Consolidated Financial Results for the First Quarter Ended June 30, 2018 [IFRS]

August 8, 2018
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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 13, 2018
Scheduled Date to Start Dividend Payment: —
Preparation of Supplementary Explanation Materials for Quarterly Financial Results: Yes
Briefing on Quarterly Account Settlement: Yes (for institutional investors)

(Amounts less than one million yen are rounded off)

1. Consolidated Financial Results (From April 1, 2018, to June 30, 2018)

(1) Consolidated Operating Results

(% figures show year-on-year change)

	Net sales		Profit before tax		Profit		Profit attributable to owners of parent		Total Comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2018	241,980	14.5	37,865	17.1	32,646	32.9	28,910	24.1	12,774	9.8
Three months ended June 30, 2017	211,407	—	32,336	—	24,573	—	23,303	—	11,636	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2018	105.21	105.21
Three months ended June 30, 2017	84.49	75.90

(Note) The Company carried out a consolidation of share at the ratio of 2 shares to 1 share on October 1, 2017. Basic earnings per share and diluted earnings per share 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	Total equity	Equity attributable to owners of parent	Equity attributable to owners of parent ratio
	Millions of yen	Millions of yen	Millions of yen	%
As of June 30, 2018	1,706,073	1,109,691	1,021,416	59.9
As of March 31, 2018	1,732,333	1,113,349	1,029,385	59.4

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, 2018	—	17.00	—	66.00	—
Year ending March 31, 2019	—				
Year ending March 31, 2019 (Forecast)		51.00	—	52.00	103.00

(Note) Revision of dividend forecast that has been disclosed lastly: No

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 ended March 31, 2018 was 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 for the fiscal year ended March 31, 2018 is shown in the amount based on the said consolidation of share and the full-year dividend is shown as "—". The full-year dividend per share calculated on a post-consolidation of share basis is ¥100 for the year ended March 31, 2018.

3. Forecast of Consolidated Operating Results for the Year Ending March 31, 2019 (From April 1, 2018, to March 31, 2019)

(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		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Second quarter (cumulative)	477,000	8.3	64,000	31.7	51,000	59.0	185.59
Full year	930,000	0.0	121,000	11.7	94,000	4.2	342.07

(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, 2018, has been revised. However, the forecast for the full year remains unchanged from the one announced on May 10, 2018. 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 5.

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

1) Changes in accounting policies required by IFRS: None

2) Changes in accounting policies other than item 1) above: None

3) Change in accounting estimates: None

(3) Number of Outstanding Shares (Common stock)

1) Number of shares issued as of end of period (including treasury stock)

290,814,015 shares at June 30, 2018

290,814,015 shares at March 31, 2018

2) Number of shares of treasury stock as of end of period

16,021,811 shares at June 30, 2018

16,020,099 shares at March 31, 2018

3) Average number of shares during the period

274,792,699 shares for three months ended June 30, 2018

275,796,610 shares for three months ended June 30, 2017

(Note) The Company carried out a consolidation of share at the ratio of 2 shares to 1 share on October 1, 2017. The number of shares issued as of end of period, number of shares of treasury stock as of end of period and 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 by certified public accountants or audit corporations.

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 six months ending September 30, 2018, disclosed on May 10, 2018, 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.

(Supplementary Explanation Materials for Financial Results for the Period)
The Supplementary Explanation Materials will be posted on the Company's website on Wednesday, August 8, 2018.

(Application of International Financial Reporting Standards (IFRS))
The SMM Group has voluntarily applied International Financial Reporting Standards (hereinafter, "IFRS") from the three months ended June 30, 2018. In addition, financial figures for the same period in the previous fiscal year and for the previous fiscal year are shown in accordance with IFRS.

Contents of the Attachment

1. Qualitative Information on Quarterly Financial Results

The Sumitomo Metal Mining Group (hereinafter the "SMM Group") adopts International Financial Reporting Standards (IFRS) from the first three months of the fiscal year ending March 31, 2019. Accordingly, financial figures for the first three months of the previous fiscal year and those for the previous fiscal year are also presented in accordance with IFRS for year-on-year comparative analysis.

For information about the differences in financial figures between IFRS and Japanese accounting standards, please see "2. Condensed Quarterly Consolidated Financial Statements and Primary Notes, (5) Notes Relating to the Condensed Quarterly Consolidated Financial Statements (First-time Adoption)" on page 23 of the Attachment.

(1) Business Performance

(Millions of yen)

	Net sales	Profit before tax	Profit attributable to owners of parent
Three months ended June 30, 2018	241,980	37,865	28,910
Three months ended June 30, 2017	211,407	32,336	23,303
Increase/decrease [Rate of change: %]	30,573 [14.5]	5,529 [17.1]	5,607 [24.1]

(Overseas market prices and foreign exchange rates)

	Unit	Three months ended June 30, 2017	Three months ended June 30, 2018	Increase/decrease
Copper	$/t	5,663	6,872	1,209
Gold	$/TOZ	1,257.4	1,306.6	49.2
Nickel	$/lb	4.20	6.56	2.36
Exchange rate (TTM)	¥/$	111.11	109.08	-2.03

The global economy during the first three months of fiscal 2018, the year ending March 31, 2019, generally continued to grow stably in each region, driven by the strong United States economy.

As for exchange rates, the yen depreciated while the dollar appreciated overall from the beginning of fiscal 2018, amid such factors as an interest rate differential between Japan and the United States. However, the average exchange rate showed that the dollar depreciated year on year while the yen appreciated, as an increased posture of market risk avoidance, due to such factors as international trade friction due to the United States government's protectionist trade policies, which halted further depreciation of the yen and appreciation of the dollar.

In the nonferrous metals industry, prices of copper and nickel were generally on an upward trend, and both rose year over year despite a drop in gold prices.

In industries related to the Materials business, demand for automobile battery components continued to increase. Although the growth of the smartphone market is slowing due to increased adoption and maturation of the market, the selling environment for components for smartphones continued to grow, despite some trends toward inventory adjustment.

Under these circumstances, consolidated net sales in the first three months of fiscal 2018 increased by ¥30,573 million from the same period of the previous fiscal year to ¥241,980 million, mainly due to increases in prices for major nonferrous metals, and increased sales of battery materials.

Consolidated profit before tax increased by ¥5,529 million from the same period of the previous fiscal year to ¥37,865 million, due mainly to increased earnings and increased finance income.

Profit attributable to owners of parent increased by ¥5,607 million from the same period of the previous fiscal year to ¥28,910 million, due to increased profit before tax and decreased income tax expense due to such factors as the tax cut in the United States.

Operating results by segment are as follows.

(Mineral Resources segment) (Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018	Increase/decrease	Rate of change (%)
Net sales	38,599	37,787	-812	-2.1
Segment income	17,486	15,244	-2,242	-12.8

Segment income decreased from the same period of the previous fiscal year despite an increase in copper prices, due to such factors as reduced production caused by drops in the grade of gold and copper in ore.

The statuses of our main mines are as follows.

Mining operations at the Hishikari mine remained steady in line with the planned annual sales amount of 6 t, and sales volume of gold was 1.5 t.

Production levels at the Pogo gold mine (United States) (of which the Company holds an 85% interest) were nearly unchanged from the same period of the previous fiscal year at 2.0 t.

Production levels at the Morenci copper mine (United States) (of which the Company holds a 25% interest, excluding non-controlling interest) fell from the same period of the previous fiscal year to 106,000 t, due mainly to a drop in the grade of copper ore.

Production levels at the Cerro Verde copper mine (Peru) (of which the Company holds a 21% interest) fell from the same period of the previous fiscal year to 111,000 t, due mainly to a temporary decline in copper recovery rates.

Production levels at the Sierra Gorda copper mine (Chile) (of which the Company holds a 31.5% interest, excluding non-controlling interest) fell from the same period of the previous fiscal year to 22,000 t despite a planned yearly level exceeding that of the previous fiscal year, due mainly to a temporary drop in the grade of ore.

(Smelting & Refining segment)

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018	Increase/decrease	Rate of change (%)
Net sales	149,321	169,420	20,099	13.5
Segment income	8,894	16,267	7,373	82.9

(Output by the Company's major product)

Product	Unit	Three months ended June 30, 2017	Three months ended June 30, 2018	Increase/decrease
Copper	t	112,465	115,999	3,534
Gold	kg	5,587	5,561	-26
Electrolytic nickel	t	14,548	13,759	-789
Ferronickel	t	3,476	3,498	22

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

Segment income grew compared to the same period of the previous fiscal year, due mainly to the rise in nonferrous metal prices.

Production levels and sales volume of copper increased from the same period of the previous fiscal year. However, production levels and sales volume of electrolytic nickel declined from the same period of the previous fiscal year.

Production levels at Coral Bay Nickel Corporation remained mostly the same compared to the same period of the previous fiscal year, but production levels at Taganito HPAL Nickel Corporation declined from the same period of the previous fiscal year, due mainly to equipment problems.

(Materials segment)

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018	Increase/decrease	Rate of change (%)
Net sales	43,154	54,241	11,087	25.7
Segment income	4,841	6,572	1,731	35.8

Segment income increased from the same period of the previous fiscal year due mainly to strong sales of battery materials against a backdrop of increased demand for automotive batteries, although customer inventory adjustments of crystal materials have become prolonged.

(2) Financial Position

1) Financial Position

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018	Increase/decrease
Total assets	1,732,333	1,706,073	-26,260
Total liabilities	618,984	596,382	-22,602
Total Equity	1,113,349	1,109,691	-3,658

Total assets as of June 30, 2018 decreased from those as of March 31, 2018. The main changes are described below.

Cash and cash equivalents and other financial assets decreased. Additionally, investments accounted for using equity method decreased due mainly to the decrease in exchange differences on translation related to overseas entities accounted for using equity method owing to the appreciation of the yen.

Total liabilities as of June 30, 2018 decreased from those as of March 31, 2018. The main changes are described below.

Borrowings decreased for both current liabilities and non-current liabilities. Additionally, trade and other payables decreased due to payments made.

Total equity as of June 30, 2018 decreased from those as of March 31, 2018, due mainly to the decrease in exchange differences on foreign operations owing to the appreciation of the yen.

2) Cash Flows

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018	Increase/decrease
Net cash provided by operating activities	19,860	25,292	5,432
Net cash provided by (used in) investing activities	9,928	(9,969)	-19,897
Net cash used in financing activities	(21,035)	(24,488)	-3,453
Effect of exchange rate change on cash and cash equivalents	(1,632)	(1,085)	547
Cash and cash equivalents at beginning of period	172,907	137,330	-35,577
Cash and cash equivalents at end of period	180,028	127,080	-52,948

Net cash provided by operating activities during the first three months of fiscal 2018 increased year over year, despite increased trade and other receivables and inventories, due mainly to increased profit before tax and decreased income taxes paid.

Net cash from investing activities was negative (it was positive in the same period of the previous fiscal year), due mainly to the lack of the large income from collection of long-term loans receivable and proceeds from sales of investment securities that was recorded in the same period of the previous fiscal year, and the increase in purchase of property, plant and equipment.

Net cash used in financing activities increased from the same period of the previous fiscal year, due to the large increase in cash dividends paid.

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

(Overseas market prices and foreign exchange rates)

	Unit	FY2018 First Quarter Results (April 1, 2018 to June 30, 2018)	FY2018 Second Quarter Forecasts (July 1, 2018 to September 30, 2018)	FY2018 First Six Months Forecasts (April 1, 2018 to September 30, 2018)	FY 2018 Forecasts (April 1, 2018 to March 31, 2019)
Copper	$/t	6,872	6,500	6,686	6,500
Gold	$/TOZ	1,306.6	1,200.0	1,253.3	1,300.0
Nickel	$/lb	6.56	6.00	6.28	6.00
Exchange rate (TTM)	¥/$	109.08	110.00	109.54	105.00

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 face a slight supply shortage in the nonferrous metals industry. In either case, nickel and copper prices are expected to maintain appropriate levels in accordance with the balance of supply and demand. As for industries related to the Materials business, growth is expected in the areas of automotive applications and communications, despite the possibility of temporary adjustments.

The forecast of consolidated operating results for the first six months of fiscal 2018 has been revised from the previous forecast (on May 10, 2018), revising our forecast for major nonferrous metals prices and forecast for exchange rates. As a result, net sales are expected to reach ¥477.0 billion, with profit before tax of ¥64.0 billion, and profit attributable to owners of parent of ¥51.0 billion on a consolidated basis.

Forecast of consolidated operating results for the first six months of the fiscal year ending March 31, 2019 (revised)

(Millions of yen)

	Mineral Resources	Smelting & Refining	Materials	Total	Other Businesses	Adjustments	Total
Net sales	78,000	331,000	111,000	520,000	4,000	(47,000)	477,000
Segment income	31,000	29,000	10,000	70,000	—	(6,000)	64,000

Reference: Forecast of consolidated operating results for the full year of the fiscal year ending March 31, 2019 (published on May 10)

(Millions of yen)

	Mineral Resources	Smelting & Refining	Materials	Total	Other Businesses	Adjustments	Total
Net sales	151,000	630,000	227,000	1,008,000	10,000	(88,000)	930,000
Segment income (loss)	51,000	61,000	15,000	127,000	(2,000)	(4,000)	121,000

The forecast published on May 10, 2018 is shown here, because the forecast of operating results for the full year has not been revised.

2. Condensed Quarterly Consolidated Financial Statements and Primary Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

	Date of transition (As of April 1, 2017)	FY2017 (As of March 31, 2018)	First Quarter of FY2018 (As of June 30, 2018)
	Millions of Yen	Millions of Yen	Millions of Yen
Assets			
Current assets			
Cash and cash equivalents	172,907	137,330	127,080
Trade and other receivables	163,971	155,964	166,397
Other current financial assets	2,382	18,162	11,144
Inventories	255,065	278,112	286,900
Other current assets	20,165	25,562	18,000
Subtotal	614,490	615,130	609,521
Assets held for sale	2,430	—	—
Total current assets	616,920	615,130	609,521
Non-current assets			
Property, plant and equipment	480,063	461,888	465,006
Intangible assets and goodwill	47,048	65,695	61,868
Investment property	3,427	3,427	3,427
Investments accounted for using equity method	292,449	300,032	281,927
Other non-current financial assets	251,715	255,209	254,238
Deferred tax assets	7,469	15,663	15,090
Other non-current assets	15,888	15,289	14,996
Total non-current assets	1,098,059	1,117,203	1,096,552
Total assets	1,714,979	1,732,333	1,706,073

	Date of transition (As of April 1, 2017)	FY2017 (As of March 31, 2018)	First Quarter of FY2018 (As of June 30, 2018)
Liabilities and equities	Millions of Yen	Millions of Yen	Millions of Yen
Liabilities			
Current liabilities			
Trade and other payables	101,402	125,494	122,423
Bonds and Borrowings	95,007	94,879	90,508
Other current financial liabilities	1,496	509	386
Income taxes payable	17,268	3,978	4,312
Provisions	4,843	4,896	2,866
Other current liabilities	8,520	10,790	7,408
Subtotal	228,536	240,546	227,903
Liabilities directly associated with assets held for sale	3,440	—	—
Total current liabilities	231,976	240,546	227,903
Non-current liabilities			
Bonds and Borrowings	395,930	296,261	289,374
Other non-current financial liabilities	2,217	2,704	2,427
Provisions	22,260	28,546	26,858
Retirement benefit liability	9,479	7,491	8,232
Deferred tax liabilities	31,612	42,288	40,103
Other non-current liabilities	1,147	1,148	1,485
Total non-current liabilities	462,645	378,438	368,479
Total liabilities	694,621	618,984	596,382
Equity			
Share Capital	93,242	93,242	93,242
Share premium	86,840	87,598	87,598
Treasury shares	(32,877)	(37,959)	(37,967)
Other components of equity	41,450	38,415	19,681
Retained earnings	768,847	848,089	858,862
Total equity interest attributable to owners of parent	957,502	1,029,385	1,021,416
Non-controlling interests	62,856	83,964	88,275
Total equity	1,020,358	1,113,349	1,109,691
Total liabilities and equity	1,714,979	1,732,333	1,706,073

(2) Condensed Quarterly Consolidated Statement of Income and Condensed Quarterly Consolidated Statement of Comprehensive Income

(Condensed Quarterly Consolidated Statement of Income)

	Three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)	Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)
	Millions of Yen	Millions of Yen
Net sales	211,407	241,980
Cost of sales	(175,957)	(201,912)
Gross profit	35,450	40,068
Selling, general and administrative expenses	(11,652)	(12,110)
Finance income	5,624	7,606
Finance costs	(1,826)	(1,355)
Share of profit of entities accounted for using equity method	4,864	3,618
Other income	1,111	1,170
Other expenses	(1,235)	(1,132)
Profit before tax	32,336	37,865
Income tax expense	(7,763)	(5,219)
Profit	24,573	32,646
Profit attributable to:		
Owners of parent	23,303	28,910
Non-controlling interests	1,270	3,736
Profit	24,573	32,646
Earnings per share		
Basic earnings per share (Yen)	84.49	105.21
Diluted earnings per share (Yen)	75.90	105.21

(Condensed Quarterly Consolidated Statement of Comprehensive Income)

	Three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)	Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)
	Millions of Yen	Millions of Yen
Profit	24,573	32,646
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Financial assets measured at fair value through other comprehensive income	3,103	1,867
Share of other comprehensive income of entities accounted for using equity method	(5)	(89)
Total items that will not be reclassified to profit or loss	3,098	1,778
Items that will be reclassified to profit or loss:		
Cash flow hedges	190	707
Exchange differences on foreign operations	(7,499)	(7,746)
Share of other comprehensive income of entities accounted for using equity method	(8,726)	(14,611)
Total items that will be reclassified to profit or loss	(16,035)	(21,650)
Other comprehensive income, net of tax	(12,937)	(19,872)
Comprehensive income	11,636	12,774
Comprehensive income attributable to:		
Owners of parent	12,546	10,176
Non-controlling interests	(910)	2,598
Comprehensive income	11,636	12,774

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

For the three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)

	Equity interest attributable to owners of parent					
				Other components of equity		
	Share Capital	Share premium	Treasury shares	Exchange differences on foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
As of April 1, 2017	93,242	86,840	(32,877)	―	292	41,158
Profit	―	―	―	―	―	―
Other comprehensive income	―	―	―	(14,030)	177	3,096
Total comprehensive income	―	―	―	(14,030)	177	3,096
Purchase of treasury shares	―	―	(10)	―	―	―
Disposal of treasury shares	―	―	1	―	―	―
Dividends	―	―	―	―	―	―
Changes due to business combination	―	―	―	―	―	―
Changes in interests in subsidiaries	―	23	―	―	―	0
Transactions with owners - total	―	23	(9)	―	―	0
As of June 30, 2017	93,242	86,863	(32,886)	(14,030)	469	44,254

	Equity interest attributable to owners of parent				Non-controlling interests	Total
	Other components of equity					
	Remeasure-ments of defined benefit plans	Total	Retained earnings	Total		
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
As of April 1, 2017	―	41,450	768,847	957,502	62,856	1,020,358
Profit	―	―	23,303	23,303	1,270	24,573
Other comprehensive income	―	(10,757)	―	(10,757)	(2,180)	(12,937)
Total comprehensive income	―	(10,757)	23,303	12,546	(910)	11,636
Purchase of treasury shares	―	―	―	(10)	―	(10)
Disposal of treasury shares	―	―	―	1	―	1
Dividends	―	―	(3,310)	(3,310)	(73)	(3,383)
Changes due to business combination	―	―	―	―	1,639	1,639
Changes in interests in subsidiaries	―	0	―	23	23,884	23,907
Transactions with owners - total	―	0	(3,310)	(3,296)	25,450	22,154
As of June 30, 2017	―	30,693	788,840	966,752	87,396	1,054,148

For the three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)

	Equity interest attributable to owners of parent					
				Other components of equity		
	Share Capital	Share premium	Treasury shares	Exchange differences on foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
As of April 1, 2018	93,242	87,598	(37,959)	(11,944)	241	50,118
Profit	—	—	—	—	—	—
Other comprehensive income	—	—	—	(21,101)	589	1,778
Total comprehensive income	—	—	—	(21,101)	589	1,778
Purchase of treasury shares	—	—	(8)	—	—	—
Disposal of treasury shares	—	—	—	—	—	—
Dividends	—	—	—	—	—	—
Changes due to business combination	—	—	—	—	—	—
Changes in interests in subsidiaries	—	—	—	—	—	—
Transactions with owners - total	—	—	(8)	—	—	—
As of June 30, 2018	93,242	87,598	(37,967)	(33,045)	830	51,896

	Equity interest attributable to owners of parent					
	Other components of equity					
	Remeasure-ments of defined benefit plans	Total	Retained earnings	Total	Non-controlling interests	Total
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen
As of April 1, 2018	—	38,415	848,089	1,029,385	83,964	1,113,349
Profit	—	—	28,910	28,910	3,736	32,646
Other comprehensive income	—	(18,734)	—	(18,734)	(1,138)	(19,872)
Total comprehensive income	—	(18,734)	28,910	10,176	2,598	12,774
Purchase of treasury shares	—	—	—	(8)	—	(8)
Disposal of treasury shares	—	—	—	—	—	—
Dividends	—	—	(18,137)	(18,137)	(410)	(18,547)
Changes due to business combination	—	—	—	—	—	—
Changes in interests in subsidiaries	—	—	—	—	2,123	2,123
Transactions with owners - total	—	—	(18,137)	(18,145)	1,713	(16,432)
As of June 30, 2018	—	19,681	858,862	1,021,416	88,275	1,109,691

(4) Condensed Quarterly Consolidated Statement of Cash Flows

	Three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)	Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)
	Millions of Yen	Millions of Yen
Cash flows from operating activities		
Profit before tax	32,336	37,865
Depreciation and amortization expense	11,798	11,715
Share of (profit) loss of entities accounted for using equity method	(4,864)	(3,618)
Increase (decrease) in net retirement benefit liability	47	754
Finance income	(5,624)	(7,606)
Finance costs	1,826	1,355
(Increase) decrease in trade and other receivables	380	(11,023)
(Increase) decrease in inventories	(4,629)	(9,514)
Increase (decrease) in trade and other payables	(7,011)	1,870
Increase (decrease) in accrued consumption taxes	4,274	2,317
Other, net	2,652	(1,927)
Subtotal	31,185	22,188
Interest received	675	400
Dividends received	6,514	9,835
Interest paid	(1,048)	(784)
Income taxes paid	(17,466)	(6,347)
Net cash provided by (used in) operating activities	19,860	25,292
Cash flows from investing activities		
Payments into time deposits	(6,736)	(4,818)
Proceeds from redemption of securities	—	10,610
Purchase of property, plant and equipment	(8,944)	(16,881)
Purchase of intangible assets	(85)	(909)
Proceeds from sales of investment securities	15,143	—
Purchase of shares of subsidiaries and associates	(5,028)	—
Payments of short-term loans receivable	(5)	(946)
Collection of short-term loans receivable	143	2,895
Collection of long-term loans receivable	26,569	8
Payments for acquisition of interests	(11,122)	—
Other, net	(7)	72
Net cash provided by (used in) investing activities	9,928	(9,969)

	Three months ended June 30, 2017 (From April 1, 2017 to June 30, 2017)	Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)
	Millions of Yen	Millions of Yen
Cash flows from financing activities		
Proceeds from short-term loans payable	5,010	4,440
Repayments of short-term loans payable	(46,291)	(10,289)
Proceeds from long-term loans payable	—	628
Repayments of long-term loans payable	(212)	(2,836)
Proceeds from share issuance to non-controlling shareholders	23,971	2,124
Cash dividends paid	(3,310)	(18,137)
Other, net	(203)	(418)
Net cash provided by (used in) financing activities	(21,035)	(24,488)
Net increase (decrease) in cash and cash equivalents	8,753	(9,165)
Cash and cash equivalents at beginning of period	172,907	137,330
Effect of exchange rate change on cash and cash equivalents	(1,632)	(1,085)
Cash and cash equivalents at end of period	180,028	127,080

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

(Reporting Entity)
Sumitomo Metal Mining Co., Ltd. (hereinafter the “Company”) is a company based in Japan. Addresses of its registered head office and main business establishments are disclosed on its website (URL http://www.smm.co.jp/). The Company’s Condensed Quarterly Consolidated Financial Statements for the three months ended June 30, 2018 represent the Company and its subsidiaries (hereinafter the “SMM Group”) as well as the Company’s interests in its associates and joint ventures.

Description of the SMM Group’s main businesses and activities is contained in operating segments section (Operating Segments).

(Basis of Preparation)
(1) Statement of compliance with IFRS and matters related to the first-time adoption

Condensed Quarterly Consolidated Financial Statements of the SMM Group meet the requirements for a “Specified Company Complying with Designated International Accounting Standards,” as prescribed in Article 1-2 of the Order on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Order No.64 of 2007), and thus are prepared in accordance with IAS 34 “Interim Financial Reporting,” pursuant to the provisions of Article 93 of the aforementioned Cabinet Office Order.

These Condensed Quarterly Consolidated Financial Statements are the first Condensed Quarterly Consolidated Financial Statements prepared by the Company in accordance with IFRS, while the date of transition to IFRS was April 1, 2017. The SMM Group also applied IFRS 1 “First-time Adoption of International Financial Reporting Standards” (hereinafter “IFRS 1”). Effects of the transition to IFRS on the Group’s consolidated financial position, financial results and cash flows are stated in the first-time adoption section (First-time Adoption).

These Condensed Quarterly Consolidated Financial Statements have been approved on August 8, 2018, by Akira Nozaki, President and Representative Director of the Company.

(2) Basis of measurement

Condensed Quarterly Consolidated Financial Statements are prepared based on acquisition cost, except for the financial instruments stated in the significant accounting policies section (Significant Accounting Policies).

(3) Presentation currency

Condensed Quarterly Consolidated Financial Statements of the SMM Group are presented in Japanese yen, which is the functional currency adopted by the Company, and figures less than one million yen are rounded off to the nearest million yen.

(Significant Accounting Policies)
Unless otherwise specified, significant accounting policies applied in the Condensed Quarterly Consolidated Financial Statements are the same as those applied in all the periods stated in these Condensed Quarterly Consolidated Financial Statements (including the Consolidated Statements of Financial Position on the date of transition to IFRS).

(1) Basis for consolidation

These Consolidated Financial Statements are prepared based on the financial statements of the Company, its subsidiaries, associates and joint ventures.

1) Subsidiaries

Subsidiaries refer to the companies under the control of the SMM Group. Financial statements of subsidiaries are included in the Group’s Consolidated Financial Statements in the period between the date when control commences and the date when control ends.

Some of the subsidiaries use financial statements based on the provisional settlement conducted at the end of the reporting period of the parent. The aforementioned subsidiaries include those unable to adopt the parent’s closing date in practice due to the requirement to use specific closing dates other than the parent’s under the local laws and regulations, or those unable to conduct provisional settlement in practice due to the environment surrounding their local accounting systems or their business characteristics. The gap between the end of the reporting period of such subsidiaries and that of the parent does not exceed three months, while adjustments are made as appropriate for the significant transactions or events during such gap period. Changes in ownership interests in subsidiaries that do not result in loss of control are accounted for as equity transactions. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received are directly recognized in equity as interest attributable to owners of parent. Balances and transactions of receivables and payables within the SMM Group, as well as the unrealized gains or losses arising from the transactions within the Group, are eliminated at the time when consolidated financial statements are prepared.

2) Associates and joint arrangements

Associates refer to the companies on which the SMM Group does not have control or joint control, but exerts significant influence on their financial affairs and operating policies.

Joint control exists only when decisions about the relevant activities require, by prior contractual arrangements, the unanimous consent of the parties sharing control. Joint arrangements are classified, depending on the rights and obligations of the parties that have joint control, into either joint operations or joint ventures. A joint operation refers to an arrangement in which parties that have joint control have rights to the assets, ands obligations to the liabilities arising under the arrangement, while a joint venture is a joint arrangement in which parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates or joint ventures are recognized at cost at the time of acquisition, and accounted for by using equity method. Consolidated financial statements of the Company include investments in equity method affiliates with various closing dates, as it is impracticable to unify closing date due to the consideration for the relationship with other shareholders. The gap between the end of the reporting period of such equity method companies and that of the SMM Group does not exceed three months, while adjustments are made as appropriate for the significant transactions or events during such gap period.

Unrealized gains derived from the transactions with such equity method companies are deducted from the investments to the extent of the SMM Group’s interest in the investee. Unrealized losses are deducted from the investments in the same way as unrealized gains, subject to absence of evidence of impairment.

For investments in joint operations, the SMM Group recognizes its assets, including its share of any assets held jointly, its liabilities, including its share of any liabilities incurred jointly, its revenue from the sale of its share of the output arising from the joint operation, its share of revenue from the sale of the output by the joint operation, and its expenses, including its share of any expenses incurred jointly.

3) Business combinations and goodwill

Business combinations are accounted for by the acquisition method. Identifiable assets and liabilities of the acquiree are measured at fair value as of the acquisition date. Goodwill is measured as the excess, if any, of the aggregate of the consideration transferred in a business combination, the amount of non-controlling interest in the acquiree, and the fair value of the acquirer’s previously-held equity interest in the acquiree, over the net of the identifiable assets and liabilities as of the acquisition date. The consideration transferred in a business combination is calculated as the sum of the fair values of the assets transferred by the acquirer, liabilities incurred by the acquirer to former owners of the acquiree and equity interests issued by the acquirer as of the acquisition date.

The SMM Group decides whether to measure the non-controlling interest at fair value or at the non-controlling interest’s proportional share of identifiable net assets of the acquiree for each business combination on a case-by-case basis. Acquisition-related costs are accounted for as expenses in the period in which the costs are incurred.

Additional acquisition of non-controlling interest after the acquisition of control is accounted for as equity transaction, for which no goodwill is recognized. The SMM Group has adopted the optional exemption under IFRS 1, whereby IFRS 3 Business Combinations has not retroactively been adopted for the business combinations prior to the transition date.

(2) Foreign currency translation

1) Foreign currency denominated transactions

Foreign currency denominated transactions are translated into the functional currency by the exchange rate on the transaction date or the exchange rate approximate thereto. Foreign currency denominated monetary items on the closing date are translated into the functional currency by the exchange rate on the closing date, while the non-monetary items measured at fair value are translated into the functional currency by the exchange rate on the date when such fair value is calculated. Exchange differences arising from such translation or settlement are recognized in profit or loss, provided, however, that equity instruments measured at fair value through other comprehensive income and the effective portion of hedging in the exchange difference arising from the hedging instrument for cash flow hedges against foreign currency risks are recognized in other comprehensive income.

2) Foreign operations

Assets and liabilities in the statement of financial position at foreign operations are translated by the exchange rate on the date of such statement, while revenues and costs of respective statements presenting profit or loss and other comprehensive income are translated by the average exchange rate during the period unless exposed to significant exchange rate fluctuations. Exchange differences resulting from such translation are recognized in other comprehensive income. In the event of disposal of a foreign operation, the cumulative amount of exchange differences related to such foreign operation is reclassified to profit or loss for the period in which such disposal is carried out.

The SMM Group has adopted the optional exemption under IFRS 1, whereby the cumulative amount of exchange differences prior to the transition date is reclassified in its entirety to retained earnings.

(3) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposit, and short-term investments with maturities not exceeding three months from the purchase date, that are readily convertible into cash and subject to an insignificant risk of changes in value.

(4) Financial instruments

1) Non-derivative financial assets

(i) Initial recognition and measurement

The SMM Group classifies non-derivative financial assets into financial assets measured at fair value through profit or loss, or other comprehensive income, and financial assets measured at amortized cost. The Group determines such classification at the time of initial recognition. A regular way purchase or sale of financial assets is recognized or derecognized on the date of transaction.

(a) Financial assets measured at amortized cost

Financial assets that meet both of the following conditions are classified into financial assets measured at amortized cost.

- Financial assets are held based on the business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Financial assets measured at fair value

Financial assets other than those measured at amortized cost are classified into financial assets measured at fair value.

Of the financial assets measured at fair value, equity instruments are individually designated as those measured at fair value through profit or loss, or those measured at fair value through other comprehensive income, and such designation remains applicable thereafter.

Financial assets are measured at fair value. Unless classified into those measured at fair value through profit or loss, all financial assets are measured at fair value added with transaction costs directly attributable thereto, provided, however, that trade receivables not containing a significant financing component are subject to initial measurement at transaction price.

(ii) Subsequent measurement

Measurement of financial assets after the initial recognition are as follows, depending on respective classifications.

(a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are, subsequent to initial recognition, measured at amortized cost by using the effective interest method. Amortization by using the effective interest method, as well as gains and losses associated with derecognition, are recognized as part of finance income through profit or loss in the current period.

(b) Financial assets measured at fair value

Financial assets other than those measured at amortized cost are measured at fair value, where changes in fair value are recognized in profit or loss, or in other comprehensive income, depending on the classification of such financial assets. Dividends from such financial assets are recognized as part of finance income through profit or loss in the current period.

(iii) Impairment of financial assets

To determine the recoverability of financial assets measured at amortized cost, expected credit loss is estimated at the end of each period.

For the financial assets with no significant increase in credit risk associated therewith since initial recognition, an amount equal to the expected credit loss in the next 12 months are recognized as loss allowance, while for the financial assets with significant increase in credit risk associated therewith since initial recognition, an amount equal to the lifetime expected credit loss is recognized as loss allowance. On the other hand, for trade receivables, etc., loss allowance is measured at an amount equal to the lifetime expected credit loss without exception. Expected credit loss is measured based on the present value of the difference between all contractual cash flows payable to a company, and all contractual cash flows expected to be received by a company.

In determining whether there has been a significant increase in credit risk as a result of a change in default risk, considerations include information concerning the deterioration of the obligor's business performance, etc., apart from past due information.

Any situation in which recovery of financial asset is wholly or partially impossible, or is deemed to be extremely difficult, is considered as default.

For the financial assets with evidence of impairment of credit thereof, interest revenue is measured at an amount calculated by subtracting loss allowance from gross carrying amount, then multiplying by the effective interest rate.

In the event of a decrease in credit risk in later period, which can be associated objectively with an actual event that occurred subsequent to the recognition of impairment, reversal of the previously recognized impairment loss is recognized in profit or loss.

(iv) Derecognition of financial assets

The SMM Group derecognizes financial assets if the contractual rights to cash flows arising from the financial assets expires, or if the Group transfers the rights to receive cash flows from the financial assets and substantially all the risks and rewards of ownership of the financial.

2) Non-derivative financial liabilities

(i) Initial recognition and measurement

The SMM Group classifies non-derivative financial liabilities into financial liabilities measured at amortized cost. The Group determines such classification at the time of initial recognition of the financial liabilities. Financial liabilities measured at amortized cost are measured at an amount after deduction of directly attributable transaction costs.

(ii) Subsequent measurement

Financial liabilities measured at amortized cost are, subsequent to initial recognition, measured at amortized cost by using the effective interest method. Amortization by using the effective interest method, as well as gains and losses associated with derecognition, are recognized as part of finance costs through profit or loss in the current period.

(iii) Derecognition

The SMM Group derecognizes financial liabilities when they are extinguished, namely when the obligation specified in the contract is discharged or cancelled or expires.

3) Derivatives and hedge accounting

In order to hedge foreign currency risk, interest rate risk, and commodity price risk, the SMM Group uses derivatives including forward exchange contract, interest rate swap contract, and commodity futures contract. Documentation regarding the relationship between hedging instruments and hedged items, and the Group's risk management objective and strategy for undertaking the hedge is provided at the start of trading. Evaluation is continually carried out after the commencement of hedging to determine whether the derivative designated for the hedging transactions meets the hedge accounting requirements in offsetting the fluctuations in the fair value or the cash flows of the hedged items.

Derivatives are subjected to initial recognition at fair value. For some of the derivatives that do not meet the requirements of hedge accounting, fluctuations in fair value subsequent to their initial recognition are recognized in profit or loss. For the derivatives that meet the requirements of hedge accounting, changes in fair value are accounted for as follows.

(i) Fair value hedges

Changes in fair value of the derivatives designated as fair value hedge, thus meeting the requirements thereof, along with the changes in fair value of the hedged assets or liabilities corresponding to the hedged risks, are recognized in profit or loss.

(ii) Cash flow hedges

Changes in fair value of the derivatives designated as cash flow hedge, thus meeting the requirements thereof, are recognized in other comprehensive income, provided, however, that the ineffective portion of hedging in changes in fair value of such derivatives is recognized in profit or loss.

The amount accumulated in other comprehensive income is reclassified into profit or loss in the period in which hedged items affect profit or loss.

In either case of fair value hedges or cash flow hedges, if the hedge no longer meets the hedge accounting requirements, or when hedging instruments are lapsed, sold, terminated or exercised, adoption of hedge accounting is discontinued thereafter.

4) Embedded derivatives

Sales contracts for copper concentrates generally include provisional price terms at the time of shipment, and the final prices are determined based on the monthly average price of copper on the London Metal Exchange (LME) over certain future period. Such sales based on provisional price is considered as sales contracts with a nature of commodity futures contract, where delivery month is the month in which price is determined, and thus deemed to contain embedded derivatives with sales of copper concentrates as a host. Such embedded derivatives involving post-shipment price adjustment process are accounted for as an integral part of the host pursuant to IFRS 9, since the host is meant for financial assets.

Revenues from provisional price-based sales are recognized at estimated fair value of the consideration received, and are re-estimated at the end of the reporting period. The difference between the fair value at the time of shipment and that at the end of the reporting period is recognized as adjustment to revenues.

(5) Inventories

Inventories are recorded at the lower of cost and net realizable value. Cost of inventories includes purchase cost and conversion cost, and is calculated by using primarily the first-in first-out method, except for some of the foreign subsidiaries where the gross average method is used. Net realizable value is determined at the estimated selling price in the ordinary course of business, less estimated costs required up to the completion of the conversion and estimated selling expenses.

(6) Property, plant and equipment

Property, plant and equipment are measured by using cost model, and presented at the value calculated by subtracting accumulated depreciation and accumulated impairment from acquisition cost. Acquisition cost includes any costs directly associated with the acquisition of assets, dismantlement, removal, and the restoration, as well as borrowing costs to be capitalized. Depreciation of property, plant and equipment (excluding mining sites and tunnels) is calculated by using the straight-line method, while mining sites and tunnels are depreciated by using the units-of-production method. Lease assets are depreciated by using the straight-line method over the respective lease term (namely useful lives) assuming zero residual value. Depreciation of these assets commences when they become available for their intended use.

Estimated useful lives of the main assets by category are as follows.

Buildings and structures:	From two to sixty (60) years
Machinery, equipment and vehicles:	From two to twenty two (22) years

Estimated useful lives, residual values, and depreciation method are reviewed at the end of each fiscal year, and any change therein is applicable thereafter as changes in accounting estimates.

(7) Intangible assets and goodwill

1) Goodwill

Goodwill arising from business combinations is presented at acquisition cost less accumulated impairment. Goodwill is not amortized, but allocated to cash-generating units or cash-generating unit groups and subjected to impairment test on an annual basis, or as appropriate if there is an indication of impairment. Impairment loss of goodwill is recognized in profit or loss, involving no subsequent reversal. Measurement of goodwill at initial recognition is described in "(1) Basis for consolidation, 3) Business combinations and goodwill."

2) Other intangible assets

Intangible assets are measured subsequent to recognition by using cost model, and presented at the value calculated by subtracting accumulated amortization and accumulated impairment from acquisition cost. Mining rights (mineral rights) are amortized by using the units-of-production method, while mining rights (exploration rights) by the straight-line method. Software is also amortized by using the straight-line method. Amortization of these assets commences when they become available for their intended use.

Estimated useful lives of the main intangible assets are as follows.

Mining rights (mineral rights):	By the units-of-production method
Mining rights (exploration rights):	Five years
Software:	Five years

Estimated useful lives, residual values, and amortization method are reviewed at the end of each fiscal year, and any change therein is applicable thereafter as changes in accounting estimates.

(8) Investment property

Investment property refers to property held for the purpose of rental income or capital gain, or both. Investment property of the SMM Group is, subsequent to initial recognition, measured by using the cost model.

(9) Exploration for and evaluation of mining resources

Expenditures concerning the exploration for and evaluation of mining resources are divided into stages comprising acquisition of legal rights, completion of feasibility study and start of commercial production, and charged to expenses in principle, provided, however, that exploration rights and other rights obtained from the outside parties are recognized as intangible asset, while mining machinery and vehicles as property, plant and equipment.

(10) Stripping costs

Stripping costs refer to expenditures associated with the stripping activities for removing mine waste materials to reach mining resources, incurred in development as well as production phase at surface mines. Since stripping activities in the development phase is meant to gain access to mining resources, such stripping costs are recognized in assets. Stripping costs in the production phase include costs for producing mining resources, and those for improving access to the future mining resources. Stripping costs associated with the production of mining resources therefore comprise part of the Company's inventories, while those for improving access to the future mining resources are classified as stripping activity asset insofar as they meet certain criteria, and capitalized by component. Such stripping activity asset is depreciated by using the units-of-production method based on the reserves, etc. of the associated component.

(11) Leases

Leasing arrangements are classified as finance lease if it transfers substantially all the risks and economic benefits incidental to ownership of an asset to the SMM Group. Lease assets are measured at initial recognition at the lower of fair value or present value of minimum lease payments amounts. Lease assets are, subsequent to initial recognition, depreciated over the shorter of lease term and economic useful lives, and expenses associated therewith are recognized in profit or loss. All leases other than finance lease are classified as operating lease, where lease payment is recognized in profit or loss over the lease term by using the straight-line method.

(12) Impairment of non-financial assets

The SMM Group assesses whether there is an indication of impairment as of the closing date in the non-financial assets excluding inventories, deferred tax assets, assets held for sale, and assets associated with retirement benefits. If any such indication exists, the Group estimate the recoverable amount of each asset. Where it is impossible to estimate the recoverable amount of individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. The recoverable amount of the asset or the cash-generating unit is measured at the higher of fair value less cost to sell and value in use. Value in use is calculated by discounting the estimated future cash flows into present value, using the discount rate reflecting time value of money as well as the risks specific to the concerned asset. Only if the recoverable amount of the asset or that of the cash-generating unit is lower than their carrying amount, the carrying amount of such asset is reduced to the recoverable amount and recognized in profit or loss. As for the asset or cash-generating unit other than the goodwill for which impairment was recognized in prior years, test is conducted on the closing date, to see if there is indication of likely decrease or elimination of such impairment loss recognized in prior years. If such indication exists, the recoverable amount of the asset or the cash-generating unit is estimated, where if the recoverable amount exceeds the carrying amount, the impairment loss is reversed to the extent not exceeding the lower of calculated recoverable amount and the carrying amount less depreciation/amortization if the impairment loss had not been recognized for the asset in prior years. Reversal of impairment loss is immediately recognized in profit or loss.

(13) Asset held for sale

If the carrying amount of non-current assets or disposal group is expected to be recovered mainly from their sale transactions rather than continuous use, they are classified as asset held for sale. Such classification involves requirements that they are likely to be sold within one year, and that they are readily available for sale.

Non-current assets or disposal group classified as held for sale are measured at the lower of carrying amount and fair value less cost to sell. Of the assets classified as held for sale, property, plant and equipment, and intangible assets are neither depreciated nor amortized.

(14) Employee benefits

1) Defined benefit plan

The present value of defined benefit obligation and the related current and past service cost are calculated for each plan by using the projected unit credit method. Discount rate is determined by reference to market yields on high quality corporate bonds at the end of the fiscal year. Liability or asset associated with a defined benefit plan is calculated by subtracting the fair value of the plan assets from the present value of defined benefit obligation. Remeasurement of the net amount of defined benefit assets or liabilities are recognized collectively through other comprehensive income in the period in which such assets or liabilities arise, and reclassified as retained earnings.

2) Defined contribution plan
Post-employment benefit expense associated with a defined contribution plan is recognized as expenses in the period in which the employee renders service.

(15) Provisions
Provisions are recognized when there exists present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

(16) Government grants
Government grants are recognized when there is reasonable assurance that the SMM Group will comply with the conditions for such grant and that the grant will be received. Grant that covers the incurred cost is recorded as revenue in the fiscal year that such cost is incurred. Grant that covers an asset is recorded at the carrying amount of the concerned asset, which is determined at the cost to acquire such asset less the amount of grant.

(17) Equity
1) Ordinary shares
As for ordinary shares, issue price is recorded in Share Capital and share premium.

2) Treasury shares
When treasury shares are acquired, consideration paid is recognized in equity as a deduction item. When treasury shares are sold, the difference between the carrying amount and the consideration thereof at the time of sale is recognized as share premium.

(18) Recognition of revenue
The SMM Group recognizes revenue through the following five steps, except for interest and dividend income based on IFRS 9 Financial Instruments.
Step 1: Identify contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to performance obligations
Step 5: Recognize revenue when (or as) the performance obligation is satisfied.

Revenue is recognized at one point in time or over a period, when or as the performance obligations in the contract with a customer are satisfied. With regard to revenue from the sale of goods in the regular course of trading activities, a performance obligation is satisfied by transferring control over the goods to the customer and the revenue is recorded at the time of delivery of the goods.

(19) Finance income and finance costs
Finance income and finance costs consist mainly of interest income, dividend income, interest expense, changes in fair value of derivative financial instruments, and foreign exchange gains and losses.

Interest income, interest expense and interest on bonds are recognized at the time of occurrence by using the effective interest method.

(20) Income taxes
Income taxes are the sum of current and deferred tax.
1) Current tax
Current tax is measured at an amount of tax paid to, or expected amount of refund from the tax authorities. The amount of tax is calculated based on the tax rates and the tax laws that have been established or enacted, or substantially established or enacted by the closing date. Current tax recognized in profit or loss includes neither tax arising from the items directly recognized in other comprehensive income or in equity, nor tax arising from business combinations.

2) Deferred tax
Deferred tax is recognized to the extent of taxable profit expected to be generated to recover the temporary differences between the carrying amount of assets and liabilities for accounting purposes and their tax bases,

unused tax credits, and unused tax losses as of the closing date, while deferred tax liabilities are recognized in principle for taxable temporary differences.

Neither deferred tax assets nor deferred tax liabilities are recorded for the following.

- Temporary differences arising from the initial recognition of goodwill
- Temporary differences arising from the initial recognition of assets or liabilities in the transactions outside business combinations, which affect, at the time of transaction, neither accounting profit nor taxable profit (loss).
- Deductible temporary differences arising from investments in subsidiaries and associates, when such deductible temporary differences are unlikely to be reversed, or when taxable profit for which such deductible temporary differences is used, is unlikely to be earned, in either case in the foreseeable future.
- Taxable temporary differences arising from investments in subsidiaries and associates, when the Company retains control over the timing of reversal of such taxable temporary differences, and such taxable temporary differences are unlikely to be reversed in the foreseeable future.

Deferred tax assets and deferred tax liabilities are calculated by using the tax rate expected to be applicable in the period in which the temporary differences are reversed, based on the statutory tax rate or effective statutory tax rate as well as the prevailing tax law as of the closing date. Deferred tax assets and deferred tax liabilities are offset, when the SMM Group has legally enforceable rights to offset the current tax liabilities and the current tax assets, and when they are imposed by the same taxation authorities on the same taxable entity.

Income tax expense during the cumulative three-month period on a consolidated basis is calculated by using the estimated annual effective tax rate.

(21) Earnings per share

Basic earnings per share are calculated by dividing profit or loss attributable to ordinary equity holders of parent entity by the weighted average number of ordinary shares outstanding after adjustment to treasury shares during the period. Diluted earnings per share are calculated taking into consideration the effect of all dilutive shares.

(Operating Segments)

(1) Summary of reportable segments

1) Decision method of the reportable segments

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

The Company currently has 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 “Operating Segments” of the Company. The SMM Group has classified these operating segments into three core reportable segments of Mineral Resources, Smelting & Refining, and Materials by integrating the mineral resource businesses into Mineral Resources, the metals businesses into Smelting & Refining, and materials businesses into Materials.

2) Types of products and services that belong to each reportable segment

In the Mineral Resources segment, the SMM Group mainly engages in the exploration, development and production of nonferrous metal resources in Japan and overseas, as well as sales of ores and products.

In the Smelting & Refining segment, the SMM Group mainly engages in smelting and sales of copper, nickel, ferronickel and zinc, as well as smelting and sales of precious metals such as gold, silver and platinum.

In the Materials segment, the Company mainly engages in manufacturing, processing and sales of semiconductor materials including 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 and income (loss) by reportable segments

The accounting methods employed for the reported operating segments are almost the same as those set forth in the (Significant Accounting Policies), with the exception of the reporting by each reported segment of amounts corresponding to interest on internal loans, as determined in the statement of financial position of each segment.

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

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

(Millions of yen)

	Reportable Segments				Other Businesses[1]	Total	Adjustments[2]	Consolidated Statement of Income
	Mineral Resources	Smelting & Refining	Materials	Total				
Net sales:								
Outside customers	28,347	142,423	39,150	209,920	1,487	211,407	—	211,407
Inter-segment	10,252	6,898	4,004	21,154	1,218	22,372	(22,372)	—
Total	38,599	149,321	43,154	231,074	2,705	233,779	(22,372)	211,407
Segment income (loss)	17,486	8,894	4,841	31,221	(237)	30,984	1,352	32,336

Notes:

1. The Other Businesses segment refers to other income-seeking business activities that are under the control of the Head Office divisions/departments and are engaged in by business segments other than those included in the reportable segments. Other Businesses include real estate and technical engineering businesses.
2. The adjustments for segment income (loss) of ¥1,352 million represents inter-segment elimination and finance income and costs, etc. not attributable to reportable segments.
3. Segment income (loss) is adjusted against the profit before tax on the Condensed Quarterly Consolidated Statement of Income.

Three Months Ended June 30, 2018 (from April 1, 2018 to June 30, 2018)

(Millions of yen)

	Reportable Segments				Other Businesses[1]	Total	Adjustments[2]	Consolidated Statement of Income
	Mineral Resources	Smelting & Refining	Materials	Total				
Net sales:								
Outside customers	29,805	161,229	49,888	240,922	1,058	241,980	—	241,980
Inter-segment	7,982	8,191	4,353	20,526	1,076	21,602	(21,602)	—
Total	37,787	169,420	54,241	261,448	2,134	263,582	(21,602)	241,980
Segment income (loss)	15,244	16,267	6,572	38,083	(102)	37,981	(116)	37,865

Notes:

1. The Other Businesses segment refers to other income-seeking business activities that are under the control of the Head Office divisions/departments and are engaged in by business segments other than those included in the reportable segments. Other Businesses include real estate and technical engineering businesses.
2. The adjustments for segment income (loss) of ¥(116) million represents inter-segment elimination and finance income and costs, etc. not attributable to reportable segments.
3. Segment income (loss) is adjusted against the profit before tax on the Condensed Quarterly Consolidated Statement of Income.

(First-time Adoption)

The SMM Group has started to disclose IFRS-compliant Condensed Quarterly Consolidated Financial Statements from the first quarter of the fiscal year ending March 31, 2019. The latest J-GAAP-compliant consolidated financial statements were prepared for the fiscal year ended March 31, 2018, and the transition date to IFRS was April 1, 2017.

(1) Exemption under IFRS 1

A company adopting IFRS for the first time (hereinafter “first-time adopter”) is required to apply the standards imposed under IFRS on a retroactive basis, provided, however, that IFRS 1 “First-time Adoption of International Financial Reporting Standards” (hereinafter “IFRS 1”) defines standards subjected to mandatory application of exemption (from the aforementioned retroactive application), in contrast to those subjected to optional application of exemption. Impacts from the application of these exemptions are adjusted by retained earnings, or other components of equity on the date of transition to IFRS. In the process of transition to IFRS from J-GAAP, the SMM Group applied the following exemptions.

- Business combinations

A first-time adopter is allowed to opt not to retroactively apply IFRS 3 “Business Combinations” (hereinafter the “IFRS 3”) to the business combinations that took place before the date of transition to IFRS. The SMM Group opted, by applying this exemption, not to retroactively apply IFRS 3 to the business combinations that took place before the date of transition. As a result, the amount of goodwill arising from the business combinations prior to the transition date is recognized at carrying amount at the transition date based on the J-GAAP.

Incidentally, goodwill is subjected to impairment test on the transition date, regardless of whether there is an indication of impairment.

- Exchange differences on foreign operations

Under IFRS 1, entities are allowed to opt for an approach whereby it may assume the cumulative amount of exchange differences on foreign operations at the date of transition to IFRS to be zero. The SMM Group opted for assuming such cumulative exchange differences on foreign operations to be zero at the transition date.

- Leases

IFRS 1 allows a first-time adopter to determine whether a contract contains a lease at the date of transition to IFRS. The SMM Group applied this exemption and determined whether contracts contain lease, based on the facts and circumstance existing at the transition date.

- Decommissioning liabilities included in the cost of property, plant and equipment

With respect to the measurement of liabilities associated with decommissioning, etc. (hereinafter “decommissioning liabilities”) which are included in the cost of property, plant and equipment, IFRS 1 allows entities to choose either a method in which decommissioning liabilities are measured retroactively from the point in time when such liabilities first arose, or a method in which decommissioning liabilities are measured at the transition date. The SMM Group opted for the latter in measuring decommissioning liabilities which are included in the cost of property, plant and equipment.

- Borrowing costs

IFRS 1 allows entities to commence capitalizing the borrowing costs associated with qualifying assets on the date of the transition to IFRS. The SMM Group capitalizes the borrowing costs associated with qualifying assets that arise on or after the transition date.

- Designation of previously recognized financial instruments

With respect to classification in IFRS 9 “Financial Instruments” (hereinafter the “IFRS 9”), IFRS 1 allows entities to determine such classification based on the facts and circumstance existing at the transition date, rather than those existing at the initial recognition. Furthermore, it allows entities to designate changes in fair value of equity instruments as financial assets measured through other comprehensive income, subject to the facts and circumstance existing at the transition date.

The SMM Group determines the classification under IFRS 9, based on the facts and circumstance existing at the transition date, while designating equity instruments as financial assets measured through other comprehensive income.

(2) Mandatory exemption under IFRS 1

IFRS 1 prohibits retroactive application of IFRS with respect to “estimates,” “derecognition of financial assets and financial liabilities,” “hedge accounting,” “non-controlling interests,” and “classification and measurement of financial assets.” Thus the SMM Group applies IFRS with respect to these items for the period subsequent to the transition date.

(3) Reconciliation

The reconciliation required to disclose at the first-time adoption of IFRS is as follows.

"Effects of changes in closing dates" in this reconciliation include effects of the changes under IFRS at consolidated subsidiaries adopting different closing dates. In the meantime, "Reclassification" includes items that have no effects on retained earnings and comprehensive income, while "difference in recognition and measurement" includes items that have effects on retained earnings and comprehensive income.

Reconciliation of equity as of April 1, 2017 (transition date)

Line items presented under J-GAAP	J-GAAP	Effects of changes in closing dates	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line items presented under IFRS
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen		
Assets							Assets
Current assets							Current assets
Cash and deposits	81,317	2,972	88,618	-	172,907	A	Cash and cash equivalents
Notes and accounts receivable-trade	103,886	(921)	58,886	2,120	163,971	A	Trade and other receivables
Securities	89,000	(261)	(86,357)	-	2,382	A	Other current financial assets
Inventories	218,535	(112)	(1,017)	37,659	255,065	A	Inventories
Deferred tax assets	1,225	-	(1,225)	-	-	C	
Other	100,425	(63)	(63,145)	(17,052)	20,165	A	Other current assets
Allowance for doubtful accounts	(735)	-	735	-	-	A	
Total current assets	593,653	1,615	(3,505)	22,727	614,490		Subtotal
	-	-	2,430	-	2,430	A	Assets held for sale
	593,653	1,615	(1,075)	22,727	616,920		Total current assets
Non-current assets							Non-current assets
Property, plant and equipment	483,456	(1,819)	(3,427)	1,853	480,063	B	Property, plant and equipment
Intangible assets	47,590	(381)	-	(161)	47,048		Intangible assets and goodwill
	-	-	3,427	-	3,427	B	Investment property
Investment securities	422,226	-	(129,520)	(257)	292,449	C	Investments accounted for using equity method
Long-term loans receivable	61,000	-	(61,000)	-	-	C	
	-	(433)	245,974	6,174	251,715	C	Other non-current financial assets
Deferred tax assets	5,666	971	1,225	(393)	7,469	C	Deferred tax assets
Net defined benefit asset	263	-	(263)	-	-		
Other	71,361	(6)	(55,538)	71	15,888	C	Other non-current assets
Allowance for doubtful accounts	(197)	-	197	-	-	C	
Total non-current assets	1,091,365	(1,668)	1,075	7,287	1,098,059		Total non-current assets
Total assets	1,685,018	(53)	-	30,014	1,714,979		Total assets

Line items presented under J-GAAP	J-GAAP	Effects of changes in closing dates	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line items presented under IFRS
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen		
							Liabilities and equity
Liabilities							Liabilities
Current liabilities							Current liabilities
Notes and accounts payable-trade	47,306	(283)	32,742	21,637	101,402	D	Trade and other payables
Short-term loans payable	96,940	-	(1,957)	24	95,007	D	Bonds and borrowings
Income taxes payable	17,274	-	(6)	-	17,268		Income taxes payables
Deferred tax liabilities	842	-	(842)	-	-	E	
Provision for bonuses	3,435	-	(3,435)	-	-	D	
	-	32	230	1,234	1,496	D	Other current financial liabilities
Provision for furnace repair works	1,117	-	-	(1,117)	-	D	
Other provision	943	-	(943)	-	-	D	
Other	42,986	38	(34,390)	(114)	8,520	D	Other current liabilities
	-	-	4,319	524	4,843	D	Provisions
Total current liabilities	210,843	(213)	(4,282)	22,188	228,536		Subtotal
	-	-	3,440	-	3,440	D	Liabilities directly associated with assets held for sale
	210,843	(213)	(842)	22,188	231,976		Total current liabilities
Non-current liabilities							Non-current liabilities
Bonds payable	40,000	-	(40,000)	-	-	E	
Long-term loans payable	358,564	-	40,000	(2,634)	395,930	E	Bonds and borrowings
Deferred tax liabilities	21,807	418	842	8,545	31,612	E	Deferred tax liabilities
Provision for loss on business restructuring	1,004	-	(1,004)	-	-	E	
Allowance for decommissioning preparations	7,799	-	(7,799)	-	-	E	
Other provision	486	-	(486)	-	-	E	
	-	-	18,251	4,009	22,260	E	Provisions
Net defined benefit liability	9,118	-	23	338	9,479		Retirement benefit liabilities
Asset retirement obligations	8,985	-	(8,985)	-	-	E	
Other	2,291	-	(1,144)	-	1,147		Other non-current liabilities
	-	125	1,144	948	2,217	E	Other non-current financial liabilities
Total non-current liabilities	450,054	543	842	11,206	462,645		Total non-current liabilities
Total liabilities	660,897	330	-	33,394	694,621		Total liabilities
Net assets							Equity
Capital stock	93,242	-	-	-	93,242		Share capital
Capital surplus	86,504	-	-	336	86,840		Share premium
Treasury shares	(32,877)	-	-	-	(32,877)		Treasury shares
Total accumulated other comprehensive income	96,749	(818)	-	(54,481)	41,450	F	Other components of equity
Retained earnings	718,072	435	-	50,340	768,847	F	Retained earnings
	961,690	(383)	-	(3,805)	957,502		Total equity attributable to owners of parent
Non-controlling interests	62,431	-	-	425	62,856		Non-controlling interests
Total net assets	1,024,121	(383)	-	(3,380)	1,020,358		Total equity
Total liabilities and net assets	1,685,018	(53)	-	30,014	1,714,979		Total liabilities and equity

<Notes to the reconciliation of equity at the date of transition to IFRS (as of April 1, 2017)>

A) Cash and cash equivalents, trade and other receivables, other financial assets, inventories, other current assets, and assets held for sale

Reclassification:

Term deposits with over three months maturity which were included in “cash and deposits” under J-GAAP are reclassified into “other financial assets” (current) under IFRS, while negotiable certificates of deposit that were included in “securities” under J-GAAP have been reclassified as “cash and cash equivalents” under IFRS.

Accounts receivable – other which were included in “other” under J-GAAP have been reclassified into “trade and other receivables” under IFRS, while “allowance for doubtful accounts” (current) which were also included in “other” under J-GAAP, is directly deducted from “trade and other receivables” under IFRS.

Assets of subsidiaries covered under the stock purchase and sale agreement valid at the transition date have been reclassified into “assets held for sale.”

Recognition and measurement:

[Trade and other receivables]

Under J-GAAP, revenue from some of the transactions of sales of goods was recognized upon customer acceptance, while under IFRS, it is recognized at the time when control over the goods is transferred. As a result, “trade and other receivables” increased by ¥2,120 million.

[Inventories and other current assets]

Under J-GAAP, some of the raw materials were recognized based on customer acceptance criteria, while under IFRS, they are recognized at the time when control over the goods is acquired. As a result, “inventories” increased by ¥37,659 million. Following the above change, advance payments for such raw materials were offset by “trade and other payables,” resulting in ¥17,052 million decrease in “other current assets.”

B) Property, plant and equipment, and investment property

Reclassification:

“Investment property” that was presented under J-GAAP in “property, plant and equipment” has been reclassified to be presented separately on its own.

Recognition and measurement:

[Property, plant and equipment]

Under J-GAAP, asset retirement obligations were recognized continuously at an amount measured by using the discount rate used at initial recognition, whereas under IFRS such amount was remeasured by using the discount rate adjusted at the end of the reporting period, resulting in ¥1,853 million increase in “property, plant and equipment.”

C) Investments accounted for using equity method, other financial assets, and deferred tax assets

Reclassification:

Shares of subsidiaries and associates that were included in “investment securities” under J-GAAP have been separately presented as “investments accounted for using equity method” under IFRS, while “investment securities” other than the aforementioned, and long-term accounts receivables that were included in “other” (non-current) under J-GAAP have been reclassified into “other financial assets” (non-current) under IFRS. “Long-term loans receivable,” etc. under J-GAAP have been reclassified into “other financial assets” (non-current) under IFRS, while “allowance for doubtful accounts” (non-current) under J-GAAP is directly deducted from “other financial assets” (non-current) under IFRS. Meanwhile, an amount presented as “deferred tax assets” (current) has been reclassified as “deferred tax assets” (non-current) under IFRS.

Recognition and measurement:

[Other financial assets]

Financial instruments such as unlisted shares considered to pose extreme difficulty in determining fair value were recognized at cost under J-GAAP, whereas fair value of such financial instruments is estimated by using appropriate valuation techniques under IFRS, resulting in ¥6,174 million increase in “other financial assets” (non-current).

D) Trade and other payables, other financial liabilities, provisions, and liabilities directly associated with assets held for sale

Reclassification:

Accounts payable and accrued expenses, etc. that were presented in “other” under J-GAAP have been reclassified into “trade and other payables” under IFRS, while “provision for bonuses” and “other provision” (current) under J-GAAP have been reclassified into “provisions” (current) under IFRS.

Liabilities related to assets of subsidiaries covered under the stock purchase and sale agreement valid at the transition date have been reclassified into “liabilities directly associated with assets held for sale.”

Recognition and measurement:

[Trade and other payables]

Under J-GAAP, some of the raw materials were recognized based on acceptance criteria, while under IFRS they are recognized at the time when control over the goods is acquired. Also fixed asset tax, which under J-GAAP was recognized over the fiscal years in which such tax was paid, started to be wholly charged to expense on the base date for assessment under IFRS, while corresponding liabilities are recognized. As a result of the aforementioned, “trade and other payables” increased by ¥21,637 million.

[Provision for furnace repair works]

“Provision for furnace repair works” which was recognized as a provision under J-GAAP has been reversed for not qualifying for provision under IFRS, resulting in ¥1,117 million decrease in such provision.

[Other financial liabilities]

Some of the financial instruments (specifically forward sales agreement) which were subjected to hedge accounting under J-GAAP started to be subjected to fair value option under IFRS with its futures portion valued at fair value, resulting in ¥1,234 million increase in “other financial liabilities.”

[Provisions]

Unused paid leave for which no provision was recognized under J-GAAP started to be treated as labor cost involving recognition of provision under IFRS, resulting in ¥524 million increase in “provisions” (current).

E) Bonds and borrowings, deferred tax liabilities, provisions and other financial liabilities

Reclassification:

“Bonds payable” and “long-term loans payable” under J-GAAP have been combined into “bonds and borrowings” (non-current) under IFRS, while provisions such as “provision for loss on business restructuring” and “allowance for decommissioning preparations” as well as “asset retirement obligations” under J-GAAP have been reclassified into “provisions” (non-current) under IFRS. Meanwhile, “deferred tax liabilities” (current) under J-GAAP have been reclassified as “deferred tax liabilities” (non-current) under IFRS.

Recognition and measurement:

[Bonds and borrowings]

Loans with share acquisition rights classified as “long-term loans payable” under J-GAAP are treated under IFRS as compound financial instruments, part of which being recognized in “retained earnings,” resulting in ¥2,634 million decrease in “bonds and borrowings” (non-current).

[Deferred tax liabilities]

Since deferred tax liabilities started to be recognized in principle under IFRS for the taxable temporary differences arising from retained profits and foreign currency translation adjustment at affiliates, “deferred tax liabilities” increased by ¥8,545 million.

[Provisions]

Under J-GAAP, asset retirement obligations were recognized continuously at an amount measured by using the discount rate used at initial recognition, whereas under IFRS such amount was remeasured by using the discount rate adjusted at the end of the reporting period, resulting in ¥4,009 million increase in “provisions” (non-current).

[Other financial liabilities]

For the leasing arrangements that did not take legal forms under J-GAAP, those effectively considered as leasing arrangement have started to involve recognition of lease obligations under IFRS, resulting in ¥948 million increase in “other financial liabilities” (non-current).

F) Retained earnings, and other components of equity

Recognition and measurement:

Main items of the reconciliation concerning retained earnings are as follows.

	Date of transition to IFRS (As of April 1, 2017)
	Millions of yen
Reclassification of cumulative exchange differences at foreign subsidiaries	57,272
Adjustment of trade receivables and inventories	1,799
Adjustment to compound financial instruments	1,599
Adjustment by tax effect	(6,531)
Adjustment to asset retirement obligations	(1,509)
Adjustment to liabilities on levies	(1,338)
Other	(952)
Total	50,340

[Reclassification of cumulative exchange differences at foreign subsidiaries]

As IFRS 1 allows entities to assume the cumulative exchange differences associated with investments in foreign operations to be zero at the date of transition to IFRS, such cumulative exchange differences were reclassified at the date of transition to IFRS from “other components of equity” into “retained earnings.” As a result, “other components of equity” decreased by ¥57,272 million, while “retained earnings” increased by the same amount.

[Adjustment of trade receivables and inventories]

As IFRS requires use of the same cost formula for all inventories with similar nature and use, it was necessary to change cost formula for part of inventories, resulting in ¥1,799 million increase in “retained earnings.”

[Adjustment to compound financial instruments]

As IFRS requires compound financial instruments to be classified into liabilities and equity as basis for further accounting treatment, some compound financial instruments started to be treated as “retained earnings,” resulting in ¥1,599 million increase in “retained earnings.”

[Adjustment by tax effect]

Since deferred tax liabilities started to be recognized in principle under IFRS for the taxable temporary differences arising from retained profits at affiliates, “retained earnings” decreased by ¥6,531 million.

[Adjustment to asset retirement obligations]

Under J-GAAP, asset retirement obligations were recognized continuously at an amount measured by using the discount rate used at initial recognition, whereas under IFRS such amount was remeasured by using the discount rate adjusted at the end of the reporting period, resulting in ¥1,509 million decrease in “retained earnings.”

[Adjustment to liabilities on levies]

Fixed asset tax, which under J-GAAP was recognized over the fiscal years in which such tax was paid, started to be wholly charged to expense on the base date for assessment under IFRS, while corresponding liabilities are recognized. As a result, “retained earnings” decreased by ¥1,338 million.

Reconciliation of equity as of June 30, 2017 (at the end of the first quarter of the previous fiscal year)

Line items presented under J-GAAP	J-GAAP	Effects of changes in closing dates	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line items presented under IFRS
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen		
Assets							Assets
Current assets							Current assets
Cash and deposits	109,705	1,133	69,190	-	180,028	A	Cash and cash equivalents
Notes and accounts receivable-trade	112,974	(945)	11,943	(745)	123,227	A	Trade and other receivables
Securities	76,000	2	(66,759)	(1)	9,242	A	Other current financial assets
Inventories	218,632	(93)	-	40,558	259,097	A	Inventories
Deferred tax assets	1,475	-	(1,475)	-	-	C	
Other	47,128	(48)	(15,014)	(15,049)	17,017	A	Other current assets
Allowance for doubtful accounts	(640)	-	640	-	-	A	
Total current assets	565,274	49	(1,475)	24,763	588,611		Total current assets
Non-current assets							Non-current assets
Property, plant and equipment	476,303	(408)	(3,427)	1,748	474,216	B	Property, plant and equipment
Intangible assets	67,720	(267)	-	(95)	67,358		Intangible assets and goodwill
	-	-	3,427	-	3,427	B	Investment property
Investment securities	421,138	-	(135,566)	(429)	285,143	C	Investments accounted for using equity method
Long-term loans receivable	54,393	-	(54,393)	-	-	C	
	-	(2,328)	246,919	6,740	251,331	C	Other non-current financial assets
Deferred tax assets	5,430	568	1,475	(86)	7,387	C	Deferred tax assets
Net defined benefit asset	211	-	(211)	-	-		
Other	72,038	(4)	(56,947)	-	15,087	C	Other non-current assets
Allowance for doubtful accounts	(198)	-	198	-	-	C	
Total non-current assets	1,097,035	(2,439)	1,475	7,878	1,103,949		Total non-current assets
Total assets	1,662,309	(2,390)	-	32,641	1,692,560		Total assets

Line items presented under J-GAAP	J-GAAP	Effects of changes in closing dates	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line items presented under IFRS
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen		
							Liabilities and equity
Liabilities							Liabilities
Current liabilities							Current liabilities
Notes and accounts payable-trade	42,190	(1,080)	41,106	20,728	102,944	D	Trade and other payables
Short-term loans payable	56,307	-	-	10	56,317		Bonds and borrowings
Income taxes payable	7,452	(2)	-	730	8,180		Income taxes payables
Deferred tax liabilities	1,120	-	(1,120)	-	-	E	
Provision for bonuses	1,710	-	(1,710)	-	-	D	
	-	(23)	1,455	1,058	2,490	D	Other current financial liabilities
Provision for furnace repair works	1,290	-	-	(1,290)	-	D	
Other provision	766	-	(766)	-	-	D	
Other	53,611	(188)	(42,561)	(33)	10,829	D	Other current liabilities
	-	-	2,476	530	3,006	D	Provisions
Total current liabilities	164,446	(1,293)	(1,120)	21,733	183,766		Total current liabilities
Non-current liabilities							Non-current liabilities
Bonds payable	40,000	-	(40,000)	-	-	E	
Long-term loans payable	350,531	-	40,000	(2,622)	387,909	E	Bonds and borrowings
Deferred tax liabilities	23,218	(260)	1,120	8,188	32,266	E	Deferred tax liabilities
Provision for loss on business restructuring	738	-	(738)	-	-	E	
Allowance for decommissioning preparations	7,969	-	(7,969)	-	-	E	
Other provision	508	-	(508)	-	-	E	
	-	60	18,041	3,977	22,078	E	Provisions
Net defined benefit liability	8,930	-	24	565	9,519		Retirement benefit liabilities
Asset retirement obligations	8,850	-	(8,850)	-	-	E	
Other	2,047	-	(894)	-	1,153		Other non-current liabilities
	-	(88)	894	915	1,721	E	Other non-current financial liabilities
Total non-current liabilities	442,791	(288)	1,120	11,023	454,646		Total non-current liabilities
Total liabilities	607,237	(1,581)	-	32,756	638,412		Total liabilities
Net assets							Equity
Capital stock	93,242	-	-	-	93,242		Share capital
Capital surplus	86,528	-	-	335	86,863		Share premium
Treasury shares	(32,886)	-	-	-	(32,886)		Treasury shares
Total accumulated other comprehensive income	84,418	(1,634)	-	(52,091)	30,693	F	Other components of equity
Retained earnings	736,844	825	-	51,171	788,840	F	Retained earnings
	968,146	(809)	-	(585)	966,752		Total equity attributable to owners of parent
Non-controlling interests	86,926	-	-	470	87,396		Non-controlling interests
Total net assets	1,055,072	(809)	-	(115)	1,054,148		Total equity
Total liabilities and net assets	1,662,309	(2,390)	-	32,641	1,692,560		Total liabilities and equity

<Notes to the reconciliation of equity for the first quarter of the previous fiscal year (as of June 30, 2017)>

A) Cash and cash equivalents, trade and other receivables, other financial assets, inventories, and other current assets

Reclassification:

Term deposits with over three months maturity which were included in “cash and deposits” under J-GAAP, are reclassified into “other financial assets” (current) under IFRS, while negotiable certificates of deposit that were included in “securities” under J-GAAP have been reclassified as “cash and cash equivalents” under IFRS. Accounts receivable – other which were included in “other” of current assets under J-GAAP have been reclassified into “trade and other receivables” under IFRS, while “allowance for doubtful accounts” (current) which were also included in “other” under J-GAAP, is directly deducted from “trade and other receivables” under IFRS.

Recognition and measurement:

[Trade and other receivables]

Revenue from some of the transactions of sales of goods which was recognized on a delivery basis under J-GAAP, is recognized at the time when control over the goods is transferred under IFRS, resulting in ¥745 million decrease in “trade and other receivables.”

[Inventories and other current assets]

Under J-GAAP, some of the raw materials were recognized based on customer acceptance criteria, while under IFRS, they are recognized at the time when control over the goods is acquired. As a result, “inventories” increased by ¥40,558 million. Following the above change, advance payments for such raw materials were offset by “trade and other payables,” resulting in ¥15,049 million decrease in “other current assets.”

B) Property, plant and equipment, and investment property

Reclassification:

“Investment property” that was presented under J-GAAP in “property, plant and equipment” has been reclassified to be presented separately on its own.

Recognition and measurement:

[Property, plant and equipment]

Under J-GAAP, asset retirement obligations were recognized continuously at an amount measured by using the discount rate used at initial recognition, whereas under IFRS such amount was remeasured by using the discount rate adjusted at the end of the reporting period, resulting in ¥1,748 million increase in “property, plant and equipment.”

C) Investments accounted for using equity method, other financial assets, and deferred tax assets

Reclassification:

Shares of subsidiaries and associates that were included in “investment securities” under J-GAAP have been separately presented as “investments accounted for using equity method” under IFRS, while “investment securities” other than the aforementioned, and long-term accounts receivables that were included in “other” (non-current) under J-GAAP have been reclassified into “other financial assets” (non-current) under IFRS. “Long-term loans receivable,” etc. under J-GAAP have been reclassified into “other financial assets” (non-current) under IFRS, while “allowance for doubtful accounts” (non-current) under J-GAAP is directly deducted from “other financial assets” (non-current) under IFRS. Meanwhile, an amount presented as “deferred tax assets” (current) has been reclassified as “deferred tax assets” (non-current) under IFRS.

Recognition and measurement:

[Other financial assets]

Financial instruments such as unlisted shares considered to pose extreme difficulty in determining fair value were recognized at cost under J-GAAP, whereas fair value of such financial instruments is estimated by using appropriate valuation techniques under IFRS, resulting in ¥6,740 million increase in “other financial assets” (non-current).

D) Trade and other payables, other financial liabilities, and provisions

Reclassification:

Accounts payable and accrued expenses, etc. that were presented in “other” of current liabilities under J-GAAP have been reclassified into “trade and other payables” under IFRS, while “provision for bonuses” and “other provision” (current) under J-GAAP have been reclassified into “provisions” (current) under IFRS.

Recognition and measurement:
[Trade and other payables]

Under J-GAAP, some of the raw materials were recognized based on acceptance criteria, while under IFRS they are recognized at the time when control over the goods is acquired. Also fixed asset tax, which under J-GAAP was recognized over the fiscal years in which such tax was paid, started to be wholly charged to expense on the base date for assessment under IFRS, while corresponding liabilities are recognized. As a result of the aforementioned, “trade and other payables” increased by ¥20,728 million.

[Provision for furnace repair works]

“Provision for furnace repair works” which was recognized as a provision under J-GAAP has been reversed for not qualifying for provision under IFRS, resulting in ¥1,290 million decrease in such provision.

[Other financial liabilities]

Some of the financial instruments (specifically forward sales agreement) which were subjected to hedge accounting under J-GAAP started to be subjected to fair value option under IFRS with its futures portion valued at fair value, resulting in ¥1,058 million increase in “other financial liabilities.”

[Provisions]

Unused paid leave for which no provision was recognized under J-GAAP started to be treated as labor cost involving recognition of provision under IFRS, resulting in ¥530 million increase in “provisions” (current).

E) Bonds and borrowings, deferred tax liabilities, provisions and other financial liabilities

Reclassification:

“Bonds payable” and “long-term loans payable” under J-GAAP have been combined into “bonds and borrowings” (non-current) under IFRS, while provisions such as “provision for loss on business restructuring” and “allowance for decommissioning preparations” as well as “asset retirement obligations” under J-GAAP have been reclassified into “provisions” (non-current) under IFRS. Meanwhile, “deferred tax liabilities” (current) under J-GAAP have been reclassified as “deferred tax liabilities” (non-current) under IFRS.

Recognition and measurement
[Bonds and borrowings]

Loans with share acquisition rights classified as “long-term loans payable” under J-GAAP are treated under IFRS as compound financial instruments, part of which being recognized in “retained earnings,” resulting in ¥2,622 million decrease in “bonds and borrowings” (non-current).

[Deferred tax liabilities]

Since deferred tax liabilities started to be recognized in principle under IFRS for the taxable temporary differences arising from retained profits and foreign currency translation adjustment at affiliates, “deferred tax liabilities” (non-current) increased by ¥8,188 million.

[Provisions]

Under J-GAAP, asset retirement obligations were recognized continuously at an amount measured by using the discount rate used at initial recognition, whereas under IFRS such amount was remeasured by using the discount rate adjusted at the end of the reporting period, resulting in ¥3,977 million increase in “provisions” (non-current).

[Other financial liabilities]

For the leasing arrangements that did not take legal forms under J-GAAP, those effectively considered as leasing arrangement have started to involve recognition of lease obligations under IFRS, resulting in ¥915 million increase in “other financial liabilities” (non-current).

F) Retained earnings, and other components of equity

Recognition and measurement

Main items of the reconciliation concerning retained earnings are as follows.

	The first quarter of the previous fiscal year (As of June 30, 2017)
	Millions of yen
Reclassification of cumulative exchange differences at foreign subsidiaries	57,272
Adjustment of trade receivables and inventories	2,287
Adjustment to compound financial instruments	1,599
Adjustment by tax effect	(6,873)
Adjustment to asset retirement obligations	(1,503)
Adjustment to liabilities on levies	(1,003)
Other	(608)
Total	51,171

[Reclassification of cumulative exchange differences at foreign subsidiaries]

As IFRS 1 allows entities to assume the cumulative exchange differences associated with investments in foreign operations to be zero at the date of transition to IFRS, such cumulative exchange differences were reclassified at the date of transition to IFRS from “other components of equity” into “retained earnings.” As a result, “other components of equity” decreased by ¥57,272 million, while “retained earnings” increased by the same amount.

[Adjustment of trade receivables and inventories]

As IFRS requires use of the same cost formula for all inventories with similar nature and use, it was necessary to change cost formula for part of inventories, resulting in ¥2,287 million increase in “retained earnings.”

[Adjustment to compound financial instruments]

As IFRS requires compound financial instruments to be classified into liabilities and equity as basis for further accounting treatment, some compound financial instruments started to be treated as “retained earnings,” resulting in ¥1,599 million increase in “retained earnings.”

[Adjustment by tax effect]

Since deferred tax liabilities started to be recognized in principle under IFRS for the taxable temporary differences arising from retained profits at affiliates, “retained earnings” decreased by ¥6,873 million.

[Adjustment to asset retirement obligations]

Under J-GAAP, asset retirement obligations were recognized continuously at an amount measured by using the discount rate used at initial recognition, whereas under IFRS such amount was remeasured by using the discount rate adjusted at the end of the reporting period, resulting in ¥1,503 million decrease in “retained earnings.”

[Adjustment to liabilities on levies]

Fixed asset tax, which under J-GAAP was recognized over the fiscal years in which such tax was paid, started to be wholly charged to expense on the base date for assessment under IFRS, while corresponding liabilities are recognized. As a result, “retained earnings” decreased by ¥1,003 million.

Reconciliation of equity as of March 31, 2018 (at the end of the previous fiscal year)

Line items presented under J-GAAP	J-GAAP	Effects of changes in closing dates	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line items presented under IFRS
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen		
Assets							Assets
Current assets							Current assets
Cash and deposits	73,589	2,285	61,456	-	137,330	A	Cash and cash equivalents
Notes and accounts receivable-trade	148,761	(1,655)	9,346	(488)	155,964	A	Trade and other receivables
Securities	63,125	(2)	(45,268)	307	18,162	A	Other current financial assets
Inventories	233,184	173	-	44,755	278,112	A	Inventories
Deferred tax assets	1,424	-	(1,424)	-	-	C	
Other	68,005	(64)	(26,191)	(16,188)	25,562	A	Other current assets
Allowance for doubtful accounts	(657)	-	657	-	-	A	
Total current assets	587,431	737	(1,424)	28,386	615,130		Total current assets
Non-current assets							Non-current assets
Property, plant and equipment	464,414	(1,728)	(3,427)	2,629	461,888	B	Property, plant and equipment
Intangible assets	65,950	(379)	-	124	65,695		Intangible assets and goodwill
	-	-	3,427	-	3,427	B	Investment property
Investment securities	441,583	-	(142,322)	771	300,032	C	Investments accounted for using equity method
Long-term loans receivable	43,231	-	(43,231)	-	-	C	
	-	(986)	251,620	4,575	255,209	C	Other non-current financial assets
Deferred tax assets	14,597	132	1,424	(490)	15,663	C	Deferred tax assets
Net defined benefit asset	242	-	(242)	-	-		
Other	81,782	(6)	(66,018)	(469)	15,289	C	Other non-current assets
Allowance for doubtful accounts	(193)	-	193	-	-	C	
Total non-current assets	1,111,606	(2,967)	1,424	7,140	1,117,203		Total non-current assets
Total assets	1,699,037	(2,230)	-	35,526	1,732,333		Total assets

Line items presented under J-GAAP	J-GAAP	Effects of changes in closing dates	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line items presented under IFRS
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen		
							Liabilities and equity
Liabilities							Liabilities
Current liabilities							Current liabilities
Notes and accounts payable-trade	45,756	(67)	55,719	24,086	125,494	D	Trade and other payables
Short-term loans payable	64,888	-	30,000	(9)	94,879	E	Bonds and borrowings
Current portion of bonds	30,000	-	(30,000)	-	-	E	
Income taxes payable	4,022	-	-	(44)	3,978		Income taxes payables
Deferred tax liabilities	1,342	-	(1,342)	-	-	E	
Provision for bonuses	3,630	-	(3,630)	-	-	D	
	-	(26)	418	117	509		Other current financial liabilities
Provision for furnace repair works	341	-	-	(341)	-		
Other provision	745	-	(745)	-	-	D	
Other	67,039	18	(56,138)	(129)	10,790	D	Other current liabilities
	-	-	4,376	520	4,896	D	Provisions
Total current liabilities	217,763	(75)	(1,342)	24,200	240,546		Total current liabilities
Non-current liabilities							Non-current liabilities
Bonds payable	40,150	-	(40,150)	-	-	E	
Long-term loans payable	257,409	-	40,150	(1,298)	296,261	E	Bonds and borrowings
Deferred tax liabilities	29,039	39	1,342	11,868	42,288	E	Deferred tax liabilities
Provision for loss on business restructuring	1,346	-	(1,346)	-	-	E	
Allowance for decommissioning preparations	13,418	-	(13,418)	-	-	E	
Other provision	424	-	(424)	-	-	E	
	-	(254)	24,476	4,324	28,546	E	Provisions
Net defined benefit liability	7,461	-	30	-	7,491		Retirement benefit liabilities
Asset retirement obligations	9,318	-	(9,318)	-	-	E	
Other	2,701	-	(1,553)	-	1,148		Other non-current liabilities
	-	(3)	1,553	1,154	2,704	E	Other non-current financial liabilities
Total non-current liabilities	361,266	(218)	1,342	16,048	378,438		Total non-current liabilities
Total liabilities	579,029	(293)	-	40,248	618,984		Total liabilities
Net assets							Equity
Capital stock	93,242	-	-	-	93,242		Share capital
Capital surplus	86,530	-	-	1,068	87,598	E	Share premium
Treasury shares	(37,959)	-	-	-	(37,959)		Treasury shares
Total accumulated other comprehensive income	97,590	(2,466)	-	(56,709)	38,415	F	Other components of equity
Retained earnings	797,034	529	-	50,526	848,089	F	Retained earnings
	1,036,437	(1,937)	-	(5,115)	1,029,385		Total equity attributable to owners of parent
Non-controlling interests	83,571	-	-	393	83,964		Non-controlling interests
Total net assets	1,120,008	(1,937)	-	(4,722)	1,113,349		Total equity
Total liabilities and net assets	1,699,037	(2,230)	-	35,526	1,732,333		Total liabilities and equity

< Notes to the reconciliation of equity for the previous fiscal year (as of March 31, 2018)>

A) Cash and cash equivalents, trade and other receivables, other financial assets, inventories, and other current assets

Reclassification:

Term deposits with over three months maturity which were included in “cash and deposits” under J-GAAP, are reclassified into “other financial assets (current)” under IFRS, while negotiable certificates of deposit that were included in “securities” under J-GAAP have been reclassified as “cash and cash equivalents” under IFRS. Accounts receivable – other which were included in “other” of current assets under J-GAAP have been reclassified into “trade and other receivables” under IFRS, while “allowance for doubtful accounts” (current) which were also included in “other” under J-GAAP, is directly deducted from “trade and other receivables” under IFRS.

Recognition and measurement:

[Trade and other receivables]

Revenue from some of the transactions of sales of goods which was recognized on a delivery basis under J-GAAP, is recognized on the basis of delivery to customers under IFRS, resulting in ¥488 million decrease in “trade and other receivables.”

[Inventories and other current assets]

Under J-GAAP, some of the raw materials were recognized based on customer acceptance criteria, while under IFRS, they are recognized at the time when control over the goods is transferred. As a result, “inventories” increased by ¥44,755 million. Following the above change, advance payments for such raw materials were offset by “trade and other payables,” resulting in ¥16,188 million decrease in “other current assets.”

B) Property, plant and equipment, and investment property

Reclassification:

“Investment property” that was presented under J-GAAP in “property, plant and equipment” has been reclassified to be presented separately on its own.

Recognition and measurement:

[Property, plant and equipment]

Under J-GAAP, asset retirement obligations were recognized continuously at an amount measured by using the discount rate used at initial recognition, whereas under IFRS such amount was remeasured by using the discount rate adjusted at the end of the reporting period, resulting in ¥2,629 million increase in “property, plant and equipment.”

C) Investments accounted for using equity method, other financial assets, and deferred tax assets

Reclassification:

Shares of subsidiaries and associates that were included in “investment securities” under J-GAAP, have been separately presented as “investments accounted for using equity method” under IFRS, while “investment securities” other than the aforementioned, and long-term accounts receivables that were included in “other” (non-current) under J-GAAP have been reclassified into “other financial assets” (non-current) under IFRS. “Long-term loans receivable,” etc. under J-GAAP have been reclassified into “other financial assets” (non-current) under IFRS, while “allowance for doubtful accounts” (non-current) under J-GAAP is directly deducted from “other financial assets” (non-current) under IFRS. Meanwhile, an amount presented as “deferred tax assets” (current) has been reclassified as “deferred tax assets” (non-current) under IFRS.

Recognition and measurement:

[Other financial assets]

Financial instruments such as unlisted shares considered to pose extreme difficulty in determining fair value were recognized at cost under J-GAAP, whereas fair value of such financial instruments is estimated by using appropriate valuation techniques under IFRS, resulting in ¥4,575 million increase in “other financial assets” (non-current).

D) Trade and other payables, and provisions

Reclassification:

Accounts payable and accrued expenses, etc. that were presented in “other” of current liabilities under J-GAAP, have been reclassified into “Trade and other payables” under IFRS, while “provision for bonuses” and “other provisions” (current) under J-GAAP have been reclassified into “provisions” (current) under IFRS.

Recognition and measurement:
[Trade and other payables]

Under J-GAAP, some of the raw materials were recognized based on acceptance criteria, while under IFRS they are recognized at the time when control over the goods is acquired. Also fixed asset tax, which under J-GAAP was recognized over the fiscal years in which such tax was paid, started to be wholly charged to expense on the base date for assessment under IFRS, while corresponding liabilities are recognized. As a result of the aforementioned, “trade and other payables” increased by ¥24,086 million.

[Provisions]

Unused paid leave for which no provision was recognized under J-GAAP started to be treated as labor cost involving recognition of provision under IFRS, resulting in ¥520 million increase in “provisions” (current).

E) Bonds and borrowings, deferred tax liabilities, provisions and other financial liabilities

Reclassification:

“Short-term loans payable” and “current portion of bonds” under J-GAAP have been combined into “bonds and borrowings” (current) under IFRS, while “bonds payable” and “long-term loans payable” under J-GAAP have been combined into “bonds and borrowings” (non-current) under IFRS. Provisions such as “provision for loss on business restructuring” and “allowance for decommissioning preparations” as well as “asset retirement obligations” under J-GAAP have been reclassified into “provisions” (non-current) under IFRS. Meanwhile, “deferred tax liabilities” (current) under J-GAAP have been reclassified as “deferred tax liabilities” (non-current) under IFRS.

Recognition and measurement
[Bonds and borrowings]

Convertible bond-type bonds with share acquisition rights included in “bonds payable” under J-GAAP are treated under IFRS as compound financial instruments, and partially recognized in “share premium,” resulting in ¥1,298 million decrease in “bonds and borrowings” (non-current).

[Deferred tax liabilities]

Since deferred tax liabilities started to be recognized under IFRS for the whole amount of taxable temporary differences arising from retained profits and foreign currency translation adjustment at affiliates, “deferred tax liabilities” (non-current) increased by ¥11,868 million.

[Provisions]

Under J-GAAP, asset retirement obligations were recognized continuously at an amount measured by using the discount rate used at initial recognition, whereas under IFRS such amount was remeasured by using the discount rate adjusted at the end of the reporting period, resulting in ¥4,324 million increase in “provisions” (non-current).

[Other financial liabilities]

For the leasing arrangements that did not take legal forms under J-GAAP, those effectively considered as leasing arrangement have started to involve recognition of lease obligations under IFRS, resulting in ¥1,154 million increase in “other financial liabilities” (non-current).

F) Retained earnings, and other components of equity

Recognition and measurement

Main items of the reconciliation concerning retained earnings are as follows.

	Previous fiscal year ended March 31, 2018 (As of March 31, 2018)
	Millions of yen
Reclassification of cumulative exchange differences at foreign subsidiaries	57,272
Adjustment of trade receivables and inventories	5,190
Adjustment to remeasurements of defined benefit plans	2,500
Adjustment by tax effect	(10,724)
Adjustment to asset retirement obligations	(1,776)
Adjustment to liabilities on levies	(1,345)
Other	(591)
Total	50,526

[Reclassification of cumulative exchange differences at foreign subsidiaries]

As IFRS 1 allows entities to assume the cumulative exchange differences associated with investments in foreign operations to be zero at the date of transition to IFRS, such cumulative exchange differences were reclassified at the date of transition to IFRS from “other components of equity” into “retained earnings.” As a result, “other components of equity” decreased by ¥57,272 million, while “retained earnings” increased by the same amount.

[Adjustment of trade receivables and inventories]

As IFRS requires use of the same cost formula for all inventories with similar nature and use, it was necessary to change cost formula for part of inventories, resulting in ¥5,190 million increase in "retained earnings."

[Adjustment to remeasurements of defined benefit plans]

Actuarial gains and losses under J-GAAP were recognized in other comprehensive income at the time of occurrence, and then were evenly amortized over the period within the average remaining years of service of the eligible employees from the fiscal year following such occurrence, whereas under IFRS, actuarial gains and losses are recognized in other comprehensive income at the time of occurrence, and then immediately recognized in "retained earnings," resulting in ¥2,500 million increase in "retained earnings."

[Adjustment by tax effect]

Since deferred tax liabilities started to be recognized in principle under IFRS for the taxable temporary differences arising from retained profits at affiliates, "retained earnings" decreased by ¥10,724 million.

[Adjustment to asset retirement obligations]

Under J-GAAP, asset retirement obligations were recognized continuously at an amount measured by using the discount rate used at initial recognition, whereas under IFRS such amount was remeasured by using the discount rate adjusted at the end of the reporting period, resulting in ¥1,776 million decrease in "retained earnings."

[Adjustment to liabilities on levies]

Fixed asset tax, which under J-GAAP was recognized over the fiscal years in which such tax was paid, started to be wholly charged to expense on the base date for assessment under IFRS, while corresponding liabilities are recognized. As a result, "retained earnings" decreased by ¥1,345 million.

Reconciliation to profit or loss and other comprehensive income for the three months ended June 30, 2017 in the previous fiscal year (from April 1, 2017 to June 30, 2017)

Line items presented under J-GAAP	J-GAAP	Effects of changes in closing dates	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line items presented under IFRS
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen		
Net sales	214,482	(223)	-	(2,852)	211,407	A	Net sales
Cost of sales	(181,102)	766	-	4,379	(175,957)	A	Cost of sales
Gross profit	33,380	543	-	1,527	35,450		Gross profit
	-	-	1,208	(97)	1,111	B	Other income
Selling, general and administrative expenses	(11,614)	(93)	-	55	(11,652)		Selling, general and administrative expenses
	-	8	(959)	(284)	(1,235)	B	Other expenses
Non-operating income	10,685	-	(10,685)	-	-	B	
Non-operating expenses	(2,463)	-	2,463	-	-	B	
Extraordinary income	985	-	(985)	-	-	B	
Extraordinary losses	(268)	-	268	-	-	B	
	-	18	5,624	(18)	5,624	B	Finance income
	-	-	(1,826)	-	(1,826)	B	Finance costs
	-	-	4,892	(28)	4,864	B	Share of profit of entities accounted for using equity method
Profit before income taxes	30,705	476	-	1,155	32,336		Profit before tax
Income taxes - current	(6,817)	-	6,817	-	-	B	
Income taxes - deferred	(599)	-	599	-	-	B	
	-	37	(7,416)	(384)	(7,763)	B	Income tax expense
Profit	23,289	513	-	771	24,573		Profit
Other comprehensive income							Other comprehensive income
							Items that will not be reclassified to profit or loss
Valuation difference on available-for-sale securities	4,523	(1,779)	-	359	3,103	C	Financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of tax	228	-	-	(228)	-	C	Remeasurements of defined benefit plans
	-	-	-	(5)	(5)		Share of other comprehensive income of entities accounted for using equity method
	4,751	(1,779)	-	126	3,098		Total items
							Items that will be reclassified to profit or loss
Deferred gains or losses on hedges	(1,282)	524	-	948	190	C	Cash flow hedges
Foreign currency translation adjustment	(8,716)	1,071	-	146	(7,499)		Exchange differences translation on foreign operations
Share of other comprehensive income of entities accounted for using equity method	(9,261)	-	-	535	(8,726)		Share of other comprehensive income of entities accounted for using equity method
	(19,259)	1,595	-	1,629	(16,035)		Total items
Total other comprehensive income	(14,508)	(184)	-	1,755	(12,937)		Other comprehensive income, net of tax
Comprehensive income	8,781	329	-	2,526	11,636		Comprehensive income

A) Net sales and cost of sales

Recognition and measurement:

Revenue from some of the transactions of sales of goods which was recognized on a delivery basis under J-GAAP, is recognized on the basis of delivery to customers under IFRS, resulting in ¥2,852 million decrease in "net sales." For the similar reason coupled with a change in cost formula, "cost of sales" decreased by ¥4,379 million.

B) Other income, other expenses, finance income, finance costs, share of profit of entities accounted for using equity method, and income tax expense

Reclassification:

Of the items presented in "non-operating income," "non-operating expenses," "extraordinary income," and "extraordinary losses" under J-GAAP, those concerning profit or loss related to finance are reclassified into "finance income" and "finance costs," while all other items into "other income," "other expenses," and "share of profit of entities accounted for using equity method" under IFRS. Meanwhile, "income taxes – current," and "income taxes – deferred" that were separately presented under J-GAAP are now wholly presented in "income tax expense" under IFRS.

C) Other comprehensive income, net of tax

Recognition and measurement:

[Financial assets measured at fair value through other comprehensive income]

Financial instruments such as unlisted shares considered to pose extreme difficulty in determining fair value were recognized at cost under J-GAAP, whereas fair value of such financial instruments is estimated by using appropriate valuation techniques under IFRS, resulting in ¥359 million increase in "financial assets measured at fair value through other comprehensive income."

[Remeasurements of defined benefit plans]

Actuarial gains and losses under J-GAAP were recognized in "other comprehensive income" at the time of occurrence, and then were evenly amortized over the period within the average remaining years of service of the eligible employees from the fiscal year following such occurrence, whereas under IFRS, actuarial gains and losses are recognized in "other comprehensive income" at the time of occurrence, and then immediately recognized in "retained earnings," resulting in ¥228 million decrease in "remeasurements of defined benefit plans."

[Cash flow hedges]

Derivatives that met the hedge accounting requirements were recognized by deferred hedge accounting under J-GAAP, whereas some of such derivatives are subjected to fair value hedge accounting under IFRS, resulting in ¥948 million increase in "cash flow hedges."

Reconciliation to profit or loss and other comprehensive income for the previous fiscal year (from April 1, 2017 to March 31, 2018)

Line items presented under J-GAAP	J-GAAP	Effects of changes in closing dates	Reclassification	Difference in recognition and measurement	IFRS	Notes	Line items presented under IFRS
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen		
Net sales	933,517	(1,188)	-	(2,583)	929,746	A	Net sales
Cost of sales	(776,428)	637	(9,622)	4,682	(780,731)	A	Cost of sales
Gross profit	157,089	(551)	(9,622)	2,099	149,015		Gross profit
	-	-	5,280	405	5,685	B	Other income
Selling, general and administrative expenses	(46,886)	50	-	1,016	(45,820)		Selling, general and administrative expenses
	-	9	(16,488)	434	(16,045)	B	Other expenses
Non-operating income	30,198	-	(30,198)	-	-	B	
Non-operating expenses	(15,548)	-	15,548	-	-	B	
Extraordinary income	1,315	-	(1,315)	-	-	B	
Extraordinary losses	(20,373)	-	20,373	-	-	A, B	
	-	(9)	16,997	376	17,364	B	Finance income
	-	-	(11,942)	(2,309)	(14,251)	B	Finance costs
	-	-	11,367	971	12,338	B	Share of profit of entities accounted for using equity method
Profit before income taxes	105,795	(501)	-	2,992	108,286		Profit before tax
Income taxes - current	(14,069)	-	14,069	-	-	B	
Income taxes - deferred	4,603	-	(4,603)	-	-	B	
	-	10	(9,466)	(3,928)	(13,384)	B	Income tax expense
Profit	96,329	(491)	-	(936)	94,902		Profit
Other comprehensive income							Other comprehensive income
							Items that will not be reclassified to profit or loss
Valuation difference on available-for-sale securities	10,810	(333)	-	(1,609)	8,868	C	Financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of tax	1,954	-	-	(253)	1,701	C	Remeasurements of defined benefit plans
	-	-	94	81	175		Share of other comprehensive income of entities accounted for using equity method
	12,764	(333)	94	(1,781)	10,744		Total items
							Items that will be reclassified to profit or loss
Deferred gains or losses on hedges	(1,124)	433	-	585	(106)	C	Cash flow hedges
Foreign currency translation adjustment	(9,568)	(796)	-	77	(10,287)		Exchange differences on foreign operations
Share of other comprehensive income of entities accounted for using equity method	(4,590)	-	(94)	(340)	(5,024)		Share of other comprehensive income of entities accounted for using equity method
	(15,282)	(363)	(94)	322	(15,417)		Total items
Total other comprehensive income	(2,518)	(696)	-	(1,459)	(4,673)		Other comprehensive income, net of tax
Comprehensive income	93,811	(1,187)	-	(2,395)	90,229		Comprehensive income

A) Net sales and cost of sales

Reclassification:

Impairment loss presented in “extraordinary losses” under J-GAAP has been reclassified in “cost of sales” under IFRS.

Recognition and measurement:

Revenue from some of the transactions of sales of goods which was recognized on a delivery basis under J-GAAP, is recognized on the basis of delivery to customers under IFRS, resulting in ¥2,583 million decrease in “net sales.” For the similar reason coupled with a change in cost formula, “cost of sales” decreased by ¥4,682 million.

B) Other income, other expenses, finance income, finance costs, share of profit of entities accounted for using equity method, and income tax expense

Reclassification:

Of the items presented in “non-operating income,” “non-operating expenses,” “extraordinary income,” and “extraordinary losses” under J-GAAP, those concerning profit or loss related to finance are reclassified into “finance income” and “finance costs,” while all other items into “other income,” “other expenses,” and “share of profit of entities accounted for using equity method” under IFRS. Meanwhile, “income taxes – current,” and “income taxes – deferred” that were separately presented under J-GAAP are now wholly presented in “income tax expense” under IFRS.

Recognition and measurement:

[Finance costs]

Following the repayment of borrowings, expenses associated with such borrowings were amortized at once, resulting in ¥2,309 million increase in “finance costs.”

C) Other comprehensive income, net of tax

Recognition and measurement:

[Financial assets measured at fair value through other comprehensive income]

Financial instruments such as unlisted shares considered to pose extreme difficulty in determining fair value were recognized at cost under J-GAAP, whereas fair value of such financial instruments is estimated by using appropriate valuation techniques under IFRS, resulting in ¥1,609 million decrease in “financial assets measured at fair value through other comprehensive income.”

[Remeasurements of defined benefit plans]

Actuarial gains and losses under J-GAAP were recognized in “other comprehensive income” at the time of occurrence, and then were evenly amortized over the period within the average remaining years of service of the eligible employees from the fiscal year following such occurrence, whereas under IFRS, actuarial gains and losses are recognized in “other comprehensive income” at the time of occurrence, and then immediately recognized in “retained earnings,” resulting in ¥253 million decrease in “remeasurements of defined benefit plans.”

[Cash flow hedges]

Derivatives that met the hedge accounting requirements were recognized by deferred hedge accounting under J-GAAP, whereas some of such derivatives are subjected to fair value hedge accounting under IFRS, resulting in ¥585 million increase in “cash flow hedges.”

Reconciliation to cash flows for the previous fiscal year (from April 1, 2017 to March 31, 2018)

There is no material difference between the Consolidated Statement of Cash Flows disclosed under J-GAAP and that under IFRS.

3. Supplementary Information

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

Segment	Product	Unit	FY2018 First Three Months Results (April 1, 2018 to June 30, 2018)
Mineral Resources	Gold and silver ores	t	36,693
		¥1,000/DMT	172
		¥million	6,315
	(Gold content)	(kg)	(1,496)
Smelting & Refining	Copper	t	114,189
		¥1,000/t	758
		¥million	86,514
	Gold	kg	5,567
		¥/g	4,579
		¥million	25,494
	Silver	kg	60,026
		¥1,000/kg	58
		¥million	3,501
	Nickel	t	16,948
		¥1,000/t	1,576
		¥million	26,715
Materials	Advanced materials, etc.	¥million	37,735

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.