



Consolidated Financial Results for the Second Quarter Ended September 30, 2021 [IFRS]

November 8, 2021

[Full version of English translation released on November 29, 2021]

Listed Company Name: Sumitomo Metal Mining Co., Ltd.
 Code: 5713
 Listings: Tokyo Stock Exchange
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 Scheduled Date to Submit Quarterly Report: November 11, 2021
 Scheduled Date to Start Dividend Payment: December 7, 2021
 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 September 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	%
Six months ended September 30, 2021	597,930	47.0	121,666	370.0	120,226	595.1	113,828	551.6	168,172	951.6
Six months ended September 30, 2020	406,709	—	25,884	-28.8	17,297	-46.1	17,470	-40.5	15,992	91.5

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2021	414.26	414.26
Six months ended September 30, 2020	63.58	63.58

(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 six months ended September 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 September 30, 2021	1,975,831	1,363,861	1,243,538	62.9
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	—	113.00			
Year ending March 31, 2022 (Forecast)			—	71.00	184.00

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

**3. Forecast of Consolidated Operating Results for the Year Ending March 31, 2022
(From April 1, 2021, to March 31, 2022)**

(% 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
Full year	1,175,000	26.9	266,000	115.6	224,000	126.9	214,000	126.2	778.82

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

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

Notes

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

(2) Changes in Accounting Policies or Estimates

- | | |
|---|------|
| 1) Changes in accounting policies required by IFRS: | None |
| 2) Changes in accounting policies other than item 1) above: | 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 September 30, 2021

290,814,015 shares at March 31, 2021

2) Number of shares of treasury stock as of end of period

16,041,542 shares at September 30, 2021

16,038,719 shares at March 31, 2021

3) Average number of shares during the period

274,773,757 shares for six months ended September 30, 2021

274,780,670 shares for six months ended September 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

(Caution Regarding Forward-Looking Statements)

The forecast of consolidated operating results for the year ending March 31, 2022, disclosed on May 10, 2021, 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 Quarterly Financial Results)

The Supplementary Explanation Materials will be posted on the Company’s website on Monday, November 8, 2021.

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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
Six months ended September 30, 2021	597,930	121,666	113,828
Six months ended September 30, 2020	406,709	25,884	17,470
Increase/decrease [Rate of change: %]	191,221 [47.0]	95,782 [370.0]	96,358 [551.6]

(Overseas market prices and foreign exchange rates)

	Unit	Six months ended September 30, 2020	Six months ended September 30, 2021	Increase/decrease
Copper	\$/t	5,931	9,541	3,610
Gold	\$/TOZ	1,810.9	1,802.6	-8.3
Nickel	\$/lb	5.99	8.27	2.28
Exchange rate (TTM)	¥/\$	106.92	109.81	2.89

With regard to the global economy during the first six 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, although the virus has not yet been contained, and economic activity remained depressed due to the spread of variants, particularly in Southeast Asia.

As for exchange rates, the yen tended to depreciate against the dollar, primarily as a result of movements in anticipation of a gradual contraction of quantitative monetary easing due to the economic recovery in the United States. The average exchange rate for the yen was weaker year over year.

Regarding the prices of major non-ferrous metals, although copper prices were trending upward, they began to fall, due mainly to a decline in demand caused by the spread of COVID-19 variants. Nickel prices trended upward against a backdrop of the ongoing recovery of the global economy. Although gold prices were trending upward, due primarily to increasing concerns regarding the economic recovery resulting from the spread of COVID-19 variants, they began to fall, primarily due to the recovery of the U.S. economy. As a result, during the first six months of fiscal 2021, copper and nickel prices rose year over year, while gold prices fell 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. With regard to components for electronic parts, demand was also robust, due mainly to progress in fifth-generation mobile communications system (5G) for smartphones and the computerization of automobiles.

Under these circumstances, consolidated net sales in the first six months of fiscal 2021 increased by ¥191,221 million year over year to ¥597,930 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 six months of fiscal 2020, net sales are presented after the retrospective application of this change in accounting policy.

Consolidated profit before tax increased by ¥95,782 million year over year to ¥121,666 million, due mainly 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 ¥96,358 million year over year to ¥113,828 million, due to the increase in consolidated profit before tax.

Operating results by segment are as follows.

(Mineral Resources segment)			(Millions of yen)	
	Six months ended September 30, 2020	Six months ended September 30, 2021	Increase/decrease	Rate of change (%)
Net sales	59,548	76,138	16,590	27.9
Segment income	12,138	67,354	55,216	454.9

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 3.7 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 195,000 tons, due mainly to the implementation of measures to decrease the operating rates 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 192,000 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 93,000 tons, due mainly to an increase in ore grade.

(Smelting & Refining segment)			(Millions of yen)	
	Six months ended September 30, 2020	Six months ended September 30, 2021	Increase/decrease	Rate of change (%)
Net sales	301,763	450,113	148,350	49.2
Segment income	15,153	50,155	35,002	231.0

(Output by the Company's major product)

Product	Unit	Six months ended September 30, 2020	Six months ended September 30, 2021	Increase/decrease
Copper	t	218,994	207,181	-11,813
Gold	kg	8,434	8,233	-201
Electrolytic nickel	t	28,560	26,565	-1,995
Ferronickel	t	5,931	5,966	35

(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, while scheduled furnace repairs (large-scale suspension) at the Toyo Smelter & Refinery are planned. The production level of electrolytic nickel declined year over year, due primarily to a shortage of raw materials, while the sales volume increased from the same period of the previous fiscal year, due mainly to the recovery of domestic demand.

The production level at Coral Bay Nickel Corporation (Philippines) fell slightly year over year, due mainly to a temporary decline in operating rates due to the effects of COVID-19. 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)	
	Six months ended September 30, 2020	Six months ended September 30, 2021	Increase/decrease	Rate of change (%)
Net sales	94,722	133,510	38,788	40.9
Segment income	1,729	12,980	11,251	650.7

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 September 30, 2021	Increase/decrease	
Total assets	1,885,999	1,975,831	89,832	
Total liabilities	663,016	611,970	-51,046	
Total equity	1,222,983	1,363,861	140,878	

Total assets as of September 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 long-term loans receivable included in other financial assets (non-current assets) increased, due primarily to the effects of yen depreciation. Investments accounted for using equity method also increased, due to the recording of the share of profit of investments accounted for using equity method and the effects of yen depreciation.

Total liabilities as of September 30, 2021 decreased from those as of March 31, 2021. Trade and other payables and deferred tax liabilities decreased.

Total equity as of September 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)	
	Six months ended September 30, 2020	Six months ended September 30, 2021	Increase/decrease	
Net cash provided by operating activities	51,569	36,944	-14,625	
Net cash used in investing activities	(38,405)	(34,876)	3,529	
Net cash used in financing activities	(28,787)	(39,208)	-10,421	
Effect of exchange rate changes on cash and cash equivalents	(2,562)	3,538	6,100	
Cash and cash equivalents at beginning of period	155,530	158,373	2,843	
Cash and cash equivalents at end of period	137,345	124,771	-12,574	

Net cash provided by operating activities during the first six months of fiscal 2021 decreased from the same period of the previous fiscal year, due mainly to a decrease in trade and other payables, as well as increases in trade and other receivables and income taxes paid, despite an increase in profit before tax.

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 long-term borrowings.

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

(Millions of yen)

	Net sales	Profit before tax	Profit	Profit attributable to owners of parent
FY2021 (Forecast)	1,175,000	266,000	224,000	214,000
FY2020 (Results)	926,122	123,379	98,709	94,604
Increase/decrease [Rate of change: %]	248,878 [26.9]	142,621 [115.6]	125,291 [126.9]	119,396 [126.2]

(Overseas market prices and foreign exchange rates)

		A	B	(A+B/2)
	Unit	FY2021 First Six Months Results	FY2021 Third and Fourth Quarter Forecast	FY2021 Forecast (April 1, 2021 to March 31, 2022)
Copper	\$/t	9,541	8,600	9,071
Gold	\$/TOZ	1,802.6	1,700.0	1,751.3
Nickel	\$/lb	8.27	8.00	8.14
Exchange rate (TTM)	¥/\$	109.81	110.00	109.90

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, despite the expectation of temporary shortfalls of supply. 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.

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

The forecast of consolidated operating results for fiscal 2021 has been revised from the previous forecast (announced 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 foreign exchange rates in consideration of the current trend. Our forecast for production levels and sales volumes of major products has been revised based on current results. In addition, assuming that the transfer of interest will be completed by the end of March 2022, we have incorporated the impacts from the series of procedures related to the transfer of the entirety of our interest in the Sierra Gorda Copper Mine, in the Republic of Chile. As a result, net sales are expected to reach ¥1,175.0 billion, profit before tax of ¥266.0 billion, profit of ¥224.0 billion, and profit attributable to owners of parent of ¥214.0 billion on a consolidated basis.

Forecast of consolidated operating results for fiscal 2021 (Revised)

(Millions of yen)

	Mineral Resources	Smelting & Refining	Materials	Total	Other Businesses	Adjustments	Total
Net sales	154,000	863,000	275,000	1,292,000	10,000	(127,000)	1,175,000
Segment income	184,000	73,000	18,000	275,000	(2,000)	(7,000)	266,000

Reference: Forecast of consolidated operating results for fiscal 2021 (Figures announced on May 10)

(Millions of yen)

	Mineral Resources	Smelting & Refining	Materials	Total	Other Businesses	Adjustments	Total
Net sales	130,000	724,000	252,000	1,106,000	10,000	(69,000)	1,047,000
Segment income	89,000	37,000	11,000	137,000	(2,000)	3,000	138,000

2. Condensed Quarterly Consolidated Financial Statements and Primary Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

	FY2020 (As of March 31, 2021)	Second Quarter of FY2021 (As of September 30, 2021)
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and cash equivalents	158,373	124,771
Trade and other receivables	153,645	164,624
Other financial assets	3,995	5,222
Inventories	323,229	356,571
Other current assets	34,494	33,139
Total current assets	673,736	684,327
Non-current assets		
Property, plant and equipment	457,662	467,988
Intangible assets and goodwill	53,180	55,613
Investment property	3,477	3,477
Investments accounted for using equity method	311,768	342,458
Other financial assets	354,465	389,738
Deferred tax assets	8,693	9,128
Other non-current assets	23,018	23,102
Total non-current assets	1,212,263	1,291,504
Total assets	1,885,999	1,975,831

	FY2020 (As of March 31, 2021)	Second Quarter of FY2021 (As of September 30, 2021)
	Millions of yen	Millions of yen
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	151,128	128,124
Bonds and borrowings	120,725	104,013
Other financial liabilities	6,794	5,249
Income taxes payable	22,544	20,366
Provisions	4,952	4,552
Other current liabilities	19,179	18,262
Total current liabilities	325,322	280,566
Non-current liabilities		
Bonds and borrowings	239,702	251,452
Other financial liabilities	11,499	10,878
Provisions	22,650	22,801
Retirement benefit liability	5,851	6,830
Deferred tax liabilities	57,041	38,630
Other non-current liabilities	951	813
Total non-current liabilities	337,694	331,404
Total liabilities	663,016	611,970
Equity		
Share capital	93,242	93,242
Capital surplus	87,604	87,604
Treasury shares	(38,027)	(38,040)
Other components of equity	25,148	67,026
Retained earnings	945,956	1,033,706
Total equity attributable to owners of parent	1,113,923	1,243,538
Non-controlling interests	109,060	120,323
Total equity	1,222,983	1,363,861
Total liabilities and equity	1,885,999	1,975,831

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

	Six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)	Six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)
	Millions of yen	Millions of yen
Net sales	406,709	597,930
Cost of sales	(350,529)	(483,220)
Gross profit	56,180	114,710
Selling, general and administrative expenses	(22,265)	(25,330)
Finance income	6,822	7,112
Finance costs	(9,562)	(1,955)
Share of profit (loss) of investments accounted for using equity method	(4,449)	24,434
Other income	1,636	4,730
Other expenses	(2,478)	(2,035)
Profit before tax	25,884	121,666
Income tax expense	(8,587)	(1,440)
Profit	17,297	120,226
Profit attributable to:		
Owners of parent	17,470	113,828
Non-controlling interests	(173)	6,398
Profit	17,297	120,226
Earnings per share		
Basic earnings per share (Yen)	63.58	414.26
Diluted earnings per share (Yen)	63.58	414.26

(Condensed Quarterly Consolidated Statement of Comprehensive Income)

	Six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)	Six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)
	Millions of yen	Millions of yen
Profit	17,297	120,226
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Financial assets measured at fair value through other comprehensive income	11,328	9,128
Share of other comprehensive income of investments accounted for using equity method	21	(33)
Total of items that will not be reclassified to profit or loss	11,349	9,095
Items that will be reclassified to profit or loss:		
Cash flow hedges	(1,007)	(589)
Exchange differences on transition of foreign operations	(7,902)	24,257
Share of other comprehensive income of investments accounted for using equity method	(3,745)	15,183
Total of items that will be reclassified to profit or loss	(12,654)	38,851
Other comprehensive income, net of tax	(1,305)	47,946
Comprehensive income	15,992	168,172
Comprehensive income attributable to:		
Owners of parent	18,360	156,831
Non-controlling interests	(2,368)	11,341
Comprehensive income	15,992	168,172

(3) Condensed Quarterly Consolidated Statement of Changes in Equity
For the six months ended September 30, 2020 (From April 1, 2020 to September 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	—	—	—	(9,410)	(1,049)	11,349
Total comprehensive income	—	—	—	(9,410)	(1,049)	11,349
Purchase of treasury shares	—	—	(7)	—	—	—
Disposal of treasury shares	—	0	0	—	—	—
Dividends	—	—	—	—	—	—
Changes in ownership interest in subsidiaries	—	—	—	—	—	—
Obtaining of control of subsidiaries	—	—	—	—	—	—
Transfer to retained earnings	—	—	—	—	—	30
Other	—	94	—	—	—	—
Transactions with owners - total	—	94	(7)	—	—	30
As of September 30, 2020	93,242	87,692	(38,009)	(35,786)	(1,965)	38,577

	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, 2020	—	(94)	859,202	1,001,946	108,914	1,110,860
Profit	—	—	17,470	17,470	(173)	17,297
Other comprehensive income	—	890	—	890	(2,195)	(1,305)
Total comprehensive income	—	890	17,470	18,360	(2,368)	15,992
Purchase of treasury shares	—	—	—	(7)	—	(7)
Disposal of treasury shares	—	—	—	0	—	0
Dividends	—	—	(10,716)	(10,716)	(667)	(11,383)
Changes in ownership interest in subsidiaries	—	—	—	—	1,916	1,916
Obtaining of control of subsidiaries	—	—	—	—	28	28
Transfer to retained earnings	—	30	(30)	—	—	—
Other	—	—	—	94	—	94
Transactions with owners - total	—	30	(10,746)	(10,629)	1,277	(9,352)
As of September 30, 2020	—	826	865,926	1,009,677	107,823	1,117,500

For the six months ended September 30, 2021 (From April 1, 2021 to September 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	—	—	—	34,390	(482)	9,095
Total comprehensive income	—	—	—	34,390	(482)	9,095
Purchase of treasury shares	—	—	(13)	—	—	—
Dividends	—	—	—	—	—	—
Changes in ownership interest in subsidiaries	—	—	—	—	—	—
Transfer to retained earnings	—	—	—	—	—	(1,125)
Transactions with owners - total	—	—	(13)	—	—	(1,125)
As of September 30, 2021	93,242	87,604	(38,040)	(10,693)	(2,469)	80,188

	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	—	—	113,828	113,828	6,398	120,226
Other comprehensive income	—	43,003	—	43,003	4,943	47,946
Total comprehensive income	—	43,003	113,828	156,831	11,341	168,172
Purchase of treasury shares	—	—	—	(13)	—	(13)
Dividends	—	—	(27,203)	(27,203)	(3,946)	(31,149)
Changes in ownership interest in subsidiaries	—	—	—	—	3,868	3,868
Transfer to retained earnings	—	(1,125)	1,125	—	—	—
Transactions with owners - total	—	(1,125)	(26,078)	(27,216)	(78)	(27,294)
As of September 30, 2021	—	67,026	1,033,706	1,243,538	120,323	1,363,861

(4) Condensed Quarterly Consolidated Statement of Cash Flows

	Six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)	Six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)
	Millions of yen	Millions of yen
Cash flows from operating activities		
Profit before tax	25,884	121,666
Depreciation and amortization expense	23,068	22,504
Share of loss (profit) of investments accounted for using equity method	4,449	(24,434)
Increase or decrease in retirement benefit asset or liability	(983)	852
Increase (decrease) in provisions	(2,360)	(1,115)
Finance income	(6,822)	(7,112)
Finance costs	9,562	1,955
Decrease (increase) in trade and other receivables	9,172	(9,508)
Decrease (increase) in inventories	(35,767)	(31,936)
Increase (decrease) in trade and other payables	17,313	(22,699)
Decrease (increase) in advance payments to suppliers	3,647	(128)
Increase (decrease) in accrued consumption taxes	1,515	2,324
Other	4,215	(1,183)
Subtotal	52,893	51,186
Interest received	2,434	1,539
Dividends received	3,648	13,013
Interest paid	(2,457)	(1,251)
Income taxes paid	(5,024)	(27,559)
Income taxes refund	75	16
Net cash provided by (used in) operating activities	51,569	36,944
Cash flows from investing activities		
Payments into time deposits	(17,686)	(37)
Proceeds from withdrawal of time deposits	10,086	26
Purchase of property, plant and equipment	(24,024)	(25,100)
Proceeds from sale of property, plant and equipment	112	1,042
Purchase of intangible assets	(381)	(597)
Proceeds from sale of investment securities	227	2,864
Purchase of shares of subsidiaries and associates	(4,629)	(3,371)
Collection of short-term loans receivable	139	144
Payments for long-term loans receivable	(2,015)	(9,871)
Collection of long-term loans receivable	18	30
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(249)	—
Other	(3)	(6)
Net cash provided by (used in) investing activities	(38,405)	(34,876)

	Six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)	Six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)
	Millions of yen	Millions of yen
Cash flows from financing activities		
Proceeds from short-term borrowings	143,480	76,640
Repayments of short-term borrowings	(142,600)	(69,489)
Proceeds from long-term borrowings	—	11,162
Repayments of long-term borrowings	(19,312)	(29,123)
Proceeds from issuance of bonds	—	34,007
Redemption of bonds	—	(34,000)
Proceeds from share issuance to non-controlling shareholders	1,916	3,868
Dividends paid	(10,716)	(27,203)
Dividends paid to non-controlling interests	(667)	(3,946)
Other	(888)	(1,124)
Net cash provided by (used in) financing activities	(28,787)	(39,208)
Net increase (decrease) in cash and cash equivalents	(15,623)	(37,140)
Cash and cash equivalents at beginning of period	155,530	158,373
Effect of exchange rate changes on cash and cash equivalents	(2,562)	3,538
Cash and cash equivalents at end of period	137,345	124,771

(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 six months ended September 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 six months ended September 30, 2020, “net sales” and “cost of sales” decreased by ¥12,414 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 ¥1,532 million and “other” increased by ¥1,532 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.

Six months ended September 30, 2020 (from April 1, 2020 to September 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	34,190	285,643	84,833	404,666	2,043	406,709	—	406,709
Inter-segment	25,358	16,120	9,889	51,367	2,621	53,988	(53,988)	—
Total	59,548	301,763	94,722	456,033	4,664	460,697	(53,988)	406,709
Segment income ^{3,5}	12,138	15,153	1,729	29,020	(250)	28,770	(2,886)	25,884

(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 ¥(2,886) 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.

Six months ended September 30, 2021 (from April 1, 2021 to September 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	50,289	425,321	120,521	596,131	1,799	597,930	—	597,930
Inter-segment	25,849	24,792	12,989	63,630	2,879	66,509	(66,509)	—
Total	76,138	450,113	133,510	659,761	4,678	664,439	(66,509)	597,930
Segment income ^{3,5}	67,354	50,155	12,980	130,489	(13)	130,476	(8,810)	121,666

(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 ¥(8,810) 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 six months ended September 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 six months ended September 30, 2020 have decreased by ¥12,414 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 for the six months ended September 30, 2020 is presented as amounts that reflect this change.

(Income Tax Expense)

Upon reviewing the recoverability of unrecognized deferred tax assets in the second quarter of fiscal 2021, the Company has determined that the reversal of temporary differences arising from interests in the Company's consolidated subsidiaries, SMM-SG Holding Inversiones Limitada and SMM Holland B.V., is probable within the foreseeable future. Accordingly, the Company has posted deferred tax assets of ¥25,369 million and an income tax expense (credit) of ¥24,952 million and exchange differences on transition of foreign operations (credit) of ¥417 million. As stated in (Subsequent Events), the Company has concluded an agreement to transfer the above interests on October 14, 2021.

(Subsequent Events)

(Conclusion of an agreement to transfer the interests in SMM-SG Holding Inversiones Limitada and SMM Holland B.V.)

The SMM Group holds 100% interests in SMM-SG Holding Inversiones Limitada (a consolidated subsidiary of the Company in the Mineral Resources segment, in the Republic of Chile) and SMM Holland B.V. (a consolidated subsidiary of the Company in the Mineral Resources segment, in the Kingdom of the Netherlands). However, a resolution was passed to sell the entire interests held by the SMM Group to South32 Limited of Australia at the Company's Board of Directors' meeting held on October 13, 2021, and an agreement to transfer the interests was concluded with the said company on October 14, 2021. The transfer is expected to close by March 2022, subject to the satisfaction of certain conditions and acquisition of the necessary approvals.

In conjunction with this transfer, the entirety of the SMM Group's interest in the Sierra Gorda Copper Mine, which is located in the Republic of Chile and jointly owned and operated by the SMM Group, KGHM Polska Miedz S.A., a major copper company in the Republic of Poland, and Sumitomo Corporation, will be transferred.

For the third quarter of fiscal 2021, the assets and liabilities of the subsidiaries to be transferred will be classified as assets held for sale and liabilities directly associated with assets held for sale.

The SMM Group will receive an upfront cash consideration of approximately US\$1,190 million* for transfer of the above interests, at the time of the transfer. In addition to this upfront consideration, up to US\$350 million in contingent consideration will be payable after the transfer, if certain copper price and production thresholds are met during the period through to the end of 2025.

Meanwhile, in the event that the mine incurs losses due to factors such as tax reforms in the Republic of Chile, the Company will compensate for such losses to a certain extent.

Given the effects of adjustments to the transfer price, fluctuations in the exchange rates, and other factors, the impact of this transfer of interests on the consolidated financial statements has not currently been determined.

* The transfer price is based on the corporate value of the mining operations company, as of the date agreed with the transferee, and the final transfer price will be determined upon adjustments agreed upon with the transferee on the closing date.

3. Supplementary Information

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

Segment	Product	Unit	FY2021 First Six Months Results	FY2021 Forecast
Mineral Resources	Gold and silver ores (Gold content)	t	75,040	144,751
		¥1,000/DMT	298	242
		¥million	22,383	35,064
		(kg)	(3,702)	(6,000)
Smelting & Refining	Copper	t	211,987	429,387
		¥1,000/t	1,051	1,001
		¥million	222,786	429,884
	Gold	kg	8,392	17,224
		¥/g	6,373	6,307
		¥million	53,484	108,625
	Silver	kg	113,986	224,514
		¥1,000/kg	91	85
¥million		10,399	19,044	
Nickel	t	32,974	67,015	
	¥1,000/t	2,014	2,009	
	¥million	66,425	134,632	
Materials	Advanced materials, etc.	¥million	93,665	190,087

(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.