



## Consolidated Financial Results for the Third Quarter Ended December 31, 2019 [IFRS]

February 7, 2020

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Listed Company Name: Sumitomo Metal Mining Co., Ltd.  
 Code: 5713  
 Listings: Tokyo Stock Exchange  
 URL: <http://www.smm.co.jp/>  
 Representative: Akira Nozaki, President and Representative Director  
 Contact: Shinji Saeki, Deputy General Manager, PR & IR Dept. TEL: +81-3-3436-7705  
 Scheduled Date to Submit Quarterly Report: February 14, 2020  
 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 December 31, 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	%
Nine months ended December 31, 2019	644,767	-8.3	67,473	-22.2	53,336	-24.0	51,456	-23.0	37,251	-42.3
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

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2019	187.26	187.26
Nine months ended December 31, 2018	243.34	243.34

#### (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, 2019	1,752,518	1,121,182	1,010,961	57.7
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	—	39.00	—		
Year ending March 31, 2020 (Forecast)				29.00	68.00

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

**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
Full year	876,000	-4.0	69,000	-22.8	53,000	-20.6	192.88

(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:         | 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 December 31, 2019  
290,814,015 shares at March 31, 2019
- 2) Number of shares of treasury stock as of end of period
- 16,030,837 shares at December 31, 2019  
16,026,270 shares at March 31, 2019
- 3) Average number of shares during the period
- 274,785,486 shares for nine months ended December 31, 2019  
274,791,065 shares for nine months ended December 31, 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 year ending March 31, 2020, disclosed on November 08, 2019, has been revised in this report. The forward-looking statements, including business results forecast, contained in this report are based on information available to the Company and on certain assumptions deemed to be reasonable as of the date of release of this report 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 7, 2020.

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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
Nine months ended December 31, 2019	644,767	67,473	51,456
Nine months ended December 31, 2018	703,485	86,697	66,867
Increase/decrease	-58,718	-19,224	-15,411
[Rate of change: %]	[-8.3]	[-22.2]	[-23.0]

#### (Overseas market prices and foreign exchange rates)

	Unit	Nine months ended December 31, 2018	Nine months ended December 31, 2019	Increase/decrease
Copper	\$/t	6,381	5,933	-448
Gold	\$/TOZ	1,249.3	1,421.7	172.4
Nickel	\$/lb	5.92	6.54	0.62
Exchange rate (TTM)	¥/\$	111.15	108.68	-2.47

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

As for exchange rates, in general the yen appreciated while the dollar depreciated, amid such factors as the global economic slowdown and a reduction in the interest rate differential between Japan and the United States. As a result, in terms of the average exchange rate, the yen was stronger year over year.

Regarding the prices of major non-ferrous metals, copper prices were generally on a downward trend, due to such factors as a worsened outlook for the global economy due to the trade friction between the United States and China, while gold prices were generally on an upward trend. Although nickel prices rose temporarily in the second quarter of fiscal 2019, primarily due to concerns regarding supply, as Indonesia moved forward with restrictions on ore exports, they shifted to a downward trend in the third quarter of fiscal 2019 due to concerns over a fall in demand. As a result, the average price of copper fell year over year, while the average prices of nickel and gold rose year over year.

In industries related to the Materials business, the Company's demand for automobile battery components remained robust, despite the emergence of a downturn in demand in the Chinese market, due mainly to trade friction between the United States and China. Growth of the smartphone market has plateaued due to increased adoption and maturation of the market, and inventory adjustments continued for some components.

Under these circumstances, consolidated net sales in the first nine months of fiscal 2019 decreased by ¥58,718 million year over year to ¥644,767 million, due mainly to falling copper prices and appreciation of the yen.

Consolidated profit before tax decreased by ¥19,224 million year over year to ¥67,473 million, despite a turnaround in the share of profit (loss) of investments accounted for using equity method, due mainly to a deterioration of finance income and finance costs owing to such factors as fluctuations in foreign exchange gains and losses from appreciation of the yen, in addition to a decrease in income.

Profit attributable to owners of parent decreased by ¥15,411 million year over year to ¥51,456 million, due mainly to the decrease in consolidated profit before tax.

Operating results by segment are as follows.

(Mineral Resources segment)

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019	Increase/decrease	Rate of change (%)
Net sales	102,508	80,471	-22,037	-21.5
Segment income	32,676	20,479	-12,197	-37.3

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 3.9 t.

Production levels at the Morenci Copper Mine (United States) (of which the Company holds a 25% interest, excluding non-controlling interest) increased year over year to 345,000 t, due mainly to an increase in production level of cathode.

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 333,000 t, due mainly to a drop in the grade of ore.

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 81,000 t, due mainly to an increase in throughput and a favorable shift in recovery rates.

(Smelting & Refining segment)

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019	Increase/decrease	Rate of change (%)
Net sales	490,663	455,177	-35,486	-7.2
Segment income	36,349	41,348	4,999	13.8

(Output by the Company's major product)

Product	Unit	Nine months ended December 31, 2018	Nine months ended December 31, 2019	Increase/decrease
Copper	t	343,943	285,573	-58,370
Gold	kg	16,353	12,627	-3,726
Electrolytic nickel	t	42,397	44,499	2,102
Ferronickel	t	9,996	10,477	481

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

Segment income increased from the same period of the previous fiscal year, despite drops in copper prices, due mainly to rises in nickel and gold prices, and recording of gain on sale of land and buildings consequent to the business withdrawal of Taihei Metal Industry Co., Ltd.

Although the production level of electrolytic copper declined from the same period of the previous fiscal year due to scheduled furnace repairs at the Toyo Smelter & Refinery, the production level of electrolytic nickel increased from the same period of the previous fiscal year.

Although the production level at Coral Bay Nickel Corporation declined from the same period of the previous fiscal year due mainly to equipment problems, the production level at Taganito HPAL Nickel Corporation increased from the same period of the previous fiscal year due to improved operating conditions compared to the previous fiscal year.

(Materials segment)		(Millions of yen)		
	Nine months ended December 31, 2018	Nine months ended December 31, 2019	Increase/decrease	Rate of change (%)
Net sales	166,027	166,049	22	0.0
Segment income	15,817	5,663	-10,154	-64.2

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

## (2) Financial Position

### 1) Financial Position

(Millions of yen)			
	As of March 31, 2019	As of December 31, 2019	Increase/decrease
Total assets	1,797,701	1,752,518	-45,183
Total liabilities	646,421	631,336	-15,085
Total equity	1,151,280	1,121,182	-30,098

Total assets as of December 31, 2019 decreased from those as of March 31, 2019. Long-term loans receivable included under 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 December 31, 2019 decreased from those as of March 31, 2019. Trade and other payables decreased, despite an increase in borrowings due to funding of the Quebrada Blanca Copper Mine (Chile), in addition to the issuance of bonds.

Total equity as of December 31, 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. Additionally, exchange differences on transition of foreign operations included under other components of equity decreased due to the appreciation of the yen.

### 2) Cash Flows

(Millions of yen)			
	Nine months ended December 31, 2018	Nine months ended December 31, 2019	Increase/decrease
Net cash provided by operating activities	106,999	77,832	-29,167
Net cash used in investing activities	(30,531)	(60,044)	-29,513
Net cash provided by (used in) financing activities	(53,203)	13,534	66,737
Effect of exchange rate changes on cash and cash equivalents	1,323	(1,340)	-2,663
Cash and cash equivalents at beginning of period	137,330	81,261	-56,069
Cash and cash equivalents at end of period	161,918	111,243	-50,675

Net cash provided by operating activities during the first nine months of fiscal 2019 decreased from the same period of the previous fiscal year, due mainly to a decrease in profit before tax, as well as an increase in inventories.

Net cash used in investing activities increased from the same period of the previous fiscal year, due mainly to payments resulting from purchase of shares of subsidiaries and associates related to the entry into the Quebrada Blanca Copper Mine (Chile).

Although net cash was used in financing activities in same period of the previous fiscal year, due mainly to the redemption of bonds, net cash was provided by financing activities in the first nine months of fiscal 2019, due mainly to an increase in borrowings due to funding of the Quebrada Blanca Copper Mine.

(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	FY2019 First Nine Months Results	FY2019 Fourth Quarter Forecasts	FY2019 Forecasts (From April 1, 2019 to March 31, 2020)
Copper	\$/t	5,933	6,000	5,950
Gold	\$/TOZ	1,421.7	1,450.0	1,428.8
Nickel	\$/lb	6.54	6.00	6.41
Exchange rate (TTM)	¥/\$	108.68	108.00	108.51

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 such factors as uncertainty for the future due to trade friction between the United States and China, and concerns over the effects of the spread of the novel coronavirus. Copper and nickel prices are expected to maintain levels in accordance with the balance of supply and demand. As for industries related to the Materials business, robust growth is expected over the medium to long term in both the automotive applications and communications areas, despite the possibility of continued adjustments for some products.

The forecast of consolidated operating results for fiscal 2019 has been revised from the previous forecast (on November 8, 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 trend. Furthermore, our forecast for production levels and sales volumes of major products has been revised based on current results. As a result, net sales are expected to reach ¥876.0 billion, profit before tax of ¥69.0 billion, and profit attributable to owners of parent of ¥53.0 billion on a consolidated basis.

Forecast of consolidated operating results for the full year of the fiscal year ending March 31, 2020 (revised)  
(Millions of yen)

	Mineral Resources	Smelting & Refining	Materials	Total	Other Businesses	Adjustments	Total
Net sales	113,000	618,000	228,000	959,000	10,000	(93,000)	876,000
Segment income (loss)	25,000	48,000	5,000	78,000	(1,000)	(8,000)	69,000

Reference: Forecast of consolidated operating results for the full year of the fiscal year ending March 31, 2020 (previous forecast)

	Mineral Resources	Smelting & Refining	Materials	Total	Other Businesses	Adjustments	Total
Net sales	109,000	602,000	227,000	938,000	10,000	(91,000)	857,000
Segment income	29,000	54,000	7,000	90,000	0	(11,000)	79,000

## 2. Condensed Quarterly Consolidated Financial Statements and Primary Notes

### (1) Condensed Quarterly Consolidated Statement of Financial Position

	FY2018 (As of March 31, 2019)	Third Quarter of FY2019 (As of December 31, 2019)
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and cash equivalents	81,261	111,243
Trade and other receivables	151,598	132,365
Other financial assets	9,493	7,632
Inventories	288,918	299,814
Other current assets	19,945	19,820
Total current assets	551,215	570,874
Non-current assets		
Property, plant and equipment	458,802	460,993
Intangible assets and goodwill	61,207	57,629
Investment property	3,428	3,428
Investments accounted for using equity method	363,165	355,543
Other financial assets	330,212	271,361
Deferred tax assets	11,276	13,802
Other non-current assets	18,396	18,888
Total non-current assets	1,246,486	1,181,644
Total assets	1,797,701	1,752,518



	FY2018 (As of March 31, 2019)	Third Quarter of FY2019 (As of December 31, 2019)
	Millions of yen	Millions of yen
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	165,823	112,486
Bonds and borrowings	75,282	74,307
Other financial liabilities	2,225	4,140
Income taxes payable	2,724	10,563
Provisions	4,753	2,537
Other current liabilities	6,671	8,765
Total current liabilities	257,478	212,798
Non-current liabilities		
Bonds and borrowings	304,009	326,274
Other financial liabilities	3,502	11,491
Provisions	22,362	19,829
Retirement benefit liability	10,391	11,379
Deferred tax liabilities	47,791	48,731
Other non-current liabilities	888	834
Total non-current liabilities	388,943	418,538
Total liabilities	646,421	631,336
Equity		
Share capital	93,242	93,242
Capital surplus	87,598	87,598
Treasury shares	(37,983)	(37,997)
Other components of equity	25,756	10,797
Retained earnings	878,948	857,321
Total equity attributable to owners of parent	1,047,561	1,010,961
Non-controlling interests	103,719	110,221
Total equity	1,151,280	1,121,182
Total liabilities and equity	1,797,701	1,752,518

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

	Nine months ended December 31, 2018 (From April 1, 2018 to December 31, 2018)	Nine months ended December 31, 2019 (From April 1, 2019 to December 31, 2019)
	Millions of yen	Millions of yen
Net sales	703,485	644,767
Cost of sales	(598,250)	(557,708)
Gross profit	105,235	87,059
Selling, general and administrative expenses	(36,765)	(36,179)
Finance income	17,648	10,444
Finance costs	(5,370)	(6,545)
Share of profit (loss) of investments accounted for using equity method	(1,220)	5,456
Other income	11,322	11,341
Other expenses	(4,153)	(4,103)
Profit before tax	86,697	67,473
Income tax expense	(16,529)	(14,137)
Profit	70,168	53,336
Profit attributable to:		
Owners of parent	66,867	51,456
Non-controlling interests	3,301	1,880
Profit	70,168	53,336
Earnings per share		
Basic earnings per share (Yen)	243.34	187.26
Diluted earnings per share (Yen)	243.34	187.26

(Condensed Quarterly Consolidated Statement of Comprehensive Income)

	Nine months ended December 31, 2018 (From April 1, 2018 to December 31, 2018)	Nine months ended December 31, 2019 (From April 1, 2019 to December 31, 2019)
	Millions of yen	Millions of yen
Profit	70,168	53,336
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	(12,104)	1,738
Share of other comprehensive income of investments accounted for using equity method	(125)	65
Total of items that will not be reclassified to profit or loss	(12,229)	1,803
Items that will be reclassified to profit or loss:		
Cash flow hedges	917	(976)
Exchange differences on transition of foreign operations	6,414	(8,692)
Share of other comprehensive income of investments accounted for using equity method	(736)	(8,220)
Total of items that will be reclassified to profit or loss	6,595	(17,888)
Other comprehensive income, net of tax	(5,634)	(16,085)
Comprehensive income	64,534	37,251
Comprehensive income attributable to:		
Owners of parent	59,307	37,551
Non-controlling interests	5,227	(300)
Comprehensive income	64,534	37,251

(3) Condensed Quarterly Consolidated Statement of Changes in Equity  
For the nine months ended December 31, 2018 (From April 1, 2018 to December 31, 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	—	—	—	3,805	863	(12,228)
Total comprehensive income	—	—	—	3,805	863	(12,228)
Purchase of treasury shares	—	—	(21)	—	—	—
Disposal of treasury shares	—	0	1	—	—	—
Dividends	—	—	—	—	—	—
Changes in ownership interests	—	—	—	—	—	—
Transfer to retained earnings	—	—	—	—	—	586
Transactions with owners - total	—	0	(20)	—	—	586
As of December 31, 2018	93,242	87,598	(37,979)	(8,139)	1,104	38,476

	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	—	—	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 in ownership interests	—	—	—	—	5,583	5,583
Transfer to 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

For the nine months ended December 31, 2019 (From April 1, 2019 to December 31, 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	—	—	—	(14,743)	(965)	1,803
Total comprehensive income	—	—	—	(14,743)	(965)	1,803
Purchase of treasury shares	—	—	(14)	—	—	—
Disposal of treasury shares	—	0	0	—	—	—
Dividends	—	—	—	—	—	—
Changes in ownership interests	—	—	—	—	—	—
Transfer to retained earnings	—	—	—	—	—	(9)
Transactions with owners - total	—	0	(14)	—	—	(9)
As of December 31, 2019	93,242	87,598	(37,997)	(34,361)	(334)	45,492

	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, 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	—	—	51,456	51,456	1,880	53,336
Other comprehensive income	—	(13,905)	—	(13,905)	(2,180)	(16,085)
Total comprehensive income	—	(13,905)	51,456	37,551	(300)	37,251
Purchase of treasury shares	—	—	—	(14)	—	(14)
Disposal of treasury shares	—	—	—	0	—	0
Dividends	—	—	(16,762)	(16,762)	(2,795)	(19,557)
Changes in ownership interests	—	—	—	—	9,597	9,597
Transfer to retained earnings	—	(9)	9	—	—	—
Transactions with owners - total	—	(9)	(16,753)	(16,776)	6,802	(9,974)
As of December 31, 2019	—	10,797	857,321	1,010,961	110,221	1,121,182

#### (4) Condensed Quarterly Consolidated Statement of Cash Flows

	Nine months ended December 31, 2018 (From April 1, 2018 to December 31, 2018)	Nine months ended December 31, 2019 (From April 1, 2019 to December 31, 2019)
	Millions of yen	Millions of yen
Cash flows from operating activities		
Profit before tax	86,697	67,473
Depreciation and amortization expense	33,650	33,137
Loss (gain) on sale of property, plant and equipment	49	(9,150)
Share of loss (profit) of investments accounted for using equity method	1,220	(5,456)
Loss (gain) on sale of subsidiaries	(9,512)	—
Increase or decrease in retirement benefit asset or liability	810	(844)
Finance income	(17,648)	(10,444)
Finance costs	5,370	6,545
Decrease (increase) in trade and other receivables	(19,435)	17,958
Decrease (increase) in inventories	(2,832)	(11,855)
Increase (decrease) in trade and other payables	21,802	(16,612)
Increase (decrease) in accrued consumption taxes	2,572	707
Other	(86)	1,731
Subtotal	102,657	73,190
Interest received	1,690	2,597
Dividends received	14,179	11,449
Interest paid	(4,525)	(4,531)
Income taxes paid	(12,058)	(6,419)
Income taxes refund	5,056	1,546
Net cash provided by (used in) operating activities	106,999	77,832
Cash flows from investing activities		
Payments into time deposits	(27,100)	(6,533)
Proceeds from withdrawal of time deposits	8,180	6,816
Proceeds from redemption of investments	10,610	—
Purchase of property, plant and equipment	(42,516)	(34,031)
Proceeds from sale of property, plant and equipment	491	10,769
Purchase of intangible assets	(835)	(517)
Proceeds from sale of investment securities	740	12
Purchase of shares of subsidiaries and associates	(6,464)	(37,440)
Payments for short-term loans receivable	(969)	(2)
Collection of short-term loans receivable	3,024	258
Collection of long-term loans receivable	24	1,534
Proceeds from sale of interests in subsidiaries resulting in change in scope of consolidation	24,531	—
Other	(247)	(910)
Net cash provided by (used in) investing activities	(30,531)	(60,044)

	Nine months ended December 31, 2018 (From April 1, 2018 to December 31, 2018)	Nine months ended December 31, 2019 (From April 1, 2019 to December 31, 2019)
	Millions of yen	Millions of yen
Cash flows from financing activities		
Proceeds from short-term borrowings	39,076	145,558
Repayments of short-term borrowings	(37,554)	(149,960)
Proceeds from long-term borrowings	334	27,479
Repayments of long-term borrowings	(14,713)	(18,119)
Proceeds from issuance of bonds	19,917	19,884
Redemption of bonds	(30,000)	—
Proceeds from share issuance to non-controlling shareholders	5,496	9,598
Dividends paid	(32,151)	(16,762)
Dividends paid to non-controlling interests	(3,588)	(2,795)
Other	(20)	(1,349)
Net cash provided by (used in) financing activities	(53,203)	13,534
Net increase (decrease) in cash and cash equivalents	23,265	31,322
Cash and cash equivalents at beginning of period	137,330	81,261
Effect of exchange rate changes on cash and cash equivalents	1,323	(1,340)
Cash and cash equivalents at end of period	161,918	111,243

(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 nine-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 nine months of fiscal 2019, in the Condensed Quarterly Consolidated Statement of Profit or Loss, finance income decreased by ¥3,391 million and income tax expense decreased by ¥695 million, while basic earnings per share and diluted earnings per share decreased by ¥9.81, respectively.

(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.

Nine months ended December 31, 2018 (from April 1, 2018 to December 31, 2018)

(Millions of yen)

	Reportable Segments				Other Businesses <sup>1</sup>	Total	Adjustments <sup>2</sup>	Consolidated Statement of Profit or Loss
	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 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.

Nine months ended December 31, 2019 (from April 1, 2019 to December 31, 2019)

(Millions of yen)

	Reportable Segments				Other Businesses <sup>1</sup>	Total	Adjustments <sup>2</sup>	Consolidated Statement of Profit or Loss
	Mineral Resources	Smelting & Refining	Materials	Total				
Net sales:								
Outside customers	60,735	429,544	151,465	641,744	3,023	644,767	—	644,767
Inter-segment	19,736	25,633	14,584	59,953	4,046	63,999	(63,999)	—
Total	80,471	455,177	166,049	701,697	7,069	708,766	(63,999)	644,767
Segment income	20,479	41,348	5,663	67,490	219	67,709	(236)	67,473

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 ¥(236) 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 Nine Months Results	FY2019 Fourth Quarter Forecasts	FY2019 Forecasts
Mineral Resources	Gold and silver ores  (Gold content)	t	107,378	37,335	144,713
		¥1,000/DMT	169	257	191
		¥million	18,098	9,587	27,685
		(kg)	(3,905)	(2,045)	(5,950)
Smelting & Refining	Copper	t	314,617	116,189	430,806
		¥1,000/t	654	658	655
		¥million	205,862	76,449	282,311
		kg	13,230	5,070	18,300
	Gold	¥/g	4,953	5,036	4,976
		¥million	65,532	25,535	91,067
	Silver	kg	157,224	52,830	210,054
		¥1,000/kg	58	59	58
¥million		9,058	3,139	12,197	
Nickel	t	51,126	21,593	72,719	
	¥1,000/t	1,628	1,552	1,606	
	¥million	83,241	33,521	116,762	
Materials	Advanced materials, etc.	¥million	117,170	44,832	162,002

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.