Consolidated Financial Results for the First Quarter Ended June 30, 2017 [J-GAAP]

August 8, 2017
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Listed Company Name: Sumitomo Metal Mining Co., Ltd.
Code: 5713
Listings: Tokyo Stock Exchange
URL: http://www.smm.co.jp/
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Scheduled Date to Submit Quarterly Report: August 10, 2017
Scheduled Date to Start Dividend Payment: —
Preparation of Supplementary Explanation Materials for Quarterly Financial Results: Yes
Briefing on Quarterly Settlement: Yes (for institutional investors)

(Amounts less than one million yen are rounded off)

1. Consolidated Financial Results (From April 1, 2017, to June 30, 2017)

(1) Consolidated Operating Results

(% figures show year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit (loss) attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2017	214,482	21.1	21,766	171.8	29,988	—	22,082	—
Three months ended June 30, 2016	177,046	-26.1	8,007	-69.3	271	-99.3	(6,936)	—

(Note) Comprehensive income
Three months ended June 30, 2017: ¥8,781 million (—%);
Three months ended June 30, 2016: -¥47,547 million (—%)

	Profit (loss) per share (Basic)	Profit per share (Diluted)
	Yen	Yen
Three months ended June 30, 2017	40.03	35.97
Three months ended June 30, 2016	(12.57)	—

(Note) Profit per share (diluted) is not disclosed as loss per share (basic) for the three months ended June 30, 2016 was recorded even though there are potentially dilutive shares.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2017	1,662,309	1,055,072	58.2
As of March 31, 2017	1,685,018	1,024,121	57.1

(Reference) Shareholders' equity
As of June 30, 2017: ¥968,146 million;
As of March 31, 2017: ¥961,690 million

2. Dividends

	Dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2017	—	5.00	—	6.00	11.00
Year ending March 31, 2018	—				
Year ending March 31, 2018 (Forecast)		17.00	—	36.00	—

(Note) Revision of dividend forecast that has been disclosed lastly: No
The Company plans to carry out the share consolidation at the ratio of 2 shares to 1 share effective October 1, 2017. Accordingly, the year-end dividend per share (forecast) shown for the fiscal year ending March 31,

2018, is based on the number of shares outstanding after the consolidation, and the full-year dividend is shown as "—." Excluding the effect of the consolidation of shares, the dividend forecast for the fiscal year ending March 31, 2018, would be a year-end dividend of ¥18 per share and a full-year dividend of ¥35 per share. For details, please refer to "Explanation regarding appropriate use of operating results forecast and other special notes."

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 profit		Ordinary profit		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)	424,000	15.7	43,000	96.2	53,000	353.1	37,000	—	67.08
Full year	855,000	8.8	75,000	-1.8	90,000	—	63,000	—	228.42

(Note) Revision of operating results forecast that has been disclosed lastly: Yes

The forecast of consolidated operating results for the six months ending September 30, 2017, has been revised. However, the forecast for the full year remains unchanged from the one announced on May 11, 2017. For further details, please refer to "1. Qualitative Information on Quarterly Financial Results, (3) Forward-Looking Information Including Forecast of Consolidated Operating Results and Other" on page 3.

In addition, the Company plans to carry out the share consolidation at the ratio of 2 shares to 1 share effective October 1, 2017. Accordingly, the forecast for profit per share shown in the Forecast of Consolidated Operating Results for the Year Ending March 31, 2018, is based on the number of shares outstanding after the consolidation. For details, please refer to "Explanation regarding appropriate use of operating results forecast and other special notes."

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) Application of Accounting Procedures Specific to Quarterly Consolidated Financial Statements: Yes

(Note) For further details, please refer to "2. Consolidated Financial Statements and Primary Notes, (3) Notes Relating to the Consolidated Financial Statements (Application of Accounting Procedures Specific to Quarterly Consolidated Financial Statements)" on page 8.

(3) 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

(4) Number of Outstanding Shares (Common stock)

1) Number of shares issued as of end of period (including treasury stock)
   581,628,031 shares at June 30, 2017
   581,628,031 shares at March 31, 2017
2) Number of shares of treasury stock as of end of period
   30,036,802 shares at June 30, 2017
   30,030,086 shares at March 31, 2017
3) Average number of shares during the period
   551,593,219 shares for three months ended June 30, 2017
   551,630,616 shares for three months ended June 30, 2016

The consolidated financial results presented herein are not subject to the quarterly review.

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

The forecast of consolidated operating results for the six months ending September 30, 2017, disclosed on May 11, 2017, has been revised in this report. 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.

(Regarding Forecasts for Dividends and Consolidated Operating Results after the Consolidation of Shares)
At the 92nd Ordinary General Meeting of Shareholders, held on June 27, 2017, a resolution for a consolidation of shares was approved, and the Company therefore plans to carry out the share consolidation at the ratio of 2 shares to 1 share effective October 1, 2017. The dividend forecast and forecast for consolidated operating results for the fiscal year ending March 31, 2018, calculated based on the number of shares outstanding prior to the consolidation, are as follows:

1. Dividend forecast for the fiscal year ending March 31, 2018
   Second quarter-end dividend: ¥17.00 per share (Note 1)
   Year-end dividend: ¥18.00 per share (Note 2)
2. Forecast for consolidated operating results for the fiscal year ending March 31, 2018
   Second quarter (cumulative) profit per share: ¥67.08
   Full-year profit per share: ¥114.21

Notes:

1. The second quarter-end dividend will be paid based on the number of shares outstanding prior to the consolidation of shares.
2. Dividend amount calculated based on the number of shares outstanding prior to the consolidation of shares.
3. The full-year dividend for the fiscal year ending March 31, 2018, would be ¥35.00 per share (based on the number of shares outstanding prior to the consolidation of shares).

(Supplementary Explanation Materials for Financial Results)
The Supplementary Explanation Materials will be posted on the Company’s website on Tuesday, August 8, 2017.

Contents of the Attachment

1. Qualitative Information on Quarterly Financial Results

(1) Business Performance

The overall global economy during the first three months of fiscal 2017, the year ending March 31, 2018, continued its gradual recovery, despite concerns about such factors as increased protectionism and antiforeignism by the United States and a slowdown in the Chinese economy. In the United States, personal consumption remained firm even amid lingering uncertainty about when the economic benefits of the tax cuts, infrastructure investment and other pledges by the administration would materialize. In China, growth in infrastructure investment, real estate, automobile and service sectors underpinned the economy, thereby gradually stemming the economic slowdown. In Europe, domestic demand-led growth continued, albeit at a low level, amid continued firmness in personal consumption backed mainly by an improvement in the employment situation. The Japanese economy continued a moderate recovery, due mainly to an upturn in exports on the back of a recovery in the global economy, a recovery in inbound demand and an improvement in consumer sentiment. As for exchange rates, the yen depreciated year over year, despite trading in a tight range and lacking a clear direction overall.

In the nonferrous metals industry, nickel prices remained at a low level, following a downward trend from the beginning of the year. Although copper prices were generally flat, the prices of both nickel and copper rose year over year.

In industries related to the materials business, the demand for automobile battery components continued to increase. As for components such as those for smartphones, the selling environment remained firm overall, despite signs of inventory adjustment for some components.

Under these circumstances, consolidated net sales in the first three months of fiscal 2017 increased by ¥37,436 million from the same period in the previous fiscal year to ¥214,482 million, due to increased sales of electrolytic copper, battery materials and others, in addition to the rise in major nonferrous metals prices and yen depreciation. Consolidated operating profit amounted to ¥21,766 million, a year-over-year increase of ¥13,759 million, mainly due to the rise in major nonferrous metals prices and yen depreciation. Consolidated ordinary profit increased by ¥29,717 million year over year to ¥29,988 million, owing mainly to an upturn in foreign exchange gains/losses and share of profit/loss of entities accounted for using equity method, in addition to an increase in consolidated operating profit. Loss attributable to owners of parent improved by ¥29,018 million year over year to become profit attributable to owners of parent of ¥22,082 million, mainly due to a decrease in the provision of allowance for decommissioning preparations at our domestic consolidated subsidiary, JCO Co., Ltd. in the first three months of fiscal 2017.

Operating results by segment are as follows.

1) Mineral Resources segment

Production continued steadily at the Hishikari mine. Production levels and sales volume at the Pogo gold mine declined compared to the same period in the previous fiscal year due primarily to a decline in the grade of gold ore. Production levels at the Morenci copper mine declined compared to the same period in the previous fiscal year but sales volume grew compared to the same period in the previous fiscal year. In addition, although the Company only had 15% interests held by Sumitomo Metal Mining Arizona Inc. in the Morenci copper mine in the same period in the previous fiscal year, it acquired additional interests of 13% through SMM Morenci Inc. in the second quarter of fiscal 2016, bringing the interests to 28%. Segment income increased year over year due to the rise in copper prices.

Net sales increased ¥16,441 million year over year to ¥40,051 million, and segment income increased ¥9,102 million year over year to ¥16,728 million.

2) Smelting & Refining segment

Production levels and sales volume of copper and gold increased year over year. However, production levels and sales volume of nickel (including ferronickel) declined year over year. Coral Bay Nickel Corporation and Taganito HPAL Nickel Corporation continued steady operations. The prices of nickel and copper rose year over year, and the yen depreciated year over year, resulting in an upturn in segment loss year over year to become segment income.

Net sales increased ¥25,809 million year over year to ¥152,335 million, and segment loss improved by ¥10,113 million year over year to become segment income of ¥8,513 million.

3) Materials segment

Sales volume of battery materials increased year over year as progress was made in expanded production.

Meanwhile, sales volume of crystal materials for components for smartphones declined year over year mainly due to inventory adjustments by customers. The segment as a whole showed a year-over-year increase in net sales due to strong sales of battery materials, despite the impact of withdrawal from the lead frame business. As a result, segment income increased year over year.

Net sales increased ¥2,575 million year over year to ¥43,335 million, and segment income increased ¥2,367 million year over year to ¥4,095 million.

(2) Financial Position

Total assets as of June 30, 2017 decreased ¥22,700 million from the previous fiscal year-end to ¥1,662,300 million, mainly due to decreases in securities and accounts receivable-other included in other under current assets, despite increases in cash and deposits, mining right and others.

Total liabilities decreased ¥53,700 million from the previous fiscal year-end to ¥607,200 million, due to decreases in short-term loans payable and income taxes payable and others.

Total net assets increased ¥31,000 million from the previous fiscal year-end to ¥1,055,100 million, and the equity ratio increased from 57.1% to 58.2%.

(3) Forward-Looking Information Including Forecast of Consolidated Operating Results and Other

In the business environment surrounding the SMM Group, supply and demand of copper and nickel are expected to remain in a near state of equilibrium or be in a slight supply shortage in the nonferrous metals industry. Nickel and copper prices are anticipated to recover to appropriate levels over the medium to long term as supply and demand improve. However, these prices are expected to remain at levels of the first three months of fiscal 2017 over the near term. As for industries related to the materials business, steady growth is expected in the areas of automotive applications and communications generally, despite the possibility of temporary adjustments. Turning to exchange rates, the yen is expected to remain at its current level over the near term. Interest rates are anticipated to be raised at a gradual pace for the time being in the United States and current monetary policies are expected to be maintained in Japan and it is difficult to find a clear direction.

Under these circumstances, we have revised the previous forecast for the first six months of fiscal 2017 released on May 11, 2017, revising our forecast for major nonferrous metals prices in reference to the current rates while leaving our forecast for exchange rates unchanged. As a result, net sales are expected to reach ¥424.0 billion, with operating profit of ¥43.0 billion, ordinary profit of ¥53.0 billion and profit attributable to owners of parent of ¥37.0 billion on a consolidated basis. (Reference: Segment income (loss) is adjusted with ordinary profit in the Consolidated Statement of Income.)

Forecast of consolidated operating results for the six months ending September 30, 2017 (revised)

(Millions of yen)

	Mineral Resources	Smelting & Refining	Materials	Total of the Reported Segments	Other Businesses	Adjustments	Total
Net sales	75,000	300,000	86,000	461,000	5,000	(42,000)	424,000
Segment income	27,000	17,000	7,000	51,000	0	2,000	53,000

(Reference)

Forecast of consolidated operating results for the full year ending March 31, 2018 (figures released on May 11)

(Millions of yen)

	Mineral Resources	Smelting & Refining	Materials	Total of the Reported Segments	Other Businesses	Adjustments	Total
Net sales	147,000	588,000	185,000	920,000	11,000	(76,000)	855,000
Segment income (loss)	49,000	26,000	12,000	87,000	(1,000)	4,000	90,000

As the full-year operating results forecast has not been revised, figures are shown as released on May 11, 2017.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	FY2016 (as of March 31, 2017)	First Quarter of FY2017 (as of June 30, 2017)
Assets		
Current assets		
Cash and deposits	81,317	109,705
Notes and accounts receivable-trade	103,886	112,974
Securities	89,000	76,000
Merchandise and finished goods	57,704	60,544
Work in process	96,524	96,251
Raw materials and supplies	64,307	61,837
Other	101,650	48,603
Allowance for doubtful accounts	(735)	(640)
Total current assets	593,653	565,274
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	178,251	174,362
Machinery, equipment and vehicles, net	250,708	242,810
Tools, furniture and fixtures, net	2,348	3,393
Land	26,597	26,533
Construction in progress	25,552	29,205
Total property, plant and equipment	483,456	476,303
Intangible assets		
Mining right	44,060	63,582
Other	3,530	4,138
Total intangible assets	47,590	67,720
Investments and other assets		
Investment securities	422,226	421,138
Other	138,290	132,072
Allowance for doubtful accounts	(197)	(198)
Total investments and other assets	560,319	553,012
Total non-current assets	1,091,365	1,097,035
Total assets	1,685,018	1,662,309

(Millions of yen)

	FY2016 (as of March 31, 2017)	First Quarter of FY2017 (as of June 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	47,306	42,190
Short-term loans payable	96,940	56,307
Income taxes payable	17,274	7,452
Provision for bonuses	3,435	1,710
Provision for furnace repair works	1,117	1,290
Provision for loss on business restructuring	600	540
Provision for environmental measures	232	111
Other provision	111	115
Other	43,828	54,731
Total current liabilities	210,843	164,446
Non-current liabilities		
Bonds payable	40,000	40,000
Long-term loans payable	358,564	350,531
Provision for directors' retirement benefits	23	24
Provision for loss on business restructuring	1,004	738
Allowance for decommissioning preparations	7,799	7,969
Provision for environmental measures	383	363
Other provision	80	121
Net defined benefit liability	9,118	8,930
Asset retirement obligations	8,985	8,850
Other	24,098	25,265
Total non-current liabilities	450,054	442,791
Total liabilities	660,897	607,237
Net assets		
Shareholders' equity		
Capital stock	93,242	93,242
Capital surplus	86,504	86,528
Retained earnings	718,072	736,844
Treasury shares	(32,877)	(32,886)
Total shareholders' equity	864,941	883,728
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	36,700	41,221
Deferred gains or losses on hedges	1,601	306
Foreign currency translation adjustment	57,950	42,012
Remeasurements of defined benefit plans	498	879
Total accumulated other comprehensive income	96,749	84,418
Non-controlling interests	62,431	86,926
Total net assets	1,024,121	1,055,072
Total liabilities and net assets	1,685,018	1,662,309

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(For the Three Months Ended June 30, 2016 and 2017)

(Millions of yen)

	Three Months of FY2016 (from April 1, 2016, to June 30, 2016)	Three Months of FY2017 (from April 1, 2017, to June 30, 2017)
Net sales	177,046	214,482
Cost of sales	157,756	181,102
Gross profit	19,290	33,380
Selling, general and administrative expenses		
Sales, transportation and sundry expenses	1,745	1,870
Salaries and allowances	2,840	2,584
Provision for bonuses	268	246
Retirement benefit expenses	259	218
Research and development expenses	1,350	1,311
Other	4,821	5,385
Total selling, general and administrative expenses	11,283	11,614
Operating profit	8,007	21,766
Non-operating income		
Interest income	3,188	3,383
Dividend income	1,521	1,745
Foreign exchange gains	—	423
Share of profit of entities accounted for using equity method	—	4,892
Other	355	242
Total non-operating income	5,064	10,685
Non-operating expenses		
Interest expenses	1,109	1,565
Foreign exchange losses	9,181	—
Loss on valuation of derivatives	112	254
Share of loss of entities accounted for using equity method	1,699	—
Other	699	644
Total non-operating expenses	12,800	2,463
Ordinary profit	271	29,988
Extraordinary income		
Gain on sales of non-current assets	29	13
Reversal of provision for environmental measures	—	19
Gain on sales of shares of subsidiaries and associates	—	260
Gain on step acquisitions	—	693
Total extraordinary income	29	985
Extraordinary losses		
Loss on sales of non-current assets	3	—
Loss on retirement of non-current assets	48	94
Loss on reduction of non-current assets	—	7
Loss on valuation of investment securities	3,055	—
Provision of allowance for decommissioning preparations	9,770	164
Loss on disaster	16	2
Provision for environmental measures	4	1
Loss on liquidation of subsidiaries and associates	5	—
Total extraordinary losses	12,901	268
Profit (loss) before income taxes	(12,601)	30,705
Income taxes - current	2,046	6,817
Income taxes - deferred	(5,781)	599
Total income taxes	(3,735)	7,416
Profit (loss)	(8,866)	23,289
Profit (loss) attributable to non-controlling interests	(1,930)	1,207
Profit (loss) attributable to owners of parent	(6,936)	22,082

Consolidated Statement of Comprehensive Income

(For the Three Months Ended June 30, 2016 and 2017)

(Millions of yen)

	Three Months of FY2016 (from April 1, 2016, to June 30, 2016)	Three Months of FY2017 (from April 1, 2017, to June 30, 2017)
Profit (loss)	(8,866)	23,289
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,368)	4,523
Deferred gains or losses on hedges	(416)	(1,282)
Foreign currency translation adjustment	(16,534)	(8,716)
Remeasurements of defined benefit plans, net of tax	(304)	228
Share of other comprehensive income of entities accounted for using equity method	(18,059)	(9,261)
Total other comprehensive income	(38,681)	(14,508)
Comprehensive income	(47,547)	8,781
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	(39,621)	9,753
Comprehensive income attributable to non-controlling interests	(7,926)	(972)

(3) Notes Relating to the Consolidated Financial Statements

(Note Relating to the Going Concern Assumption)
There are no pertinent items.

(Significant Changes in Shareholders' Equity)
There are no pertinent items.

(Application of Accounting Procedures Specific to Quarterly Consolidated Financial Statements)
The tax expenses for consolidated subsidiaries are calculated by multiplying profit before income taxes for the period under review by the effective tax rates on profit before income taxes for the fiscal year ending March 31, 2018 including the first quarter of fiscal 2017, that are reasonably estimated upon the adoption of tax-effect accounting.

(Segment Information)

I. Three Months Ended June 30, 2016 (from April 1, 2016, to June 30, 2016)

1. Information on Net Sales and Income (Loss) by Reported Segment

(Millions of yen)

	Mineral Resources	Smelting & Refining	Materials	Total of the Reported Segments	Other Businesses[1]	Adjustments[2]	Amounts Reported in the Consolidated Statements of Income[3]
Net sales:							
Outside customers	16,204	122,326	37,407	175,937	1,109	—	177,046
Inter-segment	7,406	4,200	3,353	14,959	1,386	(16,345)	—
Total	23,610	126,526	40,760	190,896	2,495	(16,345)	177,046
Segment income (loss)	7,626	(1,600)	1,728	7,754	251	(7,734)	271

Notes:

1. The Other Businesses segment refers to other profit-seeking business activities that are under the control of the Head Office divisions/departments other than those included in the reported segments. Other Businesses include real estate and technical engineering businesses.
2. Negative ¥7,734 million of adjustments for segment income (loss) are as follows:

(Millions of yen)

	Amount
Head Office expenses not allocated to each reported segment [a]	(182)
Interest on internal loans to be borne by each reported segment [b]	62
Eliminations of inter-segmental transactions among the reported segments	(3,425)
Non-operating income/expenses not allocated to each reported segment [c]	(4,189)
Total	(7,734)

a. The Head Office expenses not allocated to each reported segment consist mainly of expenses which are not attributable to the reported segments, and the balance resulting from the allocation of the amount corresponding to general and administrative expenses to each reported segment.

b. Interest on internal loans refers to an interest rate burden (in calculating segment income for internal administration purposes) to be borne by each business segment of the parent company, which does not financially assume interest expenses, in proportion to its internal loans as calculated in the balance sheet under management of each segment.

Interest on internal loans is obtained by multiplying the internal loans held by each segment of the parent company by “internal interest rate.”

Internal interest rate is set in view of the actual market interest rate.

The same amount as a total of the interest on internal loans reported by each segment is reported as a negative value in “Adjustments.” The interest on internal loans is offset in the total for all segments companywide. The interest on internal loans therefore has no effect on the Consolidated Financial Statements.

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

3. Segment income (loss) is adjusted with ordinary profit in the Consolidated Statement of Income.

II. Three Months Ended June 30, 2017 (from April 1, 2017, to June 30, 2017)

1. Information on Net Sales and Income (Loss) by Reported Segment

(Millions of yen)

	Mineral Resources	Smelting & Refining	Materials	Total of the Reported Segments	Other Businesses[1]	Adjustments[2]	Amounts Reported in the Consolidated Statements of Income[3]
Net sales:							
Outside customers	28,228	145,436	39,331	212,995	1,487	—	214,482
Inter-segment	11,823	6,899	4,004	22,726	1,218	(23,944)	—
Total	40,051	152,335	43,335	235,721	2,705	(23,944)	214,482
Segment income (loss)	16,728	8,513	4,095	29,336	(78)	730	29,988

Notes:

1. The Other Businesses segment refers to other profit-seeking business activities that are under the control of the Head Office divisions/departments other than those included in the reported segments. Other Businesses include real estate and technical engineering businesses.
2. ¥730 million of adjustments for segment income (loss) are as follows:

(Millions of yen)

	Amount
Head Office expenses not allocated to each reported segment [a]	(300)
Interest on internal loans to be borne by each reported segment [b]	75
Eliminations of inter-segmental transactions among the reported segments	(2,823)
Non-operating income/expenses not allocated to each reported segment [c]	3,778
Total	730

a. The Head Office expenses not allocated to each reported segment consist mainly of expenses which are not attributable to the reported segments, and the balance resulting from the allocation of the amount corresponding to general and administrative expenses to each reported segment.

b. Interest on internal loans refers to an interest rate burden (in calculating segment income for internal administration purposes) to be borne by each business segment of the parent company, which does not financially assume interest expenses, in proportion to its internal loans as calculated in the balance sheet under management of each segment.
Interest on internal loans is obtained by multiplying the internal loans held by each segment of the parent company by “internal interest rate.”
Internal interest rate is set in view of the actual market interest rate.
The same amount as a total of the interest on internal loans reported by each segment is reported as a negative value in “Adjustments.” The interest on internal loans is offset in the total for all segments companywide. The interest on internal loans therefore has no effect on the Consolidated Financial Statements.

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

3. Segment income (loss) is adjusted with ordinary profit in the Consolidated Statement of Income.

3. Supplementary Information

(1) Overseas Market Prices and Foreign Exchange Rates

	Unit	FY2017 First Three Months Results (April 1, 2017, to June 30, 2017)	FY2017 Second Quarter Forecasts (July 1, 2017, to September 30, 2017)	FY2017 First Six Months Forecasts (April 1, 2017, to September 30, 2017)	FY2017 Forecasts (April 1, 2017, to March 31, 2018)
Copper	$/t	5,663	5,600	5,632	5,800
Gold	$/TOZ	1,257.4	1,250.0	1,253.7	1,200.0
Nickel	$/lb	4.20	4.25	4.23	4.75
Exchange rate (TTM)	¥/$	111.11	110.00	110.56	110.00

(2) Sales Volume, Unit Price and Net Sales for Major Products (the Company)

Segment	Product	Unit	FY2017 First Three Months Results (April 1, 2017, to June 30, 2017)
Mineral Resources	Gold and silver ores	t	35,987
		¥1,000/DMT	228
		¥million	8,202
	(Gold content)	(kg)	(1,953)
Smelting & Refining	Copper	t	113,620
		¥1,000/t	635
		¥million	72,182
	Gold	kg	5,524
		¥/g	4,492
		¥million	24,812
	Silver	kg	56,449
		¥1,000/kg	62
		¥million	3,510
	Nickel	t	17,729
		¥1,000/t	1,128
		¥million	20,004
Materials	Advanced materials, etc.	¥million	25,052

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.

(3) Output by Product (the Company)

Product	Unit	FY2017 First Three Months Results (April 1, 2017, to June 30, 2017)
Copper	t	112,465
Gold	kg	5,587
Electrolytic nickel	t	14,548
Ferronickel	t	3,476
Gold and silver ore	t	35,359
(Gold content)	(kg)	(1,950)

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