



Consolidated Financial Results for the First Quarter Ended June 30, 2019 [IFRS]

August 8, 2019

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 Code: 5713
 Listings: Tokyo Stock Exchange
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 Scheduled Date to Submit Quarterly Report: August 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, 2019, to June 30, 2019)

(1) Consolidated Operating Results

(% figures show year-on-year change)

	Net sales		Profit before tax		Profit		Profit attributable to owners of parent		Total Comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2019	207,049	-14.4	17,900	-52.7	15,388	-52.9	14,261	-50.7	6,586	-48.4
Three months ended June 30, 2018	241,980	14.5	37,865	17.1	32,646	32.9	28,910	24.1	12,774	9.8

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2019	51.90	51.90
Three months ended June 30, 2018	105.21	105.21

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of parent	Equity attributable to owners of parent ratio
	Millions of yen	Millions of yen	Millions of yen	%
As of June 30, 2019	1,706,634	1,093,424	990,724	58.1
As of March 31, 2019	1,797,701	1,151,280	1,047,561	58.3

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, 2019	—	51.00	—	22.00	73.00
Year ending March 31, 2020	—				
Year ending March 31, 2020 (Forecast)		39.00	—	43.00	82.00

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

**3. Forecast of Consolidated Operating Results for the Year Ending March 31, 2020
(From April 1, 2019, to March 31, 2020)**

(% 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
Second quarter (cumulative)	421,000	-9.8	32,000	-56.3	25,000	-56.9	90.98
Full year	868,000	-4.8	74,000	-17.2	64,000	-4.2	232.91

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

The forecast of consolidated operating results for the six months ending September 30, 2019, has been revised. However, the forecast for the full year remains unchanged from the one announced on May 9, 2019. 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: Yes
 - 2) Changes in accounting policies other than item 1) above: None
 - 3) Change in accounting estimates: None
- (3) Number of Outstanding Shares (Common stock)
 - 1) Number of shares issued as of end of period (including treasury stock)
 - 290,814,015 shares at June 30, 2019
 - 290,814,015 shares at March 31, 2019
 - 2) Number of shares of treasury stock as of end of period
 - 16,027,357 shares at June 30, 2019
 - 16,026,270 shares at March 31, 2019
 - 3) Average number of shares during the period
 - 274,786,961 shares for three months ended June 30, 2019
 - 274,792,699 shares for three months ended June 30, 2018

The consolidated financial results presented herein are not subject to the quarterly review by certified public accountants or audit corporations.

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

(Caution Regarding Forward-Looking Statements)

The forecast of consolidated operating results for the six months ending September 30, 2019, disclosed on May 9, 2019, has been revised in this report. The forward-looking statements, including business results forecast, contained in these materials are based on information available to the Company and on certain assumptions deemed to be reasonable as of the date of release of this document and they are not meant to be a commitment by the Company. Also, actual business results may differ substantially due to a number of factors.

(Supplementary Explanation Materials for Financial Results for the Period)

The Supplementary Explanation Materials will be posted on the Company’s website on Thursday, August 8, 2019.

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1. Qualitative Information on Quarterly Financial Results

(1) Business Performance

	Net sales	Profit before tax	Profit attributable to owners of parent
Three months ended June 30, 2019	207,049	17,900	14,261
Three months ended June 30, 2018	241,980	37,865	28,910
Increase/decrease [Rate of change: %]	-34,931 [-14.4]	-19,965 [-52.7]	-14,649 [-50.7]

(Overseas market prices and foreign exchange rates)

	Unit	Three months ended June 30, 2018	Three months ended June 30, 2019	Increase/decrease
Copper	\$/t	6,872	6,114	-758
Gold	\$/TOZ	1,306.6	1,309.8	3.2
Nickel	\$/lb	6.56	5.56	-1.00
Exchange rate (TTM)	¥/\$	109.08	109.91	0.83

The global economy was on a declining trend during the first three months of fiscal 2019, the year ending March 31, 2020, against a backdrop of increased uncertainty for the future due to an escalation in trade friction between the United States and China, among other factors.

As for exchange rates, the yen appreciated while the dollar depreciated, amid such factors as the global economic slowdown and stronger observations of an early reduction in the interest rate differential between Japan and the United States. Meanwhile, in the same period of the previous fiscal year, the yen depreciated while the dollar appreciated compared to the strong yen at the beginning of the period, owing to such factors as the widening of the interest rate differential between Japan and the United States. Although the yen at the end of the first three months of fiscal 2019 appreciated year over year, the average exchange rate was weaker year over year.

Regarding the prices of major non-ferrous metals, copper and nickel prices were generally on a downward trend, due to such factors as a worsened outlook for the global economy due to the escalation in trade friction between the United States and China, while gold prices were on an upward trend. As a result, copper and nickel prices fell year over year, while gold prices rose year over year.

In industries related to the Materials business, demand for automobile battery components remained robust, despite the emergence of a downturn in demand in the Chinese market. The smartphone market has shifted to negative growth due to increased adoption and maturation of the market, and there are concerns over continued inventory adjustment for some components.

Under these circumstances, consolidated net sales in the first three months of fiscal 2019 decreased ¥34,931 million year over year to ¥207,049 million, mainly due to falling prices of major non-ferrous metals.

Consolidated profit before tax decreased by ¥19,965 million year over year to ¥17,900 million, due to deterioration of finance income and finance costs owing to such factors as foreign exchange losses from the appreciation of the yen, in addition to a decrease in income.

Profit attributable to owners of parent decreased by ¥14,649 million year over year to ¥14,261 million, due mainly to the decrease in consolidated profit before tax.

Operating results by segment are as follows.

(Mineral Resources segment)			(Millions of yen)	
	Three months ended June 30, 2018	Three months ended June 30, 2019	Increase/decrease	Rate of change (%)
Net sales	37,787	26,026	-11,761	-31.1
Segment income	15,244	11,890	-3,354	-22.0

Segment income decreased from the same period of the previous fiscal year, due mainly to a fall in copper prices.

The statuses of our main mines are as follows.

Mining operations at the Hishikari mine remained steady in line with the planned annual sales volume of 6 t, but the sales volume of gold was 1.3 t due to a difference in sales timing.

Production levels at the Morenci copper mine (United States) (of which the Company holds a 25% interest, excluding non-controlling interest) remained unchanged from the same period of the previous fiscal year, at 105,000 t.

Production levels at the Cerro Verde copper mine (Peru) (of which the Company holds a 16.8% interest, excluding non-controlling interest) rose year over year to 118,000 t, due mainly to a favorable shift in copper recovery rates.

Production levels at the Sierra Gorda copper mine (Chile) (of which the Company holds a 31.5% interest, excluding non-controlling interest) rose year over year to 27,000 t, due mainly to an increase in throughput and a favorable shift in copper recovery rates.

(Smelting & Refining segment)			(Millions of yen)	
	Three months ended June 30, 2018	Three months ended June 30, 2019	Increase/decrease	Rate of change (%)
Net sales	169,420	147,122	-22,298	-13.2
Segment income	16,267	5,738	-10,529	-64.7

(Output by the Company's major product)

Product	Unit	Three months ended June 30, 2018	Three months ended June 30, 2019	Increase/decrease
Copper	t	115,999	100,943	-15,056
Gold	kg	5,561	4,676	-885
Electrolytic nickel	t	13,759	12,005	-1,754
Ferronickel	t	3,498	3,557	59

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

Segment income decreased from the same period of the previous fiscal year, due mainly to a fall in copper and nickel prices, as well as a decrease in sales volume.

Production levels and sales volume of copper and electrolytic nickel were both down from the same period of the previous fiscal year.

Operations at Coral Bay Nickel Corporation remained steady, and operations at Taganito HPAL Nickel Corporation improved from the same period of the previous fiscal year.

(Materials segment)		(Millions of yen)		
	Three months ended June 30, 2018	Three months ended June 30, 2019	Increase/decrease	Rate of change (%)
Net sales	54,241	50,914	-3,327	-6.1
Segment income	6,572	701	-5,871	-89.3

Segment income decreased from the same period of the previous fiscal year, despite strong sales of battery materials against a backdrop of increased demand for automotive batteries, owing mainly to a negative impact of inventory valuation, along with prolonged customer inventory adjustments for crystal materials, and a decrease in sales of powder materials.

(2) Financial Position

1) Financial Position

(Millions of yen)			
	As of March 31, 2019	As of June 30, 2019	Increase/decrease
Total assets	1,797,701	1,706,634	-91,067
Total liabilities	646,421	613,210	-33,211
Total equity	1,151,280	1,093,424	-57,856

Total assets as of June 30, 2019 decreased from those as of March 31, 2019. Property, plant and equipment increased mainly as a result of the initial application of IFRS 16 Leases. However, other financial assets (non-current) decreased due to the effect of the amendment to the International Accounting Standards (hereinafter "IAS") 28 Investments in Associates and Joint Ventures, in addition to a decrease in trade and other receivables.

Total liabilities as of June 30, 2019 decreased from those as of March 31, 2019. Trade and other payables decreased, despite an increase in other financial liabilities (non-current) as a result of the initial application of IFRS 16.

Total equity as of June 30, 2019 decreased from those as of March 31, 2019. Retained earnings decreased as a result of reducing the balance of retained earnings at the beginning of the period due to the amendment to IAS 28.

2) Cash Flows

(Millions of yen)			
	Three months ended June 30, 2018	Three months ended June 30, 2019	Increase/decrease
Net cash provided by operating activities	25,292	25,744	452
Net cash used in investing activities	(9,969)	(6,796)	3,173
Net cash used in financing activities	(24,488)	(10,433)	14,055
Effect of exchange rate changes on cash and cash equivalents	(1,085)	(1,274)	-189
Cash and cash equivalents at beginning of period	137,330	81,261	-56,069
Cash and cash equivalents at end of period	127,080	88,502	-38,578

Net cash provided by operating activities during the first three months of fiscal 2019 was at the same level as in the same period of the previous fiscal year, due mainly to a decrease in inventories, primarily as a result of a fall in major non-ferrous metal prices, despite a decrease in profit before tax.

Net cash used in investing activities decreased from the same period of the previous fiscal year, due to a decrease in purchase of property, plant and equipment, primarily as a result of a decrease in payments involved in establishing a system for the increased production of battery materials.

Net cash used in financing activities decreased from the same period of the previous fiscal year, due mainly to a decrease in dividends paid.

(3) Forward-Looking Information Including Forecast of Consolidated Operating Results and Other
(Overseas market prices and foreign exchange rates)

	Unit	FY2019 First Three Months Results (April 1, 2019 to June 30, 2019)	FY2019 Second Quarter Forecasts (July 1, 2019 to September 30, 2019)	FY2019 First Six Months Forecasts (April 1, 2019 to September 30, 2019)	FY2019 Forecasts (April 1, 2019 to March 31, 2020)
Copper	\$/t	6,114	6,100	6,107	6,300
Gold	\$/TOZ	1,309.8	1,375.0	1,342.4	1,275.0
Nickel	\$/lb	5.56	6.25	5.91	6.00
Exchange rate (TTM)	¥/\$	109.91	108.00	108.96	110.00

In the business environment surrounding the SMM Group, overall supply and demand of copper and nickel are expected to remain in a near state of equilibrium or face a slight supply shortage in the non-ferrous metals industry, despite uncertainty for the future due to trade friction between the United States and China. In either case, nickel and copper prices are expected to maintain appropriate levels in accordance with the balance of supply and demand. As for industries related to the Materials business, the current adjustment may continue in the areas of automotive applications and communications amid increasing uncertainty surrounding economic trends, despite the expectation of robust growth over the medium to long term.

The forecast of consolidated operating results for the first six months of fiscal 2019 has been revised from the previous forecast (on May 9, 2019), revising our forecast for major non-ferrous metals prices by considering the current level and predicting the future supply-demand balance, as well as our forecast for exchange rates based on the current level. As a result, net sales are expected to reach ¥421.0 billion, profit before tax of ¥32.0 billion, and profit attributable to owners of parent of ¥25.0 billion on a consolidated basis.

Forecast of consolidated operating results for the first six months of the fiscal year ending March 31, 2020 (revised)

(Millions of yen)

	Mineral Resources	Smelting & Refining	Materials	Total	Other Businesses	Adjustments	Total
Net sales	58,000	296,000	106,000	460,000	5,000	(44,000)	421,000
Segment income	19,000	14,000	3,000	36,000	0	(4,000)	32,000

Reference: Forecast of consolidated operating results for the full year of the fiscal year ending March 31, 2020 (published on May 9)

(Millions of yen)

	Mineral Resources	Smelting & Refining	Materials	Total	Other Businesses	Adjustments	Total
Net sales	110,000	598,000	238,000	946,000	10,000	(88,000)	868,000
Segment income (loss)	29,000	39,000	10,000	78,000	(3,000)	(1,000)	74,000

The forecast published on May 9, 2019 is shown here, because the forecast of operating results for the full year has not been revised.

2. Condensed Quarterly Consolidated Financial Statements and Primary Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

	FY2018 (As of March 31, 2019)	First Quarter of FY2019 (As of June 30, 2019)
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and cash equivalents	81,261	88,502
Trade and other receivables	151,598	129,421
Other financial assets	9,493	4,653
Inventories	288,918	280,945
Other current assets	19,945	17,517
Total current assets	551,215	521,038
Non-current assets		
Property, plant and equipment	458,802	463,263
Intangible assets and goodwill	61,207	61,138
Investment property	3,428	3,428
Investments accounted for using equity method	363,165	363,840
Other financial assets	330,212	261,631
Deferred tax assets	11,276	14,476
Other non-current assets	18,396	17,820
Total non-current assets	1,246,486	1,185,596
Total assets	1,797,701	1,706,634

	FY2018 (As of March 31, 2019)	First Quarter of FY2019 (As of June 30, 2019)
	Millions of yen	Millions of yen
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	165,823	130,273
Bonds and borrowings	75,282	75,400
Other financial liabilities	2,225	2,391
Income taxes payable	2,724	1,969
Provisions	4,753	2,712
Other current liabilities	6,671	9,999
Total current liabilities	257,478	222,744
Non-current liabilities		
Bonds and borrowings	304,009	296,792
Other financial liabilities	3,502	10,238
Provisions	22,362	26,181
Retirement benefit liability	10,391	11,123
Deferred tax liabilities	47,791	45,267
Other non-current liabilities	888	865
Total non-current liabilities	388,943	390,466
Total liabilities	646,421	613,210
Equity		
Share capital	93,242	93,242
Capital surplus	87,598	87,598
Treasury shares	(37,983)	(37,986)
Other components of equity	25,756	17,036
Retained earnings	878,948	830,834
Total equity attributable to owners of parent	1,047,561	990,724
Non-controlling interests	103,719	102,700
Total equity	1,151,280	1,093,424
Total liabilities and equity	1,797,701	1,706,634

(2) Condensed Quarterly Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income
(Condensed Quarterly Consolidated Statement of Profit or Loss)

	Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)	Three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)
	Millions of yen	Millions of yen
Net sales	241,980	207,049
Cost of sales	(201,912)	(184,059)
Gross profit	40,068	22,990
Selling, general and administrative expenses	(12,110)	(12,251)
Finance income	7,606	4,620
Finance costs	(1,355)	(3,689)
Share of profit of investments accounted for using equity method	3,618	4,813
Other income	1,170	2,492
Other expenses	(1,132)	(1,075)
Profit before tax	37,865	17,900
Income tax expense	(5,219)	(2,512)
Profit	<u>32,646</u>	<u>15,388</u>
Profit attributable to:		
Owners of parent	28,910	14,261
Non-controlling interests	3,736	1,127
Profit	<u>32,646</u>	<u>15,388</u>
Earnings per share		
Basic earnings per share (Yen)	105.21	51.90
Diluted earnings per share (Yen)	105.21	51.90

(Condensed Quarterly Consolidated Statement of Comprehensive Income)

	Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)	Three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)
	Millions of yen	Millions of yen
Profit	32,646	15,388
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	1,867	(5,409)
Share of other comprehensive income of investments accounted for using equity method	(89)	18
Total of items that will not be reclassified to profit or loss	1,778	(5,391)
Items that will be reclassified to profit or loss:		
Cash flow hedges	707	(462)
Exchange differences on transition of foreign operations	(7,746)	(2,850)
Share of other comprehensive income of investments accounted for using equity method	(14,611)	(99)
Total of items that will be reclassified to profit or loss	(21,650)	(3,411)
Other comprehensive income, net of tax	(19,872)	(8,802)
Comprehensive income	12,774	6,586
Comprehensive income attributable to:		
Owners of parent	10,176	6,586
Non-controlling interests	2,598	0
Comprehensive income	12,774	6,586

(3) Condensed Quarterly Consolidated Statement of Changes in Equity

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

	Equity attributable to owners of parent					
	Share Capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on transition of 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
Cumulative effect of accounting change	—	—	—	—	—	—
Restated balance as of April 1, 2018	93,242	87,598	(37,959)	(11,944)	241	50,118
Profit	—	—	—	—	—	—
Other comprehensive income	—	—	—	(21,101)	589	1,778
Total comprehensive income	—	—	—	(21,101)	589	1,778
Purchase of treasury shares	—	—	(8)	—	—	—
Dividends	—	—	—	—	—	—
Changes in ownership interests	—	—	—	—	—	—
Transactions with owners - total	—	—	(8)	—	—	—
As of June 30, 2018	93,242	87,598	(37,967)	(33,045)	830	51,896

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

For the three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)

	Equity attributable to owners of parent					
	Share Capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on transition of 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, 2019	93,242	87,598	(37,983)	(18,573)	631	43,698
Cumulative effect of accounting change	—	—	—	(1,045)	—	—
Restated balance as of April 1, 2019	93,242	87,598	(37,983)	(19,618)	631	43,698
Profit	—	—	—	—	—	—
Other comprehensive income	—	—	—	(1,836)	(448)	(5,391)
Total comprehensive income	—	—	—	(1,836)	(448)	(5,391)
Purchase of treasury shares	—	—	(3)	—	—	—
Dividends	—	—	—	—	—	—
Changes in ownership interests	—	—	—	—	—	—
Transactions with owners - total	—	—	(3)	—	—	—
As of June 30, 2019	93,242	87,598	(37,986)	(21,454)	183	38,307

	Equity attributable to owners of parent					
	Other components of equity				Non-controlling interests	Total equity
	Remeasurements of defined benefit plans	Total	Retained earnings	Total		
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
As of April 1, 2019	—	25,756	878,948	1,047,561	103,719	1,151,280
Cumulative effect of accounting change	—	(1,045)	(56,330)	(57,375)	—	(57,375)
Restated balance as of April 1, 2019	—	24,711	822,618	990,186	103,719	1,093,905
Profit	—	—	14,261	14,261	1,127	15,388
Other comprehensive income	—	(7,675)	—	(7,675)	(1,127)	(8,802)
Total comprehensive income	—	(7,675)	14,261	6,586	0	6,586
Purchase of treasury shares	—	—	—	(3)	—	(3)
Dividends	—	—	(6,045)	(6,045)	(2,038)	(8,083)
Changes in ownership interests	—	—	—	—	1,019	1,019
Transactions with owners - total	—	—	(6,045)	(6,048)	(1,019)	(7,067)
As of June 30, 2019	—	17,036	830,834	990,724	102,700	1,093,424

(4) Condensed Quarterly Consolidated Statement of Cash Flows

	Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)	Three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)
	Millions of yen	Millions of yen
Cash flows from operating activities		
Profit before tax	37,865	17,900
Depreciation and amortization expense	11,715	11,414
Share of loss (profit) of investments accounted for using equity method	(3,618)	(4,813)
Increase or decrease in retirement benefit asset or liability	754	694
Finance income	(7,606)	(4,620)
Finance costs	1,355	3,689
Decrease (increase) in trade and other receivables	(11,023)	24,193
Decrease (increase) in inventories	(9,514)	7,499
Increase (decrease) in trade and other payables	1,870	(33,082)
Increase (decrease) in accrued consumption taxes	2,317	2,013
Other	(1,927)	(1,366)
Subtotal	22,188	23,521
Interest received	400	533
Dividends received	9,835	6,196
Interest paid	(784)	(900)
Income taxes paid	(6,347)	(3,606)
Net cash provided by (used in) operating activities	25,292	25,744
Cash flows from investing activities		
Payments into time deposits	(6,377)	(611)
Proceeds from withdrawal of time deposits	1,559	4,162
Proceeds from redemption of investments	10,610	—
Purchase of property, plant and equipment	(16,881)	(11,367)
Purchase of intangible assets	(909)	(624)
Purchase of shares of subsidiaries and associates	—	(459)
Payments for short-term loans receivable	(946)	(1)
Collection of short-term loans receivable	2,895	139
Collection of long-term loans receivable	8	1,531
Other	72	434
Net cash provided by (used in) investing activities	(9,969)	(6,796)

	Three months ended June 30, 2018 (From April 1, 2018 to June 30, 2018)	Three months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)
	Millions of yen	Millions of yen
Cash flows from financing activities		
Proceeds from short-term borrowings	4,440	40,078
Repayments of short-term borrowings	(10,289)	(39,413)
Proceeds from long-term borrowings	628	—
Repayments of long-term borrowings	(2,836)	(4,516)
Proceeds from share issuance to non-controlling shareholders	2,124	1,019
Dividends paid	(18,137)	(6,045)
Dividends paid to non-controlling interests	(410)	(1,032)
Other	(8)	(524)
Net cash provided by (used in) financing activities	(24,488)	(10,433)
Net increase (decrease) in cash and cash equivalents	(9,165)	8,515
Cash and cash equivalents at beginning of period	137,330	81,261
Effect of exchange rate changes on cash and cash equivalents	(1,085)	(1,274)
Cash and cash equivalents at end of period	127,080	88,502

(5) Notes Relating to the Condensed Quarterly Consolidated Financial Statements

(Note Relating to the Going Concern Assumption)

There are no pertinent items.

(Changes in Accounting Policies)

Significant accounting policies applied in the Condensed Quarterly Consolidated Financial Statements are the same as those applied in the Consolidated Financial Statements for the fiscal year ended March 31, 2019, with the following exception.

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

The SMM Group has applied the following standards from the first quarter of fiscal 2019.

(Application of IFRS 16 Leases)

The SMM Group has applied IFRS 16 Leases (issued in January 2016; hereinafter “IFRS 16”) from the first quarter of fiscal 2019.

(1) Significant accounting policies

The SMM Group recognizes right-of-use assets and lease liabilities at the commencement date of the lease contract.

1) Right-of-use assets

Right-of-use assets are initially measured at acquisition cost, which comprises the amount of the initial measurement of lease liabilities, initial direct costs, and the initial estimated cost of dismantling, removing and restoring to the original condition of underlying assets, among others.

Right-of-use assets are measured subsequent to recognition by using cost model, and measured at the value calculated by subtracting accumulated depreciation and accumulated impairment from acquisition cost.

Right-of-use assets are depreciated using the straight-line method over the shorter of lease term and useful lives of right-of-use assets.

The SMM Group includes and presents right-of-use assets in “property, plant and equipment” in the Condensed Quarterly Consolidated Statement of Financial Position.

2) Lease liabilities

Lease liabilities are initially recognized at the present value of outstanding lease payments at the commencement date of the contract, discounted using the interest rate implicit in the lease.

If the interest rate implicit in the lease is not readily determined, the SMM Group’s incremental borrowing rate is used, and the SMM Group generally uses its incremental borrowing rate as the discount rate.

In subsequent measurement, lease liabilities are measured by increasing the carrying amount to reflect the interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The SMM Group includes and presents lease liabilities in “other financial liabilities (current)” and “other financial liabilities (non-current)” in the Condensed Quarterly Consolidated Statement of Financial Position.

(2) Application of IFRS 16

The SMM Group has adopted the method where the cumulative effect of the application of IFRS 16 is recognized at the date of initial application, which is permitted as a transitional measure (the retrospective approach).

In transitioning to IFRS 16, the SMM Group has selected to apply a practical expedient and maintained its assessment of whether a contract contains a lease under IAS 17 Leases (hereinafter “IAS 17”) and IFRIC 4 Determining whether an Arrangement Contains a Lease.

For leases that were classified as finance leases under IAS 17, the carrying amounts of the right-of-use asset and the lease liability as of April 1, 2019 were calculated based on the carrying amounts of the lease asset and the lease obligation measured under IAS 17 immediately before that date.

The SMM Group recognized right-of-use assets and lease liabilities at the date of initial application of IFRS 16 for leases that it had previously classified as operating leases under IAS 17, except for short-term leases with a lease term of 12 months or less, or leases whose underlying assets are of low value.

In applying IFRS 16, the SMM Group used the following practical expedients:

- Leases for which the lease term ends within 12 months of the date of initial application are accounted for in the same way as short-term leases.
- Initial direct costs have been excluded from the measurement of right-of-use assets at the date of initial application.

As a result, property, plant and equipment increased by ¥9,353 million, and other financial liabilities (current) and other financial liabilities (non-current) increased by ¥9,183 million, respectively, at the beginning of the first quarter of fiscal 2019, compared to the case when the previous accounting standard were to be applied.

The weighted average of the incremental borrowing rate applied to the lease liabilities recognized in the Condensed Quarterly Consolidated Statement of Financial Position at the date of initial application is 1.5%.

The SMM Group has applied the IFRS 16 exemption and has chosen not to recognize right-of-use assets and lease liabilities for short-term leases with a lease term of 12 months or less, or leases whose underlying assets are of low value.

(Amendment to IAS 28 Investments in Associates and Joint Ventures)

The SMM Group has applied the amended IAS 28 Investments in Associates and Joint Ventures (issued in October 2017; hereinafter “Amended IAS 28”) from the first quarter of fiscal 2019.

The SMM Group, in accordance with the transitional measures of Amended IAS 28, has not restated prior periods and has applied the standard from the beginning of the first quarter of fiscal 2019. In conjunction with the application of Amended IAS 28, long-term interests in associates and joint ventures that substantially form part of the net investment in these investees are evaluated based on IFRS 9 Expected Credit Loss Model, while also being evaluated by equity method procedures in accordance with IAS 28.

As a result, other financial assets (non-current) decreased by ¥60,891 million and deferred tax assets increased by ¥3,516 million, as a cumulative effect on the opening balance of the Condensed Quarterly Consolidated Statement of Financial Position for the first quarter of fiscal 2019. Additionally, as a cumulative effect on the opening balance of the Condensed Quarterly Consolidated Statement of Changes in Equity for the first quarter of fiscal 2019, the opening balance of retained earnings decreased by ¥56,330 million and the exchange differences on transition of foreign operations decreased by ¥1,045 million.

Furthermore, as an effect on the first quarter of fiscal 2019, in the Condensed Quarterly Consolidated Statement of Profit or Loss, finance income decreased by ¥1,126 million and income tax expense decreased by ¥231 million, while basic earnings per share and diluted earnings per share decreased by ¥3.26, respectively.

(Changes in Presentation Method)

(Condensed Quarterly Consolidated Statement of Cash Flows)

“Dividends paid to non-controlling interests,” which had been included in “Other” under “Cash flows from financing activities” in the first three months of fiscal 2018, has been presented separately due to its increasing materiality. In order to reflect this change in the presentation method, the Condensed Quarterly Consolidated Statement of Cash Flows for the first three months of fiscal 2018 has been restated.

As a result, in the Condensed Quarterly Consolidated Statement of Cash Flows for the first three months of fiscal 2018, ¥(418) million in “Other” under “Cash flows from financing activities” has been reclassified as ¥(410) million in “Dividends paid to non-controlling interests” and ¥(8) million in “Other.”

(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 four business divisions—Mineral Resources Div., Non-Ferrous Metals Div., Battery Materials Div. and Advanced 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 associates over which it holds jurisdiction. Furthermore, from the first three months of fiscal 2019, the Company has divided the previous Materials Div. into the Battery Materials Div. and the Advanced Materials Div. However, as they have similar business characteristics and similar economic characteristics in terms of their customers, etc., and are recognized to be similar in all aspects including product/service characteristics, their operating segments have been integrated. The Company has classified these operating segments into three core reportable segments of Mineral Resources, Smelting & Refining, and Materials by classifying the mineral resource businesses into Mineral Resources, the metals businesses into Smelting & Refining, and the battery materials businesses and the advanced 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 non-ferrous metal resources in Japan and overseas, as well as sales of ores and products.

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

In the Materials segment, the Company mainly engages in manufacturing, processing and sales of advanced materials including battery materials (e.g., nickel hydroxide, lithium nickel oxide), pastes, powder materials (e.g., nickel powder), crystal materials (e.g., lithium tantalate substrates, lithium niobate substrates) and semiconductor materials including tape materials; 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 recording by each operating segment of amounts corresponding to interest on internal loans, as determined in the statement of financial position of each segment.

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

Three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)

(Millions of yen)

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

Notes:

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

Three months ended June 30, 2019 (from April 1, 2019 to June 30, 2019)

(Millions of yen)

	Reportable Segments				Other Businesses ¹	Total	Adjustments ²	Consolidated Statement of Profit or Loss
	Mineral Resources	Smelting & Refining	Materials	Total				
Net sales:								
Outside customers	19,495	140,148	46,409	206,052	997	207,049	—	207,049
Inter-segment	6,531	6,974	4,505	18,010	1,158	19,168	(19,168)	—
Total	26,026	147,122	50,914	224,062	2,155	226,217	(19,168)	207,049
Segment income	11,890	5,738	701	18,329	0	18,329	(429)	17,900

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 of ¥(429) million consist primarily of eliminations of inter-segment transactions and finance income and costs, which are not attributable to the reportable segments.
3. Segment income is adjusted against the profit before tax of the Condensed Quarterly Consolidated Statement of Profit or Loss.

3. Supplementary Information

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

Segment	Product	Unit	FY2019 First Three Months Results (April 1, 2019 to June 30, 2019)
Mineral Resources	Gold and silver ores (Gold content)	t	38,192
		¥1,000/DMT	140
		¥million	5,363
		(kg)	(1,260)
Smelting & Refining	Copper	t	108,730
		¥1,000/t	678
		¥million	73,729
	Gold	kg	4,756
		¥/g	4,630
		¥million	22,020
	Silver	kg	52,840
		¥1,000/kg	53
¥million		2,810	
Nickel	t	15,682	
	¥1,000/t	1,455	
	¥million	22,810	
Materials	Advanced materials, etc.	¥million	35,575

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.