



Consolidated Financial Results for the Year Ended March 31, 2017 [J-GAAP]

May 11, 2017

[Full version of English translation released on June 12, 2017]

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: Tsuyoshi Nozawa, Deputy General Manager, PR & IR Dept. TEL: +81-3-3436-7705

Scheduled Ordinary General Meeting of Shareholders: June 27, 2017

Scheduled Date to Start Dividend Payment: June 28, 2017

Scheduled Date to Submit Securities Report: June 27, 2017

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, 2016, to March 31, 2017)

(1) Consolidated Operating Results

(% figures show year-on-year change)

	Net sales		Operating income		Ordinary loss		Loss attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2017	786,146	-8.1	76,390	27.9	(1,565)	—	(18,540)	—
Year ended March 31, 2016	855,407	-7.2	59,720	-52.5	(12,764)	—	(309)	—

(Note) Comprehensive income

Year ended March 31, 2017: -¥27,997 million (—%);

Year ended March 31, 2016: -¥65,035 million (—%)

	Loss per share (Basic)	Profit per share (Diluted)	Return on equity	Ordinary loss to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2017	(33.61)	—	-1.9	-0.1	9.7
Year ended March 31, 2016	(0.56)	—	-0.0	-0.8	7.0

(Reference) Equity in earnings (loss) of affiliates

Year ended March 31, 2017: -¥85,972 million;

Year ended March 31, 2016: -¥73,223 million

(Note) Profit per share (diluted) is not disclosed as loss per share (basic) for the year ended March 31, 2016 and for the year ended March 31, 2017 were recorded even though there are potentially dilutive shares.

(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, 2017	1,685,018	1,024,121	57.1	1,743.46
As of March 31, 2016	1,630,800	1,075,995	60.3	1,781.91

(Reference) Shareholders' equity

As of March 31, 2017: ¥961,690 million;

As of March 31, 2016: ¥982,958 million

(3) Consolidated Cash Flows

	Net cash provided by operating activities	Net cash used in investing activities	Net cash provided by (used in) 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, 2017	43,796	(143,219)	70,392	170,293
Year ended March 31, 2016	119,704	(92,876)	(4,003)	197,825

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, 2016	—	21.00	—	10.00	31.00	17,101	—	1.7
Year ended March 31, 2017	—	5.00	—	6.00	11.00	6,068	—	0.6
Year ending March 31, 2018 (Forecast)	—	17.00	—	18.00	35.00		30.6	

3. Forecast of Consolidated Operating Results for the Year Ending March 31, 2018 (From April 1, 2017, to March 31, 2018)

(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		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Second quarter (cumulative)	411,000	12.1	34,000	55.1	45,000	284.7	31,000	847.4	56.20
Full year	855,000	8.8	75,000	-1.8	90,000	—	63,000	—	114.21

Notes

- (1) Change in Important Subsidiaries during the Period under Review (Change in specific subsidiaries that will accompany a change in scope of consolidation): None
 - (2) Changes in Accounting Policies or Estimates and Retrospective Restatements
 - 1) Changes in accounting policies in accordance with revision of accounting standards: None
 - 2) Changes in accounting policies other than item 1) above: None
 - 3) Change in accounting estimates: None
 - 4) Retrospective restatements: None
 - (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, 2017
 - 581,628,031 shares at March 31, 2016
 - 2) Number of shares of treasury stock as of end of period
 - 30,030,086 shares at March 31, 2017
 - 29,996,055 shares at March 31, 2016
 - 3) Average number of shares during the period
 - 551,618,704 shares for the year ended March 31, 2017
 - 551,652,936 shares for the year ended March 31, 2016
- (Note) Please refer to “5. Consolidated Financial Statements and Primary Notes, (5) Notes Relating to the Consolidated Financial Statements (Earnings per Share)” on page 45 for the number of shares used as the basis for calculating “Profit per share (consolidated).”

(Reference) Summary of Non-Consolidated Financial Results
 Non-Consolidated Financial Results (From April 1, 2016, to March 31, 2017)

(1) Non-Consolidated Operating Results

(% figures show year-on-year change)

	Net sales		Operating income		Ordinary income		Profit (loss)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2017	626,177	-10.6	38,782	-20.8	47,322	-27.6	(188)	—
Year ended March 31, 2016	700,317	-7.7	48,940	-36.7	65,348	-49.8	16,281	-71.8

	Profit (loss) per share (Basic)	Profit per share (Diluted)
	Yen	Yen
Year ended March 31, 2017	(0.34)	—
Year ended March 31, 2016	29.51	26.99

(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, 2017	1,011,614	616,870	61.0	1,118.33
As of March 31, 2016	954,574	612,966	64.2	1,111.19

(Reference) Shareholders' equity
 As of March 31, 2017: ¥616,870 million;
 As of March 31, 2016: ¥612,966 million

The consolidated financial results presented herein are not subject to auditing procedures.

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 Thursday, May 11, 2017.

Contents of the Attachment

1. Overview of Business Performance, etc.	2
(1) Overview of Business Performance in Fiscal 2016.....	2
(2) Overview of Financial Position in Fiscal 2016	5
(3) Basic Policy Concerning the Distribution of Earnings and Current and Future Period Dividends	6
(4) Business and Other Risks.....	6
2. Corporate Group	9
3. Management Guidelines	10
(1) Basic Management Guidelines of the SMM Group	10
(2) Targeted Management Indicators.....	10
(3) Medium- and Long-Term Management Strategies and Our Tasks Ahead.....	10
(4) Other Important Management Related Matters.....	11
4. Basic Concept Behind the Selection of Accounting Standards	11
5. Consolidated Financial Statements and Primary Notes	12
(1) Consolidated Balance Sheet.....	12
(2) Consolidated Statements of Income and Comprehensive Income.....	14
Consolidated Statement of Income	14
Consolidated Statement of Comprehensive Income	16
(3) Consolidated Statement of Changes in Equity	17
(4) Consolidated Statement of Cash Flows.....	19
(5) Notes Relating to the Consolidated Financial Statements.....	21
(Note Relating to the Going Concern Assumption).....	21
(Basis of Presenting the Consolidated Financial Statements).....	21
(Changes in Accounting Policies).....	25
(Additional Information)	25
(Consolidated Balance Sheet)	26
(Consolidated Statement of Income)	28
(Consolidated Statement of Comprehensive Income).....	32
(Consolidated Statement of Changes in Equity).....	33
(Consolidated Statement of Cash Flows).....	35
(Segment Information and Others)	36
(Information on Related Parties)	43
(Earnings per Share).....	45
(Significant Subsequent Event).....	45
6. Non-consolidated Financial Statements and Primary Notes	46
(1) Non-consolidated Balance Sheet	46
(2) Non-consolidated Statement of Income	48
(3) Non-consolidated Statement of Changes in Equity.....	49
(4) Notes Relating to the Non-consolidated Financial Statements.....	52
(Note Relating to the Going Concern Assumption).....	52
7. Others	52
Overseas Market Prices, Foreign Exchange Rates, Sales and Production	52

1. Overview of Business Performance, etc.

(1) Overview of Business Performance in Fiscal 2016

1) Business performance in fiscal 2016 (Year ended March 31, 2017)

(a) General overview

(Millions of yen)

	Net sales	Operating income	Ordinary loss	Loss attributable to owners of parent
Year ended March 31, 2017	786,146	76,390	(1,565)	(18,540)
Year ended March 31, 2016	855,407	59,720	(12,764)	(309)
Increase/decrease	-69,261	16,670	11,199	-18,231
[Rate of change: %]	[-8.1]	[27.9]	[—]	[—]

The overall global economy during fiscal 2016 generally continued on a gradual recovery path without any significant slowdowns, despite uncertainty over the effectiveness of policies by the new administration in the United States, adding to existing uncertainty over an unstable outlook caused by factors such as the move by the UK to exit the EU. China saw concerns about a slowdown as it progressed toward economic structural reform, yet its policies created signs of recovery. In Europe, a gradual recovery continued, driven primarily by personal consumption and despite stagnant exports. In the United States, personal consumption remained firm against a backdrop of fundamentally strong employment. The Japanese economy saw a continued recovery of employee income, backed by improvement in the employment situation, and personal consumption showed signs of recovery. As for exchange rates, the yen appreciated year over year on average, although it depreciated following the United States presidential election.

In the nonferrous metals industry, although gold prices rose, the prices of nickel and copper fell year over year, due to such factors as concerns over the slowing Chinese economy. Nickel prices remained flat despite rising for a time. Although copper prices were generally flat, they rose toward the end of fiscal 2016.

In industries related to the materials business, the demand for automobile battery components increased and the selling environment for components such as those for smartphones remained firm overall. Meanwhile, demand for components for PCs and LCD televisions declined.

Under these circumstances, consolidated net sales in fiscal 2016 decreased by ¥69,261 million year over year to ¥786,146 million, due to the drops in the nickel and copper prices and yen appreciation, despite a higher volume of electrolytic copper sold. Consolidated operating income amounted to ¥76,390 million, a year-over-year increase of ¥16,670 million, due to depreciation of the yen toward the end of fiscal 2016 and an upturn in the impact of inventory valuation from the increase in gold prices, as well as the effect of the acquisition of additional interests in the Morenci copper mine. Consolidated ordinary loss decreased by ¥11,199 million year over year to ¥1,565 million owing mainly to an upturn in consolidated operating income, despite an increase in share of loss of entities accounted for using equity method. This resulted from the posting of impairment loss in the Sierra Gorda S.C.M. again in fiscal 2016. Loss attributable to owners of parent increased by ¥18,231 million year over year to ¥18,540 million. This was due to the posting of a provision of allowance for decommissioning preparations under extraordinary losses at our domestic consolidated subsidiary, JCO Co., Ltd. for the decommissioning of its facilities, as well as a lack of gain on reversal of allowance for investment loss, which was posted in the previous fiscal year. These factors more than offset a gain on liquidation of investment securities resulting from the dissolution of Nusa Tenggara Mining Corporation, which held interests in the Batu Hijau mine, under extraordinary income.

(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, 2017	123,370	565,057	174,061	862,488	10,342	(86,684)	786,146
Year ended March 31, 2016	119,751	641,932	171,597	933,280	15,291	(93,164)	855,407
Increase/decrease	3,619	-76,875	2,464	-70,792	-4,949	6,480	-69,261
[Rate of change: %]	[3.0]	[-12.0]	[1.4]	[-7.6]	[-32.4]		[-8.1]
Segment income (loss):							
Year ended March 31, 2017	(53,594)	33,258	12,066	(8,270)	(65)	6,770	(1,565)
Year ended March 31, 2016	(44,317)	25,258	5,972	(13,087)	(828)	1,151	(12,764)
Increase/decrease	-9,277	8,000	6,094	4,817	763	5,619	11,199
[Rate of change: %]	[—]	[31.7]	[102.0]	[—]	[—]		[—]

a) Mineral Resources segment

The mining operations at the Hishikari mine continued according to plan. The output of gold and silver ores for the fiscal year under review amounted to 149,959 t (the gold content was 6,269 kg). Although the gold content in sold ore declined year over year, it was in line with the planned amount of 6,000 kg.

As for overseas mines, production levels and sales volume at the Pogo gold mine (United States), which the SMM Group operates directly, declined compared to the previous fiscal year due to a decline in the grade of gold ore. For the copper mines in which SMM holds interests, production levels and sales volume at the Morenci copper mine (United States) were nearly unchanged from the previous fiscal year. However, the production levels and sales volume included in consolidated performance grew because our interests in the Morenci copper mine increased to 28% from additional acquisitions.

Segment loss was recorded due primarily to lower copper prices in addition to an increase in share of loss of entities accounted for using equity method, resulting from the posting of impairment loss in Sierra Gorda S.C.M. again in fiscal 2016.

Net sales increased ¥3,619 million year over year to ¥123,370 million, whereas segment loss increased ¥9,277 million year over year to ¥53,594 million.

b) Smelting & Refining segment

Production levels and sales volume of copper increased compared to the previous fiscal year. However, production levels and sales volume of nickel and gold declined compared to the previous fiscal year.

Coral Bay Nickel Corporation and Taganito HPAL Nickel Corporation have closing dates of December 31. However, the provisional financial statements of three months were added to match the consolidated closing date of March 31, and the accounting period of these two companies for fiscal 2015 covers the 15-month period. As a result, production levels and sales volume declined year over year.

Segment income grew compared to the previous fiscal year, due mainly to cost reductions by Coral Bay Nickel Corporation and Taganito HPAL Nickel Corporation, despite the impact of a drop in nickel prices, lower nickel sales volume and other factors.

Net sales decreased ¥76,875 million year over year to ¥565,057 million, whereas segment income increased ¥8,000 million year over year to ¥33,258 million.

c) Materials segment

The Company invested in expanded production of battery materials and crystal materials to meet increased demand for materials for automobile batteries, smartphones and others, resulting in year-over-year increases in production levels and sales volume. Sales volume of package materials fell due to sluggish demand for components for PCs and LCD televisions. The effects of our investment in expanded production increased segment income year over year.

Net sales increased ¥2,464 million year over year to ¥174,061 million, and segment income increased

¥6,094 million year over year to ¥12,066 million.

2) Prospects for fiscal 2017

(a) General overview

(Millions of yen)

	Net sales	Operating income	Ordinary income (loss)	Profit (loss) attributable to owners of parent
Year ending March 31, 2018 (Projections)	855,000	75,000	90,000	63,000
Year ended March 31, 2017 (Actual)	786,146	76,390	(1,565)	(18,540)
Increase/decrease [Rate of change: %]	68,854 [8.8]	-1,390 [-1.8]	91,565 [-]	81,540 [-]

The overall global economy is expected to continue a gradual recovery, including a strong performance in the United States, a continued gradual recovery in Japan and Europe, and signs of economic upturns in China and other emerging nations. However, there are growing factors adding uncertainty to the outlook, including heightened geopolitical risks, increased protectionism and antiforeignism by the new United States administration, the economic outlook of China and other emerging nations as well as resource-rich countries, and the trend set off by the UK's exit from the EU.

In the business environment surrounding the SMM Group, supply and demand of copper are expected to remain in a near state of equilibrium, while a nickel supply shortage is expected to continue in the nonferrous metals industry. Nickel and copper prices are expected to recover to appropriate levels over the medium to long term as supply and demand improve. Still, significant increases cannot be expected for the time being. As for industries related to the materials business, good showings are expected to continue in the areas of automotive applications and communications generally, despite the possibility of temporary adjustments.

Under these circumstances, the SMM Group will implement the "2015 3-Year Business Plan" (hereinafter, the "15 3-Yr Business Plan") targeting the three years from fiscal 2016 to fiscal 2018, as announced in February of last year, to further enhance competitiveness and improve its corporate value.

In fiscal 2017, the year ending March 31, 2018, although net sales are expected to increase, primarily due to an upturn in the prices of copper and nickel, operating income is expected to decrease, mainly due to worsening conditions for raw materials for copper ores and the impact of inventory valuation of electrolytic copper. As for ordinary income, please refer to the following (b) Reported segments.

As a result, net sales are expected to reach ¥855.0 billion, with operating income of ¥75.0 billion, ordinary income of ¥90.0 billion and profit attributable to owners of parent of ¥63.0 billion 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	147,000	588,000	185,000	920,000	11,000	(76,000)	855,000
Segment income	49,000	26,000	12,000	87,000	(1,000)	4,000	90,000

In the Mineral Resources segment, earnings are expected to increase compared with fiscal 2016, mainly due to an increase in copper prices and decreased loss by Sierra Gorda S.C.M. In the Smelting & Refining segment, earnings are expected to fall compared with fiscal 2016, mainly due to worsening conditions for raw materials for copper ores and the impact of inventory valuation of electrolytic copper. In the Materials segment, earnings are expected to be roughly on par with fiscal 2016 because the lower earnings from withdrawal from the lead frame business will be offset by increased revenues from the battery materials and crystal materials businesses.

(2) Overview of Financial Position in Fiscal 2016

1) Overview for fiscal 2016

	As of March 31, 2016	As of March 31, 2017	Increase/decrease
Assets	1,630,800	1,685,018	54,218
Liabilities	554,805	660,897	106,092
Net assets	1,075,995	1,024,121	-51,874

	From April 1, 2015, to March 31, 2016	From April 1, 2016, to March 31, 2017	Increase/decrease
Net cash provided by operating activities	119,704	43,796	-75,908
Net cash used in investing activities	(92,876)	(143,219)	-50,343
Net cash provided by (used in) financing activities	(4,003)	70,392	74,395
Effect of exchange rate change on cash and cash equivalents	(2,720)	1,499	4,219
Cash and cash equivalents at beginning of period	177,720	197,825	20,105
Cash and cash equivalents at end of period	197,825	170,293	-27,532

Assets as of March 31, 2017 increased from those as of March 31, 2016, due to increases in buildings and structures, machinery, equipment and vehicles, and mining right through additional acquisition of interests in the Morenci copper mine, despite decreases in investment securities and long-term loans receivable due to the posting of share of loss of entities accounted for using equity method resulting from the posting of impairment loss in the Sierra Gorda S.C.M. Liabilities as of March 31, 2017 also increased from those as of March 31, 2016, due mainly to increased long-term loans payable consequent to additional acquisition of interests.

Net cash provided by operating activities for the fiscal year ended March 31, 2017 decreased by ¥75,908 million from the previous fiscal year to ¥43,796 million, despite a decrease in income taxes paid, due to decreased proceeds owing mainly to an increase in inventories, as well as a decrease in profit before income taxes.

Net cash used in investment activities increased by ¥50,343 million from the previous fiscal year to ¥143,219 million, mainly due to payments for the additional acquisition of interests in the Morenci copper mine.

Net cash provided by financing activities increased by ¥74,395 million from the previous fiscal year to ¥70,392 million, primarily owing to an increase in proceeds from long-term loans payable, despite redemption of bonds as well as an acquisition of additional shares of subsidiaries that does not result in a change in scope of consolidation.

As a result, the balance of cash and cash equivalents amounted to ¥170,293 million at March 31, 2017, a decrease of ¥27,532 million compared with at the previous fiscal year-end.

Cash flow indicators:

Year ended	Mar. 31, 2013	Mar. 31, 2014	Mar. 31, 2015	Mar. 31, 2016	Mar. 31, 2017
Equity ratio (%)	56.9	58.1	60.4	60.3	57.1
Equity ratio based on market capitalization (%)	54.9	45.5	55.8	37.8	51.8
Cash flows/Interest-bearing debt ratio (times)	2.9	4.8	3.3	3.3	11.3
Interest coverage ratio (times)	33.5	22.7	33.9	22.3	9.2

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

2) Forecasts for the next fiscal year

Net cash provided by operating activities is expected to be maintained, because a large year-over-year increase in prices of nonferrous metals cannot be expected. Net cash used in investment activities is expected to decrease significantly compared to the fiscal year ended March 31, 2017 despite continued aggressive capital investment, since there are no plans to make investments in overseas mineral resources and non-ferrous metals projects in the next fiscal year.

(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 "15 3-Yr Business Plan," we have continued to maintain sound financial strength so that we can maintain a consolidated equity ratio above 50% and a consolidated payout ratio of at least 30%, which is linked to the operating performance, as our dividend policy for the fiscal year ended March 31, 2017.

The Company plans to distribute a year-end dividend of ¥6 per share for the fiscal year under review. As a result, the annual dividend per share is expected to be ¥11, a decrease of ¥20 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, 2018.

(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, 2017.

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 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
Some of the copper ores, nickel matte and other raw materials for non-ferrous metal refining operations are procured by the SMM Group, based on long-term ore-purchasing contracts that are not backed by investment. In these cases, 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.

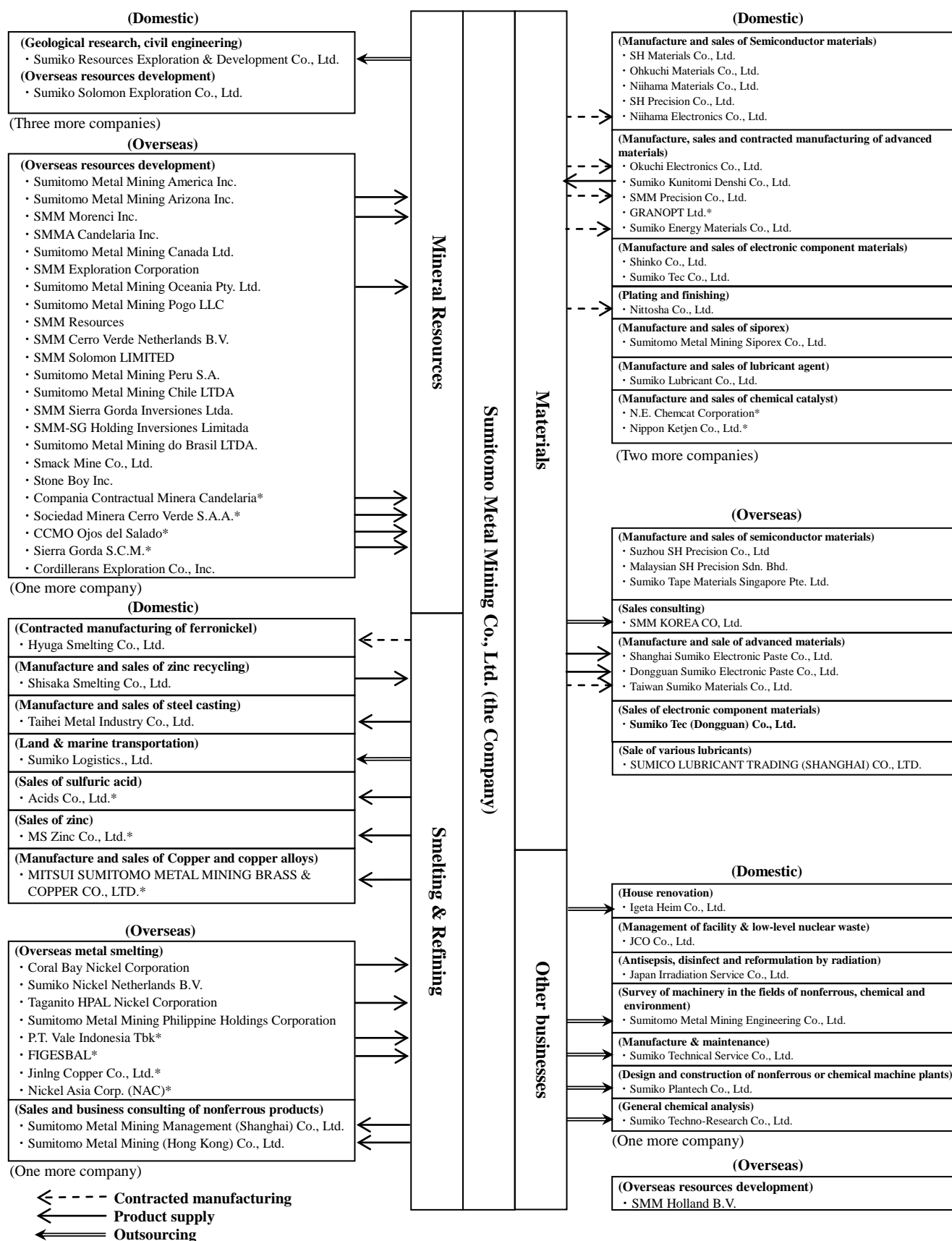
8) Information management

In the event of leakage of customer information or personal information, compensation for the loss resulting therefrom could have an impact on the Group's business performance and financial position.

To address such risks, the Group has introduced a security measures system while implementing information security training.

2. Corporate Group

(1) Organization Chart



Consolidated subsidiaries have no mark (61)
Equity-method affiliates are marked with* (15)

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 15 3-Yr Business Plan, the SMM Group has determined to maintain an equity ratio above 50% and a consolidated payout ratio of at least 30% 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. Significant changes are under way in the business environment surrounding the SMM Group: resources that can be put to good use are becoming rarer and resource nationalism is growing, environmental regulations are strengthening, and exchange rates are fluctuating. 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 annual nickel capacity of 150 ktpa, annual production output from our interests of 300 ktpa of copper and 30 tpa of gold, ordinary income of ¥5 billion/year in our new materials products, consolidated net sales of ¥1 trillion/year, and profit attributable to owners of parent 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 profit attributable to owners of parent 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.

1) Mineral resources

In the Mineral Resources segment, as part of our long-term vision, we aim to achieve an annual production output from our interests of 300 ktpa of copper and 30 tpa of gold by fiscal 2021. We are now seeing the possibility of an annual production output from our interests of 300 ktpa of copper, thanks to the expansion of overseas copper mines already in operation, the start of commercial production in the Sierra Gorda Project, and the acquisition of additional interests in the Morenci copper mine. As for gold, we will promote exploration around our mining operations, consider participation in new joint ventures, and work to acquire new interests with a view toward M&As.

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 finished in 2013, completing our 100 ktpa nickel 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. We will also advance the commercialization of the recovery of new resources such as scandium.

In copper smelting, we will strive to bolster profitability through stable operation and by performing additional processing of secondary materials and reducing fixed costs.

In order to further strengthen our competitiveness of the Smelting & Refining business, we will work to achieve technological innovations in the fields of resources, smelting and refining at the Resource & Hydrometallurgy Process Center.

3) Materials

In the lead frame business, we have decided to end our partnership with Hitachi Metals, Ltd., and transfer and withdraw from the business, in order to respond to changes in the business environment and focus our management resources on growth fields. Moving forward, we will strive to ensure that our large-scale investments in battery and crystal materials are our dynamic force contributing to improved profits, and adapt the management of our other product businesses to changes in the business climate. We also aim to commercialize new products that will drive future growth through collaboration with the Materials/Research & Development divisions and close relationships with our customers.

4) Research and development

Based on the “15 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., is devoted to the maintenance and management of its facilities, as well as the storage and control of low-level radioactive waste, and advancing measures to promote facility dismantlement and decontamination to prepare for the decommissioning of its facilities. The Company continues to fully support JCO so that it can take appropriate measures to address these challenging tasks.

4. Basic Concept Behind the Selection of Accounting Standards

The SMM Group will prepare consolidated financial statements in accordance with J-GAAP as our near-term policy, considering comparability among the accounting periods of consolidated financial statements and among companies.

Meanwhile, in preparation for adopting International Accounting Standards (IFRS), the SMM Group is currently engaged in discussions on organizing internal manuals and guidelines, as well as its adoption date.

5. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

	(Millions of yen)	
	FY2015 (as of March 31, 2016)	FY2016 (as of March 31, 2017)
Assets		
Current assets		
Cash and deposits	* ³ 63,374	* ³ 81,317
Notes and accounts receivable-trade	98,904	103,886
Securities	139,500	89,000
Merchandise and finished goods	47,648	57,704
Work in process	60,197	96,524
Raw materials and supplies	54,129	64,307
Deferred tax assets	1,455	1,225
Other	74,470	100,425
Allowance for doubtful accounts	(598)	(735)
Total current assets	539,079	593,653
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	156,689	178,251
Machinery, equipment and vehicles, net	231,689	250,708
Tools, furniture and fixtures, net	4,284	2,348
Land	26,630	26,597
Construction in progress	34,242	25,552
Total property, plant and equipment	* ^{1, *3, *7} 453,534	* ^{1, *7} 483,456
Intangible assets		
Mining right	* ³ 5,371	44,060
Software	1,791	1,677
Other	2,220	1,853
Total intangible assets	9,382	47,590
Investments and other assets		
Investment securities	* ^{2, *3} 448,729	* ^{2, *3} 422,226
Long-term loans receivable	* ³ 126,224	* ³ 61,000
Deferred tax assets	3,648	5,666
Net defined benefit asset	189	263
Other	* ^{2, *3} 50,215	* ^{2, *3} 71,361
Allowance for doubtful accounts	(200)	(197)
Total investments and other assets	628,805	560,319
Total non-current assets	1,091,721	1,091,365
Total assets	1,630,800	1,685,018

(Millions of yen)

	FY2015 (as of March 31, 2016)	FY2016 (as of March 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	45,433	47,306
Short-term loans payable	*3 102,523	*3 96,940
Current portion of bonds	10,000	—
Income taxes payable	3,840	17,274
Deferred tax liabilities	195	842
Provision for bonuses	3,541	3,435
Provision for furnace repair works	250	1,117
Provision for loss on business restructuring	417	600
Provision for environmental measures	338	232
Other provision	191	111
Other	58,539	42,986
Total current liabilities	225,267	210,843
Non-current liabilities		
Bonds payable	40,000	40,000
Long-term loans payable	*3 248,036	*3 358,564
Deferred tax liabilities	15,912	21,807
Provision for directors' retirement benefits	31	23
Provision for loss on business restructuring	904	1,004
Allowance for decommissioning preparations	—	7,799
Provision for environmental measures	325	383
Other provision	226	80
Net defined benefit liability	14,128	9,118
Asset retirement obligations	7,831	8,985
Other	2,145	2,291
Total non-current liabilities	329,538	450,054
Total liabilities	554,805	660,897
Net assets		
Shareholders' equity		
Capital stock	93,242	93,242
Capital surplus	86,067	86,504
Retained earnings	744,886	718,072
Treasury shares	(32,827)	(32,877)
Total shareholders' equity	891,368	864,941
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,225	36,700
Deferred gains or losses on hedges	(1,587)	1,601
Foreign currency translation adjustment	77,274	57,950
Remeasurements of defined benefit plans	(4,322)	498
Total accumulated other comprehensive income	91,590	96,749
Non-controlling interests	93,037	62,431
Total net assets	1,075,995	1,024,121
Total liabilities and net assets	1,630,800	1,685,018

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

(Millions of yen)

	FY2015 (from April 1, 2015, to March 31, 2016)	FY2016 (from April 1, 2016, to March 31, 2017)
Net sales	855,407	786,146
Cost of sales	*1 741,545	*1 663,850
Gross profit	113,862	122,296
Selling, general and administrative expenses		
Sales, transportation and sundry expenses	9,802	8,221
Salaries and allowances	11,733	11,074
Provision for bonuses	990	1,002
Retirement benefit expenses	549	1,053
Provision for directors' retirement benefits	2	4
Research and development expenses	*2 5,772	*2 5,241
Other	25,294	19,311
Total selling, general and administrative expenses	54,142	45,906
Operating income	59,720	76,390
Non-operating income		
Interest income	10,792	12,776
Dividend income	3,008	2,812
Other	3,658	3,393
Total non-operating income	17,458	18,981
Non-operating expenses		
Interest expenses	4,873	5,042
Foreign exchange losses	6,800	284
Suspended business management expense	605	578
Maintenance expense of suspended or abandoned mines	427	658
Loss on valuation of derivatives	194	34
Share of loss of entities accounted for using equity method	73,223	85,972
Other	3,820	4,368
Total non-operating expenses	89,942	96,936
Ordinary loss	(12,764)	(1,565)
Extraordinary income		
Gain on sales of non-current assets	*3 263	*3 272
Gain on sales of investment securities	2	1,115
Gain on liquidation of investment securities	—	5,851
Gain on sales of shares of subsidiaries and associates	—	2,604
Reversal of allowance for investment loss	16,350	—
Gain on liquidation of subsidiaries and associates	—	200
Subsidy income	—	2,994
Total extraordinary income	16,615	13,036

(Millions of yen)

	FY2015 (from April 1, 2015, to March 31, 2016)	FY2016 (from April 1, 2016, to March 31, 2017)
Extraordinary losses		
Loss on sales of non-current assets	*4 13	*4 32
Loss on retirement of non-current assets	*5 630	*5 485
Loss on reduction of non-current assets	89	3,050
Impairment loss	*6 813	*6 3,461
Loss on sales of shares of subsidiaries and associates	—	319
Loss on valuation of investment securities	1,463	—
Provision for loss on business restructuring	—	*7 741
Loss on liquidation of subsidiaries and associates	—	626
Provision for environmental measures	*8 131	*8 73
Restructuring loss	53	—
Loss on disaster	100	16
Provision of allowance for decommissioning preparations	—	*9 8,667
Total extraordinary losses	3,292	17,470
Profit (loss) before income taxes	559	(5,999)
Income taxes - current	16,977	26,687
Income taxes - deferred	3,379	(3,641)
Total income taxes	20,356	23,046
Loss	(19,797)	(29,045)
Loss attributable to non-controlling interests	(19,488)	(10,505)
Loss attributable to owners of parent	(309)	(18,540)

Consolidated Statement of Comprehensive Income

(Millions of yen)

	FY2015 (from April 1, 2015, to March 31, 2016)	FY2016 (from April 1, 2016, to March 31, 2017)
Loss	(19,797)	(29,045)
Other comprehensive income		
Valuation difference on available-for-sale securities	(26,228)	16,362
Deferred gains or losses on hedges	(1,783)	3,138
Foreign currency translation adjustment	(9,104)	16,707
Remeasurements of defined benefit plans, net of tax	(4,289)	4,487
Share of other comprehensive income of entities accounted for using equity method	(3,834)	(39,646)
Total other comprehensive income	* (45,238)	* 1,048
Comprehensive income	(65,035)	(27,997)
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	(43,369)	(13,381)
Comprehensive income attributable to non-controlling interests	(21,666)	(14,616)

(3) Consolidated Statement of Changes in Equity
FY2015 (from April 1, 2015, to March 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	93,242	86,066	770,020	(32,753)	916,575
Changes of items during period					
Dividends of surplus			(24,825)		(24,825)
Loss attributable to owners of parent			(309)		(309)
Purchase of treasury shares				(79)	(79)
Disposal of treasury shares		1		5	6
Net changes of items other than shareholders' equity					
Total changes of items during period	—	1	(25,134)	(74)	(25,207)
Balance at end of current period	93,242	86,067	744,886	(32,827)	891,368

	Accumulated other comprehensive income					Non-controlling 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	46,679	247	87,288	435	134,649	107,721	1,158,945
Changes of items during period							
Dividends of surplus							(24,825)
Loss attributable to owners of parent							(309)
Purchase of treasury shares							(79)
Disposal of treasury shares							6
Net changes of items other than shareholders' equity	(26,454)	(1,834)	(10,014)	(4,757)	(43,059)	(14,684)	(57,743)
Total changes of items during period	(26,454)	(1,834)	(10,014)	(4,757)	(43,059)	(14,684)	(82,950)
Balance at end of current period	20,225	(1,587)	77,274	(4,322)	91,590	93,037	1,075,995

FY2016 (from April 1, 2016, to March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	93,242	86,067	744,886	(32,827)	891,368
Changes of items during period					
Dividends of surplus			(8,274)		(8,274)
Loss attributable to owners of parent			(18,540)		(18,540)
Purchase of treasury shares				(53)	(53)
Disposal of treasury shares		1		3	4
Change in treasury shares of parent arising from transactions with non-controlling shareholders		436			436
Net changes of items other than shareholders' equity					
Total changes of items during period		437	(26,814)	(50)	(26,427)
Balance at end of current period	93,242	86,504	718,072	(32,877)	864,941

	Accumulated other comprehensive income					Non-controlling 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	20,225	(1,587)	77,274	(4,322)	91,590	93,037	1,075,995
Changes of items during period							
Dividends of surplus							(8,274)
Loss attributable to owners of parent							(18,540)
Purchase of treasury shares							(53)
Disposal of treasury shares							4
Change in treasury shares of parent arising from transactions with non-controlling shareholders							436
Net changes of items other than shareholders' equity	16,475	3,188	(19,324)	4,820	5,159	(30,606)	(25,447)
Total changes of items during period	16,475	3,188	(19,324)	4,820	5,159	(30,606)	(51,874)
Balance at end of current period	36,700	1,601	57,950	498	96,749	62,431	1,024,121

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY2015 (from April 1, 2015, to March 31, 2016)	FY2016 (from April 1, 2016, to March 31, 2017)
Cash flows from operating activities		
Profit (loss) before income taxes	559	(5,999)
Depreciation	46,141	44,232
Impairment loss	813	3,461
Loss (gain) on sales of non-current assets	(250)	(240)
Loss on retirement of non-current assets	630	485
Loss on reduction of non-current assets	89	3,050
Loss (gain) on sales of investment securities	(2)	(1,115)
Loss (gain) on valuation of investment securities	1,463	—
Loss (gain) on liquidation of investment securities	—	(5,851)
Loss (gain) on sales of shares of subsidiaries and associates	—	(2,285)
Loss (gain) on liquidation of subsidiaries and associates	—	(200)
Loss (gain) on valuation of derivatives	194	34
Increase (decrease) in allowance for doubtful accounts	201	134
Increase (decrease) in provision for bonuses	(522)	(106)
Increase (decrease) in provision for directors' bonuses	(110)	—
Increase (decrease) in provision for furnace repair works	(493)	867
Increase (decrease) in provision for directors' retirement benefits	(1)	(8)
Increase (decrease) in provision for loss on business restructuring	(1,135)	283
Increase (decrease) in allowance for investment loss	(16,350)	—
Increase (decrease) in allowance for decommissioning preparations	—	7,799
Increase (decrease) in provision for environmental measures	(4,144)	(48)
Increase (decrease) in other provision	69	(226)
Increase (decrease) in net defined benefit liability	182	1,561
Interest and dividend income	(13,800)	(15,588)
Interest expenses	4,873	5,042
Foreign exchange losses (gains)	4,672	(583)
Share of (profit) loss of entities accounted for using equity method	73,223	85,972
Suspended business management expense	605	578
Subsidy income	—	(2,994)
Loss on disaster	100	16
Loss on liquidation of subsidiaries and associates	—	626
Loss on business restructuring	53	—
Decrease (increase) in notes and accounts receivable-trade	16,415	(23,858)
Decrease (increase) in inventories	37,948	(46,634)
Increase (decrease) in notes and accounts payable-trade	18,128	2,766
Increase (decrease) in accrued consumption taxes	3,919	(8,830)
Other, net	(12,858)	9,598
Subtotal	160,642	51,939
Interest and dividend income received	10,647	8,660
Interest expenses paid	(5,364)	(4,762)
Suspended business management expense paid	(605)	(578)
Disaster recovery expense paid	(100)	(16)
Income taxes paid	(45,516)	(13,224)
Income taxes refund	—	1,777
Net cash provided by (used in) operating activities	119,704	43,796

(Millions of yen)

	FY2015 (from April 1, 2015, to March 31, 2016)	FY2016 (from April 1, 2016, to March 31, 2017)
Cash flows from investing activities		
Purchase of property, plant and equipment	(42,880)	(50,619)
Proceeds from sales of property, plant and equipment	775	779
Purchase of intangible assets	(455)	(1,735)
Purchase of investment securities	(702)	(5,024)
Proceeds from sales of investment securities	2	1,230
Proceeds from liquidation of investment securities	—	7,851
Purchase of shares of subsidiaries and associates	(25,523)	(14,687)
Proceeds from sales of shares of subsidiaries and associates	—	3,500
Proceeds from capital reduction of subsidiaries and associates	937	—
Payments into time deposits	(553)	(953)
Proceeds from withdrawal of time deposits	208	4,126
Payments of short-term loans receivable	(8,202)	(47)
Collection of short-term loans receivable	29	8,376
Payments of long-term loans receivable	(16,877)	(628)
Collection of long-term loans receivable	365	716
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	*2 10,051
Payments for acquisition of interests	—	*3 (106,155)
Net cash provided by (used in) investing activities	(92,876)	(143,219)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(1,664)	5,980
Proceeds from long-term loans payable	37,299	120,488
Repayments of long-term loans payable	(21,035)	(24,018)
Redemption of bonds	—	(10,000)
Proceeds from share issuance to non-controlling shareholders	10,507	3,231
Decrease (increase) in treasury shares	(73)	(49)
Cash dividends paid	(24,825)	(8,274)
Dividends paid to non-controlling interests	(4,212)	(3,858)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(13,108)
Net cash provided by (used in) financing activities	(4,003)	70,392
Effect of exchange rate change on cash and cash equivalents	(2,720)	1,499
Net increase (decrease) in cash and cash equivalents	20,105	(27,532)
Cash and cash equivalents at beginning of period	177,720	197,825
Cash and cash equivalents at end of period	*1 197,825	*1 170,293

(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: 61

As significant consolidated subsidiaries are stated in “2. Corporate Group,” their names are omitted.

Of the consolidated subsidiaries, SMM Morenci Inc. and Sumiko Tec (Dongguan) Co., Ltd. have been included in the scope of consolidation from the fiscal year under review due to their increased importance.

Sumiko Advanced Materials (Suzhou) Co., Ltd., Sumiko Leadframe (Thailand) Co., Ltd. and Malaysian Electronics Materials SDN. BHD., which were consolidated subsidiaries in the previous fiscal year, have been excluded from the scope of consolidation from the fiscal year under review due to the completion of liquidation. SH Asia Pacific Pte. Ltd., Malaysian SH Electronics Sdn. Bhd., SH Electronics Taiwan Co., Ltd., Sumiko Electronics Suzhou Co., Ltd., Sumiko Leadframe Chengdu Co., Ltd. and SH Precision Chengdu Co., Ltd., which were also consolidated subsidiaries in the previous fiscal year, have been excluded from the scope of consolidation from the fiscal year under review due to sales.

(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, profit (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 profit (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: 15

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, and Nippon Ketjen Co., Ltd.

SH Copper Products Co., Ltd., which was an entity accounted for by the equity method in the previous fiscal year, has been excluded from the scope of the application of the equity method from the fiscal year under review due to sales.

(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 profit (loss) and retained earnings have no significant impact on the consolidated profit (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.

3. Fiscal Year, etc., of Consolidated Subsidiaries

The closing date is December 31 for the 29 consolidated subsidiaries below:

Sumitomo Metal Mining America Inc., Sumitomo Metal Mining Arizona Inc., SMM Morenci 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., SUMIC Nickel Netherlands B.V., Sumitomo Metal Mining Philippine Holdings Corporation, Sumitomo Metal Mining Management (Shanghai) Co., Ltd., Sumitomo Metal Mining (Hong Kong) Co., Limited, SMM KOREA Co., Ltd., Shanghai Sumiko Electronic Paste Co., Ltd., Dongguan Sumiko Electronic Paste Co., Ltd, Sumiko Tec

(Dongguan) Co., Ltd., SMM Holland B.V., SUMICO LUBRICANT TRADING (SHANGHAI) 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).

The closing date for both Coral Bay Nickel Corporation and Taganito HPAL Nickel Corporation is December 31 of each year. Therefore, the financial statements based on provisional statements of account as of March 31, the consolidated closing date, have been used.

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 leased 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. Mining sites and tunnels are stated by the unit-of-production method. The depreciation period generally ranges from 1 year to 60 years for buildings and structures and 1 year to 22 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) Leased assets

Leased 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 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.

(iv) 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.

(v) 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.

(vi) Provision for environmental measures

The Company and several consolidated domestic subsidiaries set the provision for environmental measures that is an estimated amount expected to cover future potential costs, such as costs related to the disposal of wastes that contain polychlorinated biphenyl (PCB) and lead.

(vii) Allowance for decommissioning preparations

JCO Co., Ltd., a domestic consolidated subsidiary of the Company, is advancing measures to promote facility dismantlement and decontamination to prepare for the decommissioning of its facilities. The estimated amounts of losses to be incurred in the future, which can be reasonably measured, are posted.

(4) Accounting method for retirement benefits

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

The Company applies the benefit formula basis in attributing the estimated retirement benefits to the period to the end of the current fiscal year in the calculation of retirement benefits.

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

Past service costs are recognized in expenses using the straight-line method over a certain number of years (10 years) within the average of the estimated remaining years of service life at the time of occurrence.

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.

(iii) Adoption of simplified method at small businesses

Some of the consolidated subsidiaries adopt a simplified method for calculating net defined benefit liability and retirement benefit expenses, in which the amount of retirement benefit required for voluntary termination at the end of fiscal year is recorded as retirement benefit obligations.

(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, 2017. 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 "Non-controlling 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 5 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)

There are no pertinent items.

(Additional Information)

(Application of the Implementation Guidance on Recoverability of Deferred Tax Assets)

Effective from the fiscal year under review, the Company has adopted the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016).

(Consolidated Balance Sheet)

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

	FY2015 (as of March 31, 2016)	FY2016 (as of March 31, 2017)
Accumulated depreciation	¥489,013 million	¥493,964 million

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

	FY2015 (as of March 31, 2016)	FY2016 (as of March 31, 2017)
Investment securities	¥316,267 million	¥282,201 million
Investments and other assets	¥9,638 million	¥10,505 million

Investment securities for the current fiscal year include ¥10,010 million (¥13,031 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.

	FY2015 (as of March 31, 2016)		FY2016 (as of March 31, 2017)	
Cash and deposits	¥1 million	(¥— million)	¥1 million	(¥— million)
Buildings and structures	¥21,580	(¥21,580 million)	—	(— million)
Machinery, equipment and vehicles	¥15,727	(¥15,727 million)	—	(— million)
Tools, furniture and fixtures	¥472	(¥472 million)	—	(— million)
Land	¥1,105	(¥1,105 million)	—	(— million)
Mining rights	¥269	(¥269 million)	—	(— million)
Investment securities ^{Note}	¥34,654	(— million)	¥0	(— million)
Long-term loans receivable	¥25,227	(— million)	¥26,094	(— million)
Investments and other assets	¥338	(— million)	¥343	(— million)
Total	¥99,373	(¥39,153 million)	¥26,438	(— 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.

	FY2015 (as of March 31, 2016)	FY2016 (as of March 31, 2017)
Long-term loans payable (including current portion redeemable within one year)	¥28,227 million	¥26,094 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 ¥63,612 million (¥71,739 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, etc., signed up by the following subsidiaries and affiliates.

	FY2015 (as of March 31, 2016)	FY2016 (as of March 31, 2017)
Sierra Gorda S.C.M.	¥89,948 million	¥83,373 million
MITSUI SUMITOMO METAL MINING BRASS & COPPER CO., LTD.	¥1,100	¥850
Total	¥91,048	¥84,223

2) Other commitments and contingent liabilities are as follows.

	FY2015 (as of March 31, 2016)	FY2016 (as of March 31, 2017)
Obligation to guarantee construction costs of electric facilities of the Pogo gold mine	¥225 million	— 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}	¥3,387	¥2,857
Total	¥3,612	¥2,857

JCO Co., Ltd., a consolidated subsidiary of the Company, is advancing measures to promote facility dismantlement and decontamination to prepare for the decommissioning of its facilities. Additional losses are anticipated to be incurred depending on the conditions of dismantlement and decontamination of its facilities in the future. Hence, the Company will post an allowance for decommissioning preparations each time such losses can be reasonably estimated.

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

	FY2015 (as of March 31, 2016)	FY2016 (as of March 31, 2017)
Notes and accounts receivable sold to factoring companies with recourse	¥19 million	¥24 million

6 Discount on export notes receivable

	FY2015 (as of March 31, 2016)	FY2016 (as of March 31, 2017)
Discount on export notes receivable	¥97 million	¥22 million

*7 With receipt of state subsidy, etc., reduction entry amount, which was deducted from the amount of purchase of property, plant and equipment, are as follows.

	FY2015 (as of March 31, 2016)	FY2016 (as of March 31, 2017)
Buildings and structures	— million	¥2 million
Machinery, equipment and vehicles	¥89	¥3,137
Total	¥89	¥3,139

(Consolidated Statement 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.

FY2015 (from April 1, 2015, to March 31, 2016)	FY2016 (from April 1, 2016, to March 31, 2017)
¥135 million	¥(893) million

*2 Research and development expenses included in “General and administrative expenses”

FY2015 (from April 1, 2015, to March 31, 2016)	FY2016 (from April 1, 2016, to March 31, 2017)
¥5,772 million	¥5,241 million

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

	FY2015 (from April 1, 2015, to March 31, 2016)	FY2016 (from April 1, 2016, to March 31, 2017)
Buildings and structures	¥1 million	— million
Machinery, equipment and vehicles	¥155	¥90
Tools, furniture and fixtures	¥35	¥42
Land	¥72	¥139
Other	—	¥1
Total	¥263	¥272

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

	FY2015 (from April 1, 2015, to March 31, 2016)	FY2016 (from April 1, 2016, to March 31, 2017)
Buildings and structures	— million	¥18 million
Machinery, equipment and vehicles	¥13	¥14
Total	¥13	¥32

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

	FY2015 (from April 1, 2015, to March 31, 2016)	FY2016 (from April 1, 2016, to March 31, 2017)
Buildings and structures	¥273 million	¥228 million
Machinery, equipment and vehicles	¥206	¥209
Tools, furniture and fixtures	¥42	¥28
Other	¥109	¥20
Total	¥630	¥485

*6 Impairment loss

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

FY2015 (from April 1, 2015, to March 31, 2016)

Major use	Location	Asset category	Impairment loss (Millions of yen)
Manufacturing facilities for thin film materials	Ome City, Tokyo, Japan	Buildings	1
		Machinery and equipment	223
		Vehicles	0
		Tools, furniture and fixtures	6
		Construction in progress	3
Manufacturing facilities for sapphire substrates	Isa City, Kagoshima Prefecture, Japan	Machinery and equipment	345
		Tools, furniture and fixtures	2
		Software	1
Manufacturing facilities for lead frames	Jiangsu, China	Machinery and equipment	59
		Tools, furniture and fixtures	5
Manufacturing facilities for ferronickel	Hyuga City, Miyazaki Prefecture, Japan	Machinery and equipment	142
		Tools, furniture and fixtures	1
Manufacturing plant buildings for thin film materials	Kaohsiung, Taiwan	Buildings	25
Total			813

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

The book values of manufacturing facilities for thin film materials were reduced to their recoverable amounts because of expectations that the sales volume of the ITO targets would not recover. The value in use of assets is used as their recoverable amounts for the measurement of impairment losses, which are posted under "Extraordinary losses." As the estimated value in use of the assets based on future cash flows is negative, their recoverable amounts are recognized as zero.

The book values of manufacturing facilities for sapphire substrates were reduced to their recoverable amounts because of withdrawal from this business. The net sales prices of assets are used as their recoverable amounts for the measurement of impairment losses, which are posted under "Extraordinary losses." The net sales prices of these assets are recognized as zero, because their sale will be difficult.

The book values of manufacturing facilities for lead frames were reduced to their recoverable amounts because of expectations that it will be difficult to recover operating results in a short period of time as a result of sluggish performance mainly resulting from deterioration in sales volume and sales prices. The net sales prices 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 by methods similar thereto.

The book values of manufacturing facilities for ferronickel that relate to one electric furnace, which has been idle but ready for re-operation from the fiscal year under review, were reduced to their recoverable amounts. The value in use of assets is used as their recoverable amounts for the measurement of impairment losses, which are posted under "Extraordinary losses." The recoverable amounts of these assets are recognized as zero because the timing of returning to operation is uncertain.

With regard to the manufacturing plant buildings for thin film materials, the book values for interior and related work in the old plant were reduced to their recoverable amounts, since the plant has been relocated. The net sales prices of assets are used as their recoverable amounts for the measurement of impairment losses, which are posted under "Extraordinary losses." The net sales prices of these assets are recognized as zero, because their sale will be difficult.

FY2016 (from April 1, 2016, to March 31, 2017)

Major use	Location	Asset category	Impairment loss (Millions of yen)
Research facilities	Niihama City, Ehime Prefecture, Japan	Structures	2
		Machinery and equipment	128
Manufacturing facilities for crystal substrates	Isa City, Kagoshima Prefecture, Japan	Machinery and equipment	56
Manufacturing facilities for lead frames (Subject to withdrawal from the business)	Minato-ku, Tokyo, Japan Niihama City, Ehime Prefecture, Japan	Buildings	416
		Structures	107
		Machinery and equipment	147
		Vehicles	1
		Tools, furniture and fixtures	62
		Construction in progress	123
		Software	3
Other	8		
Manufacturing facilities for lead frames (Subject to sale of the business)	Yonezawa City, Yamagata Prefecture, Japan Jiangsu, China Negeri Sembilan, Malaysia	Buildings	814
		Structures	8
		Machinery and equipment	1,123
		Vehicles	3
		Tools, furniture and fixtures	121
		Land	130
		Construction in progress	133
		Software	11
		Other	65
Total			3,461

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

The book values of research facilities were reduced to their recoverable amounts because of expectations that a part of such facilities would not be used in the future. The net sales prices of assets are used as their recoverable amounts for the measurement of impairment losses, which are posted under “Extraordinary losses.” The net sales prices of these assets are recognized as zero, because their sale will be difficult.

The book values of manufacturing facilities for crystal substrates were reduced to their recoverable amounts because of expectations that a part of such facilities would cease to operate in the future. The net sales prices of assets are used as their recoverable amounts for the measurement of impairment losses, which are posted under “Extraordinary losses.” The net sales prices of these assets are calculated based on the projected sales prices.

The book values of manufacturing facilities for lead frames (subject to withdrawal from the business) were reduced to their recoverable amounts because the decision was made to withdraw from this business. The value in use of assets is used as their recoverable amounts for the measurement of impairment losses, which are posted under “Extraordinary losses.” As the estimated value in use of the assets based on future cash flows is negative, their recoverable amounts are recognized as zero.

With regard to the manufacturing facilities for lead frames (subject to sale of the business), the book values of the facilities owned by consolidated subsidiaries to be sold were reduced to their recoverable amounts because the Company concluded a stock sale and purchase agreement upon making a decision on the sale of the consolidated subsidiaries. The net sales prices of assets are used as their recoverable amounts for the measurement of impairment losses, which are posted under “Extraordinary losses.” The recoverable amounts are calculated based on the projected sales prices. An asset group associated with the consolidated subsidiaries to be sold was categorized as the smallest unit of the group that generates cash flows independently.

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

FY2015 (from April 1, 2015, to March 31, 2016)	FY2016 (from April 1, 2016, to March 31, 2017)
— million	¥741 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 the disposal of wastes that contain polychlorinated biphenyl (PCB) and lead.

FY2015 (from April 1, 2015, to March 31, 2016)	FY2016 (from April 1, 2016, to March 31, 2017)
¥131 million	¥73 million

*9 JCO Co., Ltd., a domestic consolidated subsidiary of the Company, is advancing measures to promote facility dismantlement and decontamination to prepare for the decommissioning of its facilities. Accordingly, the amount was posted to provide for future potential costs.

FY2015 (from April 1, 2015, to March 31, 2016)	FY2016 (from April 1, 2016, to March 31, 2017)
— million	¥8,667 million

(Consolidated Statement of Comprehensive Income)

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

(Millions of yen)

	FY2015 (from April 1, 2015, to March 31, 2016)	FY2016 (from April 1, 2016, to March 31, 2017)
Valuation difference on available-for-sale securities:		
Amount that occurred during the period	(38,582)	22,242
Reclassification adjustment	1,464	(1,115)
Before tax-effect adjustment	(37,118)	21,127
Tax-effect amount	10,890	(4,765)
Valuation difference on available-for-sale securities	(26,228)	16,362
Deferred gains or losses on hedges:		
Amount that occurred during the period	(3,728)	1,176
Reclassification adjustment	1,160	3,447
Before tax-effect adjustment	(2,568)	4,623
Tax-effect amount	785	(1,485)
Deferred gains or losses on hedges	(1,783)	3,138
Foreign currency translation adjustment:		
Amount that occurred during the period	(9,104)	16,365
Reclassification adjustment	—	517
Before tax-effect adjustment	(9,104)	16,882
Tax-effect amount	—	(175)
Foreign currency translation adjustment	(9,104)	16,707
Remeasurements of defined benefit plans, net of tax:		
Amount that occurred during the period	(6,303)	4,722
Reclassification adjustment	19	1,811
Before tax-effect adjustment	(6,284)	6,533
Tax-effect amount	1,995	(2,046)
Remeasurements of defined benefit plans, net of tax	(4,289)	4,487
Share of other comprehensive income of entities accounted for using equity method:		
Amount that occurred during the period	(3,798)	(39,601)
Reclassification adjustment	(36)	(45)
Share of other comprehensive income of entities accounted for using equity method	(3,834)	(39,646)
Total other comprehensive income	(45,238)	1,048

(Consolidated Statement of Changes in Equity)
 FY2015 (from April 1, 2015, to March 31, 2016)

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)	29,948,647	51,332	3,924	29,996,055

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: 51,332 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: 3,924 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 29, 2015	Common stock	13,240	24	March 31, 2015	June 30, 2015
Board meeting held on November 10, 2015	Common stock	11,585	21	September 30, 2015	December 4, 2015

(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 27, 2016	Common stock	5,516	Retained earnings	10	March 31, 2016	June 28, 2016

FY2016 (from April 1, 2016, to March 31, 2017)

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)	29,996,055	36,851	2,820	30,030,086

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: 36,851 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: 2,820 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 27, 2016	Common stock	5,516	10	March 31, 2016	June 28, 2016
Board meeting held on November 11, 2016	Common stock	2,758	5	September 30, 2016	December 6, 2016

(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 27, 2017	Common stock	3,310	Retained earnings	6	March 31, 2017	June 28, 2017

(Consolidated Statement of Cash Flows)

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

	(Millions of yen)	
	FY2015 (from April 1, 2015, to March 31, 2016)	FY2016 (from April 1, 2016, to March 31, 2017)
Cash and deposits	63,374	81,317
Short-term investment securities	139,500	89,000
Time deposits with a maturity longer than three months	(5,049)	(24)
Cash and cash equivalents	197,825	170,293

*2 Major breakdown of assets and liabilities owned by the entities that ceased to be the Company's consolidated subsidiaries following the sale of shares in the fiscal year under review

Following the sale of shares, SH Asia Pacific Pte. Ltd., Malaysian SH Electronics Sdn. Bhd., SH Electronics Taiwan Co., Ltd., Sumiko Electronics Suzhou Co., Ltd., Sumiko Leadframe Chengdu Co., Ltd. and SH Precision Chengdu Co., Ltd. ceased to be the Company's consolidated subsidiaries. The breakdown of assets and liabilities at the sale of their shares, the sales amount, and proceeds from sales are listed as follows.

	(Millions of yen)
Current assets	16,731
Non-current assets	5,259
Current liabilities	(8,593)
Non-current liabilities	(30)
Non-controlling interests	(614)
Foreign currency translation adjustment	(357)
Gain on sales of shares of subsidiaries and associates	2,604
Sales amount of shares	15,000
Cash and cash equivalents	(4,949)
Net: Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	10,051

*3 The breakdown of assets acquired and liabilities assumed by SMM Morenci Inc., the Company's consolidated subsidiary, as a result of the additional acquisition of interests in the Morenci copper mine, and the relations between the acquisition amount of interests and payments (net) for acquisition of interests are listed as follows.

	(Millions of yen)
Current assets	13,177
Non-current assets	96,300
Current liabilities	(2,015)
Non-current liabilities	(1,275)
Acquisition amount of interests	106,187
Cash and cash equivalents	(32)
Net: Payments for acquisition of interests	106,155

(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 businesses are classified as “Business Segments” of the Company.

The Group has classified these business segments into three core reported segments: Mineral Resources, Smelting & Refining and Materials. In determining these reported segments, the mineral resource businesses were integrated into Mineral Resources; the metal businesses 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 and zinc, as well as smelting and sales of precious metals such as gold, silver and platinum.

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

2. 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 sheet 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. Information on Net Sales, Income (Loss), Assets and Liabilities and Other Items by Reported Segment
FY2015 (from April 1, 2015, to March 31, 2016)

(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	70,448	622,523	158,302	851,273	4,134	—	855,407
Inter-segment	49,303	19,409	13,295	82,007	11,157	(93,164)	—
Total	119,751	641,932	171,597	933,280	15,291	(93,164)	855,407
Segment income (loss)	(44,317)	25,258	5,972	(13,087)	(828)	1,151	(12,764)
Segmental assets	315,902	657,742	189,302	1,162,946	20,767	447,087	1,630,800
Segmental liabilities	25,528	297,361	100,127	423,016	10,526	121,263	554,805
Other items:							
Depreciation	13,972	21,673	8,014	43,659	386	2,096	46,141
Amortization of goodwill	135	—	23	158	—	—	158
Interest income	344	280	130	754	—	10,038	10,792
Interest expenses	123	4,119	372	4,614	19	240	4,873
Share of profit (loss) of entities accounted for using equity method	(79,720)	2,885	2,856	(73,979)	—	756	(73,223)
Investment in entities accounted for using equity method	146,649	93,250	29,127	269,026	—	56,799	325,825
Increase in property, plant and equipment and intangible assets	11,648	15,230	21,632	48,510	366	2,137	51,013

FY2016 (from April 1, 2016, to March 31, 2017)

(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	77,857	543,079	159,913	780,849	5,297	—	786,146
Inter-segment	45,513	21,978	14,148	81,639	5,045	(86,684)	—
Total	123,370	565,057	174,061	862,488	10,342	(86,684)	786,146
Segment income (loss)	(53,594)	33,258	12,066	(8,270)	(65)	6,770	(1,565)
Segmental assets	468,981	671,938	205,425	1,346,344	20,741	317,933	1,685,018
Segmental liabilities	155,441	300,310	124,429	580,180	15,311	65,406	660,897
Other items:							
Depreciation	16,095	17,822	9,089	43,006	388	838	44,232
Amortization of goodwill	121	—	23	144	—	—	144
Interest income	816	836	80	1,732	1	11,043	12,776
Interest expenses	1,207	3,740	364	5,311	10	(279)	5,042
Share of profit (loss) of entities accounted for using equity method	(93,628)	4,240	3,644	(85,744)	—	(228)	(85,972)
Investment in entities accounted for using equity method	142,787	96,776	27,134	266,697	—	25,914	292,611
Increase in property, plant and equipment and intangible assets	92,012	10,885	18,807	121,704	727	3,519	125,950

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 real estate and technical engineering businesses.

2. The adjustments are as follows:

- (1) The adjustments for segment income (loss) are as follows: (Millions of yen)

	FY2015	FY2016
Head Office expenses not allocated to each reported segment ^a	(90)	(674)
Internal interest rate	562	269
Eliminations of inter-segmental transactions among the reported segments	267	2,802
Non-operating income/expenses not allocated to each reported segment ^b	412	4,373
Total	1,151	6,770

- 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)

	FY2015	FY2016
Corporate assets not allocated to each reported segment*	482,978	506,417
Offsets and eliminations of inter-segmental receivables among the reported segments, including those toward Head Office divisions/departments	(35,891)	(188,484)
Total	447,087	317,933

*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)

	FY2015	FY2016
Corporate liabilities not allocated to each reported segment*	197,656	264,533
Offsets and eliminations of inter-segmental obligations among the reported segments, including those toward Head Office divisions/departments	(76,393)	(199,127)
Total	121,263	65,406

*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. Segment income (loss) is adjusted with ordinary loss in the Consolidated Financial Statements.

4. Some part of assets and liabilities within the reported segment were offset against each other from the fiscal year under review. The aim was to manage the financial position of each segment in a more accurate manner. Segment information for the previous fiscal year presented herein was prepared by the revised method.

[Related Information]

FY2015 (from April 1, 2015, to March 31, 2016)

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
515,177	175,901	70,140	73,384	20,805	855,407

Notes:

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

(2) Property, plant and equipment

(Millions of yen)

Domestic	East Asia	The Philippines	Southeast Asia	United States	Others	Total
152,008	7,112	222,680	2,004	64,280	5,450	453,534

Notes:

- 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 Sheet are separately listed.
- Major countries or regions that belong to the segments are as follows:
 - East Asia: China and Taiwan
 - Southeast Asia: Malaysia and Singapore
 - Others: Australia, Solomon Islands, Peru, Chile and Brazil

3. Information by Major Customer

(Millions of yen)

Customer's designation or name	Net sales	Related reported segments
Sumitomo Corporation	133,912	Smelting & Refining and Materials
Mitsui & Co., Ltd.	63,915	Smelting & Refining

FY2016 (from April 1, 2016, to March 31, 2017)

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
472,427	148,879	64,752	82,588	17,500	786,146

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, South Korea, etc.
 - (2) Southeast Asia: Indonesia, Malaysia, Thailand, Viet Nam, etc.
 - (3) North America: United States, Mexico and Canada
 - (4) Others: Australia, India, Germany, Italy, Turkey, etc.

(2) Property, plant and equipment

(Millions of yen)

Domestic	East Asia	The Philippines	United States	Others	Total
155,693	404	216,057	106,438	4,864	483,456

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 Sheet are separately listed.
2. Major countries or regions that belong to the segments are as follows:
 - (1) East Asia: China and Taiwan
 - (2) 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	104,256	Smelting & Refining and Materials
Panasonic Corporation	80,054	Smelting & Refining and Materials

[Information on Impairment Loss of Non-current Assets by Reported Segment]
 FY2015 (from April 1, 2015, to March 31, 2016)

(Millions of yen)

	Mineral Resources	Smelting & Refining	Materials	Total of the Reported Segments	Other Businesses	Adjustments	Amounts Reported in the Consolidated Statement of Income
Impairment loss	—	143	670	813	—	—	813

FY2016 (from April 1, 2016, to March 31, 2017)

(Millions of yen)

	Mineral Resources	Smelting & Refining	Materials	Total of the Reported Segments	Other Businesses	Adjustments	Amounts Reported in the Consolidated Statement of Income
Impairment loss	—	—	3,331	3,331	—	130	3,461

[Information on Amortization of Goodwill and Unamortized Balance by Reported Segment]
 FY2015 (from April 1, 2015, to March 31, 2016)

(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	268	—	54	322	—	—	322

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

FY2016 (from April 1, 2016, to March 31, 2017)

(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	130	—	31	161	—	—	161

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

FY2015 (from April 1, 2015, to March 31, 2016)

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	1,659,400	Mineral resources	(Possessed) Indirectly 45.0	Debt guarantee and pledge as security for loans, etc., from financial institutions, etc.	Debt guarantee	89,948 (Note 1)	-	-
							Pledge as security	71,739 (Note 2)	-	-
						Financing support	Providing loans	- (Note 3)	Long-term loans receivable	106,084
							Interest on loans	10,405 (Note 3)	Investments and other assets	26,706

Notes:

1. The Company guarantees for loans, etc., from financial institutions, etc.
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, 2016.
3. Terms and conditions of loan are determined based on the market interest rates, etc. Each amount includes foreign exchange gains/losses.

FY2016 (from April 1, 2016, to March 31, 2017)

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	1,959,400	Mineral resources	(Possessed) Indirectly 45.0	Debt guarantee and pledge as security for loans, etc., from financial institutions, etc.	Debt guarantee	83,373 (Note 1)	-	-
							Pledge as security	63,612 (Note 2)	-	-
						Financing support	Providing loans	- (Note 3)	Long-term loans receivable	41,639 (Note 4)
							Interest on loans	9,946 (Note 3)	Investments and other assets	36,461

Notes:

1. The Company guarantees for loans, etc., from financial institutions, etc.
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, 2017.
3. Terms and conditions of loan are determined based on the market interest rates, etc. Each amount includes foreign exchange gains/losses.
4. Long-term loans receivable on the Consolidated Balance Sheet show the figure after directly writing off ¥60,889 million as share of loss of entities accounted for using equity method.

2. Information on Significant Affiliates

FY2015 (from April 1, 2015, to March 31, 2016)

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

	<u>Sociedad Minera Cerro Verde S.A.A.</u> (Millions of yen)	<u>Sierra Gorda S.C.M.</u> (Millions of yen)
Total current assets	127,342	33,230
Total non-current assets	819,144	687,588
Total current liabilities	66,112	54,348
Total non-current liabilities	338,183	577,797
Total net assets	542,191	88,673
Net sales	135,112	34,686
Profit (loss) before income taxes	9,632	(157,068)
Profit (loss)	4,031	(112,221)

FY2016 (from April 1, 2016, to March 31, 2017)

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

	<u>Sociedad Minera Cerro Verde S.A.A.</u> (Millions of yen)	<u>Sierra Gorda S.C.M.</u> (Millions of yen)
Total current assets	141,945	37,685
Total non-current assets	747,530	427,810
Total current liabilities	34,205	68,403
Total non-current liabilities	291,541	584,349
Total net assets	563,729	(187,257)
Net sales	259,372	69,473
Profit (loss) before income taxes	65,708	(395,495)
Profit (loss)	37,087	(287,554)

(Earnings per Share)

FY2015 (from April 1, 2015, to March 31, 2016)		FY2016 (from April 1, 2016, to March 31, 2017)	
Net assets per share	¥1,781.91	Net assets per share	¥1,743.46
Loss per share	¥(0.56)	Loss per share	¥(33.61)
Diluted profit per share	—	Diluted profit per share	—

Notes:

1. Diluted profit per share is not disclosed as loss per share was recorded even though there are potentially dilutive shares.
2. The basis for the calculation of net assets per share is as follows.

	FY2015 (as of March 31, 2016)	FY2016 (as of March 31, 2017)
Total net assets (Millions of yen)	1,075,995	1,024,121
Amounts deducted from total net assets (Millions of yen)	93,037	62,431
(Including non-controlling interests) (Millions of yen)	(93,037)	(62,431)
Net assets attributable to shares of common stock at fiscal year-end (Millions of yen)	982,958	961,690
Number of common shares issued (Thousands of shares)	581,628	581,628
Number of common shares of treasury shares (Thousands of shares)	29,996	30,030
Year-end number of common shares used for the calculation of net assets per share (Thousands of shares)	551,632	551,598

3. The basis for the calculation of loss per share and diluted profit per share is as follows.

	FY2015 (from April 1, 2015, to March 31, 2016)	FY2016 (from April 1, 2016, to March 31, 2017)
Loss per share:		
Loss attributable to owners of parent (Millions of yen)	(309)	(18,540)
Profit not attributable to common shareholders (Millions of yen)	—	—
Loss attributable to owners of parent of shares of common stock (Millions of yen)	(309)	(18,540)
Weighted average number of shares of common stock during the fiscal year (Thousands of shares)	551,653	551,619
Diluted profit per share:		
Adjustment of profit attributable to owners of parent (Millions of yen)	—	—
(Including interest expenses after deducting the amount corresponding to taxes) (Millions of yen)	(—)	(—)
Increase in shares of common stock (Thousands of shares)	—	—
(Including subscription rights to shares) (Thousands of shares)	(—)	(—)
Securities excluded from the computation of diluted profit per share, because they do not have dilutive effects	—	—

(Significant Subsequent Event)

There are no pertinent items.

6. Non-consolidated Financial Statements and Primary Notes

(1) Non-consolidated Balance Sheet

(Millions of yen)

	FY2015 (as of March 31, 2016)	FY2016 (as of March 31, 2017)
Assets		
Current assets		
Cash and deposits	16,518	22,722
Notes receivable-trade	1,069	1,154
Accounts receivable-trade	75,311	75,274
Securities	139,500	89,000
Merchandise and finished goods	39,448	50,888
Work in process	48,788	70,856
Raw materials and supplies	27,824	39,451
Advance payments-trade	14,905	19,859
Prepaid expenses	547	631
Deferred tax assets	1,670	1,443
Short-term loans receivable	118,883	137,841
Accounts receivable-other	6,674	14,878
Other	7,580	12,920
Allowance for doubtful accounts	(26,547)	(25,607)
Total current assets	472,170	511,310
Non-current assets		
Property, plant and equipment		
Buildings	30,540	30,146
Structures	19,448	19,696
Machinery and equipment	33,457	31,778
Vessels	0	0
Vehicles	259	265
Tools, furniture and fixtures	1,412	1,135
Mining land	26	25
General-purpose land	18,367	18,380
Construction in progress	6,041	6,010
Total property, plant and equipment	109,550	107,435
Intangible assets		
Leasehold right	84	84
Mining right	310	302
Software	1,140	986
Other	185	194
Total intangible assets	1,719	1,566
Investments and other assets		
Investment securities	111,600	128,133
Shares of subsidiaries and associates	194,001	205,838
Investments in capital	6	6
Investments in capital of subsidiaries and associates	34,648	6,268
Long-term loans receivable	19,093	41,331
Long-term prepaid expenses	1,190	904
Other	10,785	11,319
Allowance for doubtful accounts	(188)	(2,496)
Total investments and other assets	371,135	391,303
Total non-current assets	482,404	500,304
Total assets	954,574	1,011,614

(Millions of yen)

	FY2015 (as of March 31, 2016)	FY2016 (as of March 31, 2017)
Liabilities		
Current liabilities		
Accounts payable-trade	34,950	40,493
Short-term loans payable	15,490	26,950
Current portion of long-term loans payable	19,716	8,350
Current portion of bonds	10,000	—
Lease obligations	1	1
Accounts payable-other	23,192	14,822
Accrued expenses	7,644	6,617
Income taxes payable	256	9,320
Advances received	161	182
Deposits received	264	269
Provision for bonuses	1,412	1,465
Provision for furnace repair works	250	1,117
Provision for loss on business restructuring	417	600
Provision for environmental measures	98	—
Other	22,835	32,550
Total current liabilities	136,686	142,736
Non-current liabilities		
Bonds payable	40,000	40,000
Long-term loans payable	144,926	184,043
Lease obligations	6	5
Deferred tax liabilities	11,111	13,544
Provision for retirement benefits	4,163	5,585
Provision for metal mining pollution control	47	45
Provision for loss on business restructuring	904	738
Provision for loss on support to subsidiaries and associates	1,940	6,320
Provision for environmental measures	312	375
Asset retirement obligations	378	386
Other	1,135	967
Total non-current liabilities	204,922	252,008
Total liabilities	341,608	394,744
Net assets		
Shareholders' equity		
Capital stock	93,242	93,242
Capital surplus		
Legal capital surplus	86,062	86,062
Other capital surplus	5	6
Total capital surplus	86,067	86,068
Retained earnings		
Legal retained earnings	7,455	7,455
Other retained earnings		
Reserve for overseas investment loss	11,250	11,250
Reserve for reduction entry	4,137	4,012
Reserve for exploration for minerals	3,141	3,684
General reserve	408,000	413,000
Retained earnings brought forward	14,945	1,065
Total retained earnings	448,928	440,466
Treasury shares	(32,827)	(32,877)
Total shareholders' equity	595,410	586,899
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	19,305	29,075
Deferred gains or losses on hedges	(1,749)	896
Total valuation and translation adjustments	17,556	29,971
Total net assets	612,966	616,870
Total liabilities and net assets	954,574	1,011,614

(2) Non-consolidated Statement of Income

(Millions of yen)

	FY2015 (from April 1, 2015, to March 31, 2016)	FY2016 (from April 1, 2016, to March 31, 2017)
Net sales	700,317	626,177
Cost of sales	620,426	558,695
Gross profit	79,891	67,482
Selling, general and administrative expenses	30,951	28,700
Operating income	48,940	38,782
Non-operating income		
Interest income	2,772	2,629
Dividend income	22,641	9,452
Guarantee commission received	1,436	2,083
Other	1,598	1,344
Total non-operating income	28,447	15,508
Non-operating expenses		
Interest expenses	1,516	1,612
Interest on bonds	405	377
Loss on valuation of derivatives	123	35
Foreign exchange losses	6,487	368
Out-of-cost amortization	2	2
Provision of allowance for doubtful accounts	113	1,324
Maintenance expense of suspended or abandoned mines	500	677
Dismantlement cost	1,155	1,163
Other	1,738	1,410
Total non-operating expenses	12,039	6,968
Ordinary income	65,348	47,322
Extraordinary income		
Gain on sales of non-current assets	49	97
Gain on liquidation of investment securities	—	5,851
Gain on liquidation of shares of subsidiaries and associates	—	817
Reversal of allowance for doubtful accounts for subsidiaries and associates	9,895	—
Total extraordinary income	9,944	6,765
Extraordinary losses		
Loss on sales of non-current assets	11	1
Loss on retirement of non-current assets	373	254
Impairment loss	580	130
Loss on valuation of investment securities	904	—
Loss on sales of shares of subsidiaries and associates	—	152
Loss on valuation of shares of subsidiaries and associates	857	131
Loss on valuation of investments in capital of subsidiaries and associates	41,553	36,570
Loss on liquidation of subsidiaries and associates	—	147
Provision for loss on business restructuring	—	475
Loss on support to subsidiaries and associates	1,180	2,470
Provision for loss on support to subsidiaries and associates	1,400	4,380
Loss on disaster	80	—
Provision for environmental measures	238	73
Total extraordinary losses	47,176	44,783
Profit before income taxes	28,116	9,304
Income taxes - current	7,383	11,752
Income taxes - deferred	4,452	(2,260)
Total income taxes	11,835	9,492
Profit (loss)	16,281	(188)

(3) Non-consolidated Statement of Changes in Equity
FY2015 (from April 1, 2015, to March 31, 2016)

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings			Total retained earnings
						Various reserves	Retained earnings brought forward	Total other retained earnings	
Balance at beginning of current period	93,242	86,062	4	86,066	7,455	394,905	55,112	450,017	457,472
Changes of items during period									
Provision of various reserves						33,679	(33,679)	—	—
Reversal of various reserves						(2,056)	2,056	—	—
Dividends of surplus							(24,825)	(24,825)	(24,825)
Profit							16,281	16,281	16,281
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	—	31,623	(40,167)	(8,544)	(8,544)
Balance at end of current period	93,242	86,062	5	86,067	7,455	426,528	14,945	441,473	448,928

	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	(32,753)	604,027	42,208	110	42,318	646,345
Changes of items during period						
Provision of various reserves		—				—
Reversal of various reserves		—				—
Dividends of surplus		(24,825)				(24,825)
Profit		16,281				16,281
Purchase of treasury shares	(79)	(79)				(79)
Disposal of treasury shares	5	6				6
Net changes of items other than shareholders' equity			(22,903)	(1,859)	(24,762)	(24,762)
Total changes of items during period	(74)	(8,617)	(22,903)	(1,859)	(24,762)	(33,379)
Balance at end of current period	(32,827)	595,410	19,305	(1,749)	17,556	612,966

FY2016 (from April 1, 2016, to March 31, 2017)

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus				Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings
						Various reserves	Retained earnings brought forward	Total other retained earnings	
Balance at beginning of current period	93,242	86,062	5	86,067	7,455	426,528	14,945	441,473	448,928
Changes of items during period									
Provision of various reserves						7,072	(7,072)	—	—
Reversal of various reserves						(1,654)	1,654	—	—
Dividends of surplus							(8,274)	(8,274)	(8,274)
Loss							(188)	(188)	(188)
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	—	5,418	(13,880)	(8,462)	(8,462)
Balance at end of current period	93,242	86,062	6	86,068	7,455	431,946	1,065	433,011	440,466

	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	(32,827)	595,410	19,305	(1,749)	17,556	612,966
Changes of items during period						
Provision of various reserves		—				—
Reversal of various reserves		—				—
Dividends of surplus		(8,274)				(8,274)
Loss		(188)				(188)
Purchase of treasury shares	(53)	(53)				(53)
Disposal of treasury shares	3	4				4
Net changes of items other than shareholders' equity			9,770	2,645	12,415	12,415
Total changes of items during period	(50)	(8,511)	9,770	2,645	12,415	3,904
Balance at end of current period	(32,877)	586,899	29,075	896	29,971	616,870

[Note in the Margin of the Non-consolidated Statement of Changes in Equity]

Note: The breakdown of “Various reserves” of “Other retained earnings” is as follows:

	Balance at April 1, 2015	Provision	Reversal	Total changes during the fiscal year	Balance at March 31, 2016
Reserve for overseas investment loss	10,364	886	—	886	11,250
Reserve for reduction entry	4,147	193	(203)	(10)	4,137
Reserve for exploration for minerals	2,394	2,600	(1,853)	747	3,141
General reserve	378,000	30,000	—	30,000	408,000
Total various reserves (Millions of yen)	394,905	33,679	(2,056)	31,623	426,528

	Balance at April 1, 2016	Provision	Reversal	Total changes during the fiscal year	Balance at March 31, 2017
Reserve for overseas investment loss	11,250	—	—	—	11,250
Reserve for reduction entry	4,137	44	(169)	(125)	4,012
Reserve for exploration for minerals	3,141	2,028	(1,485)	543	3,684
General reserve	408,000	5,000	—	5,000	413,000
Total various reserves (Millions of yen)	426,528	7,072	(1,654)	5,418	431,946

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

7. Others

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	FY2015	FY2016	Increase/ decrease	Projections For FY2017	Increase/ decrease
Copper	\$/t	5,215	5,154	-61	5,800	646
Gold	\$/TOZ	1,150.4	1,258.0	107.6	1,200.0	-58.0
Nickel	\$/lb	4.71	4.56	-0.15	4.75	0.19
Exchange rate (TTM)	¥/\$	120.15	108.40	-11.75	110.00	1.60

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

Segment	Product	Unit	A	B	B-A
			FY2015	FY2016	Increase/decrease
Mineral Resources	Gold and silver ores (Gold content)	t	150,575	143,998	-6,577
		¥1,000/DMT	207	169	-38
		¥million	31,112	24,303	-6,809
		(kg)	(7,500)	(6,000)	(-1,500)
Smelting & Refining	Copper	t	448,073	459,924	11,851
		¥1,000/t	642	570	-72
		¥million	287,852	261,981	-25,871
	Gold	kg	22,654	21,553	-1,101
		¥/g	4,444	4,381	-63
		¥million	100,679	94,426	-6,253
	Silver	kg	205,897	209,118	3,221
		¥1,000/kg	59	62	3
		¥million	12,224	12,948	724
	Nickel	t	86,619	77,842	-8,777
		¥1,000/t	1,329	1,117	-212
		¥million	115,160	86,981	-28,179
Materials	Semiconductor materials and advanced materials	¥million	78,778	84,086	5,308

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	FY2015	FY2016	Increase/decrease
Copper	t	419,851	451,469	31,618
Gold	kg	22,278	21,040	-1,238
Electrolytic nickel	t	65,542	62,186	-3,356
Ferronickel	t	20,479	14,018	-6,461
Gold and silver ore (Gold content)	t (kg)	140,906 (6,909)	149,959 (6,269)	9,053 (-640)

Note 1: Output includes the portions of commissioning and/or commissioned production.