



Consolidated Financial Results for the First Quarter Ended June 30, 2021 [IFRS]

August 6, 2021

[Full version of English translation released on August 27, 2021]

Listed Company Name: Sumitomo Metal Mining Co., Ltd.
 Code: 5713
 Listings: Tokyo Stock Exchange
 URL: <https://www.smm.co.jp/>
 Representative: Akira Nozaki, President and Representative Director
 Contact: Daiji Toyama, Manager, PR & IR Dept. TEL: +81-3-3436-7705
 Scheduled Date to Submit Quarterly Report: August 12, 2021
 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, 2021, to June 30, 2021)

(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, 2021	294,325	54.3	59,939	—	46,031	—	43,055	—	86,409	—
Three months ended June 30, 2020	190,792	—	3,543	-80.2	236	-98.5	171	-98.8	-1,182	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2021	156.69	156.69
Three months ended June 30, 2020	0.62	0.62

(Note) In the fourth quarter of the fiscal year ended March 31, 2021, the SMM Group changed its accounting policy for non-free supplied materials. Since this change in accounting policy was applied retrospectively, the figures for the three months ended June 30, 2020 represent amounts after such retrospective application. Therefore, the year-on-year change in net sales has been omitted.

(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, 2021	1,944,521	1,284,100	1,165,628	59.9
As of March 31, 2021	1,885,999	1,222,983	1,113,923	59.1

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, 2021	—	22.00	—	99.00	121.00
Year ending March 31, 2022	—				
Year ending March 31, 2022 (Forecast)		71.00	—	62.00	133.00

(Note) Revision of dividend forecast that has been disclosed lastly: None

**3. Forecast of Consolidated Operating Results for the Second Quarter Ending September 30, 2021
(From April 1, 2021, to September 30, 2021)**

(% figures show year-on-year change)

	Net sales		Profit before tax		Profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Second quarter (cumulative)	566,000	35.0	106,000	309.5	83,000	379.9	78,000	346.5	283.87

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

With regard to the forecast of consolidated operating results for the fiscal year ending March 31, 2022, only the forecast for the second quarter (cumulative) is disclosed because the forecast for the full year has not been reviewed. 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: | Yes |
| 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, 2021
 - 290,814,015 shares at March 31, 2021
 - 2) Number of shares of treasury stock as of end of period
 - 16,039,874 shares at June 30, 2021
 - 16,038,719 shares at March 31, 2021
 - 3) Average number of shares during the period
 - 274,774,455 shares for three months ended June 30, 2021
 - 274,781,354 shares for three months ended June 30, 2020

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

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 Quarterly Financial Results)

The Supplementary Explanation Materials will be posted on the Company’s website on Friday, August 6, 2021.

Contents of the Attachment

1. Qualitative Information on Quarterly Financial Results	2
(1) Business Performance.....	2
(2) Financial Position	4
(3) Forward-Looking Information Including Forecast of Consolidated Operating Results and Other.....	5
2. Condensed Quarterly Consolidated Financial Statements and Primary Notes.....	6
(1) Condensed Quarterly Consolidated Statement of Financial Position	6
(2) Condensed Quarterly Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income	8
(Condensed Quarterly Consolidated Statement of Profit or Loss)	8
(Condensed Quarterly Consolidated Statement of Comprehensive Income)	9
(3) Condensed Quarterly Consolidated Statement of Changes in Equity.....	10
(4) Condensed Quarterly Consolidated Statement of Cash Flows	12
(5) Notes Relating to the Condensed Quarterly Consolidated Financial Statements	14
(Note Relating to the Going Concern Assumption).....	14
(Changes in Accounting Policies)	14
(Operating Segments).....	14
3. Supplementary Information.....	16

1. Qualitative Information on Quarterly Financial Results

(1) Business Performance

	(Millions of yen)		
	Net sales	Profit before tax	Profit attributable to owners of parent
Three months ended June 30, 2021	294,325	59,939	43,055
Three months ended June 30, 2020	190,792	3,543	171
Increase/decrease	103,533	56,396	42,884
[Rate of change: %]	[54.3]	[—]	[—]

(Overseas market prices and foreign exchange rates)

	Unit	Three months ended June 30, 2020	Three months ended June 30, 2021	Increase/decrease
Copper	\$/t	5,341	9,711	4,370
Gold	\$/TOZ	1,710.2	1,815.3	105.1
Nickel	\$/lb	5.53	7.87	2.34
Exchange rate (TTM)	¥/\$	107.62	109.50	1.88

With regard to the global economy during the first three months of fiscal 2021, the year ending March 31, 2022, the economies of China, the United States, and various other countries were on a trend toward recovery due mainly to the rollout of COVID-19 vaccines, despite the fact that the virus has not been contained.

As for exchange rates, the yen tended to depreciate against the dollar, due to an awareness that the economic recovery in the United States will push forward a hike in interest rates. The average exchange rate for the yen was weaker year over year.

Regarding the prices of major non-ferrous metals, copper and nickel prices trended upward against a backdrop of the ongoing recovery of the global economy. Although gold prices also remained on an upward trend, due primarily to increasing concerns regarding the economic recovery resulting from the spread of COVID-19 variants, prices fell temporarily due to an awareness that the timing of an interest-rate hike in the United States would be pushed forward. As a result, during the first three months of fiscal 2021, the prices of copper, nickel, and gold all rose year over year.

In industries related to the Materials business, demand for automobile battery components was robust, against a backdrop of the accelerated electrification of automobiles. Demand was also robust in the smartphone market, due mainly to progress in fifth-generation mobile communications system (5G).

Under these circumstances, consolidated net sales in the first three months of fiscal 2021 increased by ¥103,533 million year over year to ¥294,325 million, due mainly to rising year-over-year copper and nickel prices. Effective from the fourth quarter of fiscal 2020, the Company has changed its accounting policy for non-free supplied materials received from customers. Accordingly, for the first three months of fiscal 2020, net sales are presented after the retrospective application of this change in accounting policy.

Consolidated profit before tax increased by ¥56,396 million year over year to ¥59,939 million, due to an increase in sales as well as an upturn in share of profit of investments accounted for using equity method, mainly as a result of rising copper prices.

Profit attributable to owners of parent increased by ¥42,884 million year over year to ¥43,055 million, due to the increase in consolidated profit before tax.

Operating results by segment are as follows.

(Mineral Resources segment)				(Millions of yen)	
	Three months ended June 30, 2020	Three months ended June 30, 2021	Increase/decrease	Rate of change (%)	
Net sales	30,450	36,496	6,046	19.9	
Segment income	3,172	33,608	30,436	959.5	

Segment income increased from the same period of the previous fiscal year, due mainly to an increase 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 six tons, and the sales volume of gold was 1.9 tons.

Production levels at the Morenci Copper Mine (United States) (of which the Company holds a 25.0% interest, excluding non-controlling interest) fell from the same period of the previous fiscal year to 97,000 tons, due mainly to taking measures to decrease operating rates, including a shutdown of some mills (ore crushers) due to the effects of COVID-19.

Production levels at the Cerro Verde Copper Mine (Peru) (of which the Company holds a 16.8% interest, excluding non-controlling interest) stood at 98,000 tons, an increase from the same period of the previous fiscal year, in which operations were temporarily transitioned to a care and maintenance status in response to the spread of COVID-19.

Production levels at the Sierra Gorda Copper Mine (Chile) (of which the Company holds a 31.5% interest, excluding non-controlling interest) rose from the same period of the previous fiscal year to 42,000 tons, due mainly to an increase in ore grade.

(Smelting & Refining segment)				(Millions of yen)	
	Three months ended June 30, 2020	Three months ended June 30, 2021	Increase/decrease	Rate of change (%)	
Net sales	136,092	222,987	86,895	63.9	
Segment income	3,210	22,744	19,534	608.5	

(Output by the Company's major product)

Product	Unit	Three months ended June 30, 2020	Three months ended June 30, 2021	Increase/decrease
Copper	t	106,123	104,991	-1,132
Gold	kg	3,860	4,186	326
Electrolytic nickel	t	13,344	13,415	71
Ferronickel	t	3,192	2,665	-527

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

Segment income increased from the same period of the previous fiscal year, due mainly to an increase in non-ferrous metals prices.

The production level and sales volume of electrolytic copper decreased from the same period of the previous fiscal year. Although the production level of electrolytic nickel was flat year over year, the sales volume increased from the same period of the previous fiscal year.

While operations at Coral Bay Nickel Corporation (Philippines) proceeded generally according to the plan, the production level fell from the same period of the previous fiscal year, due mainly to differences in the timing of planned shutdowns. The production level at Taganito HPAL Nickel Corporation (Philippines) fell from the same period of the previous fiscal year, due mainly to equipment issues.

(Materials segment)			(Millions of yen)	
	Three months ended June 30, 2020	Three months ended June 30, 2021	Increase/decrease	Rate of change (%)
Net sales	48,432	65,504	17,072	35.2
Segment income (loss)	(607)	6,668	7,275	—

Segment income increased from the same period of the previous fiscal year, due mainly to continued strong sales of powder materials, as well as increased sales volume of battery materials compared with the same period of the previous year, in which demand fell temporarily.

(2) Financial Position

1) Financial Position			(Millions of yen)	
	As of March 31, 2021	As of June 30, 2021	Increase/decrease	
Total assets	1,885,999	1,944,521	58,522	
Total liabilities	663,016	660,421	-2,595	
Total equity	1,222,983	1,284,100	61,117	

Total assets as of June 30, 2021 increased from those as of March 31, 2021. Although cash and cash equivalents decreased, inventories increased due to a rise in non-ferrous metals prices, while investments accounted for using equity method increased due to the recording of the share of profit of investments accounted for using equity method and the effects of yen depreciation. Trade and other receivables also increased.

Total liabilities as of June 30, 2021 decreased from those as of March 31, 2021. Despite the issuance of bonds, income taxes payable and trade and other payables decreased.

Total equity as of June 30, 2021 increased from those as of March 31, 2021. Retained earnings increased due to the recording of profit, and there was an increase in the exchange differences on translation of foreign operations included in other components of equity, due to the depreciation of the yen.

2) Cash Flows			(Millions of yen)	
	Three months ended June 30, 2020	Three months ended June 30, 2021	Increase/decrease	
Net cash provided by operating activities	41,059	3,547	-37,512	
Net cash used in investing activities	(27,349)	(11,352)	15,997	
Net cash used in financing activities	(12,193)	(28,248)	-16,055	
Effect of exchange rate changes on cash and cash equivalents	(1,535)	2,740	4,275	
Cash and cash equivalents at beginning of period	155,530	158,373	2,843	
Cash and cash equivalents at end of period	155,512	125,060	-30,452	

Net cash provided by operating activities during the first three months of fiscal 2021 decreased from the same period of the previous fiscal year, due mainly to an increase in inventories as a result of a rise in non-ferrous metals prices, as well as an increase in trade and other receivables and a decrease in trade and other payables, despite an increase in profit before tax. Income taxes paid also increased.

Net cash used in investing activities decreased from the same period of the previous fiscal year, due mainly to a decrease in payments into time deposits.

Net cash used in financing activities increased from the same period of the previous fiscal year, due mainly to an increase in dividends paid, despite proceeds from the issuance of bonds.

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

	Unit	FY2021 First Three Months Results	FY2021 Second Quarter Forecasts	FY2021 First Six Months Forecasts
Copper	\$/t	9,711	9,000	9,356
Gold	\$/TOZ	1,815.3	1,750.0	1,782.7
Nickel	\$/lb	7.87	7.50	7.69
Exchange rate (TTM)	¥/\$	109.50	110.00	109.75

In the business environment surrounding the SMM Group, a near state of equilibrium or slight oversupply of copper and nickel is expected in the non-ferrous metals industry, mainly because the recovery of economic activity in each country is still ongoing. Both copper and nickel prices are expected to converge to appropriate levels in accordance with the balance of supply and demand, although prices have remained high due to expectations of an upturn in the economic climate and the inflow of surplus funds into the commodities markets.

As for industries related to the materials business, demand is expected to remain robust over the near term, despite concerns regarding the effects of semiconductor shortages on the areas of automotive applications and communications.

The forecast of consolidated operating results for the first six months of fiscal 2021 has been revised from the previous forecast (on May 10, 2021), 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. As a result, net sales are expected to reach ¥566.0 billion, profit before tax of ¥106.0 billion, profit of ¥83.0 billion, and profit attributable to owners of parent of ¥78.0 billion on a consolidated basis.

Forecast of consolidated operating results for the first six months of fiscal 2021 (Revised)

(Millions of yen)

	Mineral Resources	Smelting & Refining	Materials	Total	Other Businesses	Adjustments	Total
Net sales	73,000	420,000	132,000	625,000	4,000	(63,000)	566,000
Segment income	67,000	36,000	12,000	115,000	0	(9,000)	106,000

2. Condensed Quarterly Consolidated Financial Statements and Primary Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

	FY2020 (As of March 31, 2021)	First Quarter of FY2021 (As of June 30, 2021)
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and cash equivalents	158,373	125,060
Trade and other receivables	153,645	165,769
Other financial assets	3,995	4,880
Inventories	323,229	356,777
Other current assets	34,494	38,448
Total current assets	673,736	690,934
Non-current assets		
Property, plant and equipment	457,662	462,964
Intangible assets and goodwill	53,180	56,229
Investment property	3,477	3,477
Investments accounted for using equity method	311,768	332,513
Other financial assets	354,465	366,070
Deferred tax assets	8,693	9,242
Other non-current assets	23,018	23,092
Total non-current assets	1,212,263	1,253,587
Total assets	1,885,999	1,944,521

	FY2020 (As of March 31, 2021)	First Quarter of FY2021 (As of June 30, 2021)
	Millions of yen	Millions of yen
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	151,128	148,034
Bonds and borrowings	120,725	110,450
Other financial liabilities	6,794	6,682
Income taxes payable	22,544	16,459
Provisions	4,952	2,847
Other current liabilities	19,179	23,647
Total current liabilities	325,322	308,119
Non-current liabilities		
Bonds and borrowings	239,702	251,921
Other financial liabilities	11,499	10,860
Provisions	22,650	22,570
Retirement benefit liability	5,851	6,595
Deferred tax liabilities	57,041	59,371
Other non-current liabilities	951	985
Total non-current liabilities	337,694	352,302
Total liabilities	663,016	660,421
Equity		
Share capital	93,242	93,242
Capital surplus	87,604	87,604
Treasury shares	(38,027)	(38,033)
Other components of equity	25,148	60,326
Retained earnings	945,956	962,489
Total equity attributable to owners of parent	1,113,923	1,165,628
Non-controlling interests	109,060	118,472
Total equity	1,222,983	1,284,100
Total liabilities and equity	1,885,999	1,944,521

(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, 2020 (From April 1, 2020 to June 30, 2020)	Three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)
	Millions of yen	Millions of yen
Net sales	190,792	294,325
Cost of sales	(172,120)	(238,768)
Gross profit	18,672	55,557
Selling, general and administrative expenses	(10,807)	(11,799)
Finance income	3,953	3,903
Finance costs	(3,420)	(1,899)
Share of profit (loss) of investments accounted for using equity method	(3,566)	10,378
Other income	571	4,658
Other expenses	(1,860)	(859)
Profit before tax	3,543	59,939
Income tax expense	(3,307)	(13,908)
Profit	236	46,031
Profit attributable to:		
Owners of parent	171	43,055
Non-controlling interests	65	2,976
Profit	236	46,031
Earnings per share		
Basic earnings per share (Yen)	0.62	156.69
Diluted earnings per share (Yen)	0.62	156.69

(Condensed Quarterly Consolidated Statement of Comprehensive Income)

	Three months ended June 30, 2020 (From April 1, 2020 to June 30, 2020)	Three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)
	Millions of yen	Millions of yen
Profit	236	46,031
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Financial assets measured at fair value through other comprehensive income	5,948	3,394
Share of other comprehensive income of investments accounted for using equity method	(35)	(40)
Total of items that will not be reclassified to profit or loss	5,913	3,354
Items that will be reclassified to profit or loss:		
Cash flow hedges	(905)	(723)
Exchange differences on transition of foreign operations	(4,211)	23,271
Share of other comprehensive income of investments accounted for using equity method	(2,215)	14,476
Total of items that will be reclassified to profit or loss	(7,331)	37,024
Other comprehensive income, net of tax	(1,418)	40,378
Comprehensive income	(1,182)	86,409
Comprehensive income attributable to:		
Owners of parent	(412)	78,914
Non-controlling interests	(770)	7,495
Comprehensive income	(1,182)	86,409

(3) Condensed Quarterly Consolidated Statement of Changes in Equity
For the three months ended June 30, 2020 (From April 1, 2020 to June 30, 2020)

	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, 2020	93,242	87,598	(38,002)	(26,376)	(916)	27,198
Profit	—	—	—	—	—	—
Other comprehensive income	—	—	—	(5,471)	(1,025)	5,913
Total comprehensive income	—	—	—	(5,471)	(1,025)	5,913
Purchase of treasury shares	—	—	(2)	—	—	—
Disposal of treasury shares	—	0	0	—	—	—
Dividends	—	—	—	—	—	—
Changes in ownership interest in subsidiaries	—	—	—	—	—	—
Obtaining of control of subsidiaries	—	—	—	—	—	—
Transactions with owners - total	—	0	(2)	—	—	—
As of June 30, 2020	93,242	87,598	(38,004)	(31,847)	(1,941)	33,111

	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, 2020	—	(94)	859,202	1,001,946	108,914	1,110,860
Profit	—	—	171	171	65	236
Other comprehensive income	—	(583)	—	(583)	(835)	(1,418)
Total comprehensive income	—	(583)	171	(412)	(770)	(1,182)
Purchase of treasury shares	—	—	—	(2)	—	(2)
Disposal of treasury shares	—	—	—	0	—	0
Dividends	—	—	(10,716)	(10,716)	(234)	(10,950)
Changes in ownership interest in subsidiaries	—	—	—	—	1,923	1,923
Obtaining of control of subsidiaries	—	—	—	—	28	28
Transactions with owners - total	—	—	(10,716)	(10,718)	1,717	(9,001)
As of June 30, 2020	—	(677)	848,657	990,816	109,861	1,100,677

For the three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)

	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, 2021	93,242	87,604	(38,027)	(45,083)	(1,987)	72,218
Profit	—	—	—	—	—	—
Other comprehensive income	—	—	—	33,242	(737)	3,354
Total comprehensive income	—	—	—	33,242	(737)	3,354
Purchase of treasury shares	—	—	(6)	—	—	—
Dividends	—	—	—	—	—	—
Changes in ownership interest in subsidiaries	—	—	—	—	—	—
Transfer to retained earnings	—	—	—	—	—	(681)
Transactions with owners - total	—	—	(6)	—	—	(681)
As of June 30, 2021	93,242	87,604	(38,033)	(11,841)	(2,724)	74,891

	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, 2021	—	25,148	945,956	1,113,923	109,060	1,222,983
Profit	—	—	43,055	43,055	2,976	46,031
Other comprehensive income	—	35,859	—	35,859	4,519	40,378
Total comprehensive income	—	35,859	43,055	78,914	7,495	86,409
Purchase of treasury shares	—	—	—	(6)	—	(6)
Dividends	—	—	(27,203)	(27,203)	(387)	(27,590)
Changes in ownership interest in subsidiaries	—	—	—	—	2,304	2,304
Transfer to retained earnings	—	(681)	681	—	—	—
Transactions with owners - total	—	(681)	(26,522)	(27,209)	1,917	(25,292)
As of June 30, 2021	—	60,326	962,489	1,165,628	118,472	1,284,100

(4) Condensed Quarterly Consolidated Statement of Cash Flows

	Three months ended June 30, 2020 (From April 1, 2020 to June 30, 2020)	Three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)
	Millions of yen	Millions of yen
Cash flows from operating activities		
Profit before tax	3,543	59,939
Depreciation and amortization expense	11,522	11,091
Share of loss (profit) of investments accounted for using equity method	3,566	(10,378)
Increase or decrease in retirement benefit asset or liability	(36)	942
Increase (decrease) in provisions	(4,432)	(3,063)
Finance income	(3,953)	(3,903)
Finance costs	3,420	1,899
Decrease (increase) in trade and other receivables	13,631	(6,176)
Decrease (increase) in inventories	(13,875)	(32,605)
Increase (decrease) in trade and other payables	15,920	(1,512)
Decrease (increase) in advance payments to suppliers	4,305	(2,571)
Increase (decrease) in accrued consumption taxes	335	2,572
Other	7,878	3,854
Subtotal	41,824	20,089
Interest received	310	87
Dividends received	3,602	4,494
Interest paid	(766)	(329)
Income taxes paid	(3,915)	(20,794)
Income taxes refund	4	—
Net cash provided by (used in) operating activities	41,059	3,547
Cash flows from investing activities		
Payments into time deposits	(16,643)	(19)
Proceeds from withdrawal of time deposits	3,229	—
Purchase of property, plant and equipment	(13,496)	(13,350)
Proceeds from sale of property, plant and equipment	32	1,036
Purchase of intangible assets	(126)	(449)
Proceeds from sale of investment securities	—	1,420
Purchase of shares of subsidiaries and associates	—	(89)
Collection of short-term loans receivable	138	142
Collection of long-term loans receivable	3	14
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(419)	—
Other	(67)	(57)
Net cash provided by (used in) investing activities	(27,349)	(11,352)
Cash flows from financing activities		
Proceeds from short-term borrowings	72,290	32,892

	Three months ended June 30, 2020 (From April 1, 2020 to June 30, 2020)	Three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)
	Millions of yen	Millions of yen
Repayments of short-term borrowings	(70,039)	(32,687)
Proceeds from long-term borrowings	—	11,012
Repayments of long-term borrowings	(4,998)	(17,697)
Proceeds from issuance of bonds	—	4,000
Proceeds from share issuance to non-controlling shareholders	1,949	2,304
Dividends paid	(10,716)	(27,203)
Dividends paid to non-controlling interests	(234)	(387)
Other	(445)	(482)
Net cash provided by (used in) financing activities	(12,193)	(28,248)
Net increase (decrease) in cash and cash equivalents	1,517	(36,053)
Cash and cash equivalents at beginning of period	155,530	158,373
Effect of exchange rate changes on cash and cash equivalents	(1,535)	2,740
Cash and cash equivalents at end of period	155,512	125,060

(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)

(Changes in the Accounting Policy for Non-free Supplied Transactions)

The SMM Group had previously posted amounts relating to non-free supplied materials received from customers under inventories, and reported them as net sales and cost of sales at the time of delivery. However, from the fourth quarter of fiscal 2020, the SMM Group has adopted the policy of reporting such amounts under other current assets and reversing other current assets at the time of delivery. This change was due to a review of the criteria for determining whether the SMM Group had control over the non-free supplied materials, after which it was determined that control over such non-free supplied materials had not been obtained. Accordingly, the SMM Group does not report the amount related to non-free supplied materials received from customers under net sales and cost of sales at the time of delivery.

This change in accounting policy was applied retrospectively, and the condensed quarterly consolidated financial statements of the first three months ended June 30, 2020 represent the amounts after such retrospective application.

As a result, compared with the amounts before the retrospective application of this accounting policy, in the first three months ended June 30, 2020, “net sales” and “cost of sales” decreased by ¥6,078 million, respectively. However, there was no effect on gross profit and profit before tax. Accordingly, there was no effect on basic earnings per share and diluted earnings per share. In addition, under cash flows from operating activities in the condensed quarterly consolidated statement of cash flows, “decrease (increase) in inventories” decreased by ¥702 million and “other” increased by ¥702 million.

The effect on segment information has been stated in the relevant sections.

(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, the Company has integrated the operating segments of the Battery Materials Div. and the Advanced Materials Div., 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. 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, platinum and palladium.

In the Materials segment, the Company mainly engages in manufacturing, processing and sales of 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 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 the 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, 2020 (from April 1, 2020 to June 30, 2020)

(Millions of yen)

	Reportable Segments				Other Businesses ¹	Total	Adjustments ²	Consolidated Statement of Profit or Loss
	Mineral Resources	Smelting & Refining	Materials ⁴	Total				
Net sales:								
Outside customers	17,168	128,689	43,962	189,819	973	190,792	—	190,792
Inter-segment	13,282	7,403	4,470	25,155	1,297	26,452	(26,452)	—
Total	30,450	136,092	48,432	214,974	2,270	217,244	(26,452)	190,792
Segment income (loss) ^{3,5}	3,172	3,210	(607)	5,775	(9)	5,766	(2,223)	3,543

(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 ¥(2,223) million consist primarily of eliminations of inter-segment transactions, general administrative expenses 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, 2021 (from April 1, 2021 to June 30, 2021)

(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	23,414	211,080	58,955	293,449	876	294,325	—	294,325
Inter-segment	13,082	11,907	6,549	31,538	1,408	32,946	(32,946)	—
Total	36,496	222,987	65,504	324,987	2,284	327,271	(32,946)	294,325
Segment income ³	33,608	22,744	6,668	63,020	(15)	63,005	(3,066)	59,939

(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 ¥(3,066) million consist primarily of eliminations of inter-segment transactions, general administrative expenses and finance income and costs, which are not attributable to the reportable segments.
3. Segment income is adjusted against the profit before tax on the condensed quarterly consolidated statement of profit or loss.
4. As stated in (Changes in Accounting Policies), changes in the accounting policy in the fourth quarter of fiscal 2020 have been retrospectively applied and for the three months ended June 30, 2020, the condensed quarterly consolidated financial statements represent those after the retrospective application. As a result of this change, compared with the amounts before the retrospective application, net sales to outside customers in the Materials segment for the three months ended June 30, 2020 have decreased by ¥6,078 million.
5. Starting from the three months ended June 30, 2021, the method of allocating general administrative expenses and finance income not attributable to the reportable segments has changed, in order to evaluate the performance of each segment more appropriately. Segment income (loss) for the three months ended June 30, 2020 are presented as amounts that reflect this change.

3. Supplementary Information

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

Segment	Product	Unit	FY2021 First Three Months Results
Mineral Resources	Gold and silver ores	t	39,507
	(Gold content)	¥1,000/DMT ¥million (kg)	304 11,995 (1,946)
Smelting & Refining	Copper	t	103,296
		¥1,000/t ¥million	1,071 110,660
	Gold	kg	4,177
		¥/g ¥million	6,395 26,712
	Silver	kg	60,992
		¥1,000/kg ¥million	94 5,748
	Nickel	t	16,459
		¥1,000/t ¥million	1,918 31,569
Materials	Advanced materials, etc.	¥million	45,865

(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.