Consolidated Financial Results for the Second Quarter Ended September 30, 2017 [J-GAAP]

November 9, 2017
[Full version of English translation released on December 6, 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 Date to Submit Quarterly Report: November 14, 2017
Scheduled Date to Start Dividend Payment: December 6, 2017
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 September 30, 2017)

(1) Consolidated Operating Results

(% figures show year-on-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2017	442,111	20.6	44,690	103.9	46,279	295.7	35,113	973.1
Six months ended September 30, 2016	366,492	-20.2	21,920	-57.4	11,696	-81.9	3,272	-93.9

(Note) Comprehensive income
Six months ended September 30, 2017: ¥25,018 million (—%);
Six months ended September 30, 2016: -¥80,332 million (—%)

	Profit per share (Basic)	Profit per share (Diluted)
	Yen	Yen
Six months ended September 30, 2017	127.32	114.48
Six months ended September 30, 2016	11.86	11.05

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

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2017	1,683,856	1,069,142	58.5
As of March 31, 2017	1,685,018	1,024,121	57.1

(Reference) Shareholders' equity
As of September 30, 2017: ¥985,084 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	—	17.00			
Year ending March 31, 2018 (Forecast)			—	40.00	—

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

The Company carried out a consolidation of share at the ratio of 2 shares to 1 share on October 1, 2017. As the second quarter-end dividend for the fiscal year ending March 31, 2018 will be paid based on the number of shares prior to the consolidation of share, the dividend per share is shown in the amount prior to the consolidation of share. The year-end dividend per share (forecast) for the fiscal year ending March 31, 2018 is shown in the amount based on the said consolidation of share and the full-year dividend is shown as "—". If the consolidation of share had not been carried out, the dividend forecast for the fiscal year ending March 31, 2018 would be a year-end dividend of ¥20 per share and a full-year dividend of ¥37 per share. For further 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)

(% figures show year-on-year change)

	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
Full year	903,000	14.9	89,000	16.5	97,000	—	68,000	—	246.56

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

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 carried out a consolidation of share at the ratio of 2 shares to 1 share on 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 further 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 12.

(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)
   290,814,015 shares at September 30, 2017
   290,814,015 shares at March 31, 2017
2) Number of shares of treasury stock as of end of period
   15,028,076 shares at September 30, 2017
   15,015,043 shares at March 31, 2017
3) Average number of shares during the period
   275,792,984 shares for six months ended September 30, 2017
   275,813,972 shares for six months ended September 30, 2016

(Note) The Company carried out a consolidation of share at the ratio of 2 shares to 1 share on October 1, 2017. Accordingly, the number of shares issued as of end of period, the number of shares of treasury stock as of end of period, and the average number of shares during the period have been calculated on the assumption that the said consolidation of share was carried out at the beginning of the previous fiscal year.

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

(Caution Regarding Forward-Looking Statements)

The forecast of consolidated operating results for the year ending March 31, 2018, 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)

The Company carried out a consolidation of share, which was approved and resolved at the 92nd Ordinary General Meeting of Shareholders held on June 27, 2017, at the ratio of 2 shares to 1 share on October 1, 2017. If the consolidation of share had not been carried out, the dividend forecast and the forecast for consolidated operating results for the fiscal year ending March 31, 2018 would be 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: ¥20.00 per share (Note 2)
2. Forecast for consolidated operating results for the fiscal year ending March 31, 2018
   Second quarter (cumulative) profit per share: ¥63.66
   Full-year profit per share: ¥123.28

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 ¥37.00 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 Thursday, November 9, 2017.

Contents of the Attachment

1. Qualitative Information on Quarterly Financial Results

(1) Business Performance

The overall global economy during the first six months of fiscal 2017, the year ending March 31, 2018, continued on a trend towards recovery without any significant slowdowns, despite the increasing geopolitical risk surrounding North Korea, in addition to concerns regarding slowdown in the Chinese economy. In the United States, personal consumption remained firm, despite lingering uncertainty over economic policies and the temporary negative impact of the hurricanes on the economy. In China, growth in infrastructure investment, real estate, automobile and service sectors underpinned the economy, thereby providing a respite from the economic slowdown. In Europe, domestic demand-led growth was steady 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 and inbound demand. As for exchange rates, the yen depreciated compared to the same period in the previous fiscal year, when the yen quickly appreciated due to the effects of the UK's exit from the EU.

In the nonferrous metals industry, both nickel and copper prices began an upward trend and rose year over year, as concerns eased over the slowdown in the Chinese economy.

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 six months of fiscal 2017 increased by ¥75,619 million from the same period in the previous fiscal year to ¥442,111 million, due to increased sales of gold, battery materials and others, in addition to the rise in major nonferrous metals prices and yen depreciation. Consolidated operating profit amounted to ¥44,690 million, a year-over-year increase of ¥22,770 million, mainly due to an increase in net sales. Consolidated ordinary profit increased by ¥34,583 million year over year to ¥46,279 million, owing mainly to an upturn in foreign exchange gains/losses, in addition to an increase in consolidated operating profit. Profit attributable to owners of parent increased by ¥31,841 million year over year to ¥35,113 million, due to a decrease in the provision of allowance for decommissioning preparations at our domestic consolidated subsidiary, JCO Co., Ltd., despite an increase in income taxes, in the first six months of fiscal 2017.

Operating results by segment are as follows.

1) Mineral Resources segment

Production continued steadily at the Hishikari mine as planned. 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 and sales volume at the Morenci copper mine declined compared to the same period in the previous fiscal year due primarily to a decline in the grade of copper ore. The Company acquired additional interests of 13% in the Morenci copper mine at the end of May 2016. Consequently, for the same period in the previous fiscal year, only one-month's worth of segment net sales and income, corresponding to the said acquired interests is reported. Regarding Sociedad Minera Cerro Verde S.A.A., an equity-method affiliate of the Company, despite the reporting of royalties levied on mining companies for prior years, segment income increased year over year, mainly due to a rise in copper prices and the additional acquisition of interests in the Morenci copper mine.

Net sales increased ¥19,041 million year over year to ¥73,234 million, and segment income increased ¥5,342 million year over year to ¥17,613 million.

2) Smelting & Refining segment

Production levels and sales volume of gold increased year over year. However, production levels and sales volume of nickel (including ferronickel) and copper declined year over year. Coral Bay Nickel Corporation and Taganito HPAL Nickel Corporation continued steady operations. Segment income increased year over year, mainly due to yen depreciation compared to the same period in the previous fiscal year.

Net sales increased ¥57,934 million year over year to ¥319,531 million, and segment income increased ¥14,566 million year over year to ¥18,158 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 significantly 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 ¥3,039 million year over year to ¥87,138 million, and segment income increased ¥2,841 million year over year to ¥6,530 million.

(2) Financial Position

1) Status of financial position

Total assets as of September 30, 2017 decreased ¥1,200 million from the previous fiscal year-end to ¥1,683,900 million, mainly due to decreases in securities, accounts receivable-other included in other under current assets and long-term loans receivable included in investments and other assets, despite increases in cash and deposits, notes and accounts receivable-trade, mining right and others.

Total liabilities decreased ¥46,200 million from the previous fiscal year-end to ¥614,700 million, due to decreases in short-term loans payable, long-term loans payable and others.

Total net assets increased ¥45,000 million from the previous fiscal year-end to ¥1,069,100 million, and the equity ratio increased from 57.1% to 58.5%.

2) Status of cash flows

The cash and cash equivalents at the end of the period under review increased ¥761 million from the previous fiscal year-end to ¥171,054 million.

Status of cash flows and their major factors during the period under review are as follows.

Cash flows from operating activities

Net cash provided by operating activities decreased ¥14,123 million year over year to ¥28,958 million, mainly due to a year-over-year increase in profit before income taxes, despite increases in notes and accounts receivable-trade and income taxes paid.

Cash flows from investing activities

Net cash provided by investing activities amounted to ¥4,584 million compared with ¥183,834 million in net cash used for the same period in the previous fiscal year, mainly due to proceeds from sales of investment securities and proceeds from sales of loans receivables, despite purchase of property, plant and equipment and payments for the acquisition of interests in the Côté Gold Project.

Cash flows from financing activities

Net cash used in financing activities was ¥29,863 million compared with ¥85,486 million in net cash provided for the same period in the previous fiscal year, mainly due to an increase in repayments of short-term loans payable, despite proceeds from share issuance to non-controlling shareholders.

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

In the business environment surrounding the SMM Group, supply and demand of nickel and copper 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 recovering to levels commensurate with the improvement in supply and demand. However, a further rise in prices is not expected. 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, as current monetary policies will be maintained in Japan for the time being, while interest rates are expected to be raised at a gradual pace in the United States.

Under these circumstances, we have revised the previous forecast for the full year ending March 31, 2018 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 ¥903.0 billion, with operating profit of ¥89.0 billion, ordinary profit of ¥97.0 billion and profit attributable to owners of parent of ¥68.0 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 full year ending March 31, 2018 (revised)

(Millions of yen)

	Mineral Resources	Smelting & Refining	Materials	Total of the Reported Segments	Other Businesses	Adjustments	Total
Net sales	155,000	630,000	190,000	975,000	10,000	(82,000)	903,000
Segment income	52,000	32,000	11,000	95,000	(1,000)	3,000	97,000

(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	49,000	26,000	12,000	87,000	(1,000)	4,000	90,000

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	FY2016 (as of March 31, 2017)	Second Quarter of FY2017 (as of September 30, 2017)
Assets		
Current assets		
Cash and deposits	81,317	115,524
Notes and accounts receivable-trade	103,886	136,229
Securities	89,000	72,000
Merchandise and finished goods	57,704	67,824
Work in process	96,524	100,855
Raw materials and supplies	64,307	57,000
Other	101,650	48,559
Allowance for doubtful accounts	(735)	(640)
Total current assets	593,653	597,351
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	178,251	172,309
Machinery, equipment and vehicles, net	250,708	240,395
Tools, furniture and fixtures, net	2,348	3,339
Land	26,597	26,496
Construction in progress	25,552	36,427
Total property, plant and equipment	483,456	478,966
Intangible assets		
Mining right	44,060	62,545
Other	3,530	4,028
Total intangible assets	47,590	66,573
Investments and other assets		
Investment securities	422,226	417,962
Other	138,290	123,197
Allowance for doubtful accounts	(197)	(193)
Total investments and other assets	560,319	540,966
Total non-current assets	1,091,365	1,086,505
Total assets	1,685,018	1,683,856

(Millions of yen)

	FY2016 (as of March 31, 2017)	Second Quarter of FY2017 (as of September 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	47,306	48,460
Short-term loans payable	96,940	55,757
Current portion of bonds	—	30,000
Income taxes payable	17,274	10,094
Provision for bonuses	3,435	3,433
Provision for furnace repair works	1,117	1,384
Provision for loss on business restructuring	600	441
Provision for environmental measures	232	6
Other provision	111	139
Other	43,828	56,823
Total current liabilities	210,843	206,537
Non-current liabilities		
Bonds payable	40,000	10,000
Long-term loans payable	358,564	344,431
Provision for directors’ retirement benefits	23	26
Provision for loss on business restructuring	1,004	737
Allowance for decommissioning preparations	7,799	8,335
Provision for environmental measures	383	364
Other provision	80	126
Net defined benefit liability	9,118	8,913
Asset retirement obligations	8,985	8,988
Other	24,098	26,257
Total non-current liabilities	450,054	408,177
Total liabilities	660,897	614,714
Net assets		
Shareholders’ equity		
Capital stock	93,242	93,242
Capital surplus	86,504	86,528
Retained earnings	718,072	749,875
Treasury shares	(32,877)	(32,920)
Total shareholders’ equity	864,941	896,725
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	36,700	43,488
Deferred gains or losses on hedges	1,601	886
Foreign currency translation adjustment	57,950	42,999
Remeasurements of defined benefit plans	498	986
Total accumulated other comprehensive income	96,749	88,359
Non-controlling interests	62,431	84,058
Total net assets	1,024,121	1,069,142
Total liabilities and net assets	1,685,018	1,683,856

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(For the Six Months Ended September 30, 2016 and 2017)

(Millions of yen)

	Six Months of FY2016 (from April 1, 2016, to September 30, 2016)	Six Months of FY2017 (from April 1, 2017, to September 30, 2017)
Net sales	366,492	442,111
Cost of sales	322,064	374,863
Gross profit	44,428	67,248
Selling, general and administrative expenses		
Sales, transportation and sundry expenses	3,870	3,885
Salaries and allowances	5,559	5,126
Provision for bonuses	512	500
Retirement benefit expenses	545	463
Provision for directors' retirement benefits	1	2
Research and development expenses	2,831	2,616
Other	9,190	9,966
Total selling, general and administrative expenses	22,508	22,558
Operating profit	21,920	44,690
Non-operating income		
Interest income	6,387	6,675
Dividend income	1,545	1,794
Foreign exchange gains	—	672
Other	1,181	733
Total non-operating income	9,113	9,874
Non-operating expenses		
Interest expenses	2,281	3,347
Foreign exchange losses	10,968	—
Loss on valuation of derivatives	56	985
Share of loss of entities accounted for using equity method	4,085	2,667
Other	1,947	1,286
Total non-operating expenses	19,337	8,285
Ordinary profit	11,696	46,279
Extraordinary income		
Gain on sales of non-current assets	77	14
Gain on sales of investment securities	—	32
Reversal of provision for environmental measures	—	14
Gain on sales of shares of subsidiaries and associates	—	95
Gain on step acquisitions	—	693
Gain on liquidation of subsidiaries and associates	190	—
Total extraordinary income	267	848
Extraordinary losses		
Loss on sales of non-current assets	5	22
Loss on retirement of non-current assets	113	242
Loss on reduction of non-current assets	—	10
Provision of allowance for decommissioning preparations	9,611	483
Provision for environmental measures	7	2
Provision for loss on business restructuring	—	32
Loss on disaster	52	20
Loss on liquidation of subsidiaries and associates	5	—
Total extraordinary losses	9,793	811

(Millions of yen)

	Six Months of FY2016 (from April 1, 2016, to September 30, 2016)	Six Months of FY2017 (from April 1, 2017, to September 30, 2017)
Profit before income taxes	2,170	46,316
Income taxes - current	4,323	10,725
Income taxes - deferred	(3,212)	226
Total income taxes	1,111	10,951
Profit	1,059	35,365
Profit (loss) attributable to non-controlling interests	(2,213)	252
Profit attributable to owners of parent	3,272	35,113

Consolidated Statement of Comprehensive Income

(For the Six Months Ended September 30, 2016 and 2017)

(Millions of yen)

	Six Months of FY2016 (from April 1, 2016, to September 30, 2016)	Six Months of FY2017 (from April 1, 2017, to September 30, 2017)
Profit	1,059	35,365
Other comprehensive income		
Valuation difference on available-for-sale securities	1,283	6,790
Deferred gains or losses on hedges	(436)	(790)
Foreign currency translation adjustment	(40,338)	(8,240)
Remeasurements of defined benefit plans, net of tax	112	458
Share of other comprehensive income of entities accounted for using equity method	(42,012)	(8,565)
Total other comprehensive income	(81,391)	(10,347)
Comprehensive income	(80,332)	25,018
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	(66,633)	26,723
Comprehensive income attributable to non-controlling interests	(13,699)	(1,705)

(3) Consolidated Statement of Cash Flows

(Millions of yen)

	Six Months of FY2016 (from April 1, 2016, to September 30, 2016)	Six Months of FY2017 (from April 1, 2017, to September 30, 2017)
Cash flows from operating activities		
Profit before income taxes	2,170	46,316
Depreciation	21,004	23,017
Loss (gain) on sales of non-current assets	(72)	8
Loss on retirement of non-current assets	113	242
Loss on reduction of non-current assets	—	10
Loss (gain) on sales of investment securities	—	(32)
Loss (gain) on sales of shares of subsidiaries and associates	—	(95)
Loss (gain) on liquidation of subsidiaries and associates	(190)	—
Loss (gain) on step acquisitions	—	(693)
Loss (gain) on valuation of derivatives	56	985
Increase (decrease) in allowance for doubtful accounts	16	(99)
Increase (decrease) in provision for bonuses	(63)	62
Increase (decrease) in provision for furnace repair works	439	267
Increase (decrease) in provision for directors' retirement benefits	3	3
Increase (decrease) in provision for loss on business restructuring	(207)	(426)
Increase (decrease) in allowance for decommissioning preparations	9,611	536
Increase (decrease) in provision for environmental measures	(33)	(245)
Increase (decrease) in other provision	(128)	74
Increase (decrease) in net defined benefit liability	782	493
Interest and dividend income	(7,932)	(8,469)
Interest expenses	2,281	3,347
Foreign exchange losses (gains)	9,202	(392)
Share of (profit) loss of entities accounted for using equity method	4,085	2,667
Suspended business management expense	275	327
Loss on disaster	52	20
Loss on liquidation of subsidiaries and associates	5	—
Decrease (increase) in notes and accounts receivable-trade	4,020	(32,846)
Decrease (increase) in inventories	(2,530)	(6,778)
Increase (decrease) in notes and accounts payable-trade	40	(983)
Increase (decrease) in accrued consumption taxes	(7,007)	4,179
Other, net	9,250	7,396
Subtotal	45,242	38,891
Interest and dividend income received	4,995	11,813
Interest expenses paid	(2,068)	(3,300)
Suspended business management expense paid	(275)	(327)
Disaster recovery expense paid	(52)	(20)
Income taxes paid	(6,537)	(18,109)
Income taxes refund	1,776	10
Net cash provided by (used in) operating activities	43,081	28,958

(Millions of yen)

	Six Months of FY2016 (from April 1, 2016, to September 30, 2016)	Six Months of FY2017 (from April 1, 2017, to September 30, 2017)
Cash flows from investing activities		
Net decrease (increase) in short-term investment securities	(39,500)	—
Purchase of property, plant and equipment	(33,910)	(16,881)
Proceeds from sales of property, plant and equipment	473	70
Purchase of intangible assets	(462)	(212)
Purchase of investment securities	—	(503)
Proceeds from sales of investment securities	—	15,356
Purchase of shares of subsidiaries and associates	(5,613)	(5,470)
Payments into time deposits	(808)	(16,401)
Payments of short-term loans receivable	(19)	(5)
Collection of short-term loans receivable	8,135	146
Payments of long-term loans receivable	(165)	(31)
Collection of long-term loans receivable	78	15,254
Proceeds from sales of loans receivable	—	24,437
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	1,165
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	(1,219)
Payments for acquisition of interests	(112,043)	(11,122)
Net cash provided by (used in) investing activities	(183,834)	4,584
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(7,859)	(39,719)
Proceeds from long-term loans payable	116,201	—
Repayments of long-term loans payable	(7,441)	(8,500)
Redemption of bonds	(10,000)	—
Proceeds from share issuance to non-controlling shareholders	1,131	23,925
Decrease (increase) in treasury shares	(14)	(43)
Purchase of treasury shares of subsidiaries	—	(8)
Cash dividends paid	(5,516)	(3,310)
Dividends paid to non-controlling interests	(1,016)	(2,208)
Net cash provided by (used in) financing activities	85,486	(29,863)
Effect of exchange rate change on cash and cash equivalents	(2,550)	(2,918)
Net increase (decrease) in cash and cash equivalents	(57,817)	761
Cash and cash equivalents at beginning of period	197,825	170,293
Cash and cash equivalents at end of period	140,008	171,054

(4) 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 second quarter of fiscal 2017, that are reasonably estimated upon the adoption of tax-effect accounting.

(Additional Information)
(Reporting of Royalties by Sociedad Minera Cerro Verde S.A.A.)
Sociedad Minera Cerro Verde S.A.A. ("Cerro Verde"), an equity-method affiliate of the Company, had been making tax payments, assuming exemption from royalties levied on mining companies (enacted 2004), based on a tax rate stabilization agreement with the Peruvian government (valid from 1999 to 2013). However, Cerro Verde was given notice by Peruvian tax authorities to the effect that said agreement did not apply to the copper mine development project (commenced in 2006), and was demanded payment for the amount corresponding to prior royalties (from 2006 to 2008) and interest on overdue royalties.

Although Cerro Verde made appeals to Peruvian government agencies claiming the validity of the agreement, in October 2017, the Supreme Court of Peru rejected Cerro Verde's claims for exemption regarding the payment of royalties for 2008. Subsequently, Cerro Verde received notification of judgment to the effect that the decision by the Peruvian tax authorities was valid.

In light of this decision, Cerro Verde reported a total of U.S. $377 million for royalties, penalties and interest on overdue royalties, which it had been disputing with the Peruvian tax authorities through judicial bodies for the period from December 2006 to 2008, as well as royalties and other payments for the period from 2009 to 2013, which had similarly been disputed. Consequently, the Company reported ¥8,895 million (approximately U.S.$79 million), which is equivalent to its interests, as share of loss of entities accounted for using equity method in the first six months of fiscal 2017.

(Segment Information)

I. Six Months Ended September 30, 2016 (from April 1, 2016, to September 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	34,271	252,782	77,401	364,454	2,038	—	366,492
Inter-segment	19,922	8,815	6,698	35,435	2,462	(37,897)	—
Total	54,193	261,597	84,099	399,889	4,500	(37,897)	366,492
Segment income	12,271	3,592	3,689	19,552	293	(8,149)	11,696

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 ¥8,149 million of adjustments for segment income are as follows:

(Millions of yen)

	Amount
Head Office expenses not allocated to each reported segment [a]	(331)
Interest on internal loans to be borne by each reported segment [b]	123
Eliminations of inter-segmental transactions among the reported segments	(3,182)
Non-operating income/expenses not allocated to each reported segment [c]	(4,759)
Total	(8,149)

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 is adjusted with ordinary profit in the Consolidated Statement of Income.

II. Six Months Ended September 30, 2017 (from April 1, 2017, to September 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	54,940	305,145	79,163	439,248	2,863	—	442,111
Inter-segment	18,294	14,386	7,975	40,655	2,303	(42,958)	—
Total	73,234	319,531	87,138	479,903	5,166	(42,958)	442,111
Segment income	17,613	18,158	6,530	42,301	68	3,910	46,279

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. ¥3,910 million of adjustments for segment income are as follows:

(Millions of yen)

	Amount
Head Office expenses not allocated to each reported segment [a]	(796)
Interest on internal loans to be borne by each reported segment [b]	173
Eliminations of inter-segmental transactions among the reported segments	(447)
Non-operating income/expenses not allocated to each reported segment [c]	4,980
Total	3,910

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 is adjusted with ordinary profit in the Consolidated Statement of Income.

(Significant Subsequent Event)

(Consolidation of Shares and Change in the Number of Shares Constituting One Unit)

At the 92nd Ordinary General Meeting of Shareholders held on June 27, 2017, it was approved and resolved that the Company would carry out the consolidation of share at the ratio of 2 shares to 1 share effective October 1, 2017, and further that the total number of authorized shares would be changed from 1,000,000,000 shares to 500,000,000 shares. Accordingly, on October 1, 2017, the total number of authorized shares was changed to 500,000,000 shares and the number of shares constituting one unit was changed from 1,000 shares to 100 shares on the same date.

The impact of this change on per share information is stated in the Summary Information at the beginning of this document.

(Withdrawal from a Significant Business)

The Company, at its Board meeting held on November 9, 2017, resolved that its consolidated subsidiary, Taihei Metal Industry Co., Ltd. would withdraw from its business including the manufacture and sale of special alloy cast products.

1. Reason for the withdrawal

   Since the global financial crisis after the bankruptcy of Lehman Brothers in September 2008, investment in plant construction and other facilities has declined and Taihei Metal Industry Co., Ltd. has experienced great decline in both order quantity and contract amount. Furthermore, competition with cheaper products from overseas has intensified and the domestic environment surrounding the steel casting industry has become exceedingly harsh, meaning that future profit improvement and growth are not expected to be likely. Consequently, the decision has been made to withdraw from the business by around the end of June 2018.

2. Details and size of the business from which the Company will withdraw

   Business details: Design, manufacture, assembly, and sale of special alloy cast products, etc.
   Size of business: ¥2,000 million in net sales for the fiscal year ended March 31, 2017

3. Timing of withdrawal

   Upon withdrawing from its business in the design, manufacture, assembly, and sale of special alloy cast products by around the end of June 2018, Taihei Metal Industry Co., Ltd. plans to perform dismantling work for its facilities, and a decision to dissolve the businesses will be made in fiscal 2019.

4. Significant impact of the withdrawal on operating activities

   The Company expects the losses associated with this withdrawal for the current fiscal year to be approximately ¥3,000 million. However, this amount currently remains unconfirmed and details will be reviewed in the future.

3. Supplementary Information

(1) Overseas Market Prices and Foreign Exchange Rates

		A	B	(A+B/2)	C	A-C
	Unit	FY2017 First Six Months Results (April 1, 2017, to September 30, 2017)	FY2017 Third and Fourth Quarters Forecasts (October 1, 2017, to March 31, 2018)	FY2017 Forecasts (April 1, 2017, to March 31, 2018)	FY2016 First Six Months Results (April 1, 2016, to September 30, 2016)	Year-Over-Year Increase (Decrease)
Copper	$/t	6,005	6,300	6,153	4,752	1,253
Gold	$/TOZ	1,267.7	1,250.0	1,258.9	1,296.8	-29.1
Nickel	$/lb	4.49	4.75	4.62	4.33	0.16
Exchange rate (TTM)	¥/$	111.08	110.00	110.54	105.31	5.77

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

Segment	Product	Unit	FY2017 First Six Months Results (April 1, 2017, to September 30, 2017)	FY2017 Forecasts (April 1, 2017, to March 31, 2018)
Mineral Resources	Gold and silver ores	t	71,254	135,447
		¥1,000/DMT	173	183
		¥million	12,316	24,803
	(Gold content)	(kg)	(2,944)	(6,000)
Smelting & Refining	Copper	t	229,099	451,507
		¥1,000/t	680	689
		¥million	155,734	311,218
	Gold	kg	11,098	21,196
		¥/g	4,528	4,478
		¥million	50,255	94,913
	Silver	kg	111,445	212,839
		¥1,000/kg	61	61
		¥million	6,829	12,960
	Nickel	t	38,280	76,298
		¥1,000/t	1,144	1,178
		¥million	43,800	89,846
Materials	Advanced materials, etc.	¥million	50,059	114,623

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 Six Months Results (April 1, 2017, to September 30, 2017)
Copper	t	223,824
Gold	kg	10,922
Electrolytic nickel	t	30,967
Ferronickel	t	6,285
Gold and silver ore	t	76,148
(Gold content)	(kg)	(3,154)

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