Ordinary income	Net income
Year ended March 31, 2014	830,546	75,418	114,352	80,258
Year ended March 31, 2013	808,540	95,785	115,034	86,640
Increase/decrease (Rate of change: %)	22,006 (2.7)	-20,367 (-21.3)	-682 (-0.6)	-6,382 (-7.4)

The global economy during fiscal 2013 maintained positive growth due to the steady performance of the U.S economy, the bottoming out of the European economy, and the stabilized pace of growth in emerging countries, mainly in China. The Japanese economy showed steady improvements, mainly supported by a recovery in its export environments resulting from yen depreciation and robust personal consumption.

In the nonferrous metals industry, nickel and copper prices continued a decline but bottomed out at one point due to an economic outlook that was less cautious than before, among other factors. After that, nickel prices rose towards the end of the fiscal year due to concerns about supply from Indonesia’s export restrictions on unprocessed ores. Copper prices, however, continued to be weak. As for gold prices, further anticipation for downside movement continued due to investment cash outflows resulting from the recovery of the U.S. economy, although some bullish signs have emerged since the end of last year.

As for industries related to the materials business, the demand for automobile battery components increased, and a healthy selling environment for components for high-performance mobile devices and electrical appliance components was maintained.

Under these circumstances, and despite a decline in copper sales, consolidated net sales in fiscal 2013 grew by ¥22,006 million year over year to ¥830,546 million, mainly due to an increase in revenue caused by the yen’s depreciation and an increase in electrolytic nickel sales volume.

Consolidated operating income was ¥75,418 million, a year-over-year decrease of ¥20,367 million, owing to such factors as declines in gold and nickel prices, despite the positive effect of the yen’s depreciation. Consolidated ordinary income decreased ¥682 million year over year to ¥114,352 million, owing to such factors as an increase in share of profit of entities accounted for using equity method, despite a decrease in consolidated operating income. Consolidated net income for the fiscal year under review decreased ¥6,382 million year over year to ¥80,258 million, owing to such factors as an increase in provision for environmental measures.

(b) Reported segments (Millions of yen)

	Mineral Resources	Smelting & Refining	Materials	Total of the Reported Segments	Other Businesses	Adjustments	Amounts Reported in the Consolidated Financial Statements
Net sales:							
Year ended March 31, 2014	113,896	631,842	153,325	899,063	20,807	-89,324	830,546
Year ended March 31, 2013	104,873	637,803	156,613	899,289	15,943	-106,692	808,540
Increase/decrease	9,023	-5,961	-3,288	-226	4,864	17,368	22,006
(Rate of change: %)	(8.6)	(-0.9)	(-2.1)	(-0.0)	(30.5)		(2.7)
Segmental income:							
Year ended March 31, 2014	69,063	29,104	11,072	109,239	1,581	3,532	114,352
Year ended March 31, 2013	66,105	40,646	3,297	110,048	1,559	3,427	115,034
Increase/decrease	2,958	-11,542	7,775	-809	22	105	-682
(Rate of change: %)	(4.5)	(-28.4)	(235.8)	(-0.7)	(1.4)		(-0.6)

a) Mineral Resources segment

The mining operations at the Hishikari mine performed well. The output of gold and silver ores for the fiscal year under review amounted to 153,798 t, and the gold content was 6,852 kg.

As for overseas mines, production levels at the Pogo gold mine (United States), which the SMM Group operates directly, increased due to an improvement in ore grade compared to the previous fiscal year. Production of copper ore and electrolytic copper proceeded steadily at the Morenci copper mine (United States), and production levels of copper ore also increased at the Candelaria copper mine (Chile). SMM holds the interests to both mines. However, there was a decline in the production of copper ore and electrolytic copper at the Cerro Verde copper mine (Peru), where SMM also holds the interests.

Net sales increased ¥9,023 million year over year to ¥113,896 million, and segmental income increased ¥2,958 million to ¥69,063 million.

b) Smelting & Refining segment

As for nickel, work to increase production capacity of electrolytic nickel to 65 ktpa was completed in fiscal 2013. The consequent increase in production levels created an expansion in sales volume compared to the previous fiscal year. Operations at Coral Bay Nickel Corporation (Philippines), which utilizes high-pressure acid leach (HPAL) technology to facilitate the processing of low-grade nickel oxide ore, have been steady, and production levels were almost the same as the previous fiscal year.

As for copper, scheduled furnace repairs at the Toyo Smelter & Refinery caused a decrease in production levels, and sales volume declined compared to the previous fiscal year.

Net sales decreased ¥5,961 million year over year to ¥631,842 million, and segmental income decreased ¥11,542 million to ¥29,104 million.

c) Materials segment

Net sales declined because of the exit from the bonding wire business. On the other hand, segment income grew significantly year over year, supported by increases in revenues primarily resulting from increased sales volume due to steady demand for components for high-performance mobile devices, automobile battery components, and electrical appliance components.

Net sales decreased ¥3,288 million year over year to ¥153,325 million, whereas segmental income increased ¥7,775 million year over year to ¥11,072 million.

2) Prospects for fiscal 2014

(a) General overview (Millions of yen)

	Net sales	Operating income	Ordinary income	Net income
Year ending March 31, 2015 (Projections)	865,000	93,000	112,000	77,000
Year ended March 31, 2014 (Actual)	830,546	75,418	114,352	80,258
Increase/decrease (Rate of change: %)	34,454 (4.1)	17,582 (23.3)	-2,352 (-2.1)	-3,258 (-4.1)

Despite concerns over the deteriorating European economy due to the situation in Ukraine and other factors, the global economy is expected to maintain positive growth throughout the year due to a steady U.S. economy and a stabilized pace of growth in major emerging economies.

In the business environment surrounding the SMM Group, there are concerns about supply caused by Indonesia's export restrictions on ores and other factors, even though excess supply of nickel and copper is expected in the nonferrous metals industry. As for industries related to the materials business, good showings are expected to continue.

In fiscal 2014, the year ending March 31, 2015, net sales are expected to increase mainly due to an increase in electrolytic nickel sales. The higher sales of electrolytic nickel as well as favorable conditions for purchasing copper are expected to lead to an increase in operating income. As for ordinary income, please refer to the following (b) Reported segments.

As a result, net sales are expected to reach ¥865,000 million with operating income of ¥93,000 million, ordinary income of ¥112,000 million and net income of ¥77,000 million on a consolidated basis.

(b) Reported segments (Millions of yen)

	Mineral Resources	Smelting & Refining	Materials	Total	Other Businesses	Adjustments	Amounts Reported in the Consolidated Financial Statements
Net sales	110,000	655,000	170,000	935,000	15,000	-85,000	865,000
Segmental income	53,000	53,000	9,000	115,000	0	-3,000	112,000

In the Mineral Resources segment, earnings are expected to decrease compared with fiscal 2013 mainly due to a drop in gold and copper prices. In the Smelting & Refining segment, increases in earnings are expected mainly due to an increase in the electrolytic nickel sales and favorable conditions for purchasing copper concentrate. In the Materials segment, earnings are expected to decrease slightly due to growing price competition.

(2) Analysis of Financial Position

1) Overview for fiscal 2013

Consolidated Balance Sheets (Millions of yen)

	As of March 31, 2013	As of March 31, 2014	Increase/decrease
Assets	1,351,153	1,572,367	221,214
Liabilities	506,606	553,314	46,708
Net assets	844,547	1,019,053	174,506

Consolidated Statements of Cash Flows (Millions of yen)

	From April 1, 2012, to March 31, 2013	From April 1, 2013, to March 31, 2014	Increase/decrease
Net cash provided by operating activities	114,665	80,014	(34,651)
Net cash used in investing activities	(88,745)	(126,937)	(38,192)
Net cash provided by financing activities	21,549	81	(21,468)
Effect of exchange rate change on cash and cash equivalents	6,514	9,715	3,201
Cash and cash equivalents at beginning of period	185,708	239,691	53,983
Cash and cash equivalents at end of period	239,691	202,583	(37,108)

Assets as of March 31, 2014 increased from as of March 31, 2013, primarily due to an increase in investment securities as a result of the posting of share of profit of entities accounted for using equity method and the effect of yen depreciation, an increase in property, plant and equipment by the capital investment in the Taganito Project, and an increase in long-terms loans receivable from Sierra Gorda S.C.M. In liabilities, the balance of long-term loans payable increased, aimed at raising funds to invest aggressively in overseas mines.

Net cash provided by operating activities for the year ended March 31, 2014 decreased by ¥34,651 million from the previous fiscal year to ¥80,014 million, mainly due to an increase in income taxes paid and an increase in inventories, in addition to a decrease in income before income taxes and minority interests. Net cash used in investing activities increased by ¥38,192 million from the previous fiscal year to ¥126,937 million, mainly as a result of capital investments to increase nickel production and an increase in the amount of loans receivable to Sierra Gorda S.C.M., as well as an increase in the amount of expenditures for purchase of investment securities. Net cash provided by financing activities decreased by ¥21,468 million from the previous fiscal year to ¥81 million, mainly due to a decrease in proceeds from long-term loans payable, despite a decrease in expenditures for the purchase of treasury shares.
As a result, the balance of cash and cash equivalents amounted to ¥202,583 million at March 31, 2014, a decrease of ¥37,108 million compared with at the previous fiscal year-end.

Cash flow indicators:

Year ended	Mar. 31, 2010	Mar. 31, 2011	Mar. 31, 2012	Mar. 31, 2013	Mar. 31, 2014
Equity ratio (%)	59.8	59.9	57.5	56.9	58.1
Equity ratio based on market capitalization (%)	79.6	76.4	57.0	54.9	45.5
Cash flows/Interest-bearing debt ratio (times)	4.6	2.1	1.8	2.9	4.8
Interest coverage ratio (times)	14.6	40.4	42.8	33.5	22.7

Notes:
1. Equity ratio: Shareholders' equity/Total assets
Equity ratio based on market capitalization: Market capitalization/Total assets
Cash flows/Interest-bearing debt ratio: Interest-bearing debt/Cash flows
Interest coverage ratio: Cash flows/Interest payment
2. All of the above indicators are calculated for their respective values on a consolidated basis.
3. Market capitalization is calculated based on the number of shares issued at the end of the fiscal year after deducting treasury shares.
4. Cash flows employs "Net cash provided by operating activities" in the Consolidated Statements of

Cash Flows.

5. Interest-bearing debt indicates the liabilities for which interest is paid on all the liabilities posted in the Consolidated Balance Sheets. Interest payment corresponds to the amount of “Interest expenses paid” in the Consolidated Statements of Cash Flows.

2) Forecasts for the next fiscal year

Net cash provided by operating activities is expected to be maintained, based on a forecast for income before income taxes and minority interests for the year ending March 31, 2015. Net cash used in investing activities at a high level is expected to continue for the next fiscal year principally due to an ongoing large-scale investment for the nickel business.

(3) Basic Policy Concerning the Distribution of Earnings and Current and Future Period Dividends

The Company works to determine the balance between dividends from surplus and the internal reserve while comprehensively taking into consideration such factors as future business development, ensuring financial strength, operating performance and the payout ratio. As a financial strategy in the 12 3-Yr Business Plan, we expect to continue to maintain financial strength so that we can maintain a consolidated equity ratio above 50% and our dividend policy, which targets a consolidated payout ratio of at least 25%, with due consideration to operating performance.

Consequently, the Company plans to distribute a year-end dividend of ¥20 per share for the fiscal year under review which is linked to the consolidated operating performance. As a result, the annual dividend per share is expected to be ¥37, an increase of ¥3 per share from the previous fiscal year.

Based on the above policy and in view of these performance projections, the Company plans to distribute an annual dividend of ¥35 per share for the fiscal year ending March 31, 2015.

(4) Business and Other Risks

The following section provides an overview of the risk factors that could exert a significant effect on the business performance and financial position of the SMM Group. All forward-looking statements in the text refer to management decisions of the Group based on the best information available at the end of the fiscal year ended March 31, 2014.

1) Fluctuations in non-ferrous metals prices and exchange rates

(a) Price slump of non-ferrous metals

The prices of copper, nickel, gold and other non-ferrous metals are influenced by a number of factors, including international supply and demand, political and economic circumstances, speculative trading and competition from alternative materials. A considerable slump in non-ferrous metals prices could have a significant negative impact on the Group’s business performance and financial position.

(b) Foreign exchange rates (Appreciation of the yen)

The refining margins earned by the Company from its refining business are denominated in U.S. dollars. In addition, returns on investments in overseas mining developments, income earned from investments in the materials business and revenues from exports of products in each of the aforementioned businesses are also denominated in foreign currencies. Substantial appreciation of the yen against these currencies over a sustained period could exert a significant negative impact on the Group’s business performance and financial position.

To mitigate these external risks, the SMM Group continues to make progress in implementing a variety of measures aimed at boosting competitiveness, both in materials procurement and manufacturing.

2) Deterioration in terms of non-ferrous metal ore purchasing contracts and supply disruptions

Currently, the SMM Group procures the majority of copper ores, nickel matte and other raw materials for non-ferrous metal refining operations based on long-term ore-purchasing contracts that are not backed by investment. In each case of such long-term ore-purchasing contracts, there are instances in which required volumes cannot be purchased at an appropriate price due to a variety of market factors. Supplies of ore can also be affected due to unpredictable disruptive events beyond the control of the Company such as natural disasters, supplier operational accidents and industrial disputes. Such factors could impose various constraints on Group production volumes, which, as a result, could exert a negative impact on the Group’s business performance and financial position.

To mitigate such risks, the Group continues to seek to invest in high-grade overseas mines to secure reliable (in-house) supplies of ore.

3) Uncertainty inherent in mining investments
As described above, the raw materials procurement policy of the SMM Group is to develop in-house mining resources to boost the proprietary ore ratio. With respect to mining development, amounts of extractable ore and extraction costs may differ from those estimated based on the results of exploratory surveys. In addition, the development costs of a mining project can rise as the result of a variety of situations such as compliance with environmental or regulatory actions. Any additional investment or increase in the burden of extraction costs arising from the inherent uncertainty associated with mining developments could have a negative impact on the Group's business performance and financial position.
To mitigate such risks, the Group employs a selective investment policy and undertakes strict assessments of the potential profitability of individual mining developments based on extensive experience in mining extraction and mine valuation accumulated over many years.

4) Environmental protection and regulatory compliance risks
SMM Group businesses, notably the mining and non-ferrous metal smelting and refining operations, are subject to a broad range of laws and regulations in areas such as occupational safety and health, environmental protection, pollution prevention, industrial waste disposal and management of potentially toxic substances. Ongoing regulatory compliance costs are substantial and subject to considerable increases as the result of the sudden emergence of previously unknown risks. The costs of ensuring regulatory compliance could therefore exert a negative impact on the Group's business performance and financial position.
To mitigate such risks, the Group seeks to ensure that operations are in full compliance with environmental protection and other laws and regulations through the operation of environmental and risk management systems based on strict standards. The Group also endeavors to manage operations so that related compliance costs are kept within reasonable limits.

5) Risks associated with market changes, new product development and intellectual property rights
In those markets targeted by the Materials business segment, increasingly longer periods for the development of new products and the investment of increasingly large amounts of management resources are required to address rapid changes in market requirements. Expected returns on investment from related new product development programs may not materialize due to obsolescence caused by technological progress, delays caused by responding to customer requests or the untimely launch of competitor products, among other factors. Customer demand for products could also decline in the future. All these various factors could have a negative impact on the Group's business performance and financial position.
The SMM Group recognizes the importance and value of acquiring intellectual property rights and managing such rights properly in accordance with related laws and regulations. Although the Group strives to observe such laws, it remains exposed to risks such as failure to acquire certain rights or damage done to the results of the Group's R&D activities due to illegal actions by third parties.
To mitigate such risks, the Group strives to minimize related problems by structuring R&D activities to realize commercial opportunities as quickly as possible. The Group has also created dedicated in-house teams to manage issues related to intellectual property rights to ensure that such rights are acquired and protected properly.

6) Overseas investments
In the conduct of its business overseas, the Group is subject to a wide range of political and economic risks that vary by country. The emergence of various developments could prevent the Group from earning a suitable return on overseas investments. Such risks include the development of mineral resource projects by organizations funded by national or regional governments against the backdrop of high non-ferrous metals prices, the levying of higher taxes on such operations or increased environmental demands from various quarters.
To mitigate such risks, the Group makes overseas investment decisions based on careful consideration of all relevant country risks.

7) Disaster-related risks
The SMM Group locates manufacturing operations based on considerations such as customer relationships, raw material procurement, the links to other Group operations and the effective use of management resources. Unexpected large-scale natural disasters such as earthquakes or typhoons that affect the regions where such facilities are located could result in major financial losses arising from factors such as onsite damage and loss of production.

To mitigate such risks, the Group insures such facilities where this is possible at reasonable cost and has made plans containing suitable countermeasures to minimize any secondary effects due to such disasters.

2. Corporate Group

(1) Organization Chart

Sumitomo Metal Mining Co., Ltd. (the Company)

Mineral Resources

(Domestic)

(Geological research, civil engineering)
・Sumiko Resources Exploration & Development Co., Ltd.

(Overseas resources development)
・Sumiko Solomon Exploration Co., Ltd.

(Three more companies)

(Overseas)

(Overseas resources development)
・Sumitomo Metal Mining America Inc.
・Sumitomo Metal Mining Arizona Inc.
・SMMA Candelaria Inc.
・Sumitomo Metal Mining Canada Ltd.
・SMM Exploration Corporation
・Sumitomo Metal Mining Oceania Pty. Ltd.
・Sumitomo Metal Mining Pogo LLC
・SMM Resources
・SMM Cerro Verde Netherlands B.V.
・SMM Solomon LIMITED
・Sumitomo Metal Mining Peru S.A.
・Sumitomo Metal Mining Chile LTDA
・SMM Sierra Gorda Inversiones Ltda.
・SMM-SG Holding Inversiones Limitada
・Sumitomo Metal Mining do Brasil LTDA.
・Smack Mine Co., Ltd.
・Stone Boy Inc.
・Compania Contractual Minera Candelaria*
・Sociedad Minera Cerro Verde S.A.A.*
・CCMO Ojos del Salado*
・Sierra Gorda S.C.M.*
・Cordillerans Exploration Co., Inc.*

(One more company)

Smelting & Refining

(Domestic)

(Contracted manufacturing of ferronickel)
・Hyuga Smelting Co., Ltd.

(Manufacture and sales of zinc recycling)
・Shisaka Smelting Co., Ltd.

(Manufacture and sales of steel casting)
・Taihei Metal Industry Co., Ltd.

(Land & marine transportation)
・Sumiko Logistics., Ltd.

(Sales of sulfuric acid)
・Acids Co., Ltd.*

(Manufacture and sales of zinc)
・MS Zinc Co., Ltd.*

(Manufacture and sales of Copper and copper alloys)
・MITSUI SUMITOMO METAL MINING BRASS & COPPER CO., LTD.*

(Overseas)

(Overseas metal smelting)
・Coral Bay Nickel Corporation
・Sumiko Nickel Netherlands B.V.
・Taganito HPAL Nickel Corporation
・Sumitomo Metal Mining Philippine Holdings Corporation
・P.T. Vale Indonesia Tbk*
・FIGESBAL*
・Jinlng Copper Co., Ltd.*
・Nickel Asia Corp. (NAC)*

(Sales consulting)
・Sumitomo Metal Mining Management (Shanghai) Co., Ltd.

(Two more companies)

Materials

(Domestic)

(Manufacture and sales of Semiconductor materials)
・SH Materials Co., Ltd.
・Ohkuchi Materials Co., Ltd.
・Niihama Materials Co., Ltd.
・SH Precision Co., Ltd.
・Niihama Electronics Co., Ltd.

(Manufacture, sales and contracted manufacturing of advanced materials)
・Okuchi Electronics Co., Ltd.
・Sumiko Kunitomi Denshi Co., Ltd.
・SMM Precision Co., Ltd.
・GRANOPT Ltd.*

(Manufacture and sale of copper bars)
・SH Copper Products Co., Ltd.*

(Manufacture and sales of electronic component materials)
・Shinko Co., Ltd.
・Sumiko Tec Co., Ltd.

(Plating and finishing)
・Nittosha Co., Ltd.

(Manufacture and sales of siporex)
・Sumitomo Metal Mining Siporex Co., Ltd.

(House renovation)
・Igeta Heim Co., Ltd.

(Management of facility & low-level nuclear waste)
・JCO Co., Ltd.

(Manufacture and sales of lubricant agent)
・Sumiko Lubricant Co., Ltd.

(Manufacture and sales of chemical catalyst)
・N.E. Chemcat Corporation*
・Nippon Ketjen Co., Ltd.*

(Antisepsis, disinfect and reformulation by radiation)
・Japan Irradiation Service Co., Ltd.

(Two more companies)

(Overseas)

(Manufacture and sales of semiconductor materials)
・SH Asia Pacific Pte. Ltd.
・Malaysian SH Electronics Sdn. Bhd.
・Sumiko Leadframe (Thailand) Co., Ltd.
・Sumiko Leadframe Chengdu Co., Ltd.
・Sumiko Electronics Suzhou Co., Ltd.
・SH Precision Chengdu Co., Ltd.
・SH Electronics Taiwan Co., Ltd.
・Sumiko Advanced Materials (Suzhou) Co., Ltd.
・Suzhou SH Precision Co., Ltd.
・Malaysian SH Precision Sdn. Bhd.
・Sumiko Tape Materials Singapore Pte. Ltd.

(Sales consulting)
・SMM KOREA CO, Ltd.

(Manufacture and sale of advanced materials)
・Shanghai Sumiko Electronic Paste Co., Ltd.
・Dongguan Sumiko Electronic Paste Co., Ltd.
・Malaysian Electronics Materials SDN. BHD.
・Taiwan Sumiko Materials Co., Ltd.

(Sale of various lubricants)
・SUMICO LUBRICANT TRADING (SHANGHAI) CO., LTD.

Other businesses

(Domestic)

(Survey of machinery in the fields of nonferrous, chemical and environment)
・Sumitomo Metal Mining Engineering Co., Ltd.

(Manufacture & maintenance)
・Sumiko Technical Service Co., Ltd.

(Design and construction of nonferrous or chemical machine plants)
・Sumiko Plantech Co., Ltd.

(General chemical analysis)
・Sumiko Techno-Research Co., Ltd.

(One more company)

(Overseas)

(Overseas resources development)
・SMM Holland B.V.

<- - - - - Contracted manufacturing
<——— Product supply
<═══ Outsourcing

Consolidated subsidiaries have no mark (66)
Equity-method affiliates are marked with*(16)

3. Management Guidelines

(1) Basic Management Guidelines of the SMM Group

The SMM Group has formulated the basic management guidelines below.

SMM Group Corporate Philosophy

- The SMM Group, in accordance with the Sumitomo Business Spirit, shall, through the performance of sound corporate activities and the promotion of sustainable co-existence with the global environment, seek to make positive contributions to society and to fulfill its responsibilities to its stakeholders, in order to win ever greater trust.
- The SMM Group shall, based on respect for all individuals and recognizing each person’s dignity and value, seek to be a forward-minded and vibrant company.

SMM Group Management Vision

- By developing and employing innovative technology, we shall fulfill our social responsibilities as a manufacturing enterprise.
- Based on the principles of compliance, environmental protection and operational safety, the SMM Group shall pursue maximum corporate value through the provision, via its global network, of high-quality materials such as non-ferrous metals and electronics and advanced materials.

CSR Policy

1. The SMM Group shall work to combat global warming by promoting recycling and effective resource utilization while also targeting technological innovation and continuous improvements in energy efficiency.
2. The SMM Group shall promote sustainable co-existence with society by respecting the needs of local communities in which we operate around the world.
3. To continue sound business activities, The SMM Group shall respect human rights and shall try to be a company in which diverse human resources take active parts.
4. According safety the highest priority, The SMM Group shall provide safe, comfortable working environments and seek to eliminate occupational accidents.
5. The SMM Group shall strengthen communications with all stakeholders to build healthy, trust-based relationships.

(2) Targeted Management Indicators

In 12 3-Yr Business Plan, the SMM Group has determined to maintain an equity ratio above 50% and a consolidated payout ratio of at least 25% as financial indicators to prove its sound financial strength.

(3) Medium-and Long-Term Management Strategies and Our Tasks Ahead

There are various causes for concern in terms of the outlook for the global economy, making it difficult to predict what will happen over the medium to long-term. Significant changes are under way in the business environment surrounding the SMM Group: exchange rates are fluctuating, resources that can be put to good use are becoming rarer and resource nationalism is growing in the mineral resources sector, and in Japan the importance of the energy and environmental (E&E) sector is increasing in the wake of the Great East Japan Earthquake. Given these changes in the business environment, we are aiming to become “a world leader in the non-ferrous metals industry” and “an excellent company of Japan” by achieving continuous growth in our three core businesses, Mineral Resources, Smelting & Refining, and Materials. We are therefore promoting a growth strategy aimed at achieving an annual nickel capacity of 150 ktpa, annual production output from our interests of 300 ktpa of copper and 30 tpa of gold, ordinary income in our new materials products of ¥5 billion/year, consolidated net sales of ¥1 trillion/year, and consolidated net income of ¥100 billion/year.

We started out in the copper smelting business. In our operations, we do not just secure interests of resources in good condition, but also believe that we can contribute to society and improve our corporate value by smelting and processing those resources and supplying high quality metals and materials to the market. We recognize that this is what it really means to be “a world leader in the non-ferrous metals industry” and we are striving to achieve further growth toward this end.

Also, in order to become “an excellent company of Japan,” to reach a size and level of profitability that reflects consolidated net sales of ¥1 trillion/year and consolidated net income of ¥100 billion/year, we will maintain a solid business philosophy and business vision, and bolster our corporate governance and CSR efforts accordingly. It is by building on these strong foundations that we are striving to continuously develop and realize our growth strategies.

We have divided the implementation of each of the large-scale projects that form the pillars of our growth strategy into the stages of sowing, planting, nurturing, and harvesting, and in the period covered by the 12 3-Yr Business Plan, as well as the periods of every 3-Year Business Plan thereafter, there will be large project proposals in our three core businesses resting in one of those four stages. We plan to execute our continuous growth strategies by adopting the PDCA management model for moving these projects forward.

1) Mineral resources

In the Mineral Resources segment, as part of our long-term vision, we are promoting participation in exploration and development projects aimed at achieving annual production output from our interests of 300 ktpa of copper and 30 tpa of gold by fiscal 2021. At the Sierra Gorda Project, we are promoting development aimed at launching operations. Also, at the Hishikari mine and the Pogo gold mine, we are promoting the development of new deposits in an effort to extend the life of those mines.

In addition, we are gradually achieving expansion plans at operating overseas mines, where we hold the interests, and are further strengthening our profitability in the mining business.

2) Smelting & refining

With regards to nickel refining, both the Taganito Project and the work to increase the production capacity of electrolytic nickel to 65 ktpa were completed in 2013, and we began our 100 ktpa production capacity. Moreover, as a long-term vision, we have developed a blueprint for raising this amount to 150 ktpa by securing new nickel resources and increasing our nickel production capacity. Given this, in order to further strengthen our competitiveness, we are working to achieve technological innovations in nickel refining and HPAL at the Resource & Hydrometallurgy Process Center.

In copper smelting, we are facing tough business conditions due to deterioration in the terms of purchasing ore and rising energy costs, but we are striving to further bolster our competitiveness by performing additional processing of secondary materials and reducing our fixed costs.

3) Materials

Starting with the integration of the lead frames business, we will further promote the structural reforms as conducted in the 09 3-Yr Business Plan centered on selection and concentration in an aim to strengthen our business structure.

In the E&E sector where new growth is projected, we will focus on the development of various materials such as materials for secondary batteries, fuel batteries, and solar batteries. In addition, we are diligently striving toward the commercialization of new products in collaboration with the Battery Research Laboratories and the Materials Research & Development Center.

Moreover, the commercialization of high performance materials that leverage synergies with the Smelting & Refining business is being promoted.

4) Research and development

Based on the 12 3-Yr Business Plan and as is conventionally done, the Group will continue to follow the policy of priority-based resource allocation, accelerate the development of new materials products, make innovations in resources, smelting, and refining technologies, and promote process development.

(4) Other Important Management Related Matters

JCO Co., Ltd., has been continuously devoted to the maintenance and management of its facilities, as well as the storage and control of low-level radioactive waste. The Company continues to fully support JCO so that it can take appropriate measures to address these challenging tasks.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	FY2012 (as of March 31, 2013)	FY2013 (as of March 31, 2014)
Assets		
Current assets		
Cash and deposits	82,791	70,870
Notes and accounts receivable-trade	92,127	90,367
Securities	158,000	131,900
Merchandise and finished goods	62,469	62,304
Work in process	40,299	45,057
Raw materials and supplies	40,194	48,525
Deferred tax assets	1,774	1,834
Other	72,850	87,399
Allowance for doubtful accounts	(252)	(295)
Total current assets	550,252	537,961
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	88,663	128,750
Machinery, equipment and vehicles, net	90,837	208,221
Tools, furniture and fixtures, net	4,375	4,348
Land	26,459	26,518
Construction in progress	131,733	47,936
Total property, plant and equipment	*1, *3 342,067	*1, *3 415,773
Intangible assets		
Mining right	7,013	6,873
Software	1,438	1,841
Other	1,930	2,383
Total intangible assets	*3 10,381	*3 11,097
Investments and other assets		
Investment securities	*2, *3 396,223	*2, *3 503,499
Long-term loans receivable	*3 35,561	*3 78,898
Deferred tax assets	1,520	2,593
Other	*2 15,365	*2 22,755
Allowance for doubtful accounts	(210)	(209)
Allowance for investment loss	(6)	—
Total investments and other assets	448,453	607,536
Total non-current assets	800,901	1,034,406
Total assets	1,351,153	1,572,367

(Millions of yen)

	FY2012 (as of March 31, 2013)	FY2013 (as of March 31, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	35,212	38,410
Short-term loans payable	*3 67,750	*3 90,450
Income taxes payable	20,279	9,531
Deferred tax liabilities	426	442
Provision for bonuses	3,546	3,753
Provision for directors' bonuses	90	76
Provision for furnace repair works	758	210
Provision for loss on business restructuring	8	97
Provision for environmental measures	66	898
Other provision	256	110
Other	82,995	79,786
Total current liabilities	211,386	223,763
Non-current liabilities		
Bonds payable	50,000	50,000
Long-term loans payable	*3 212,323	*3 243,130
Deferred tax liabilities	16,346	22,301
Provision for retirement benefits	5,701	—
Provision for directors' retirement benefits	27	26
Provision for loss on business restructuring	37	—
Provision for environmental measures	52	1,280
Other provision	238	220
Net defined benefit liability	—	4,961
Asset retirement obligations	5,337	6,030
Other	5,159	1,603
Total non-current liabilities	295,220	329,551
Total liabilities	506,606	553,314
Net assets		
Shareholders' equity		
Capital stock	93,242	93,242
Capital surplus	86,062	86,062
Retained earnings	644,642	704,824
Treasury shares	(31,895)	(31,978)
Total shareholders' equity	792,051	852,150
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	24,645	31,335
Deferred gains or losses on hedges	(1,856)	100
Foreign currency translation adjustment	(45,590)	29,466
Remeasurements of defined benefit plans	—	120
Total accumulated other comprehensive income	(22,801)	61,021
Minority interests	75,297	105,882
Total net assets	844,547	1,019,053
Total liabilities and net assets	1,351,153	1,572,367

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statement of Income

(Millions of yen)

	FY2012 (from April 1, 2012, to March 31, 2013)	FY2013 (from April 1, 2013, to March 31, 2014)
Net sales	808,540	830,546
Cost of sales	*1 667,890	*1 705,724
Gross profit	140,650	124,822
Selling, general and administrative expenses		
Sales, transportation and sundry expenses	8,678	8,074
Salaries and allowances	10,670	11,565
Provision for bonuses	412	464
Retirement benefit expenses	701	558
Provision for directors' retirement benefits	2	2
Research and development expenses	*2 4,999	*2 6,648
Other	19,403	22,093
Total selling, general and administrative expenses	44,865	49,404
Operating income	95,785	75,418
Non-operating income		
Interest income	1,535	4,637
Dividend income	1,622	2,455
Foreign exchange gains	5,618	6,513
Share of profit of entities accounted for using equity method	17,100	29,770
Other	2,594	2,207
Total non-operating income	28,469	45,582
Non-operating expenses		
Interest expenses	3,301	3,562
Suspended business management expense	527	500
Maintenance expense of suspended or abandoned mines	461	732
Loss on valuation of derivatives	1,311	3
Incidental expenses for loans with stock acquisition rights	1,354	—
Dismantlement cost	651	994
Other	1,615	857
Total non-operating expenses	9,220	6,648
Ordinary income	115,034	114,352
Extraordinary income		
Gain on sales of non-current assets	*3 800	*3 1,165
Gain on sales of investment securities	154	—
Gain on sales of shares of subsidiaries and associates	—	121
Gain on change in equity	8,435	—
Total extraordinary income	9,389	1,286

(Millions of yen)

	FY2012 (from April 1, 2012, to March 31, 2013)	FY2013 (from April 1, 2013, to March 31, 2014)
Extraordinary losses		
Loss on sales of non-current assets	*4 56	*4 42
Loss on retirement of non-current assets	*5 512	*5 817
Impairment loss	*6 198	*6 1,253
Loss on valuation of investment securities	908	3
Provision for loss on business restructuring	—	*7 97
Provision for environmental measures	*8 44	*8 2,134
Loss on change in equity	—	101
Loss on sales of shares of subsidiaries and associates	—	180
Loss on disaster	15	5
Loss on reversal of foreign currency translation adjustment due to liquidation of foreign subsidiaries	235	—
Total extraordinary losses	1,968	4,632
Income before income taxes and minority interests	122,455	111,006
Income taxes-current	27,247	24,573
Income taxes-deferred	1,658	(950)
Total income taxes	28,905	23,623
Income before minority interests	93,550	87,383
Minority interests in income	6,910	7,125
Net income	86,640	80,258

Consolidated Statement of Comprehensive Income

(Millions of yen)

	FY2012 (from April 1, 2012, to March 31, 2013)	FY2013 (from April 1, 2013, to March 31, 2014)
Income before minority interests	93,550	87,383
Other comprehensive income		
Valuation difference on available-for-sale securities	13,631	6,666
Deferred gains or losses on hedges	3,012	1,909
Foreign currency translation adjustment	18,153	45,784
Share of other comprehensive income of entities accounted for using equity method	17,121	49,628
Total other comprehensive income	51,917	103,987
Comprehensive income	145,467	191,370
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	134,155	163,960
Comprehensive income attributable to minority interests	11,312	27,410

(3) Consolidated Statements of Changes in Equity
FY2012 (from April 1, 2012, to March 31, 2013)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	93,242	86,063	572,576	(21,845)	730,036
Effect of changes in accounting policies applied to associates accounted for using equity method					—
Balance at beginning of current period as restated	93,242	86,063	572,576	(21,845)	730,036
Changes of items during period					
Dividends of surplus			(14,574)		(14,574)
Net income			86,640		86,640
Purchase of treasury shares				(10,053)	(10,053)
Disposal of treasury shares		(1)		3	2
Change of scope of consolidation					—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(1)	72,066	(10,050)	62,015
Balance at end of current period	93,242	86,062	644,642	(31,895)	792,051

	Accumulated other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	10,986	(4,854)	(76,448)	—	(70,316)	66,319	726,039
Effect of changes in accounting policies applied to associates accounted for using equity method							—
Balance at beginning of current period as restated	10,986	(4,854)	(76,448)	—	(70,316)	66,319	726,039
Changes of items during period							
Dividends of surplus							(14,574)
Net income							86,640
Purchase of treasury shares							(10,053)
Disposal of treasury shares							2
Change of scope of consolidation							—
Net changes of items other than shareholders' equity	13,659	2,998	30,858	—	47,515	8,978	56,493
Total changes of items during period	13,659	2,998	30,858	—	47,515	8,978	118,508
Balance at end of current period	24,645	(1,856)	(45,590)	—	(22,801)	75,297	844,547

FY2013 (from April 1, 2013, to March 31, 2014)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	93,242	86,062	644,642	(31,895)	792,051
Effect of changes in accounting policies applied to associates accounted for using equity method			1,204		1,204
Balance at beginning of current period as restated	93,242	86,062	645,846	(31,895)	793,255
Changes of items during period					
Dividends of surplus			(20,432)		(20,432)
Net income			80,258		80,258
Purchase of treasury shares				(89)	(89)
Disposal of treasury shares				6	6
Change of scope of consolidation			(848)		(848)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	58,978	(83)	58,895
Balance at end of current period	93,242	86,062	704,824	(31,978)	852,150

	Accumulated other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	24,645	(1,856)	(45,590)	—	(22,801)	75,297	844,547
Effect of changes in accounting policies applied to associates accounted for using equity method						301	1,505
Balance at beginning of current period as restated	24,645	(1,856)	(45,590)	—	(22,801)	75,598	846,052
Changes of items during period							
Dividends of surplus							(20,432)
Net income							80,258
Purchase of treasury shares							(89)
Disposal of treasury shares							6
Change of scope of consolidation							(848)
Net changes of items other than shareholders' equity	6,690	1,956	75,056	120	83,822	30,284	114,106
Total changes of items during period	6,690	1,956	75,056	120	83,822	30,284	173,001
Balance at end of current period	31,335	100	29,466	120	61,021	105,882	1,019,053

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY2012 (from April 1, 2012, to March 31, 2013)	FY2013 (from April 1, 2013, to March 31, 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	122,455	111,006
Depreciation	27,578	32,426
Impairment loss	198	1,253
Loss (gain) on sales of non-current assets	(744)	(1,123)
Loss on retirement of non-current assets	512	817
Loss (gain) on sales of investment securities	(154)	—
Loss (gain) on valuation of investment securities	908	3
Loss (gain) on sales of shares of subsidiaries and associates	—	59
Loss (gain) on valuation of derivatives	1,311	3
Loss on reversal of foreign currency translation adjustment due to liquidation of foreign subsidiaries	235	—
Increase (decrease) in allowance for doubtful accounts	(5)	42
Increase (decrease) in provision for bonuses	1	207
Increase (decrease) in provision for directors' bonuses	39	(14)
Increase (decrease) in provision for furnace repair works	505	(548)
Increase (decrease) in provision for retirement benefits	(775)	—
Increase (decrease) in provision for directors' retirement benefits	(27)	(1)
Increase (decrease) in provision for loss on business restructuring	(1,776)	52
Increase (decrease) in provision for loss on liquidation of subsidiaries and associates	(27)	—
Increase (decrease) in provision for environmental measures	(30)	2,060
Increase (decrease) in provision for loss on disaster	(34)	—
Increase (decrease) in other provision	51	(219)
Increase (decrease) in net defined benefit liability	—	(606)
Interest and dividend income	(3,157)	(7,092)
Interest expenses	3,301	3,562
Foreign exchange losses (gains)	(4,797)	(4,516)
Share of (profit) loss of entities accounted for using equity method	(17,100)	(29,770)
Suspended business management expense	527	500
Loss (gain) on change in equity	(8,435)	101
Loss on disaster	15	5
Decrease (increase) in notes and accounts receivable-trade	6,372	2,588
Decrease (increase) in inventories	9,952	(8,216)
Increase (decrease) in notes and accounts payable-trade	(13,046)	624
Increase (decrease) in accrued consumption taxes	721	114
Other	(5,773)	(4,681)
Subtotal	118,801	98,636
Interest and dividend income received	10,472	20,784
Interest expenses paid	(3,421)	(3,518)
Suspended business management expense paid	(527)	(500)
Disaster recovery expense paid	(15)	(5)
Income taxes paid	(10,645)	(35,383)
Cash flows from operating activities	114,665	80,014

	FY2012 (from April 1, 2012, to March 31, 2013)	FY2013 (from April 1, 2013, to March 31, 2014)
		(Millions of yen)
Cash flows from investing activities		
Purchase of property, plant and equipment	(52,649)	(64,067)
Proceeds from sales of property, plant and equipment	1,005	1,788
Purchase of intangible assets	(286)	(883)
Proceeds from sales of intangible assets	8	86
Purchase of investment securities	(10,562)	(18,098)
Proceeds from sales of investment securities	246	—
Purchase of shares of subsidiaries and associates	(139)	(285)
Payments into time deposits	(1,315)	(60)
Proceeds from withdrawal of time deposits	343	1,038
Payments of short-term loans receivable	(4,413)	(7,135)
Collection of short-term loans receivable	126	66
Payments of long-term loans receivable	(21,259)	(39,606)
Collection of long-term loans receivable	150	504
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	183
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	(468)
Cash flows from investing activities	(88,745)	(126,937)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(187)	2,624
Proceeds from long-term loans payable	151,205	27,596
Repayment of long-term loans payable	(102,527)	(7,410)
Proceeds from share issuance to minority shareholders	25	40
Decrease (increase) in treasury shares	(10,051)	(83)
Cash dividends paid	(14,574)	(20,432)
Cash dividends paid to minority shareholders	(2,342)	(2,254)
Cash flows from financing activities	21,549	81
Effect of exchange rate change on cash and cash equivalents	6,514	9,715
Net increase (decrease) in cash and cash equivalents	53,983	(37,127)
Cash and cash equivalents at beginning of period	185,708	239,691
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	19
Cash and cash equivalents at end of period	239,691	202,583

(5) Notes Relating to the Consolidated Financial Statements
(Note Relating to the "Going Concern" Assumption)
There are no pertinent items.

(Basis of Presenting the Consolidated Financial Statements)
1. Scope of Consolidation
(1) Number of consolidated subsidiaries: 66
As significant consolidated subsidiaries are stated in "(1) Organization Chart" of "2. Corporate Group," their names are omitted.

Of the consolidated subsidiaries, Sumiko Advanced Materials (Suzhou) Co., Ltd., Ohkuchi Materials Co., Ltd., Niihama Electronics Co., Ltd.* and SMM-SG Holding Inversiones Limitada have been included in the scope of consolidation due to new incorporation; SH Materials Co., Ltd., SH Electronics Taiwan Co., Ltd. and Sumiko Tape Materials Singapore Pte. Ltd. have been included in the scope of consolidation due to the increased materiality in conjunction with the commencement of business; and SH Precision Co., Ltd., Malaysian SH Precision Sdn. Bhd. and Suzhou SH Precision Co., Ltd. have been included in the scope of consolidation as they became wholly-owned subsidiaries of SH Materials Co., Ltd., in conjunction with the integration of the leadframes business with Hitachi Cable, Ltd. (currently Hitachi Metals, Ltd.), effective from the fiscal year ended March 31, 2014.

Sumiko Business Consulting (Shanghai) Co., Ltd. and Sumiko Electronics Taiwan, Co., Ltd., which were consolidated subsidiaries in the previous fiscal year, have been excluded from the scope of consolidation effective from the fiscal year ended March 31, 2014, due to the completion of liquidation and to sales, respectively.

*In conjunction with the new incorporation of above-mentioned Niihama Electronics Co., Ltd., the existing Niihama Electronics Co., Ltd. has been renamed to Niihama Materials Co., Ltd.

(2) Names of principal unconsolidated subsidiaries:
Mie Siporex Service Co., Ltd.
(Reason for exclusion from consolidation)
The unconsolidated subsidiaries are all small in corporate size, and the impact of their respective total assets, net sales, net income (loss) (corresponding to the equity held by Sumitomo Metal Mining Co., Ltd.) and retained earnings (corresponding to the equity held by Sumitomo Metal Mining Co., Ltd.) on the consolidated total assets, consolidated net sales, consolidated net income (loss) and consolidated retained earnings are insignificant. For these reasons, the unconsolidated subsidiaries are excluded from the scope of consolidation.

2. Application of the Equity Method
(1) Number of affiliates accounted for by the equity method: 16
Compania Contractual Minera Candelaria, Sociedad Minera Cerro Verde S.A.A., CCMO Ojos del Salado, Sierra Gorda S.C.M., Cordillera Exploration Co. Inc., Acids Co., Ltd., MS Zinc Co., Ltd., MITSUI SUMITOMO METAL MINING BRASS & COPPER CO., LTD., Vale Indonesia Tbk PT, FIGESBAL, Jinlong Copper Co., Ltd., Nickel Asia Corp. (NAC), GRANOPT Ltd., N.E. Chemcat Corporation, Nippon Ketjen Co., Ltd., and SH Copper Products Co., Ltd.

* Effective from the fiscal year ended March 31, 2014, SH Copper Products Co., Ltd. has been included in the scope of entities accounted for by the equity method, as the Company holds 50% of its voting rights through an equity participation.

(2) Names of principal, nonconsolidated subsidiaries and affiliates not accounted for by the equity method
Mie Siporex Service Co., Ltd., and Hishikari Spa Heat Corporation
(Reason for not applying the equity method)
The unconsolidated subsidiaries and affiliates, which are not accounted for by the equity method, are excluded from the application of the equity method because their respective net income (loss) and retained earnings have no significant impact on the consolidated net income (loss) and consolidated retained earnings, and they are immaterial on the whole.

(3) Matters deemed necessary to especially mention regarding the procedure of applying the equity method
Of the companies accounted for by the equity method, the financial statements for the respective fiscal years are used for those that have a closing date that differs from the consolidated closing date (March 31) for the fiscal year under review.

As Compania Contractual Minera Candelaria and Sociedad Minera Cerro Verde S.A.A. underwent changes in accounting policies during the current fiscal year, the cumulative effects of these changes were calculated as of the beginning of the current fiscal year, which was the earliest period to which such changes may be retrospectively applied, and adjustments were made in "Effect of changes in accounting policies applied to associates accounted for using equity method" under "Retained earnings" and "Minority interests" in the Consolidated Statements of Changes in Equity.

3. Fiscal Year, etc., of Consolidated Subsidiaries

The closing date is December 31 for the 32 consolidated subsidiaries below:
Sumitomo Metal Mining America Inc., Sumitomo Metal Mining Arizona Inc., SMMA Candelaria Inc., Sumitomo Metal Mining Canada Ltd., SMM Exploration Corporation, Sumitomo Metal Mining Oceania Pty. Ltd., Sumitomo Metal Mining Pogo LLC, SMM Resources, SMM Cerro Verde Netherlands B.V., SMM Solomon LIMITED, Sumitomo Metal Mining Peru S.A., Sumitomo Metal Mining Chile LTDA, SMM Sierra Gorda Inversiones Ltda., Sumitomo Metal Mining do Brasil LTDA., Smack Mine Co., Ltd., Stone Boy Inc., Coral Bay Nickel Corporation, SUMIC Nickel Netherlands B.V., Taganito HPAL Nickel Corporation, Sumitomo Metal Mining Philippine Holdings Corporation, Sumitomo Metal Mining Management (Shanghai) Co., Ltd., Sumiko Leadframe Chengdu Co., Ltd., Sumiko Electronics Suzhou Co., Ltd., Sumiko Precision Chengdu Co., Ltd., SMM KOREA Co., Ltd., Shanghai Sumiko Electronic Paste Co., Ltd., Dongguan Sumiko Electronic Paste Co., Ltd., SMM Holland B.V., SUMICO LUBRICANT TRADING (SHANGHAI) CO., LTD., Sumiko Advanced Materials (Suzhou) Co., Ltd., SMM-SG Holding Inversiones Limitada and Suzhou SH Precision Co., Ltd.

As the difference in the closing date for the consolidated subsidiaries above and the consolidated closing date is only three months, consolidation was determined based on the financial statements for the relevant companies pertaining to their respective fiscal years. In preparing the consolidated financial statements, however, the financial statements of these consolidated subsidiaries are provided with necessary adjustments for consolidation purposes with regard to material transactions between their closing date (December 31) and the consolidated closing date (March 31).

4. Summary of Significant Accounting Policies

(1) Valuation basis and method for important assets

(i) Securities

Other securities

Available-for-sale securities:

Available-for-sale securities with available fair values (marketable securities) are stated at the fair value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, presented as a separate component of net assets.

Other available-for-sale securities with no available fair values (non-marketable securities) are stated at cost determined by the moving-average method.

(ii) Derivatives:

Derivative instruments are stated at fair value.

(iii) Inventories:

Mainly stated at cost determined by the first-in first-out (FIFO) method. (For figures shown on the balance sheet, values are written down to their book values based on their decreased profitability.)

At several overseas subsidiaries, other inventories are stated at the lower of cost or market determined by the gross average method.

(2) Depreciation method of major depreciable assets

(i) Property, plant and equipment (excluding lease assets)

The depreciation of property, plant and equipment (excluding mining sites and tunnels) at the Company and its consolidated subsidiaries is computed by the straight-line method, based on the estimated useful lives of the respective assets (whereas the declining-balance method is adopted for the one consolidated subsidiaries). Mining sites and tunnels are stated by the unit-of-production method. The depreciation period generally ranges from 2 years to 60 years for buildings and structures and 2 years to 20 years for machinery, equipment and vehicles.

(ii) Intangible assets

The amortization of mining rights (mineral rights) is computed by the unit-of-production method, mining rights (exploration rights) by the straight-line method and other intangible assets (excluding software) by the straight-line method.

Computer software for internal use is amortized by the straight-line method over the estimated useful life (5 years).

(iii) Lease assets

Lease assets are amortized by the straight-line method, assuming the lease period as the useful life and no residual value.

(3) Accounting for important reserves

(i) Allowance for doubtful accounts

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

(ii) Provision for bonuses

The provision for bonuses to employees and executive officers is an estimated amount accounted for as an expense in the accounting period in which such bonuses were incurred.

(iii) Provision for directors' bonuses

The provision for directors' bonuses is an estimated amount accounted for as an expense in the accounting period in which such bonuses were incurred.

(iv) Provision for furnace repair works

The provision for furnace repair works is an amount that corresponds to the works' amount projected for the fiscal year under review to cover the expense for regular repair works of the furnaces at the Toyo Smelter & Refinery and other plants.

(v) Provision for directors' retirement benefits

The Company sets the provision for directors' retirement benefits at an amount deemed necessary to cover the total amount to be paid pursuant to the internal regulations thereof at the balance sheet date of the fiscal year under review.

(vi) Provision for loss on business restructuring

The provision for loss on business restructuring is an amount to cover the estimated loss of business reconstruction that might be experienced by the Company and any subsidiaries and/or affiliates.

(vii) Provision for environmental measures

The provision for environmental measures is an estimated amount expected to cover future potential costs, such as costs related to the disposal of polychlorinated biphenyl (PCB).

Additionally, a provision is calculated based on the estimated amount of expenses for environmental measures for suspended or abandoned mines by the Company.

(4) Accounting method for retirement benefits

(i) Attribution method for the estimated amount of retirement benefits

The Company applies the straight-line method in attributing the estimated retirement benefits to the period until the end of the current fiscal year in the calculation of retirement benefits.

(ii) Recognition of actuarial gains and losses and past service costs

Prior service costs are recognized in expenses using the straight-line method over the average of the estimated remaining service lives of 10 years.

Actuarial gains and losses are recognized in expenses using the straight-line method over the average of the estimated remaining service lives of 10 years commencing with the following period.

(5) Accounting standards for significant revenues and costs

Accounting standard for recognizing revenues and costs of construction contracts

When the outcome of an individual contract can be estimated reliably, the percentage-of-completion method (the percentage of completion at the end of the fiscal year is measured based on the percentage of the cost incurred to the estimated total cost) has been applied for that portion in progress through to the end of the fiscal year ended March 31, 2014. For other construction work, the completed-contract method has been applied.

(6) Translation of important assets and liabilities denominated in foreign currencies into yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates of the consolidated closing date, and differences arising from such translation are charged to income. The asset and liability accounts of the overseas subsidiaries are translated into Japanese yen at the spot exchange rate as of the closing date of the respective companies. The revenue and expense accounts of the overseas subsidiaries are translated into Japanese yen at the annual average exchange rate during the period as of the closing date of the respective companies. Differences arising from such translation are included in "Foreign currency translation adjustment" and "Minority interests" as separate components of "Net Assets."

(7) Significant hedge accounting

(i) Hedge accounting method

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

(ii) Hedge instruments and hedged objects

Trade receivables and payables relating to production/marketing activities based on real demand are mainly used as hedged objects. Derivative transactions (primarily forward foreign exchange contracts and forward agreements) associated with currencies and merchandise are used as hedge instruments.

(iii) Hedging policy

As derivative transactions employed by the Company seek to provide hedges for certain types of risk exposure, their use is limited to within the scope of real demand and the value of receivables and payables with the aim of ensuring the previously projected gains or losses or cash flows.

(iv) Method of assessing the effectiveness of hedges

The derivative transactions as hedge instruments to be employed by the Company and its consolidated subsidiaries are selected after having obtained internal approval of the Company on the effectiveness via prior simulation-based calculations. While the transactions are being executed, the volume of the hedged objects and hedge instruments is appropriately managed to match each other. After the derivative transactions are completed, to evaluate hedge effectiveness monthly, the Company verifies whether the initially projected gains or losses and/or cash flows are obtained for each transaction by comparing cumulative changes in cash flows from or the changes in fair value of hedged objects and the corresponding changes in the hedging derivative instruments.

(v) Others

In cases where forward foreign exchange contracts are made to provide hedges for the risks of fluctuations in the foreign currency exchange rates of monetary receivables and payables denominated in foreign currencies, which are translated into Japanese yen at the spot exchange rates of the consolidated closing date, unrealized gains or losses on the foreign exchange contracts at the balance sheet date are recorded in accordance with the Accounting Standard for Financial Instruments.

(8) Amortization of goodwill

The amount of goodwill is equally amortized over five years on a straight-line basis. However, at the consolidated subsidiaries in the United States, it is equally amortized over 20 years on a straight-line basis.

(9) Scope of cash and cash equivalents in the Consolidated Statement of Cash Flows

Cash and cash equivalents in the Consolidated Statement of Cash Flows include cash on hand, readily available bank deposits and short-term, highly liquid investments with maturities not exceeding three months at the time of purchase, which are easily convertible into cash with little or no risk from fluctuation in value.

(10) Accounting for consumption taxes

Transactions subject to the consumption tax and local consumption taxes are recorded at amounts exclusive of the consumption tax. Undetectable consumption tax and local consumption taxes related to assets are primarily accounted for as expenses during the current fiscal year.

(Changes in Accounting Policies)

The "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26; May 17, 2012; the "Retirement Benefits Accounting Standard") and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25; May 17, 2012; the "Guidance on Retirement Benefits") were applied effective at the end of the current fiscal year (provided, however, they were applied except for the provisions specified in the main clause of Paragraph 35 of the Retirement Benefits Accounting Standard and the main clause of Paragraph 67 of the Guidance on Retirement Benefits), and the amount of projected benefit obligations minus plan assets is recorded as "Net defined benefit liability," and the unrecognized actuarial gains and losses and unrecognized past service costs are recognized in "Net defined benefit liability."

The application of the Retirement Benefits Accounting Standard and its Guidance by the Company is subject to the tentative treatment provided for in Paragraph 37 of the Retirement Benefits Accounting Standard. Consequently, the effects of the changes in accounting policies were recognized in "Remeasurements of defined benefit plans" under "Accumulated other comprehensive income" at the end of the current fiscal year.

As a result, as of March 31, 2014, net defined benefit liability of ¥4,961 million was recorded and accumulated other comprehensive income increased by ¥120 million.

An effect on earnings per share associated with the change in accounting policies are described in the section "Earnings per Share."

(Unapplied Accounting Standards, etc.)

- "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26; May 17, 2012)
- "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25; May 17, 2012)

(i) Outline

The Accounting Standard and its Guidance have been revised in light of improving financial reporting and a trend toward international convergence, mainly in terms of accounting methods for unrecognized actuarial gains and losses and unrecognized past service costs, calculation methods for retirement benefit obligations and service costs, and enhancement of disclosure items.

(ii) Scheduled date of application

The Company intends to apply the revised calculation methods for retirement benefit obligations and service costs from the beginning of the fiscal year ending March 31, 2015.

(Change in Presentation Method)

(Consolidated Statement of Income)

"Maintenance expense of suspended or abandoned mines," which was included in "Other" under "Non-operating expenses" for the previous fiscal year, has been separately posted because the amount exceeded 10% of the total amount of non-operating expenses, effective from the fiscal year ended March 31, 2014. The consolidated financial statements for the previous fiscal year were reclassified to reflect this change in the presentation method.

As a result, ¥2,076 million, which was posted in "Other" under "Non-operating expenses" in the Consolidated Statement of Income for the previous fiscal year, has been reclassified into ¥461 million in "Maintenance expense of suspended or abandoned mines" and ¥1,615 million in "Other."

(Consolidated Balance Sheets)

*1 Accumulated depreciation of property, plant and equipment are as follows.

	FY2012 (as of March 31, 2013)	FY2013 (as of March 31, 2014)
Accumulated depreciation	¥386,775 million	¥421,965 million

*2 Those for unconsolidated subsidiaries and affiliates are as follows.

	FY2012 (as of March 31, 2013)	FY2013 (as of March 31, 2014)
Investment securities	¥252,608 million	¥322,614 million
Investments and other assets	¥6,973 million	¥8,525 million

Investment securities for the current fiscal year include ¥14,502 million (¥10,182 million for the previous fiscal year) invested to jointly controlled enterprises.

*3 Assets pledged as collateral and liabilities with collateral

Assets pledged as collateral are as follows.

	FY2012 (as of March 31, 2013)		FY2013 (as of March 31, 2014)	
Cash and deposits	¥272 million	(¥— million)	¥83 million	(¥— million)
Buildings and structures	¥19,522	(¥19,522 million)	¥23,709	(¥23,709 million)
Machinery, equipment and vehicles	¥17,737	(¥17,737 million)	¥25,147	(¥25,147 million)
Tools, furniture and fixtures	¥210	(¥210 million)	¥363	(¥363 million)
Land	¥1,113	(¥1,113 million)	¥1,113	(¥1,113 million)
Mining rights	¥293	(¥293 million)	¥284	(¥284 million)
Investment securities[Note]	¥62,683	(— million)	¥74,690	(— million)
Long-term loans receivable	¥16,911	(— million)	¥23,045	(— million)
Total	¥118,741	(¥38,875 million)	¥148,434	(¥50,616 million)

Of the figures above, those in parentheses indicate the assets held by mining foundations and/or factory foundations.

Liabilities with collateral are as follows.

	FY2012 (as of March 31, 2013)	FY2013 (as of March 31, 2014)
Long-term loans payable (including current portion redeemable within one year)	¥19,911 million	¥26,045 million

The above liabilities pledged by the collateral include those signed up with joint mortgage contracts. The relevant liabilities are not stated above because such liabilities are difficult to distinguish from those associated with any mining foundations and factory foundations.

Note: The Company provided the assets pledged as collateral for loans payable of ¥72,016 million (¥52,646 million in the previous fiscal year) that Sierra Gorda S.C.M. borrowed from financial institutions.

*4 Commitments and contingent liabilities

1) The Company granted guarantees for loans payable as a guarantor from financial institutions singed up by the following subsidiaries and/or affiliates, etc.

	FY2012 (as of March 31, 2013)	FY2013 (as of March 31, 2014)
Sierra Gorda S.C.M.	¥60,049 million	¥82,729 million
MITSUI SUMITOMO METAL MINING BRASS & COPPER CO., LTD.	¥1,100	¥2,250
SH Copper Products Co., Ltd.	—	¥ 1,550
Acids Co., Ltd.	—	¥ 40
MS Zinc Co., Ltd.	¥400	—
Total	¥61,549	¥ 86,569

2) Other commitments and contingent liabilities are as follows.

	FY2012 (as of March 31, 2013)	FY2013 (as of March 31, 2014)
Obligation to guarantee construction costs of electric facilities of the Pogo gold mine	¥751 million	¥617 million
Payment for Sociedad Minera Cerro Verde S.A.A., including taxes, in the amount corresponding to the Company's equity, in case the revocation of exemption measures for prior year taxes is finalized[Note]	—	¥3,042
Total	¥751	¥3,659

Note: Sociedad Minera Cerro Verde S.A.A. ("Cerro Verde"), an equity-method affiliate of the Company, makes tax payments, assuming exemption from royalties levied on mining companies (enacted 2004), based on a tax rate stabilization agreement with the Peruvian government (valid from 1999 to 2013). Meanwhile, Cerro Verde was given notice by Peruvian tax authorities in October 2013 to the effect that said agreement did not apply to the copper mine development project (commenced in 2006), and is being demanded payment for the amount corresponding to prior taxes (from 2006 to 2008) and interest on overdue taxes. Although Cerro Verde is making appeals to Peruvian government agencies claiming the validity of the agreement, the Company has reported, as per the above, the amount of payment corresponding to the equity interest of the Company, in case the demand for payment becomes finalized.

It should be noted that Cerro Verde has made tax payments on the assumption of exemption after 2009 until the expiry of said agreement. While the Peruvian tax authorities claim that these payments too are subject to the said taxation system, Cerro Verde has not received any demands for payment from the authorities.

*5 Notes and accounts receivable sold to factoring companies with recourse

	FY2012 (as of March 31, 2013)	FY2013 (as of March 31, 2014)
Notes and accounts receivable sold to factoring companies with recourse	¥370 million	¥363 million

*6 Discount on export notes receivable

	FY2012 (as of March 31, 2013)	FY2013 (as of March 31, 2014)
Discount on export notes receivable	¥86 million	¥96 million

(Consolidated Statements of Income)

*1 Ending merchandise and finished goods indicate the amounts after values are written down to their book values based on their decreased profitability, and the following loss on valuation of inventories is included in the cost of sales.

FY2012 (from April 1, 2012, to March 31, 2013)	FY2013 (from April 1, 2013, to March 31, 2014)
(¥1,019) million	¥369 million

*2 Research and development expenses included in "General and administrative expenses"

FY2012 (from April 1, 2012, to March 31, 2013)	FY2013 (from April 1, 2013, to March 31, 2014)
¥4,999 million	¥6,648 million

*3 Gains due to sales of non-current assets and the breakdown by account title are as follows.

	FY2012 (from April 1, 2012, to March 31, 2013)	FY2013 (from April 1, 2013, to March 31, 2014)
Machinery, equipment and vehicles	¥577 million	¥65 million
Tools, furniture and fixtures	¥15	¥33
Land	¥208	¥1,033
Other	—	¥34
Total	¥800	¥1,165

*4 Losses due to sales of non-current assets and the breakdown by account title are as follows.

	FY2012 (from April 1, 2012, to March 31, 2013)	FY2013 (from April 1, 2013, to March 31, 2014)
Machinery, equipment and vehicles	¥27 million	¥21 million
Tools, furniture and fixtures	¥4	—
Land	¥25	¥16
Other	—	¥5
Total	¥56	¥42

*5 Losses due to the retirement of non-current assets and the breakdown by account title are as follows.

	FY2012 (from April 1, 2012, to March 31, 2013)	FY2013 (from April 1, 2013, to March 31, 2014)
Machinery, equipment and vehicles	¥155 million	¥263 million
Tools, furniture and fixtures	¥299	¥225
Land	¥31	¥176
Other	¥27	¥153
Total	¥512	¥817

*6 Impairment loss

The SMM Group's impairment loss of non-current assets, consists of the following:

FY2012 (from April 1, 2012, to March 31, 2013)

Major use	Location	Asset category	Impairment loss (Millions of yen)
Camping facilities	South-east Choiseul Island, Solomon Islands	Buildings	52
Manufacturing facilities for copper-clad polyimide films	Niihama City, Ehime Prefecture, Japan	Machinery and equipment Vehicles	146 0
Total			198

The book values of camping facilities were reduced to their recoverable amounts because such facilities are not expected to be used in the future due to the termination of exploration at some part of the mining area.

The book values of manufacturing facilities for copper-clad polyimide films were reduced to their recoverable amounts because of expectations that a part of such facilities would cease to operate.

The Company categorized operating assets by business unit such as plants and manufacturing processes based on the division of managerial accounting. The net sales prices (fair value less cost to sell) of assets are used as their recoverable amounts for the measurement of impairment losses, which will be posted under "Extraordinary losses." The net sales prices of assets are set at zero, as selling off such assets are difficult.

FY2013 (from April 1, 2013, to March 31, 2014)

Major use	Location	Asset category	Impairment loss (Millions of yen)
Rental real estate	Kashima City, Ibaraki Prefecture, Japan	Land Buildings Structures Machinery and equipment	132 628 70 0
Manufacturing facilities for powder materials	Niihama City, Ehime Prefecture, Japan	Buildings Structures Machinery and equipment Vehicles Tools, furniture and fixtures	46 26 309 0 0
Idle land	Chitose City, Hokkaido Prefecture, Japan	Land	42
Total			1,253

The book values of rental real estate were reduced to their recoverable amounts because of expectations that they would cease to be used after expiry of their rental agreements. The net sales prices (fair value less cost to sell) of assets are used as their recoverable amounts for the measurement of impairment losses, which are posted under extraordinary losses. Net sales prices are determined based on the appraisal value by a third party or methods similar thereto.

The book values of manufacturing facilities for powder materials were reduced to their recoverable amounts because of an expectation that the sales volume for dry-type nickel powder would not recover. The value in use of assets is used as their recoverable amounts for the measurement of impairment losses, which will be posted under "Extraordinary losses." Value in use is calculated by discounting future cash flows by 7.75%.

The book values of idle land not used for business, whose market values have fallen significantly below their book values, were reduced to their recoverable amounts. The net sales prices (fair value less cost to sell) of assets are used as their recoverable amounts for the measurement of impairment losses, which will be posted under extraordinary losses. Net sales prices are determined based on the appraisal value by a third party or methods similar thereto.

The Company categorized operating assets by business unit such as plants and manufacturing processes based on the division of managerial accounting.

*7 Refers to the provision to cover future potential costs, which several consolidated subsidiaries are projected to experience in association with the business restructuring.

FY2012 (from April 1, 2012, to March 31, 2013)	FY2013 (from April 1, 2013, to March 31, 2014)
¥— million	¥97 million

*8 Refers to the provision to cover future potential costs, which the Company and several consolidated domestic subsidiaries are projected to experience in association with environmental measures for suspended or abandoned mines and the disposal of polychlorinated biphenyl (PCB).

FY2012 (from April 1, 2012, to March 31, 2013)	FY2013 (from April 1, 2013, to March 31, 2014)
¥44 million	¥2,134 million

(Consolidated Statement of Comprehensive Income)

Amount of recycling and tax-effect amount associated with the presentation of other comprehensive income

(Millions of yen)

	FY2012 (from April 1, 2012, to March 31, 2013)	FY2013 (from April 1, 2013, to March 31, 2014)
Valuation difference on available-for-sale securities:		
Amount that occurred during the period	19,814	10,769
Reclassification adjustment	766	3
Before tax-effect adjustment	20,580	10,772
Tax-effect amount	(6,949)	(4,106)
Valuation difference on available-for-sale securities	13,631	6,666
Deferred gains or losses on hedges:		
Amount that occurred during the period	4,696	3,666
Reclassification adjustment	328	(474)
Before tax-effect adjustment	5,024	3,192
Tax-effect amount	(2,012)	(1,283)
Deferred gains or losses on hedges	3,012	1,909
Foreign currency translation adjustment:		
Amount that occurred during the period	17,918	44,609
Reclassification adjustment	235	1,175
Before tax-effect adjustment	18,153	45,784
Tax-effect amount	—	—
Foreign currency translation adjustment	18,153	45,784
Share of other comprehensive income of associates accounted for using equity method:		
Amount that occurred during the period	11,208	49,628
Reclassification adjustment	5,913	—
Share of other comprehensive income of associates accounted for using equity method	17,121	49,628
Total other comprehensive income	51,917	103,987

(Consolidated Statements of Changes in Equity)
FY2012 (from April 1, 2012, to March 31, 2013)
1. Matters Related to Shares Issued

Class of shares	Number of shares at beginning of current fiscal year	Number of shares increased during the current fiscal year	Number of shares decreased during the current fiscal year	Number of shares at current fiscal year-end
Common stock (shares)	581,628,031	—	—	581,628,031

2. Matters Related to Treasury Shares

Class of shares	Number of shares at beginning of current fiscal year	Number of shares increased during the current fiscal year	Number of shares decreased during the current fiscal year	Number of shares at current fiscal year-end
Common stock (shares)	19,671,522	9,741,913	2,808	29,410,627

Major causes of the increase in the number of treasury shares are as follows:
Increase due to the purchase of treasury shares by the resolution at the Board meeting: 9,692,000 shares
Increase due to the purchase of less-than-one-unit shares by the Company: 49,913 shares
A major cause of the decrease in the number of treasury shares is as follows:
Decrease due to the sale of less-than-one-unit shares by the Company: 2,808 shares

3. Matters Related to Dividends
(1) Cash dividends paid

Resolution	Class of shares	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Date of record	Effective date
Ordinary General Meeting of Shareholders held on June 25, 2012	Common stock	6,743	12	March 31, 2012	June 26, 2012
Board meeting held on November 6, 2012	Common stock	7,830	14	September 30, 2012	December 6, 2012

(2) Dividends for which the date of record is during the current fiscal year but the effective date was in the following fiscal year

Resolution	Class of shares	Total dividend amount (Millions of yen)	Source of dividends	Dividend per share (Yen)	Date of record	Effective date
Ordinary General Meeting of Shareholders held on June 24, 2013	Common stock	11,044	Retained earnings	20	March 31, 2013	June 25, 2013

FY2013 (from April 1, 2013, to March 31, 2014)

1. Matters Related to Shares Issued

Class of shares	Number of shares at beginning of current fiscal year	Number of shares increased during the current fiscal year	Number of shares decreased during the current fiscal year	Number of shares at current fiscal year-end
Common stock (shares)	581,628,031	—	—	581,628,031

2. Matters Related to Treasury Shares

Class of shares	Number of shares at beginning of current fiscal year	Number of shares increased during the current fiscal year	Number of shares decreased during the current fiscal year	Number of shares at current fiscal year-end
Common stock (shares)	29,410,627	68,083	5,922	29,472,788

A major cause of the increase in the number of treasury shares is as follows:
Increase due to the purchase of less-than-one-unit shares by the Company: 68,083 shares
A major cause of the decrease in the number of treasury shares is as follows:
Decrease due to the sale of less-than-one-unit shares by the Company: 5,922 shares

3. Matters Related to Dividends

(1) Cash dividends paid

Resolution	Class of shares	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Date of record	Effective date
Ordinary General Meeting of Shareholders held on June 24, 2013	Common stock	11,044	20	March 31, 2013	June 25, 2013
Board meeting held on November 8, 2013	Common stock	9,387	17	September 30, 2013	December 5, 2013

(2) Dividends for which the date of record is during the current fiscal year but the proposed effective date is in the following fiscal year

Resolution	Class of shares	Total dividend amount (Millions of yen)	Source of dividends	Dividend per share (Yen)	Date of record	Proposed effective date
Ordinary General Meeting of Shareholders to be held on June 23, 2014	Common stock	11,043	Retained earnings	20	March 31, 2014	June 24, 2014

(Consolidated Statement of Cash Flows)

Relationship between cash and cash equivalents at end of period and the line item amounts stated on the Consolidated Balance Sheets

(Millions of yen)

	FY2012 (from April 1, 2012, to March 31, 2013)	FY2013 (from April 1, 2013, to March 31, 2014)
Cash and deposits	82,791	70,870
Short-term investment securities	158,000	131,900
Time deposits with a maturity longer than three months	(1,100)	(187)
Cash and cash equivalents	239,691	202,583

(Segment Information and Others)

[Segment Information]

1. Summary of Reported Segments

(1) Decision method of the reported segments

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

The Company currently has three business divisions―Mineral Resources Div., Non-Ferrous Metals Div., Materials Div.—in the pursuit of effective business operations by products and services. Each of these business divisions plans its own comprehensive strategies to be carried out in Japan and overseas for its own product and service lines and engages in diverse business activities within the Company and through the consolidated subsidiaries and equity-method affiliates over which it holds jurisdiction.

The three aforementioned business divisions, as well as the Taganito Project Div., of which the purpose is to construct a second high-pressure acid leaching (HPAL) plant in the Taganito area on the Mindanao Island in the Philippines, and the Sierra Golda Project Div., of which the purpose is to promote investment and managerial participation in the Sierra Golda copper mine development project in Chile, are classified as "Business Segments" of the Company.

The Group has classified the five business segments into three core reported segments: Mineral Resources, Smelting & Refining and Materials. In determining these reported segments, the mineral resource businesses and the Sierra Golda Project Div. were integrated into Mineral Resources; the metal businesses and the Taganito Project Div. were integrated into Smelting & Refining; and the semiconductor materials and materials businesses were integrated into Materials, in accordance with the integration criteria and quantitative standards set forth in the "Accounting Standard for Disclosure of Segments of an Enterprise and Related Information" (ASBJ Statement No. 17; issued on March 27, 2009) and "Guidance on Accounting Standard for Disclosure of Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20; issued on March 21, 2008).

As described above, the Company consists of segments organized on the basis of business division–based products and services.

(2) Types of products and services that belong to each reported 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 Group mainly engages in smelting and sales of nickel, copper, ferronickel, zinc and lead, as well as smelting and sales of precious metals such as gold, silver and platinum.

In the Materials segment, the Group mainly engages in manufacturing, processing and sales of semiconductor materials including lead frames, tape materials such as copper-clad polyimide film, chip-on-film (COF) substrates, advanced materials including pastes, powder materials (e.g., nickel powder), battery materials (e.g., nickel hydroxide) and crystalline materials; and manufacturing and sales of automotive exhaust processing catalysts, chemical catalysts, petroleum refinery and desulfurization catalysts and autoclaved lightweight concrete (ALC) products.

Although the Company completed the exit from the bonding wire business in the previous fiscal year, the results for the previous year contain the results of operations for this business until the completion of the exit.

2. Calculation Methods of Net Sales, Income (Loss), Assets and Liabilities and Other Items by Reported Segment

The accounting methods employed for the reported business segments are almost the same as those set forth in the "Basis of Presenting the Consolidated Financial Statements," with the exception of the reporting by each reported segment of amounts corresponding to interest on internal loans, as determined in the balance sheets of each segment.

Income by Reported Segment is posted based on ordinary income.

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

3. Matters Relating to Changes in the Reported Segments

(Change in the Method for Measurement of Income (Loss) at Business Segments)

From the first quarter of fiscal 2013, the measurement method was changed for the sake of more accurate management of operating results at each segment, and the amount corresponding to the common general and administrative expenses is allocated to each reported segment by using certain allocation rates.

In addition, while each reported segment had been previously bearing the "cost of capital" as calculated by multiplying the assets held by each segment by an internal interest rate, this method has been changed with the aim of achieving more accurate management of operating results. Now each segment bears the amount corresponding to the interest on internal loans as determined in the balance sheets of each segment.

"4. Information on Net Sales, Income (Loss), Assets and Liabilities and Other Items by Reported Segment" for the previous fiscal year has been prepared in accordance with the method for measurement of income after the aforementioned change.

4. Information on Net Sales, Income (Loss), Assets and Liabilities and Other Items by Reported Segment
FY2012 (from April 1, 2012, to March 31, 2013)

(Millions of yen)

	Mineral Resources	Smelting & Refining	Materials	Total of the Reported Segments	Other Businesses[1]	Adjustments[2]	Amounts Reported in the Consolidated Financial Statements[3]
Net sales:							
Outside customers	63,318	602,395	139,618	805,331	3,209	—	808,540
Inter-segment	41,555	35,408	16,995	93,958	12,734	(106,692)	—
Total	104,873	637,803	156,613	899,289	15,943	(106,692)	808,540
Segmental income	66,105	40,646	3,297	110,048	1,559	3,427	115,034
Segmental assets	293,546	631,375	132,862	1,057,783	16,595	276,775	1,351,153
Segmental liabilities	45,040	297,261	70,222	412,523	5,801	88,282	506,606
Other items:							
Depreciation	6,524	12,169	6,811	25,504	317	1,757	27,578
Amortization of goodwill	89	—	1	90	—	—	90
Interest income	256	175	61	492	—	1,043	1,535
Interest expenses	120	1,007	487	1,614	19	1,668	3,301
Share of profit (loss) of entities accounted for using equity method	18,519	(3,424)	2,071	17,166	—	(66)	17,100
Investment in entities accounted for using equity method	166,323	74,755	22,324	263,402	—	(3,663)	259,739
Increase in property, plant and equipment and intangible assets	8,987	40,146	8,221	57,354	522	1,415	59,291

FY2013 (from April 1, 2013, to March 31, 2014)

(Millions of yen)

	Mineral Resources	Smelting & Refining	Materials	Total of the Reported Segments	Other Businesses[1]	Adjustments[2]	Amounts Reported in the Consolidated Financial Statements[3]
Net sales:							
Outside customers	72,834	614,831	139,445	827,110	3,436	—	830,546
Inter-segment	41,062	17,011	13,880	71,953	17,371	(89,324)	—
Total	113,896	631,842	153,325	899,063	20,807	(89,324)	830,546
Segmental income	69,063	29,104	11,072	109,239	1,581	3,532	114,352
Segmental assets	347,987	685,979	151,697	1,185,663	16,437	370,267	1,572,367
Segmental liabilities	29,017	342,491	72,503	444,011	5,704	103,599	553,314
Other items:							
Depreciation	8,782	13,390	8,007	30,179	318	1,929	32,426
Amortization of goodwill	109	—	18	127	—	—	127
Interest income	308	177	32	517	—	4,120	4,637
Interest expenses	60	1,425	408	1,893	14	1,655	3,562
Share of profit (loss) of entities accounted for using equity method	23,006	3,025	3,977	30,008	—	(238)	29,770
Investment in entities accounted for using equity method	183,678	76,212	26,932	286,822	—	42,800	329,622
Increase in property, plant and equipment and intangible assets	19,387	35,093	8,379	62,859	682	3,337	66,878

Notes:

1. The Other Businesses segment refers to other profit-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 reported segments. Other Businesses include technical engineering and real estate businesses.
2. The adjustments are as follows:

(1) The adjustments for segmental income are as follows: (Millions of yen)

	FY2012	FY2013
Head Office expenses not allocated to each reported segment [a]	(2,043)	(2,835)
Internal interest rate	786	534
Eliminations of inter-segmental transactions among the reported segments	4,566	301
Non-operating income/expenses not allocated to each reported segment [b]	118	5,532
Total	3,427	3,532

a. The Head Office expenses not allocated to each reported segment consist of general administrative expenses and research and development expenses, which are not attributable to the reported segments.

b. The non-operating income/expenses not allocated to each reported segment consist of foreign exchange gains/losses and interest expenses, which are not attributable to the reported segments.

(2) The adjustments on Segmental assets are as follows: (Millions of yen)

	FY2012	FY2013
Corporate assets not allocated to each reported segment*	401,205	473,725
Offsets and eliminations of inter-segmental receivables among the reported segments, including those toward Head Office divisions/departments	(124,430)	(103,458)
Total	276,775	370,267

*The corporate assets not allocated to each reported segment refer to the assets under the control of the Administration Dept. at the Head Office, which are not attributable to the reported segments.

(3) The adjustments on segmental liabilities are as follows: (Millions of yen)

	FY2012	FY2013
Corporate liabilities not allocated to each reported segment*	275,015	220,828
Offsets and eliminations of inter-segmental liabilities among the reported segments, including those toward Head Office divisions/departments	(186,733)	(117,229)
Total	88,282	103,599

*The corporate liabilities not allocated to each reported segment refer to the liabilities under the control of the Administration Dept. at the Head Office, which are not attributable to the reported segments.

(4) The adjustments on depreciation refer to depreciation at the Head Office divisions/departments, which are not allocated to the reported segments.

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

(6) The adjustments on Interest expenses consist of interest expenses at the Head Office divisions/departments, which are not allocated to the reported segments, and eliminations of transactions among the reported segments.

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

(8) The adjustments on investment in entities accounted for using equity method represent the amount corresponding to the foreign currency translation adjustment, which is included in the stocks of affiliates.

(9) The adjustments on increase in property, plant and equipment and intangible assets refer to increases thereof at the Head Office divisions/departments, which are not allocated to the reported segments.

3. The segmental income is adjusted with ordinary income in the Consolidated Financial Statements.

[Related Information]
FY2012 (from April 1, 2012, to March 31, 2013)

1. Information by Product/service
As for net sales to outside customers by product/service, relevant information disclosure is omitted as similar information is disclosed in the Segment Information.

2. Information by Region
(1) Net sales

(Millions of yen)

Domestic	China	East Asia	Southeast Asia	North America	Others	Total
474,408	102,322	88,450	73,952	60,138	9,270	808,540

Notes:
1. Net sales are segmented by country or region according to customers' location data.
2. Regions are segmented based on their geographical proximity, and only those countries for which the net sales amount accounts for more than 10% of the net sales stated in the Consolidated Statement of Income are separately listed.
3. Major countries or regions that belong to the segments are as follows:
   (1) East Asia: South Korea, Hong Kong and Taiwan
   (2) Southeast Asia: Thailand, Indonesia, Malaysia, etc.
   (3) North America: United States, Canada and Mexico
   (4) Others: Australia, India, Greece, etc.

(2) Property, plant and equipment

(Millions of yen)

Domestic	East Asia	The Philippines	Southeast Asia	North America	Others	Total
136,036	8,366	161,365	1,053	28,950	6,297	342,067

Notes:
1. Regions are segmented based on their geographical proximity, and only those countries for which the property, plant and equipment amount accounts for more than 10% of the property, plant and equipment stated in the Consolidated Balance Sheets are separately listed.
2. Major countries or regions that belong to the segments are as follows:
   (1) East Asia: China and Taiwan
   (2) Southeast Asia: Thailand, Malaysia and Singapore
   (3) North America: United States
   (4) Others: Australia, Solomon Islands, Peru, Chile and Brazil

3. Information by Major Customer

(Millions of yen)

Customer's designation or name	Net sales	Related reported segments
Sumitomo Corporation	125,184	Smelting & Refining and Materials
Mitsui & Co., Ltd.	58,841	Smelting & Refining

FY2013 (from April 1, 2013, to March 31, 2014)

1. Information by Product/service
As for net sales to outside customers by product/service, relevant information disclosure is omitted as similar information is disclosed in the Segment Information.

2. Information by Region
(1) Net sales

(Millions of yen)

Domestic	East Asia	Southeast Asia	North America	Others	Total
498,457	171,692	77,489	70,922	11,986	830,546

Notes:
1. Net sales are segmented by country or region according to customers’ location data.
2. Regions are segmented based on their geographical proximity, and only those countries for which the net sales amount accounts for more than 10% of the net sales stated in the Consolidated Statement of Income are separately listed.
3. Major countries or regions that belong to the segments are as follows:
   (1) East Asia: China, Taiwan, Hong Kong and South Korea
   (2) Southeast Asia: Indonesia, Malaysia, Thailand, etc.
   (3) North America: United States, Mexico and Canada
   (4) Others: Australia, India, Morocco, etc.

(2) Property, plant and equipment

(Millions of yen)

Domestic	East Asia	The Philippines	Southeast Asia	United States	Others	Total
140,132	8,213	212,370	1,624	47,785	5,649	415,773

Notes:
1. Regions are segmented based on their geographical proximity, and only those countries for which the property, plant and equipment amount accounts for more than 10% of the property, plant and equipment stated in the Consolidated Balance Sheets are separately listed.
2. Major countries or regions that belong to the segments are as follows:
   (1) East Asia: China and Taiwan
   (2) Southeast Asia: Malaysia and Singapore
   (3) Others: Australia, Solomon Islands, Peru, Chile and Brazil

3. Information by Major Customer

(Millions of yen)

Customer’s designation or name	Net sales	Related reported segments
Sumitomo Corporation	123,763	Smelting & Refining and Materials
Mitsui & Co., Ltd.	62,359	Smelting & Refining

[Information on Impairment Loss of Non-current Assets by Reported Segment]
FY2012 (from April 1, 2012, to March 31, 2013)

(Millions of yen)

	Mineral Resources	Smelting & Refining	Materials	Total of the Reported Segments	Other Businesses	Adjustments	Amounts Reported in the Consolidated Financial Statements
Impairment loss	52	—	146	198	—	—	198

FY2013 (from April 1, 2013, to March 31, 2014)

(Millions of yen)

	Mineral Resources	Smelting & Refining	Materials	Total of the Reported Segments	Other Businesses	Adjustments	Amounts Reported in the Consolidated Financial Statements
Impairment loss	—	—	423	423	830	—	1,253

[Information on Amortization of Goodwill and Unamortized Balance by Reported Segment]
FY2012 (from April 1, 2012, to March 31, 2013)

(Millions of yen)

	Mineral Resources	Smelting & Refining	Materials	Total of the Reported Segments	Other Businesses	Adjustments	Amounts Reported in the Consolidated Financial Statements
Balance at current fiscal year-end	482	—	—	482	—	—	482

Note: As for the amount of amortization of goodwill, relevant information is omitted as similar information is disclosed in the Segment Information.

FY2013 (from April 1, 2013, to March 31, 2014)

(Millions of yen)

	Mineral Resources	Smelting & Refining	Materials	Total of the Reported Segments	Other Businesses	Adjustments	Amounts Reported in the Consolidated Financial Statements
Balance at current fiscal year-end	469	—	100	569	—	—	569

Note: As for the amount of amortization of goodwill, relevant information is omitted as similar information is disclosed in the Segment Information.

[Information on Gain on Bargain Purchase by Reported Segment]
There are no pertinent items.

(Information on Related Parties)

1. Related Party Transactions

FY2012 (from April 1, 2012, to March 31, 2013)

Unconsolidated subsidiaries and affiliates, etc. of the Company filing the consolidated financial statements

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)
Affiliate	Sierra Gorda S.C.M.	Santiago, Chile	934,302	Mineral resources	(Possessed) Indirectly 45.0	Debt guarantee and pledge as security for the loans, etc. from the financial institution	Debt guarantee	60,049 (Note 1)	–	–
							Pledge as security	52,646 (Note 2)	–	–
						Financing support	Providing loans	22,628 (Note 3)	Long-term loans receivable	22,628

Notes:

1. The Company guarantees for loans etc. from financial institutions.
2. The Company pledges as security for the loan from the financial institution. The amounts of security are the debt balance as of March 31, 2013.
3. Terms and conditions of loan are determined based on the market interest rates, etc.

FY2013 (from April 1, 2013, to March 31, 2014)

Unconsolidated subsidiaries and affiliates, etc. of the Company filing the consolidated financial statements

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)
Affiliate	Sierra Gorda S.C.M.	Santiago, Chile	934,302	Mineral resources	(Possessed) Indirectly 45.0	Debt guarantee and pledge as security for the loans, etc. from the financial institution	Debt guarantee	82,729 (Note 1)	–	–
							Pledge as security	72,016 (Note 2)	–	–
						Financing support	Providing loans	47,164 (Note 3)	Long-term loans receivable	69,792

Notes:

1. The Company guarantees for loans etc. from financial institutions.
2. The Company pledges as security for the loan from the financial institution. The amounts of security are the debt balance as of March 31, 2014.
3. Terms and conditions of loan are determined based on the market interest rates, etc.

2. Information on Significant Affiliates

FY2012 (from April 1, 2012, to March 31, 2013)

Sociedad Minera Cerro Verde S.A.A. is a significant affiliate of the Company and its condensed financial statements are provided below.

	Sociedad Minera Cerro Verde S.A.A.
	(Millions of yen)
Total current assets	188,184
Total non-current assets	161,759
Total current liabilities	23,584
Total non-current liabilities	27,750
Total net assets	298,609
Net sales	169,758
Income before income taxes	96,998
Net income	61,619

FY2013 (from April 1, 2013, to March 31, 2014)

Sociedad Minera Cerro Verde S.A.A., Sierra Gorda S.C.M. and Compania Contractual Minera Candelaria are significant affiliates of the Company and their condensed financial statements are provided below.

	Sociedad Minera Cerro Verde S.A.A.	Sierra Gorda S.C.M.	Compania Contractual Minera Candelaria
	(Millions of yen)	(Millions of yen)	(Millions of yen)
Total current assets	175,987	57,947	62,138
Total non-current assets	332,761	411,520	162,656
Total current liabilities	45,026	40,397	14,073
Total non-current liabilities	33,024	330,315	19,660
Total net assets	430,698	98,755	191,061
Net sales	177,037	–	139,778
Income before income taxes	92,511	–	72,631
Net income	59,934	–	55,875

(Earnings per Share)

FY2012 (from April 1, 2012, to March 31, 2013)		FY2013 (from April 1, 2013, to March 31, 2014)	
Net assets per share	¥1,393.02	Net assets per share	¥1,653.83
Net income per share	¥155.58	Net income per share	¥145.35
Diluted net income per share	¥142.40	Diluted net income per share	¥129.71

Notes:

1. As stated in “Changes in Accounting Policies,” the application of the Retirement Benefits Accounting Standard and its Guidance by the Company is subject to the tentative treatment provided for in Paragraph 37 of the Retirement Benefits Accounting Standard. As a result, net assets per share for the current fiscal year increased by ¥0.22.
2. The basis for the calculation of net assets per share is as follows.

	FY2012 (from April 1, 2012, to March 31, 2013)	FY2013 (from April 1, 2013, to March 31, 2014)
Total net assets (Millions of yen)	844,547	1,019,053
Amounts deducted from total net assets (Millions of yen)	75,297	105,882
(Including minority interests)	(75,297)	(105,882)
Net assets attributable to shares of common stock at fiscal year-end (Millions of yen)	769,250	913,171
Number of common shares issued (Thousands of shares)	581,628	581,628
Number of common shares of treasury shares (Thousands of shares)	29,411	29,473
Year-end number of common shares used for the calculation of net assets per share (Thousands of shares)	552,217	552,155

3. The basis for the calculation of net income per share and diluted net income per share is as follows.

	FY2012 (from April 1, 2012, to March 31, 2013)	FY2013 (from April 1, 2013, to March 31, 2014)
Net income per share:		
Net income (Millions of yen)	86,640	80,258
Net income not attributable to common shareholders (Millions of yen)	—	—
Net income attributable to shares of common stock (Millions of yen)	86,640	80,258
Weighted average number of shares of common stock during the fiscal year (Thousands of shares)	556,883	552,186
Diluted net income per share:		
Adjustment of net income (Millions of yen)	880	398
(Including interest expenses after deducting the amount corresponding to taxes) (Millions of yen)	(880)	(398)
Increase in shares of common stock (Thousands of shares)	57,742	69,638
(Including subscription rights to shares) (Thousands of shares)	(57,742)	(69,638)
Securities excluded from the computation of diluted net income per share, because they do not have dilutive effects	—	—

(Significant Subsequent Event)

There are no pertinent items.

5. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheets

(Millions of yen)

	FY2012 (as of March 31, 2013)	FY2013 (as of March 31, 2014)
Assets		
Current assets		
Cash and deposits	21,519	20,830
Notes receivable-trade	410	283
Accounts receivable-trade	77,735	67,102
Securities	158,000	131,900
Merchandise and finished goods	58,279	54,567
Work in process	32,813	36,586
Raw materials and supplies	26,691	30,124
Advance payments-trade	9,794	10,699
Prepaid expenses	226	417
Deferred tax assets	2,103	1,695
Short-term loans receivable	56,205	85,924
Gold bullion in storage	13,045	18,023
Gold bullion on loan	32,089	21,751
Accounts receivable-other	14,627	14,814
Other	4,454	3,193
Allowance for doubtful accounts	(1,873)	(1,765)
Total current assets	506,117	496,143
Non-current assets		
Property, plant and equipment		
Buildings	29,152	30,846
Structures	18,190	18,857
Machinery and equipment	31,404	34,652
Vessels	0	0
Vehicles	221	306
Tools, furniture and fixtures	1,189	1,274
Mining land	27	27
General-purpose land	18,527	18,322
Construction in progress	4,442	3,742
Total property, plant and equipment	103,152	108,026
Intangible assets		
Leasehold right	84	84
Mining right	339	328
Software	812	1,208
Other	121	206
Total intangible assets	1,356	1,826
Investments and other assets		
Investment securities	92,229	123,056
Shares of subsidiaries and associates	124,517	129,682
Investments in capital	6	6
Investments in capital of subsidiaries and associates	44,016	45,215
Long-term loans receivable	28,492	38,084
Claims provable in bankruptcy, claims provable in rehabilitation and other	1	1
Long-term prepaid expenses	1,915	1,674
Other	3,083	3,071
Allowance for doubtful accounts	(189)	(189)
Allowance for investment loss	(114)	(140)
Total investments and other assets	293,956	340,460
Total non-current assets	398,464	450,312
Total assets	904,581	946,455

(Millions of yen)

	FY2012 (as of March 31, 2013)	FY2013 (as of March 31, 2014)
Liabilities		
Current liabilities		
Accounts payable-trade	29,645	25,727
Short-term loans payable	26,060	26,060
Current portion of long-term loans payable	6,198	11,309
Borrowed gold bullion	45,134	39,774
Lease obligations	1	1
Accounts payable-other	14,488	17,772
Accrued expenses	6,356	7,106
Income taxes payable	18,354	5,967
Advances received	747	579
Deposits received	525	654
Provision for bonuses	1,682	1,685
Provision for directors' bonuses	90	76
Provision for furnace repair works	758	211
Provision for loss on business restructuring	—	97
Provision for environmental measures	63	896
Other	4,415	7,635
Total current liabilities	154,516	145,549
Non-current liabilities		
Bonds payable	50,000	50,000
Long-term loans payable	136,913	136,453
Lease obligations	1	4
Deferred tax liabilities	10,306	14,411
Provision for retirement benefits	1,375	1,218
Provision for metal mining pollution control	45	47
Provision for loss on business restructuring	37	—
Provision for loss on support to subsidiaries and associates	380	360
Provision for environmental measures	25	1,261
Asset retirement obligations	365	360
Other	800	557
Total non-current liabilities	200,247	204,671
Total liabilities	354,763	350,220

(Millions of yen)

	FY2012 (as of March 31, 2013)	FY2013 (as of March 31, 2014)
Net assets		
Shareholders' equity		
Capital stock	93,242	93,242
Capital surplus		
Legal capital surplus	86,062	86,062
Other capital surplus	0	0
Total capital surplus	86,062	86,062
Retained earnings		
Legal retained earnings	7,455	7,455
Other retained earnings		
Reserve for overseas investment loss	7,592	7,369
Reserve for special depreciation	0	—
Reserve for reduction entry	3,776	4,087
Reserve for exploration for minerals	2,322	2,130
General reserve	293,000	338,000
Retained earnings brought forward	72,981	66,984
Total retained earnings	387,126	426,025
Treasury shares	(31,895)	(31,978)
Total shareholders' equity	534,535	573,351
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	14,683	23,126
Deferred gains or losses on hedges	600	(242)
Total valuation and translation adjustments	15,283	22,884
Total net assets	549,818	596,235
Total liabilities and net assets	904,581	946,455

(2) Non-consolidated Statement of Income

(Millions of yen)

	FY2012 (from April 1, 2012, to March 31, 2013)	FY2013 (from April 1, 2013, to March 31, 2014)
Net sales	685,374	672,909
Cost of sales	593,451	600,366
Gross profit	91,923	72,543
Selling, general and administrative expenses	32,253	33,348
Operating income	59,670	39,195
Non-operating income		
Interest income	1,844	2,340
Dividend income	27,597	31,585
Foreign exchange gains	5,269	6,285
Gain on valuation of derivatives	37	—
Other	2,052	1,697
Total non-operating income	36,799	41,907
Non-operating expenses		
Interest expenses	2,493	1,929
Interest on bonds	405	405
Loss on valuation of derivatives	—	309
Incidental expenses for loans with stock acquisition rights	1,354	—
Out-of-cost amortization	2	2
Provision of allowance for investment loss	114	26
Maintenance expense of suspended or abandoned mines	511	831
Dismantlement cost	772	934
Other	824	640
Total non-operating expenses	6,475	5,076
Ordinary income	89,994	76,026
Extraordinary income		
Gain on sales of non-current assets	232	1,074
Gain on sales of investment securities	154	—
Gain on transfer of sharers of subsidiaries and associates	—	1,458
Reversal of provision for loss on support to subsidiaries and associates	60	20
Total extraordinary income	446	2,552
Extraordinary losses		
Loss on sales of non-current assets	25	9
Loss on retirement of non-current assets	378	509
Impairment loss	146	1,211
Loss on valuation of investment securities	908	3
Loss on valuation of shares of subsidiaries and associates	—	338
Provision for loss on business restructuring	—	97
Loss on support to subsidiaries and associates	570	690
Provision for environmental measures	37	2,134
Total extraordinary losses	2,064	4,991
Income before income taxes	88,376	73,587
Income taxes-current	19,778	13,528
Income taxes-deferred	688	728
Total income taxes	20,466	14,256
Net income	67,910	59,331

(3) Non-consolidated Statements of Changes in Equity
FY2012 (from April 1, 2012, to March 31, 2013)

(Millions of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Various reserves	Retained earnings brought forward	Total other retained earnings	Total retained earnings
Balance at beginning of current period	93,242	86,062	1	86,063	7,455	276,778	49,557	326,335	337,790
Changes of items during period									
Provision of various reserves						32,429	(32,429)	—	—
Reversal of various reserves						(2,517)	2,517	—	—
Dividends of surplus							(14,574)	(14,574)	(14,574)
Net income							67,910	67,910	67,910
Purchase of treasury shares									
Disposal of treasury shares			(1)	(1)					
Net changes of items other than shareholders' equity									
Total changes of items during period	—	—	(1)	(1)	—	29,912	23,424	53,336	53,336
Balance at end of current period	93,242	86,062	0	86,062	7,455	306,690	72,981	379,671	387,126

	Shareholders' equity		Valuation and translation adjustments			
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	Total net assets
Balance at beginning of current period	(21,845)	491,250	2,233	(579)	1,654	492,904
Changes of items during period						
Provision of various reserves		—				—
Reversal of various reserves		—				—
Dividends of surplus		(14,574)				(14,574)
Net income		67,910				67,910
Purchase of treasury shares	(10,053)	(10,053)				(10,053)
Disposal of treasury shares	3	2				2
Net changes of items other than shareholders' equity			12,450	1,179	13,629	13,629
Total changes of items during period	(10,050)	43,285	12,450	1,179	13,629	56,914
Balance at end of current period	(31,895)	534,535	14,683	600	15,283	549,818

FY2013 (from April 1, 2013, to March 31, 2014)

(Millions of yen)

	Shareholders' equity								
		Capital surplus			Retained earnings				
						Other retained earnings			
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Various reserves	Retained earnings brought forward	Total other retained earnings	Total retained earnings
Balance at beginning of current period	93,242	86,062	0	86,062	7,455	306,690	72,981	379,671	387,126
Changes of items during period									
Provision of various reserves						47,615	(47,615)	—	—
Reversal of various reserves						(2,719)	2,719	—	—
Dividends of surplus							(20,432)	(20,432)	(20,432)
Net income							59,331	59,331	59,331
Purchase of treasury shares									
Disposal of treasury shares									
Net changes of items other than shareholders' equity									
Total changes of items during period	—	—	—	—	—	44,896	(5,997)	38,899	38,899
Balance at end of current period	93,242	86,062	0	86,062	7,455	351,586	66,984	418,570	426,025

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of current period	(31,895)	534,535	14,683	600	15,283	549,818
Changes of items during period						
Provision of various reserves		—				—
Reversal of various reserves		—				—
Dividends of surplus		(20,432)				(20,432)
Net income		59,331				59,331
Purchase of treasury shares	(89)	(89)				(89)
Disposal of treasury shares	6	6				6
Net changes of items other than shareholders' equity			8,443	(842)	7,601	7,601
Total changes of items during period	(83)	38,816	8,443	(842)	7,601	46,417
Balance at end of current period	(31,978)	573,351	23,126	(242)	22,884	596,235

[Note in the Margin of the Non-consolidated Statements of Changes in Equity]
Note: The breakdown of “Various reserves” of “Other retained earnings” is as follows:

	Balance at April 1, 2012	Provision	Reversal	Total changes during the fiscal year	Balance at March 31, 2013
Reserve for overseas investment loss	7,610	0	(18)	(18)	7,592
Reserve for special depreciation	1	—	(1)	(1)	0
Reserve for reduction entry	3,809	131	(164)	(33)	3,776
Reserve for exploration for minerals	2,358	2,298	(2,334)	(36)	2,322
General reserve	263,000	30,000	—	30,000	293,000
Total various reserves (Millions of yen)	276,778	32,429	(2,517)	29,912	306,690

	Balance at April 1, 2013	Provision	Reversal	Total changes during the fiscal year	Balance at March 31, 2014
Reserve for overseas investment loss	7,592	—	(223)	(223)	7,369
Reserve for special depreciation	0	—	0	0	—
Reserve for reduction entry	3,776	485	(174)	311	4,087
Reserve for exploration for minerals	2,322	2,130	(2,322)	(192)	2,130
General reserve	293,000	45,000	—	45,000	338,000
Total various reserves (Millions of yen)	306,690	47,615	(2,719)	44,896	351,586

(4) Notes Relating to the Non-consolidated Financial Statements
(Note Relating to the "Going Concern" Assumption)
There are no pertinent items.

6. Others

(1) Overseas Market Prices, Foreign Exchange Rates, Sales and Production

(i) Overseas market prices and foreign exchange rates

		A	B	B-A	C	C-B
	Unit	FY2012	FY2013	Increase/ decrease	Projections for FY2014	Increase/ decrease
Copper	$/t	7,855	7,104	-751	6,700	-404
Gold	$/TOZ	1,653.6	1,326.6	-327.0	1,150.0	-176.6
Nickel	$/lb	7.69	6.51	-1.18	7.20	0.69
Zinc	$/t	1,950	1,909	-41	2,000	91
Exchange rate (TTM)	¥/$	83.11	100.24	17.13	103.00	2.76

(ii) Sales volume, unit price and net sales for major products (the Company)

			A	B	B – A
Segment	Product	Unit	FY2012	FY2013	Increase/decrease
Mineral Resources	Gold and silver ores	t	147,625	150,614	2,989
		¥1,000/DMT	209	183	-26
		¥million	30,886	27,579	-3,307
	(Gold content)	(kg)	(7,500)	(7,000)	(-500)
Smelting & Refining	Copper	t	449,299	428,286	-21,013
		¥1,000/t	664	723	59
		¥million	298,266	309,809	11,543
	Gold	kg	30,439	23,843	-6,596
		¥/g	4,392	4,291	-101
		¥million	133,678	102,301	-31,377
	Silver	kg	219,335	190,790	-28,545
		¥1,000/kg	81	70	-11
		¥million	17,800	13,346	-4,454
	Nickel	t	66,466	67,768	1,302
		¥1,000/t	1,465	1,487	22
		¥million	97,365	100,801	3,436
	Zinc	t	28,093	47,737	19,644
		¥1,000/t	171	210	39
		¥million	4,803	10,026	5,223
	(Including commissioned zinc)	(t)	(79,202)	(72,648)	(-6,554)
Materials	Semiconductor materials and advanced materials	¥million	80,188	59,635	-20,553

Notes:
1. The Company mainly engages in project production for these major products because the ratio of build-to-order production is low.
2. Nickel above includes ferronickel.

(iii) Output by product (the Company)

Product	Unit	FY2012	FY2013	Increase/decrease
Copper	t	435,635	400,637	-34,998
Gold	kg	25,263	20,372	-4,891
Electrolytic nickel	t	41,252	49,991	8,739
Ferronickel	t	21,826	21,671	-155
Zinc	t	51,109	52,576	1,467
Gold and silver ore	t	147,501	153,798	6,297
(Gold content)	(kg)	(7,478)	(6,852)	(-626)
Zinc (Commissioning portion)	t	25,594	26,949	1,355

Notes:

1. Output includes the portions of commissioning and/or commissioned production.
2. The commissioning portion of zinc is separately presented from "Zinc" as shown in the above table.

Transfer of Corporate Officers

1. Nominee for new Directors
   Norifumi Ushirone (current positions: Executive Officer and Senior Deputy General Manager of Mineral Resources Div. (Chile))
   Akira Nozaki (current positions: Executive Officer and Senior Deputy General Manager of Non-Ferrous Metals Div.)

2. Retiring Directors
   Currently Representative Director — Yukio Kawaguchi (positions to be assumed: Adviser of the Company and General Manager of Sierra Gorda Project Div.)
   Currently Director — Hajime Sato (position to be assumed: Audit & Supervisory Board Member (Standing) of the Company)

3. Nominee for new Audit & Supervisory Board Member
   Audit & Supervisory Board Member (Standing) — Hajime Sato (current positions: Director, Executive Officer and General Manager of Corporate Planning Dept.)

4. Retiring Audit & Supervisory Board Member
   Currently Senior Audit & Supervisory Board Member (Standing) — Naoki Tajiri (position to be assumed: Adviser of the Company)

5. Audit & Supervisory Board Member to be Promoted
   Senior Audit & Supervisory Board Member (Standing) — Kazuo Nakashige (current position: Audit & Supervisory Board Member (Standing))

6. New Executive Officers
   Masaki Imamura (current position: General Manager of Overseas Projects Dept., Non-Ferrous Metals Div.)
   Hiroshi Asahi (current position: Deputy General Manager of Engineering Dept., Mineral Resources Div.)
   Atsushi Idegami (current position: Deputy General Manager of Niihama Research Laboratories., Technology Div.)
   Kazushi Ino (current position: General Manager of Legal & General Affairs Dept.)

7. Retiring Executive Officers
   Currently Senior Managing Executive Officer — Yukio Kawaguchi (positions to be assumed: Adviser of the Company and General Manager of Sierra Gorda Project Div.)

   Currently Senior Managing Executive Officer — Toru Yamasaki (position to be assumed: Adviser of the Company)
   Currently Managing Executive Officer — Kazuo Ikeda (position to be assumed: Adviser of the Company)
   Currently Executive Officer — Hajime Sato (position to be assumed: Audit & Supervisory Board Member (Standing) of the Company)

8. Executive Officers to be Promoted
   Managing Executive Officer — Norifumi Ushirone (current position: Executive Officer)
   Managing Executive Officer — Harumasa Kurokawa (current position: Executive Officer)

9. Qualified Executives to be Designated
   Masaki Imamura
   Hiroshi Asahi
   Atsushi Idegami
   Kazushi Ino

10. Retiring Qualified Executives

Yukio Kawaguchi
Toru Yamasaki
Kazuo Ikeda
Hajime Sato

Note: The Qualified Executive is the Company's internal position that will be designated as Executive Officer or President of the Company's significant subsidiaries.

11. Scheduled Date of Changes
June 23, 2014