Consolidated Financial Results for the Second Quarter Ended September 30, 2018 [IFRS]

November 8, 2018
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Listed Company Name: Sumitomo Metal Mining Co., Ltd.
Code: 5713
Listings: Tokyo Stock Exchange
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Scheduled Date to Submit Quarterly Report: November 14, 2018
Scheduled Date to Start Dividend Payment: December 5, 2018
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 September 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	%
Six months ended September 30, 2018	466,657	6.0	73,208	51.7	61,943	59.8	58,058	51.7	65,057	115.0
Six months ended September 30, 2017	440,281	—	48,274	—	38,756	—	38,280	—	30,255	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2018	211.28	211.28
Six months ended September 30, 2017	138.80	124.77

(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 September 30, 2018	1,758,005	1,160,091	1,070,751	60.9
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	—	51.00			
Year ending March 31, 2019 (Forecast)			—	38.00	89.00

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

The Company carried out a consolidation of share at the ratio of 2 shares to 1 share on October 1, 2017. As the second quarter-end dividend for the fiscal year 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)

(% figures show year-on-year change)

	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
Full year	909,000	-2.2	107,000	-1.2	81,000	-10.2	294.77

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

For further details, please refer to "1. Qualitative Information on Quarterly Financial Results, (3) Forward-Looking Information Including Forecast of Consolidated Operating Results and Other" on page 5.

<u>Notes</u>

(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 September 30, 2018
   290,814,015 shares at March 31, 2018
2) Number of shares of treasury stock as of end of period
   16,023,586 shares at September 30, 2018
   16,020,099 shares at March 31, 2018
3) Average number of shares during the period
   274,791,852 shares for six months ended September 30, 2018
   275,792,984 shares for six months ended September 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 year ending March 31, 2019, 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 Thursday, November 8, 2018.

(Application of International Financial Reporting Standards (IFRS))

The SMM Group has voluntarily applied International Financial Reporting Standards (hereinafter, "IFRS") from the first quarter of the fiscal year ending March 31, 2019. 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.

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1. Qualitative Information on Quarterly Financial Results

The Sumitomo Metal Mining Group (hereinafter the "SMM Group") adopts International Financial Reporting Standards (IFRS) from the fiscal year ending March 31, 2019. Accordingly, financial figures for the first six 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 16 of the Attachment.

(1) Business Performance

(Millions of yen)

	Net sales	Profit before tax	Profit attributable to owners of parent
Six months ended September 30, 2018	466,657	73,208	58,058
Six months ended September 30, 2017	440,281	48,274	38,280
Increase/decrease [Rate of change: %]	26,376 [6.0]	24,934 [51.7]	19,778 [51.7]

(Overseas market prices and foreign exchange rates)

	Unit	Six months ended September 30, 2017	Six months ended September 30, 2018	Increase/decrease
Copper	$/t	6,005	6,487	482
Gold	$/TOZ	1,267.7	1,259.7	-8.0
Nickel	$/lb	4.49	6.28	1.79
Exchange rate (TTM)	¥/$	111.08	110.28	-0.80

The global economy during the first six 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, amid such factors as an interest rate differential between Japan and the United States. However, the average exchange rate remained flat year-on-year, due to the intensification of risk avoidance in the market in response to factors such as the United States government's protectionist trade policies, halting further depreciation of the yen and appreciation of the dollar.

Regarding the prices of major nonferrous metals, prices of copper and nickel rose year-over-year in the first six months of fiscal 2018, due to the impact of price increases in the first quarter, despite a year-on-year drop in gold prices. In the second quarter of fiscal 2018, gold, copper, and nickel prices began a downward trend, as funds were withdrawn from the market due to an escalation in trade friction between the United States and China, monetary tightening by the United States, and concerns surrounding an economic downturn in China and emerging countries.

In industries related to the Materials business, demand for automobile battery components continued to increase. Although the growth of the smartphone market slowed due to increased adoption and maturation of the market, the selling environment for electronic components for automotive and communication applications continued to be favorable, despite some trends toward inventory adjustment.

Under these circumstances, consolidated net sales in the first six months of fiscal 2018 increased by ¥26,376 million from the same period of the previous fiscal year to ¥466,657 million, mainly due to increases in prices of copper and nickel, and increased sales of battery materials.

Consolidated profit before tax increased by ¥24,934 million from the same period of the previous fiscal year to ¥73,208 million, due mainly to increased earnings, increased finance income from foreign exchange gains, increased share of profit of entities accounted for using equity method, and profit on the sale of Sumitomo Metal Mining Pogo LLC.

Profit attributable to owners of parent increased by ¥19,778 million from the same period of the previous fiscal year to ¥58,058 million, due mainly to increased profit before tax.

Operating results by segment are as follows.

(Mineral Resources segment) (Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018	Increase/decrease	Rate of change (%)
Net sales	72,376	72,188	-188	-0.3
Segment income	18,116	37,202	19,086	105.4

In the Mineral Resources segment, despite a decrease in production at our main mines due to a drop in the grade of copper ore, segment income increased from the same period of the previous fiscal year due to an increase in copper prices, posting of profit on the sale of Sumitomo Metal Mining Pogo LLC, and the absence in the first six months of fiscal 2018 of burdens such as royalties levied on mining companies for prior years at Sociedad Minera Cerro Verde S.A.A., which was recorded in the same period of the previous fiscal year.

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 3 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 221,000 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 16.8% interest, excluding non-controlling interest) fell from the same period of the previous fiscal year to 229,000 t, due mainly to a drop in the grade of copper ore.

Despite having been forecast to be at the same level as the previous consolidated fiscal year due to a recovery in throughput and other factors, 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 45,000 t, due mainly to a drop in the grade of copper ore.

(Smelting & Refining segment)

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018	Increase/decrease	Rate of change (%)
Net sales	317,794	325,451	7,657	2.4
Segment income	18,125	25,757	7,632	42.1

(Output by the Company's major product)

Product	Unit	Six months ended September 30, 2017	Six months ended September 30, 2018	Increase/decrease
Copper	t	223,824	230,640	6,816
Gold	kg	10,922	10,808	-114
Electrolytic nickel	t	30,967	28,200	-2,767
Ferronickel	t	6,285	6,156	-129

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

In the Smelting & Refining segment, segment income grew compared to the same period of the previous fiscal year, due mainly to the rise in nonferrous metal prices.

Production levels of copper increased, while sales volume remained flat from the same period of the previous fiscal year. 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)

	Six months ended September 30, 2017	Six months ended September 30, 2018	Increase/decrease	Rate of change (%)
Net sales	86,360	106,516	20,156	23.3
Segment income	7,087	11,413	4,326	61.0

In the Materials segment, segment income increased from the same period of the previous fiscal year, due to the maintenance of strong sales of battery materials against a backdrop of active demand for automotive batteries, despite continuing customer inventory adjustments of crystal materials.

(2) Financial Position

1) Financial Position

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018	Increase/decrease
Total assets	1,732,333	1,758,005	25,672
Total liabilities	618,984	597,914	-21,070
Total equity	1,113,349	1,160,091	46,742

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

Cash and cash equivalents, as well as trade and other receivables increased.

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

Bonds decreased due to redemption. In addition, as a result of the sale of Sumitomo Metal Mining Pogo LLC, provisions such as asset retirement obligations recorded at that company decreased.

Total equity as of September 30, 2018 increased from those as of March 31, 2018, due mainly to the recording of quarterly profit.

2) Cash Flows

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018	Increase/decrease
Net cash provided by operating activities	28,623	82,136	53,513
Net cash provided by (used in) investing activities	4,250	(4,471)	-8,721
Net cash used in financing activities	(29,863)	(39,638)	-9,775
Effect of exchange rate change on cash and cash equivalents	(1,434)	(327)	1,107
Cash and cash equivalents at beginning of period	172,907	137,330	-35,577
Cash and cash equivalents at end of period	174,483	175,030	547

Net cash provided by operating activities during the first six months of fiscal 2018 increased year over year, due mainly to decreased income taxes paid and increased trade and other payables, in addition to increased profit before tax.

Net cash from investing activities was positive in the same period of the previous fiscal year, due mainly to the recording of the large income from collection of long-term loans receivable and proceeds from sales of investment securities. In the first six months of fiscal 2018, net cash from investing activities was negative, due mainly to the increase in purchase of property, plant and equipment, despite proceeds from the sale of Sumitomo Metal Mining Pogo LLC.

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, in addition to the redemption of bonds, despite proceeds from issuance of bonds.

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

(Overseas market prices and foreign exchange rates)

	Unit	A FY2018 First Six Months Results	B FY2018 Third and Fourth Quarter Forecasts	(A+B/2) FY 2018 Forecasts
Copper	$/t	6,487	6,100	6,294
Gold	$/TOZ	1,259.7	1,220.0	1,239.9
Nickel	$/lb	6.28	5.50	5.89
Exchange rate (TTM)	¥/$	110.28	110.00	110.14

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. While copper and nickel prices were on a downward trend in the second quarter of fiscal 2018, both are fundamentally expected to remain firm. 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 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 ¥909.0 billion, profit before tax of ¥107.0 billion, and profit attributable to owners of parent of ¥81.0 billion on a consolidated basis.

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

(Millions of yen)

	Mineral Resources	Smelting & Refining	Materials	Total	Other Businesses	Adjustments	Total
Net sales	132,000	632,000	220,000	984,000	9,000	(84,000)	909,000
Segment income	48,000	47,000	15,000	110,000	(2,000)	(1,000)	107,000

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

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)	Second Quarter of FY2018 (As of September 30, 2018)
	Millions of Yen	Millions of Yen	Millions of Yen
Assets			
Current assets			
Cash and cash equivalents	172,907	137,330	175,030
Trade and other receivables	163,971	155,964	164,378
Other current financial assets	2,382	18,162	7,796
Inventories	255,065	278,112	274,282
Other current assets	20,165	25,562	18,199
Subtotal	614,490	615,130	639,685
Assets held for sale	2,430	—	—
Total current assets	616,920	615,130	639,685
Non-current assets			
Property, plant and equipment	480,063	461,888	460,651
Intangible assets and goodwill	47,048	65,695	60,825
Investment property	3,427	3,427	3,427
Investments accounted for using equity method	292,449	300,032	295,408
Other non-current financial assets	251,715	255,209	269,165
Deferred tax assets	7,469	15,663	14,103
Other non-current assets	15,888	15,289	14,741
Total non-current assets	1,098,059	1,117,203	1,118,320
Total assets	1,714,979	1,732,333	1,758,005

	Date of transition (As of April 1, 2017)	FY2017 (As of March 31, 2018)	Second Quarter of FY2018 (As of September 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	124,525
Bonds and Borrowings	95,007	94,879	69,068
Other current financial liabilities	1,496	509	1,380
Income taxes payable	17,268	3,978	7,985
Provisions	4,843	4,896	4,389
Other current liabilities	8,520	10,790	7,513
Subtotal	228,536	240,546	214,860
Liabilities directly associated with assets held for sale	3,440	—	—
Total current liabilities	231,976	240,546	214,860
Non-current liabilities			
Bonds and Borrowings	395,930	296,261	305,630
Other non-current financial liabilities	2,217	2,704	3,193
Provisions	22,260	28,546	20,992
Retirement benefit liability	9,479	7,491	8,218
Deferred tax liabilities	31,612	42,288	43,990
Other non-current liabilities	1,147	1,148	1,031
Total non-current liabilities	462,645	378,438	383,054
Total liabilities	694,621	618,984	597,914
Equity			
Share Capital	93,242	93,242	93,242
Share premium	86,840	87,598	87,598
Treasury shares	(32,877)	(37,959)	(37,974)
Other components of equity	41,450	38,415	39,874
Retained earnings	768,847	848,089	888,011
Total equity interest attributable to owners of parent	957,502	1,029,385	1,070,751
Non-controlling interests	62,856	83,964	89,340
Total equity	1,020,358	1,113,349	1,160,091
Total liabilities and equity	1,714,979	1,732,333	1,758,005

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

(Condensed Quarterly Consolidated Statement of Income)

	Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)	Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)
	Millions of Yen	Millions of Yen
Net sales	440,281	466,657
Cost of sales	(370,919)	(393,941)
Gross profit	69,362	72,716
Selling, general and administrative expenses	(22,318)	(24,944)
Finance income	9,727	14,593
Finance costs	(4,683)	(3,367)
Share of profit (loss) of entities accounted for using equity method	(2,252)	7,661
Other income	1,454	11,022
Other expenses	(3,016)	(4,473)
Profit before tax	48,274	73,208
Income tax expense	(9,518)	(11,265)
Profit	38,756	61,943
Profit attributable to:		
Owners of parent	38,280	58,058
Non-controlling interests	476	3,885
Profit	38,756	61,943
Earnings per share		
Basic earnings per share (Yen)	138.80	211.28
Diluted earnings per share (Yen)	124.77	211.28

(Condensed Quarterly Consolidated Statement of Comprehensive Income)

	Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)	Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)
	Millions of Yen	Millions of Yen
Profit	38,756	61,943
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Financial assets measured at fair value through other comprehensive income	6,825	5,836
Share of other comprehensive income of entities accounted for using equity method	23	(128)
Total items that will not be reclassified to profit or loss	6,848	5,708
Items that will be reclassified to profit or loss:		
Cash flow hedges	(186)	730
Exchange differences on foreign operations	(6,917)	3,970
Share of other comprehensive income of entities accounted for using equity method	(8,246)	(7,294)
Total items that will be reclassified to profit or loss	(15,349)	(2,594)
Other comprehensive income, net of tax	(8,501)	3,114
Comprehensive income	30,255	65,057
Comprehensive income attributable to:		
Owners of parent	31,741	59,517
Non-controlling interests	(1,486)	5,540
Comprehensive income	30,255	65,057

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

For the six months ended September 30, 2017 (From April 1, 2017 to September 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	—	—	—	(13,259)	(126)	6,846
Total comprehensive income	—	—	—	(13,259)	(126)	6,846
Purchase of treasury shares	—	—	(44)	—	—	—
Disposal of treasury shares	—	—	1	—	—	—
Dividends	—	—	—	—	—	—
Changes due to business combination	—	—	—	—	—	—
Changes in interests in subsidiaries	—	24	—	—	—	0
Reclassification into retained earnings	—	—	—	—	—	(32)
Transactions with owners - total	—	24	(43)	—	—	(32)
As of September 30, 2017	93,242	86,864	(32,920)	(13,259)	166	47,972

	Equity interest attributable to owners of parent					
	Other components of equity					
	Remeasurements 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, 2017	—	41,450	768,847	957,502	62,856	1,020,358
Profit	—	—	38,280	38,280	476	38,756
Other comprehensive income	—	(6,539)	—	(6,539)	(1,962)	(8,501)
Total comprehensive income	—	(6,539)	38,280	31,741	(1,486)	30,255
Purchase of treasury shares	—	—	—	(44)	—	(44)
Disposal of treasury shares	—	—	—	1	—	1
Dividends	—	—	(3,310)	(3,310)	(2,208)	(5,518)
Changes due to business combination	—	—	—	—	1,639	1,639
Changes in interests in subsidiaries	—	0	—	24	23,885	23,909
Reclassification into retained earnings	—	(32)	32	—	—	—
Transactions with owners - total	—	(32)	(3,278)	(3,329)	23,316	19,987
As of September 30, 2017	—	34,879	803,849	985,914	84,686	1,070,600

For the six months ended September 30, 2018 (From April 1, 2018 to September 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	—	—	—	(4,800)	551	5,708
Total comprehensive income	—	—	—	(4,800)	551	5,708
Purchase of treasury shares	—	—	(15)	—	—	—
Disposal of treasury shares	—	—	—	—	—	—
Dividends	—	—	—	—	—	—
Changes due to business combination	—	—	—	—	—	—
Changes in interests in subsidiaries	—	—	—	—	—	—
Reclassification into retained earnings	—	—	—	—	—	—
Transactions with owners - total	—	—	(15)	—	—	—
As of September 30, 2018	93,242	87,598	(37,974)	(16,744)	792	55,826

	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	—	—	58,058	58,058	3,885	61,943
Other comprehensive income	—	1,459	—	1,459	1,655	3,114
Total comprehensive income	—	1,459	58,058	59,517	5,540	65,057
Purchase of treasury shares	—	—	—	(15)	—	(15)
Disposal of treasury shares	—	—	—	—	—	—
Dividends	—	—	(18,136)	(18,136)	(2,583)	(20,719)
Changes due to business combination	—	—	—	—	—	—
Changes in interests in subsidiaries	—	—	—	—	2,419	2,419
Reclassification into retained earnings	—	—	—	—	—	—
Transactions with owners - total	—	—	(18,136)	(18,151)	(164)	(18,315)
As of September 30, 2018	—	39,874	888,011	1,070,751	89,340	1,160,091

(4) Condensed Quarterly Consolidated Statement of Cash Flows

	Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)	Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)
	Millions of Yen	Millions of Yen
Cash flows from operating activities		
Profit before tax	48,274	73,208
Depreciation and amortization expense	23,017	23,141
Share of (profit) loss of entities accounted for using equity method	2,252	(7,661)
(Gain) loss from sales of subsidiaries	(95)	(9,520)
Increase (decrease) in net retirement benefit liability	256	726
Finance income	(9,727)	(14,593)
Finance costs	4,683	3,367
(Increase) decrease in trade and other receivables	(17,069)	(8,682)
(Increase) decrease in inventories	(8,963)	415
Increase (decrease) in trade and other payables	(1,286)	9,883
Increase (decrease) in accrued consumption taxes	4,176	2,880
Other, net	(5,750)	3,521
Subtotal	39,768	76,685
Interest received	1,079	945
Dividends received	10,779	12,127
Interest paid	(3,258)	(3,165)
Income taxes paid	(19,762)	(7,559)
Income taxes refund	17	3,103
Net cash provided by (used in) operating activities	28,623	82,136
Cash flows from investing activities		
Payments into time deposits	(16,401)	(10,308)
Proceeds from withdrawal of time deposits	—	7,833
Proceeds from redemption of securities	—	10,610
Purchase of property, plant and equipment	(17,215)	(32,325)
Purchase of intangible assets	(212)	(410)
Proceeds from sales of investment securities	15,356	—
Purchase of shares of subsidiaries and associates	(5,470)	(6,427)
Payments of short-term loans receivable	(5)	(959)
Collection of short-term loans receivable	146	2,899
Collection of long-term loans receivable	39,691	16
Proceeds from sales of subsidiaries that will accompany a change in scope of consolidation	—	24,531
Payments for acquisition of interests	(11,122)	—
Other, net	(518)	69
Net cash provided by (used in) investing activities	4,250	(4,471)

	Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017)	Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)
	Millions of Yen	Millions of Yen
Cash flows from financing activities		
Proceeds from short-term loans payable	32,948	31,619
Repayments of short-term loans payable	(72,667)	(33,094)
Proceeds from long-term loans payable	—	332
Repayments of long-term loans payable	(8,500)	(10,096)
Proceeds from issuance of bonds	—	19,917
Redemption of bonds	—	(30,000)
Proceeds from share issuance to non-controlling shareholders	23,925	2,418
Cash dividends paid	(3,310)	(18,136)
Dividends paid to non-controlling interests	(2,208)	(2,583)
Other, net	(51)	(15)
Net cash provided by (used in) financing activities	(29,863)	(39,638)
Net increase (decrease) in cash and cash equivalents	3,010	38,027
Cash and cash equivalents at beginning of period	172,907	137,330
Effect of exchange rate change on cash and cash equivalents	(1,434)	(327)
Cash and cash equivalents at end of period	174,483	175,030

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

(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, etc., 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 the accounting policies for the creation of Condensed Quarterly Consolidated Financial Statements, with the exception of the reporting by each reported segment of amounts corresponding to interest on internal loans, as determined in the statement of financial position of each segment.

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

Six Months Ended September 30, 2017 (from April 1, 2017 to September 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	55,625	303,409	78,384	437,418	2,863	440,281	—	440,281
Inter-segment	16,751	14,385	7,976	39,112	2,303	41,415	(41,415)	—
Total	72,376	317,794	86,360	476,530	5,166	481,696	(41,415)	440,281
Segment income (loss)	18,116	18,125	7,087	43,328	(434)	42,894	5,380	48,274

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 ¥5,380 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.

Six Months Ended September 30, 2018 (from April 1, 2018 to September 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	58,699	307,746	98,644	465,089	1,568	466,657	—	466,657
Inter-segment	13,489	17,705	7,872	39,066	2,794	41,860	(41,860)	—
Total	72,188	325,451	106,516	504,155	4,362	508,517	(41,860)	466,657
Segment income (loss)	37,202	25,757	11,413	74,372	(746)	73,626	(418)	73,208

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 ¥(418) 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" (non-current) 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 September 30, 2017 (at the end of the second 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	115,524	3,429	55,530	—	174,483	A	Cash and cash equivalents
Notes and accounts receivable-trade	136,229	(809)	5,120	(576)	139,964	A	Trade and other receivables
Securities	72,000	—	(53,216)	—	18,784	A	Other current financial assets
Inventories	225,679	(5)	(748)	37,841	262,767	A	Inventories
Deferred tax assets	1,405	—	(1,405)	—	—	C	
Other	47,154	175	(8,094)	(16,205)	23,030	A	Other current assets
Allowance for doubtful accounts	(640)	—	640	—	—	A	
Total current assets	597,351	2,790	(2,173)	21,060	619,028		Subtotal
	—	—	1,958	—	1,958	A	Assets held for sale
	597,351	2,790	(215)	21,060	620,986		Total current assets
Non-current assets							Non-current assets
Property, plant and equipment	478,966	(371)	(4,607)	1,700	475,688	B	Property, plant and equipment
Intangible assets	66,573	(230)	(9)	(25)	66,309		Intangible assets and goodwill
	—	—	3,427	—	3,427	B	Investment property
Investment securities	417,962	—	(139,028)	133	279,067	C	Investments accounted for using equity method
Long-term loans receivable	41,974	—	(41,974)	—	—	C	
	—	1,817	240,696	4,363	246,876	C	Other non-current financial assets
Deferred tax assets	5,411	256	1,405	365	7,437	C	Deferred tax assets
Net defined benefit asset	203	—	(203)	—	—		
Other	75,609	(3)	(59,685)	(615)	15,306	C	Other non-current assets
Allowance for doubtful accounts	(193)	—	193	—	—	C	
Total non-current assets	1,086,505	1,469	215	5,921	1,094,110		Total non-current assets
Total assets	1,683,856	4,259	—	26,981	1,715,096		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	48,460	659	43,891	19,173	112,183	D	Trade and other payables
Short-term loans payable	55,757	—	30,000	(16)	85,741	E	Bonds and borrowings
Current portion of bonds	30,000	—	(30,000)	—	—	E	
Income taxes payable	10,094	—	(203)	(1,911)	7,980	D	Income taxes payables
Deferred tax liabilities	847	—	(847)	—	—	E	
Provision for bonuses	3,433	—	(3,433)	—	—	D	
	—	73	1,438	903	2,414	D	Other current financial liabilities
Provision for furnace repair works	1,384	—	—	(1,384)	—	D	
Other provision	586	—	(586)	—	—	D	
Other	55,976	(51)	(46,150)	(153)	9,622	D	Other current liabilities
	—	—	3,920	530	4,450	D	Provisions
Total current liabilities	206,537	681	(1,970)	17,142	222,390		Subtotal
	—	—	1,123	—	1,123	D	Liabilities directly associated with assets held for sale
	206,537	681	(847)	17,142	223,513		Total current liabilities
Non-current liabilities							Non-current liabilities
Bonds payable	10,000	—	(10,000)	—	—	E	
Long-term loans payable	344,431	—	10,000	(2,233)	352,198	E	Bonds and borrowings
Deferred tax liabilities	23,996	468	847	7,883	33,194	E	Deferred tax liabilities
Provision for loss on business restructuring	737	—	(737)	—	—	E	
Allowance for decommissioning preparations	8,335	—	(8,335)	—	—	E	
Other provision	516	—	(516)	—	—	E	
	—	105	18,550	3,928	22,583	E	Provisions
Net defined benefit liability	8,913	—	26	792	9,731		Retirement benefit liabilities
Asset retirement obligations	8,988	—	(8,988)	—	—	E	
Other	2,261	—	(1,175)	23	1,109		Other non-current liabilities
	—	64	1,175	929	2,168	E	Other non-current financial liabilities
Total non-current liabilities	408,177	637	847	11,322	420,983		Total non-current liabilities
Total liabilities	614,714	1,318	—	28,464	644,496		Total liabilities
Net assets							Equity
Capital stock	93,242	—	—	—	93,242		Share capital
Capital surplus	86,528	—	—	336	86,864		Share premium
Treasury shares	(32,920)	—	—	—	(32,920)		Treasury shares
Total accumulated other comprehensive income	88,359	1,593	—	(55,073)	34,879	F	Other components of equity
Retained earnings	749,875	1,348	—	52,626	803,849	F	Retained earnings
	985,084	2,941	—	(2,111)	985,914		Total equity attributable to owners of parent

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
Non-controlling interests	84,058	—	—	628	84,686		Non-controlling interests
Total net assets	1,069,142	2,941	—	(1,483)	1,070,600		Total equity
Total liabilities and net assets	1,683,856	4,259	—	26,981	1,715,096		Total liabilities and equity

<Notes to the reconciliation of equity for the second quarter of the previous fiscal year (as of September 30, 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 as of September 30, 2017 have been reclassified into "assets held for sale."

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 ¥576 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 ¥37,841 million. Following the above change, advance payments for such raw materials were offset by "trade and other payables," resulting in ¥16,205 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 ¥1,700 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 ¥4,363 million increase in "other financial assets" (non-current).

D) Trade and other payables, income taxes payable, 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 as of

September 30, 2017 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 ¥19,173 million.

[Income taxes payable]

Under J-GAAP, income tax was recognized using the principle method while under IFRS, it is recognized using the estimated average effective tax rate, resulting in ¥1,911 million decrease in “income taxes payable.”

[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 ¥1,384 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 ¥903 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:

“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]

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 ¥2,233 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 ¥7,883 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 ¥3,928 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 ¥929 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 second quarter of the previous fiscal year (As of September 30, 2017)
	Millions of yen
Reclassification of cumulative exchange differences at foreign subsidiaries	57,272
Adjustment of trade receivables and inventories	1,685
Adjustment to compound financial instruments	1,353
Adjustment by tax effect	(6,565)
Adjustment to asset retirement obligations	(1,493)
Adjustment to liabilities on levies	(669)
Other	1,043
Total	52,626

[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 ¥1,685 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 ¥1,353 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 ¥6,565 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 ¥1,493 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 ¥669 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” 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 ¥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” 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 ¥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 six months ended September 30, 2017 in the previous fiscal year (from April 1, 2017 to September 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	442,111	846	—	(2,676)	440,281	A	Net sales
Cost of sales	(374,863)	(146)	—	4,090	(370,919)	A	Cost of sales
Gross profit	67,248	700	—	1,414	69,362		Gross profit
	—	—	1,581	(127)	1,454	B	Other income
Selling, general and administrative expenses	(22,558)	(351)	—	591	(22,318)		Selling, general and administrative expenses
	—	—	(2,643)	(373)	(3,016)	B	Other expenses
Non-operating income	9,874	—	(9,874)	—	—	B	
Non-operating expenses	(8,285)	—	8,285	—	—	B	
Extraordinary income	848	—	(848)	—	—	B	
Extraordinary losses	(811)	—	811	—	—	B	
	—	(7)	9,682	52	9,727	B	Finance income
	—	5	(4,327)	(361)	(4,683)	B	Finance costs
	—	—	(2,667)	415	(2,252)	B	Share of profit (loss) of entities accounted for using equity method
Profit before income taxes	46,316	347	—	1,611	48,274		Profit before tax
Income taxes - current	(10,725)	—	10,725	—	—	B	
Income taxes - deferred	(226)	—	226	—	—	B	
	—	(56)	(10,951)	1,489	(9,518)	B	Income tax expense
Profit	35,365	291	—	3,100	38,756		Profit
Other comprehensive income							Other comprehensive income
							Items that will not be reclassified to profit or loss
Valuation difference on available-for-sale securities	6,790	1,766	—	(1,731)	6,825	C	Financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of tax	458	—	—	(458)	—	C	Remeasurements of defined benefit plans
	—	—	—	23	23		Share of other comprehensive income of entities accounted for using equity method
	7,248	1,766	—	(2,166)	6,848		Total items
							Items that will be reclassified to profit or loss
Deferred gains or losses on hedges	(790)	281	—	323	(186)	C	Cash flow hedges
Foreign currency translation adjustment	(8,240)	1,362	—	(39)	(6,917)		Exchange differences translation on foreign operations
Share of other comprehensive income of entities accounted for using equity method	(8,565)	—	—	319	(8,246)		Share of other comprehensive income of entities accounted for using equity method
	(17,595)	1,643	—	603	(15,349)		Total items
Total other comprehensive income	(10,347)	3,409	—	(1,563)	(8,501)		Other comprehensive income, net of tax
Comprehensive income	25,018	3,700	—	1,537	30,255		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 at the time when control over the goods is transferred under IFRS, resulting in ¥2,676 million decrease in “net sales.” For the similar reason coupled with a change in cost formula, “cost of sales” decreased by ¥4,090 million.

B) Other income, other expenses, finance income, finance costs, share of profit (loss) 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 (loss) 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:

[Income tax expense]

Under J-GAAP, income tax was recognized using the principle method while under IFRS, it is recognized using the estimated average effective tax rate, resulting in ¥1,489 million decrease in “income tax expense.”

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 ¥1,731 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 ¥458 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 ¥323 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 (loss) 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)	—	(1,563)	8,914	C	Financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of tax	1,954	—	—	(313)	1,641	C	Remeasurements of defined benefit plans
	—	—	94	54	148		Share of other comprehensive income of entities accounted for using equity method
	12,764	(333)	94	(1,822)	10,703		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)	—	(1,500)	(4,714)		Other comprehensive income, net of tax
Comprehensive income	93,811	(1,187)	—	(2,436)	90,188		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 at the time when control over the goods is transferred 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 (loss) 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 (loss) 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 ¥1,563 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 ¥313 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.”

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

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 Six Months Results	FY2018 Forecasts
Mineral Resources	Gold and silver ores	t	74,494	148,284
		¥1,000/DMT	165	163
		¥million	12,308	24,161
	(Gold content)	(kg)	(3,016)	(6,000)
Smelting & Refining	Copper	t	228,132	456,678
		¥1,000/t	721	700
		¥million	164,485	319,712
	Gold	kg	10,771	20,960
		¥/g	4,467	4,394
		¥million	48,112	92,094
	Silver	kg	116,878	224,828
		¥1,000/kg	56	55
		¥million	6,601	12,361
	Nickel	t	33,685	72,299
		¥1,000/t	1,597	1,549
		¥million	53,808	111,983
Materials	Advanced materials, etc.	¥million	74,028	151,376

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.