Consolidated Financial Results for the Third Quarter Ended December 31, 2018 [IFRS]

February 8, 2019
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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: February 14, 2019
Scheduled Date to Start Dividend Payment: —
Preparation of Supplementary Explanation Materials for Quarterly Financial Results: Yes
Briefing on Quarterly Account Settlement: Yes (for institutional investors)

(Amounts less than one million yen are rounded off)

1. Consolidated Financial Results (From April 1, 2018, to December 31, 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	%
Nine months ended December 31, 2018	703,485	2.7	86,697	-5.8	70,168	-1.6	66,867	-0.8	64,534	-17.6
Nine months ended December 31, 2017	684,998	—	92,071	—	71,278	—	67,373	—	78,283	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2018	243.34	243.34
Nine months ended December 31, 2017	244.29	219.47

(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 December 31, 2018	1,751,288	1,147,707	1,056,521	60.3
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)				19.00	70.00

(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	86,000	-20.6	64,000	-29.1	232.90

(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.

Notes

(1) Change in Important Subsidiaries during the Period under Review (Change in specific subsidiaries that will accompany a change in scope of consolidation): None

(2) Changes in Accounting Policies or Estimates
1) Changes in accounting policies required by IFRS: None
2) Changes in accounting policies other than item 1) above: None
3) Change in accounting estimates: None

(3) Number of Outstanding Shares (Common stock)
1) Number of shares issued as of end of period (including treasury stock)
290,814,015 shares at December 31, 2018
290,814,015 shares at March 31, 2018
2) Number of shares of treasury stock as of end of period
16,025,041 shares at December 31, 2018
16,020,099 shares at March 31, 2018
3) Average number of shares during the period
274,791,065 shares for nine months ended December 31, 2018
275,789,286 shares for nine months ended December 31, 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 November 8, 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 Friday, February 8, 2019.

(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.

Contents of the Attachment

1. Qualitative Information on Quarterly Financial Results

The Sumitomo Metal Mining Group (hereinafter the "SMM Group") adopts International Financial Reporting Standards (IFRS) from the fiscal year ending March 31, 2019. Accordingly, financial figures for the first nine 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
Nine months ended December 31, 2018	703,485	86,697	66,867
Nine months ended December 31, 2017	684,998	92,071	67,373
Increase/decrease [Rate of change: %]	18,487 [2.7]	(5,374) [-5.8]	(506) [-0.8]

(Overseas market prices and foreign exchange rates)

	Unit	Nine months ended December 31, 2017	Nine months ended December 31, 2018	Increase/decrease
Copper	$/t	6,273	6,381	108
Gold	$/TOZ	1,270.3	1,249.3	-21.0
Nickel	$/lb	4.74	5.92	1.18
Exchange rate (TTM)	¥/$	111.71	111.15	-0.56

The global economy during the first nine months of fiscal 2018, the year ending March 31, 2019, generally continued to grow in each region, driven by the strong United States economy. However, concerns regarding an economic slowdown increased toward the end of the year.

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, as concerns regarding a global economic slowdown led to a worldwide decline in stock prices, and encouraged yen buying to avoid risk, thus 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 nine months of fiscal 2018, due to the impact of price increases in the first quarter, despite a year-on-year drop in gold prices. Since the second quarter of fiscal 2018, copper and nickel prices have shifted to a downward trend, as funds were withdrawn from the market due primarily to an escalation in trade friction between the United States and China, as well as monetary tightening by the United States.

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 nine months of fiscal 2018 increased by ¥18,487 million from the same period of the previous fiscal year to ¥703,485 million, mainly due to increases in prices of copper and nickel, and increased sales of battery materials.

Consolidated profit before tax decreased by ¥5,374 million from the same period of the previous fiscal year to ¥86,697 million, due mainly to a deterioration in the share of profit (loss) of entities accounted for using equity method, despite increased earnings, increased finance income from foreign exchange gains, and increased profit due to the sale of Sumitomo Metal Mining Pogo LLC.

Profit attributable to owners of parent decreased by ¥506 million from the same period of the previous fiscal year to ¥66,867 million, due mainly to decreased profit before tax.

Operating results by segment are as follows.

(Mineral Resources segment) (Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018	Increase/decrease	Rate of change (%)
Net sales	113,782	102,508	-11,274	-9.9
Segment income	38,653	32,676	-5,977	-15.5

In the Mineral Resources segment, despite an increase in copper prices and posting of profit on the sale of Sumitomo Metal Mining Pogo LLC, segment income decreased from the same period of the previous fiscal year, due to a decrease in production at our main mines resulting from a drop in the grade of copper ore. In addition, royalties levied on mining companies for prior years at Sociedad Minera Cerro Verde S.A.A., which had been posted in the same period of the previous fiscal year, were recorded in the third quarter of fiscal 2018.

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 4.4 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 328,000 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 356,000 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 69,000 t, due mainly to a drop in the grade of copper ore.

(Smelting & Refining segment)

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018	Increase/decrease	Rate of change (%)
Net sales	491,614	490,663	-951	-0.2
Segment income	33,777	36,349	2,572	7.6

(Output by the Company's major product)

Product	Unit	Nine months ended December 31, 2017	Nine months ended December 31, 2018	Increase/decrease
Copper	t	322,002	343,943	21,941
Gold	kg	15,712	16,353	641
Electrolytic nickel	t	45,205	42,397	-2,808
Ferronickel	t	9,949	9,996	47

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 and sales volume of copper increased from the same period of the previous fiscal year. Although production levels at Coral Bay Nickel Corporation increased compared to the same period of the previous fiscal year, production levels at Taganito HPAL Nickel Corporation declined from the same period of the previous fiscal year, due mainly to equipment problems. As a result, production levels and sales volume of electrolytic nickel declined from the same period of the previous fiscal year.

(Materials segment)

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018	Increase/decrease	Rate of change (%)
Net sales	134,251	166,027	31,776	23.7
Segment income	11,978	15,817	3,839	32.1

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 December 31, 2018	Increase/decrease
Total assets	1,732,333	1,751,288	18,955
Total liabilities	618,984	603,581	-15,403
Total equity	1,113,349	1,147,707	34,358

Total assets as of December 31, 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. Property, plant and equipment decreased, and investment securities included in other non-current financial assets also decreased due to a decline in stock prices.

Total liabilities as of December 31, 2018 decreased from those as of March 31, 2018. The main changes are described below. Trade and other payables increased. Bonds and borrowings decreased due to redemption and repayments, respectively. 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 December 31, 2018 increased from those as of March 31, 2018. The main changes are described below. Retained earnings increased due to the recording of profit attributable to owners of parent. Financial assets measured at fair value through other comprehensive income included in other components of equity decreased due to a decline in stock prices.

2) Cash Flows

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018	Increase/decrease
Net cash provided by operating activities	51,631	106,999	55,368
Net cash provided by (used in) investing activities	(9,600)	(30,531)	-20,931
Net cash used in financing activities	(42,933)	(53,203)	-10,270
Effect of exchange rate change on cash and cash equivalents	3,732	1,323	-2,409
Cash and cash equivalents at beginning of period	172,907	137,330	-35,577
Cash and cash equivalents at end of period	175,737	161,918	-13,819

Net cash provided by operating activities during the first nine months of fiscal 2018 increased year over year, due mainly to decreases in income taxes paid and inventories, despite a decrease in profit before tax.

Net cash used in investing activities increased from the same period of the previous fiscal year, due to an increase in purchase of property, plant and equipment, in addition to decreases in large income from collection of long-term loans receivable and proceeds from sales of investment securities that were recorded in the same period of the previous fiscal year, 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 a large increase in cash dividends paid, in addition to the redemption of bonds that exceeded the issuance of bonds.

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

(Overseas market prices and foreign exchange rates)

		A	B	(Ax3+Bx1)/4
	Unit	FY2018 First Nine Months Results	FY2018 Fourth Quarter Forecasts	FY2018 Forecasts
Copper	$/t	6,381	6,100	6,311
Gold	$/TOZ	1,249.3	1,230.0	1,244.5
Nickel	$/lb	5.92	5.00	5.69
Exchange rate (TTM)	¥/$	111.15	110.00	110.86

In the business environment surrounding the SMM Group, supply and demand of copper and nickel in the medium and long term are expected to remain in a near state of equilibrium or face a slight supply shortage in the nonferrous metals industry. Copper and nickel prices have been on a downward trend since the second quarter of fiscal 2018, and are expected to continue hovering in the short term. 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 (released on November 8, 2018), revising our forecast for major nonferrous metals prices, as well as our forecast for production levels and sales volumes of major products, based on current results. As a result, net sales are expected to reach ¥909.0 billion, profit before tax of ¥86.0 billion, and profit attributable to owners of parent of ¥64.0 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	130,000	634,000	220,000	984,000	9,000	(84,000)	909,000
Segment income (loss)	36,000	38,000	15,000	89,000	(2,000)	(1,000)	86,000

Reference: Forecast of consolidated operating results for the full year of the fiscal year ending March 31, 2019 (previous forecast)

(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 (loss)	48,000	47,000	15,000	110,000	(2,000)	(1,000)	107,000

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)	Third Quarter of FY2018 (As of December 31, 2018)
	Millions of Yen	Millions of Yen	Millions of Yen
Assets			
Current assets			
Cash and cash equivalents	172,907	137,330	161,918
Trade and other receivables	163,971	155,964	175,336
Other current financial assets	2,382	18,162	24,705
Inventories	255,065	278,112	277,773
Other current assets	20,165	25,562	16,042
Subtotal	614,490	615,130	655,774
Assets held for sale	2,430	—	—
Total current assets	616,920	615,130	655,774
Non-current assets			
Property, plant and equipment	480,063	461,888	456,717
Intangible assets and goodwill	47,048	65,695	62,392
Investment property	3,427	3,427	3,427
Investments accounted for using equity method	292,449	300,032	298,923
Other non-current financial assets	251,715	255,209	243,526
Deferred tax assets	7,469	15,663	15,676
Other non-current assets	15,888	15,289	14,853
Total non-current assets	1,098,059	1,117,203	1,095,514
Total assets	1,714,979	1,732,333	1,751,288

	Date of transition (As of April 1, 2017)	FY2017 (As of March 31, 2018)	Third Quarter of FY2018 (As of December 31, 2018)
Liabilities and equities	Millions of Yen	Millions of Yen	Millions of Yen
Liabilities			
Current liabilities			
Trade and other payables	101,402	125,494	135,574
Bonds and Borrowings	95,007	94,879	71,581
Other current financial liabilities	1,496	509	1,358
Income taxes payable	17,268	3,978	7,764
Provisions	4,843	4,896	2,502
Other current liabilities	8,520	10,790	8,801
Subtotal	228,536	240,546	227,580
Liabilities directly associated with assets held for sale	3,440	—	—
Total current liabilities	231,976	240,546	227,580
Non-current liabilities			
Bonds and Borrowings	395,930	296,261	302,099
Other non-current financial liabilities	2,217	2,704	3,167
Provisions	22,260	28,546	20,710
Retirement benefit liability	9,479	7,491	8,302
Deferred tax liabilities	31,612	42,288	40,683
Other non-current liabilities	1,147	1,148	1,040
Total non-current liabilities	462,645	378,438	376,001
Total liabilities	694,621	618,984	603,581
Equity			
Share Capital	93,242	93,242	93,242
Share premium	86,840	87,598	87,598
Treasury shares	(32,877)	(37,959)	(37,979)
Other components of equity	41,450	38,415	31,441
Retained earnings	768,847	848,089	882,219
Total equity interest attributable to owners of parent	957,502	1,029,385	1,056,521
Non-controlling interests	62,856	83,964	91,186
Total equity	1,020,358	1,113,349	1,147,707
Total liabilities and equity	1,714,979	1,732,333	1,751,288

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

(Condensed Quarterly Consolidated Statement of Income)

	Nine months ended December 31, 2017 (From April 1, 2017 to December 31, 2017)	Nine months ended December 31, 2018 (From April 1, 2018 to December 31, 2018)
	Millions of Yen	Millions of Yen
Net sales	684,998	703,485
Cost of sales	(570,578)	(598,250)
Gross profit	114,420	105,235
Selling, general and administrative expenses	(33,746)	(36,765)
Finance income	14,773	17,648
Finance costs	(7,369)	(5,370)
Share of profit (loss) of entities accounted for using equity method	6,810	(1,220)
Other income	1,684	11,322
Other expenses	(4,501)	(4,153)
Profit before tax	92,071	86,697
Income tax expense	(20,793)	(16,529)
Profit	71,278	70,168
Profit attributable to:		
Owners of parent	67,373	66,867
Non-controlling interests	3,905	3,301
Profit	71,278	70,168
Earnings per share		
Basic earnings per share (Yen)	244.29	243.34
Diluted earnings per share (Yen)	219.47	243.34

(Condensed Quarterly Consolidated Statement of Comprehensive Income)

	Nine months ended December 31, 2017 (From April 1, 2017 to December 31, 2017)	Nine months ended December 31, 2018 (From April 1, 2018 to December 31, 2018)
	Millions of Yen	Millions of Yen
Profit	71,278	70,168
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Financial assets measured at fair value through other comprehensive income	19,108	(12,104)
Share of other comprehensive income of entities accounted for using equity method	25	(125)
Total items that will not be reclassified to profit or loss	19,133	(12,229)
Items that will be reclassified to profit or loss:		
Cash flow hedges	(67)	917
Exchange differences on foreign operations	(5,847)	6,414
Share of other comprehensive income of entities accounted for using equity method	(6,214)	(736)
Total items that will be reclassified to profit or loss	(12,128)	6,595
Other comprehensive income, net of tax	7,005	(5,634)
Comprehensive income	78,283	64,534
Comprehensive income attributable to:		
Owners of parent	76,063	59,307
Non-controlling interests	2,220	5,227
Comprehensive income	78,283	64,534

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

For the nine months ended December 31, 2017 (From April 1, 2017 to December 31, 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	—	—	—	(10,473)	32	19,131
Total comprehensive income	—	—	—	(10,473)	32	19,131
Purchase of treasury shares	—	—	(71)	—	—	—
Disposal of treasury shares	—	1	2	—	—	—
Dividends	—	—	—	—	—	—
Changes due to business combination	—	—	—	—	—	—
Changes in interests in subsidiaries	—	25	—	—	—	0
Reclassification into retained earnings	—	—	—	—	—	(32)
Transactions with owners - total	—	26	(69)	—	—	(32)
As of December 31, 2017	93,242	86,866	(32,946)	(10,473)	324	60,257

	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, 2017	—	41,450	768,847	957,502	62,856	1,020,358
Profit	—	—	67,373	67,373	3,905	71,278
Other comprehensive income	—	8,690	—	8,690	(1,685)	7,005
Total comprehensive income	—	8,690	67,373	76,063	2,220	78,283
Purchase of treasury shares	—	—	—	(71)	—	(71)
Disposal of treasury shares	—	—	—	3	—	3
Dividends	—	—	(12,687)	(12,687)	(2,423)	(15,110)
Changes due to business combination	—	—	—	—	1,713	1,713
Changes in interests in subsidiaries	—	0	—	25	22,993	23,018
Reclassification into retained earnings	—	(32)	32	—	—	—
Transactions with owners - total	—	(32)	(12,655)	(12,730)	22,283	9,553
As of December 31, 2017	—	50,108	823,565	1,020,835	87,359	1,108,194

For the nine months ended December 31, 2018 (From April 1, 2018 to December 31, 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	—	—	—	3,805	863	(12,228)
Total comprehensive income	—	—	—	3,805	863	(12,228)
Purchase of treasury shares	—	—	(21)	—	—	—
Disposal of treasury shares	—	—	1	—	—	—
Dividends	—	—	—	—	—	—
Changes due to business combination	—	—	—	—	—	—
Changes in interests in subsidiaries	—	—	—	—	—	—
Reclassification into retained earnings	—	—	—	—	—	586
Transactions with owners - total	—	—	(20)	—	—	586
As of December 31, 2018	93,242	87,598	(37,979)	(8,139)	1,104	38,476

	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	—	—	66,867	66,867	3,301	70,168
Other comprehensive income	—	(7,560)	—	(7,560)	1,926	(5,634)
Total comprehensive income	—	(7,560)	66,867	59,307	5,227	64,534
Purchase of treasury shares	—	—	—	(21)	—	(21)
Disposal of treasury shares	—	—	—	1	—	1
Dividends	—	—	(32,151)	(32,151)	(3,588)	(35,739)
Changes due to business combination	—	—	—	—	—	—
Changes in interests in subsidiaries	—	—	—	—	5,583	5,583
Reclassification into retained earnings	—	586	(586)	—	—	—
Transactions with owners - total	—	586	(32,737)	(32,171)	1,995	(30,176)
As of December 31, 2018	—	31,441	882,219	1,056,521	91,186	1,147,707

(4) Condensed Quarterly Consolidated Statement of Cash Flows

	Nine months ended December 31, 2017 (From April 1, 2017 to December 31, 2017)	Nine months ended December 31, 2018 (From April 1, 2018 to December 31, 2018)
	Millions of Yen	Millions of Yen
Cash flows from operating activities		
Profit before tax	92,071	86,697
Depreciation and amortization expense	34,912	33,650
Share of (profit) loss of entities accounted for using equity method	(6,810)	1,220
(Gain) loss from sales of subsidiaries	67	(9,512)
Increase (decrease) in net retirement benefit liability	459	810
Finance income	(14,773)	(17,648)
Finance costs	7,369	5,370
(Increase) decrease in trade and other receivables	(26,747)	(19,435)
(Increase) decrease in inventories	(23,189)	(2,832)
Increase (decrease) in trade and other payables	7,810	21,802
Increase (decrease) in accrued consumption taxes	2,597	2,572
Other, net	(4,812)	(37)
Subtotal	68,954	102,657
Interest received	1,547	1,690
Dividends received	14,190	14,179
Interest paid	(4,267)	(4,525)
Income taxes paid	(29,037)	(12,058)
Income taxes refund	244	5,056
Net cash provided by (used in) operating activities	51,631	106,999
Cash flows from investing activities		
Payments into time deposits	(33,828)	(27,100)
Proceeds from withdrawal of time deposits	12,747	8,180
Proceeds from redemption of securities	—	10,610
Purchase of property, plant and equipment	(26,330)	(42,516)
Purchase of intangible assets	(497)	(835)
Proceeds from sales of investment securities	15,315	740
Purchase of shares of subsidiaries and associates	(5,276)	(6,464)
Payments of short-term loans receivable	(29)	(969)
Collection of short-term loans receivable	314	3,024
Collection of long-term loans receivable	39,487	24
Proceeds from sales of subsidiaries that will accompany a change in scope of consolidation	490	24,531
Payments for acquisition of interests	(11,122)	—
Other, net	(871)	244
Net cash provided by (used in) investing activities	(9,600)	(30,531)

	Nine months ended December 31, 2017 (From April 1, 2017 to December 31, 2017)	Nine months ended December 31, 2018 (From April 1, 2018 to December 31, 2018)
	Millions of Yen	Millions of Yen
Cash flows from financing activities		
Proceeds from short-term loans payable	37,686	39,076
Repayments of short-term loans payable	(76,942)	(37,554)
Proceeds from long-term loans payable	—	334
Repayments of long-term loans payable	(11,103)	(14,713)
Proceeds from issuance of bonds	—	19,917
Redemption of bonds	—	(30,000)
Proceeds from share issuance to non-controlling shareholders	25,719	5,496
Repayments to non-controlling shareholders	(3,115)	—
Cash dividends paid	(12,687)	(32,151)
Dividends paid to non-controlling interests	(2,423)	(3,588)
Other, net	(68)	(20)
Net cash provided by (used in) financing activities	(42,933)	(53,203)
Net increase (decrease) in cash and cash equivalents	(902)	23,265
Cash and cash equivalents at beginning of period	172,907	137,330
Effect of exchange rate change on cash and cash equivalents	3,732	1,323
Cash and cash equivalents at end of period	175,737	161,918

(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.

Nine Months Ended December 31, 2017 (from April 1, 2017 to December 31, 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	89,946	468,862	121,944	680,752	4,246	684,998	—	684,998
Inter-segment	23,836	22,752	12,307	58,895	3,528	62,423	(62,423)	—
Total	113,782	491,614	134,251	739,647	7,774	747,421	(62,423)	684,998
Segment income (loss)	38,653	33,777	11,978	84,408	(854)	83,554	8,517	92,071

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 ¥8,517 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.

Nine Months Ended December 31, 2018 (from April 1, 2018 to December 31, 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	80,907	465,457	154,240	700,604	2,881	703,485	—	703,485
Inter-segment	21,601	25,206	11,787	58,594	3,528	62,122	(62,122)	—
Total	102,508	490,663	166,027	759,198	6,409	765,607	(62,122)	703,485
Segment income (loss)	32,676	36,349	15,817	84,842	(1,011)	83,831	2,866	86,697

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 ¥2,866 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 payable
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) that were presented separately in current liabilities under J-GAAP have been reclassified into "provisions" (current) under IFRS.

Liabilities directly associated with 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 customer 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 December 31, 2017 (at the end of the third 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	131,446	4,947	39,344	—	175,737	A	Cash and cash equivalents
Notes and accounts receivable-trade	144,557	(1,420)	5,529	(145)	148,521	A	Trade and other receivables
Securities	60,500	—	(34,136)	—	26,364	A	Other current financial assets
Inventories	223,096	(636)	—	53,519	275,979	A	Inventories
Deferred tax assets	1,518	—	(1,518)	—	—	C	
Other	50,396	(48)	(11,384)	(19,637)	19,327	A	Other current assets
Allowance for doubtful accounts	(647)	—	647	—	—	A	
Total current assets	610,866	2,843	(1,518)	33,737	645,928		Total current assets
Non-current assets							Non-current assets
Property, plant and equipment	480,430	(435)	(3,427)	2,164	478,732	B	Property, plant and equipment
Intangible assets	66,366	(243)	—	45	66,168		Intangible assets and goodwill
	—	—	3,427	—	3,427	B	Investment property
Investment securities	444,464	—	(153,468)	(199)	290,797	C	Investments accounted for using equity method
Long-term loans receivable	39,852	—	(39,852)	—	—	C	
	—	2,380	257,786	4,378	264,544	C	Other non-current financial assets
Deferred tax assets	5,121	141	1,518	(1,583)	5,197	C	Deferred tax assets
Net defined benefit asset	201	—	(201)	—	—		
Other	80,117	(4)	(64,458)	(557)	15,098	C	Other non-current assets
Allowance for doubtful accounts	(193)	—	193	—	—	C	
Total non-current assets	1,116,358	1,839	1,518	4,248	1,123,963		Total non-current assets
Total assets	1,727,224	4,682	—	37,985	1,769,891		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	43,553	350	49,707	28,201	121,811	D	Trade and other payables
Short-term loans payable	58,975	—	30,000	(18)	88,957	E	Bonds and borrowings
Current portion of bonds	30,000	—	(30,000)	—	—	E	
Income taxes payable	9,811	1	—	(3,266)	6,546	D	Income taxes payable
Deferred tax liabilities	847	—	(847)	—	—	E	
Provision for bonuses	1,663	—	(1,663)	—	—	D	
	—	41	4,982	1,209	6,232	D	Other current financial liabilities
Other provision	499	—	(499)	—	—	D	
Other	65,794	8	(54,689)	(37)	11,076	D	Other current liabilities
	—	—	2,162	534	2,696	D	Provisions
Total current liabilities	211,142	400	(847)	26,623	237,318		Total current liabilities
Non-current liabilities							Non-current liabilities
Bonds payable	10,000	—	(10,000)	—	—	E	
Long-term loans payable	340,776	—	10,000	(2,221)	348,555	E	Bonds and borrowings
Deferred tax liabilities	28,379	452	847	9,688	39,366	E	Deferred tax liabilities
Provision for loss on business restructuring	738	—	(738)	—	—	E	
Allowance for decommissioning preparations	8,501	—	(8,501)	—	—	E	
Other provision	466	—	(466)	—	—	E	
	—	158	18,817	3,924	22,899	E	Provisions
Net defined benefit liability	8,896	—	27	1,017	9,940		Retirement benefit liabilities
Asset retirement obligations	9,112	—	(9,112)	—	—	E	
Other	2,330	—	(1,259)	—	1,071		Other non-current liabilities
	—	8	1,232	1,308	2,548	E	Other non-current financial liabilities
Total non-current liabilities	409,198	618	847	13,716	424,379		Total non-current liabilities
Total liabilities	620,340	1,018	—	40,339	661,697		Total liabilities
Net assets							Equity
Capital stock	93,242	—	—	—	93,242		Share capital
Capital surplus	86,530	—	—	336	86,866		Share premium
Treasury shares	(32,946)	—	—	—	(32,946)		Treasury shares
Total accumulated other comprehensive income	103,051	2,060	—	(55,003)	50,108	F	Other components of equity
Retained earnings	770,366	1,604	—	51,595	823,565	F	Retained earnings
	1,020,243	3,664	—	(3,072)	1,020,835		Total equity attributable to owners of parent
Non-controlling interests	86,641	—	—	718	87,359		Non-controlling interests
Total net assets	1,106,884	3,664	—	(2,354)	1,108,194		Total equity
Total liabilities and net assets	1,727,224	4,682	—	37,985	1,769,891		Total liabilities and equity

<Notes to the reconciliation of equity for the third quarter of the previous fiscal year (as of December 31, 2017)>

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

Reclassification:

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

Accounts receivable – other which were included in "other" 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 ¥145 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 ¥53,519 million. Following the above change, advance payments for such raw materials were offset by "trade and other payables," resulting in ¥19,637 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 ¥2,164 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 ¥4,378 million increase in "other financial assets" (non-current).

D) Trade and other payables, income taxes payable, other financial liabilities, 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) that were presented separately in current liabilities 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 customer 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 ¥28,201 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 ¥3,266 million decrease in “income taxes payable.”
[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 ¥1,209 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 ¥534 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 ¥2,221 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 ¥9,688 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 ¥3,924 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 ¥1,308 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 third quarter of the previous fiscal year (As of December 31, 2017)
	Millions of yen
Reclassification of cumulative exchange differences at foreign subsidiaries	57,272
Adjustment of trade receivables and inventories	1,678
Adjustment to compound financial instruments	1,353
Adjustment by tax effect	(6,714)
Adjustment to asset retirement obligations	(1,801)
Other	(193)
Total	51,595

[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 ¥1,678 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 ¥6,714 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 ¥1,801 million decrease in “retained earnings.”

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 payable
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) that were presented separately in current liabilities 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 customer 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 nine months ended December 31, 2017 in the previous fiscal year (from April 1, 2017 to December 31, 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	685,841	1,400	—	(2,243)	684,998	A	Net sales
Cost of sales	(572,757)	(716)	(595)	3,490	(570,578)	A	Cost of sales
Gross profit	113,084	684	(595)	1,247	114,420		Gross profit
	—	—	1,879	(195)	1,684	B	Other income
Selling, general and administrative expenses	(34,659)	(90)	—	1,003	(33,746)		Selling, general and administrative expenses
		—	(4,271)	(230)	(4,501)	B	Other expenses
Non-operating income	21,721	—	(21,721)	—	—	B	
Non-operating expenses	(9,137)	—	9,137	—	—	B	
Extraordinary income	961	—	(961)	—	—	B	
Extraordinary losses	(2,759)	—	2,759	—	—	B	
		(6)	14,777	2	14,773	B	Finance income
		10	(7,030)	(349)	(7,369)	B	Finance costs
		—	6,026	784	6,810	B	Share of profit (loss) of entities accounted for using equity method
Profit before income taxes	89,211	598	—	2,262	92,071		Profit before tax
Income taxes - current	(19,802)	—	19,802	—	—	B	
Income taxes - deferred	(944)	—	944	—	—	B	
	—	(19)	(20,746)	(28)	(20,793)	B	Income tax expense
Profit	68,465	579	—	2,234	71,278		Profit
Other comprehensive income							Other comprehensive income
							Items that will not be reclassified to profit or loss
Valuation difference on available-for-sale securities	18,417	2,399	—	(1,708)	19,108	C	Financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of tax	694	—	—	(694)	—	C	Remeasurements of defined benefit plans
	—	—	—	25	25		Share of other comprehensive income of entities accounted for using equity method
	19,111	2,399	—	(2,377)	19,133		Total items
							Items that will be reclassified to profit or loss
Deferred gains or losses on hedges	(2,225)	367	—	1,791	(67)	C	Cash flow hedges
Foreign currency translation adjustment	(6,036)	1,110	—	(921)	(5,847)		Exchange differences translation on foreign operations
Share of other comprehensive income of entities accounted for using equity method	(6,107)	—	—	(107)	(6,214)		Share of other comprehensive income of entities accounted for using equity method
	(14,368)	1,477	—	763	(12,128)		Total items
Total other comprehensive income	4,743	3,876	—	(1,614)	7,005		Other comprehensive income, net of tax
Comprehensive income	73,208	4,455	—	620	78,283		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 ¥2,243 million decrease in "net sales." For the similar reason coupled with a change in cost formula, "cost of sales" decreased by ¥3,490 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 ¥28 million increase 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 ¥1,708 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 ¥694 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 ¥1,791 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."

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

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

3. Supplementary Information

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

Segment	Product	Unit	FY2018 First Nine Months Results	FY2018 Fourth Quarter Forecasts	FY2018 Forecasts
Mineral Resources	Gold and silver ores	t	110,866	37,791	148,657
		¥1,000/DMT	164	166	164
		¥million	18,150	6,286	24,436
	(Gold content)	(kg)	(4,417)	(1,583)	(6,000)
Smelting & Refining	Copper	t	352,885	110,037	462,922
		¥1,000/t	715	680	707
		¥million	252,470	74,878	327,348
	Gold	kg	16,538	4,863	21,401
		¥/g	4,465	4,352	4,439
		¥million	73,838	21,163	95,001
	Silver	kg	174,001	52,239	226,240
		¥1,000/kg	55	52	55
		¥million	9,634	2,699	12,333
	Nickel	t	50,771	18,147	68,918
		¥1,000/t	1,545	1,278	1,475
		¥million	78,456	23,186	101,642
Materials	Advanced materials, etc.	¥million	116,183	36,750	152,933

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.