



Consolidated Financial Results for the Third Quarter Ended December 31, 2021 [IFRS]

February 8, 2022

[Full version of English translation released on February 25, 2022]

Listed Company Name: Sumitomo Metal Mining Co., Ltd.
 Code: 5713
 Listings: Tokyo Stock Exchange
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 Scheduled Date to Submit Quarterly Report: February 10, 2022
 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 December 31, 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	%
Nine months ended December 31, 2021	922,473	40.8	195,372	202.5	180,937	285.5	170,077	274.6	240,734	273.3
Nine months ended December 31, 2020	655,200	—	64,582	-4.3	46,934	-12.0	45,402	-11.8	64,492	73.1

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2021	618.97	618.97
Nine months ended December 31, 2020	165.23	165.23

(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 nine months ended December 31, 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 December 31, 2021	2,060,284	1,403,454	1,278,517	62.1
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)				109.00	222.00

(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	1,211,000	30.8	314,000	154.5	263,000	166.4	248,000	162.1	902.56

(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 December 31, 2021

290,814,015 shares at March 31, 2021

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

16,042,934 shares at December 31, 2021

16,038,719 shares at March 31, 2021

3) Average number of shares during the period

274,773,066 shares for nine months ended December 31, 2021

274,779,885 shares for nine months ended December 31, 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 November 8, 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 Tuesday, February 8, 2022.

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1. Qualitative Information on Quarterly Financial Results

(1) Business Performance

	(Millions of yen)		
	Net sales	Profit before tax	Profit attributable to owners of parent
Nine months ended December 31, 2021	922,473	195,372	170,077
Nine months ended December 31, 2020	655,200	64,582	45,402
Increase/decrease [Rate of change: %]	267,273 [40.8]	130,790 [202.5]	124,675 [274.6]

(Overseas market prices and foreign exchange rates)

	Unit	Nine months ended December 31, 2020	Nine months ended December 31, 2021	Increase/decrease
Copper	\$/t	6,345	9,593	3,248
Gold	\$/TOZ	1,832.2	1,799.9	-32.3
Nickel	\$/lb	6.41	8.51	2.10
Exchange rate (TTM)	¥/\$	106.12	111.11	4.99

With regard to the global economy during the first nine months of fiscal 2021, the year ending March 31, 2022, although COVID-19 has yet to be contained, economies trended toward recovery due mainly to the rollout of COVID-19 vaccines.

As for exchange rates, the yen tended to depreciate against the dollar, due primarily to a tapering of quantitative monetary easing and a decision to push its end date forward, as a result of 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, copper prices trended upward but then began to fall, due mainly to a decline in demand caused by the spread of COVID-19 variants. However, prices then rose again due to factors such as supply concerns. 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, and then remained generally level. As a result, during the first nine 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 aimed at achieving decarbonization. With regard to components for electronic parts, demand was also robust, due mainly to progress in fifth-generation mobile communications system (5G) and the computerization of automobiles, together with the economic recovery trend.

Under these circumstances, consolidated net sales in the first nine months of fiscal 2021 increased by ¥267,273 million year over year to ¥922,473 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 nine months of fiscal 2020, net sales are presented after the retrospective application of this change in accounting policy.

Consolidated profit before tax increased by ¥130,790 million year over year to ¥195,372 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 ¥124,675 million year over year to ¥170,077 million, due to the increase in consolidated profit before tax.

Operating results by segment are as follows.

(Mineral Resources segment)			(Millions of yen)	
	Nine months ended December 31, 2020	Nine months ended December 31, 2021	Increase/decrease	Rate of change (%)
Net sales	96,284	115,909	19,625	20.4
Segment income	33,582	96,502	62,920	187.4

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 4.7 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 296,000 tons, due mainly to the implementation of measures to decrease the operating rates of some mills (ore crushers), due to the spread 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 294,000 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.

(Smelting & Refining segment)			(Millions of yen)	
	Nine months ended December 31, 2020	Nine months ended December 31, 2021	Increase/decrease	Rate of change (%)
Net sales	488,566	691,057	202,491	41.4
Segment income	31,807	75,108	43,301	136.1

(Output by the Company's major product)

Product	Unit	Nine months ended December 31, 2020	Nine months ended December 31, 2021	Increase/decrease
Copper	t	331,566	312,512	-19,054
Gold	kg	12,540	12,448	-92
Electrolytic nickel	t	41,054	40,193	-861
Ferronickel	t	10,127	9,588	-539

(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, due mainly to scheduled furnace maintenances (large-scale suspension) at the Toyo Smelter & Refinery. The production level and sales volume of electrolytic nickel declined year over year, due primarily to a shortage of raw materials.

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)	
	Nine months ended December 31, 2020	Nine months ended December 31, 2021	Increase/decrease	Rate of change (%)
Net sales	150,738	203,693	52,955	35.1
Segment income	5,030	20,268	15,238	302.9

Segment income increased from the same period of the previous fiscal year, due mainly to high sales volume resulting from increased demand for battery materials compared with the same period of the previous fiscal year, in which demand fell temporarily, together with ongoing strong demand for powder materials.

(2) Financial Position

1) Financial Position			(Millions of yen)	
	As of March 31, 2021	As of December 31, 2021	Increase/decrease	
Total assets	1,885,999	2,060,284	174,285	
Total liabilities	663,016	656,830	-6,186	
Total equity	1,222,983	1,403,454	180,471	

Total assets as of December 31, 2021 increased from those as of March 31, 2021. Inventories increased due to a rise in non-ferrous metals prices, and investments accounted for using equity method also increased due to the impact of an upturn in operating results, mainly due to a rise in non-ferrous metals prices.

Total liabilities as of December 31, 2021 decreased from those as of March 31, 2021. Although trade and other payables increased, deferred tax liabilities decreased.

Total equity as of December 31, 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.

On October 14, 2021, the Company signed an agreement to transfer its entire interests in SMM-SG Holding Inversiones SpA (a consolidated subsidiary of the Company in the Mineral Resources segment, in Chile) and SMM Holland B.V. (a consolidated subsidiary of the Company in the Mineral Resources segment, in Netherlands) to South32 Limited of Australia, through a subsidiary of South32 Limited. With the signing of this agreement, effective from the third quarter of fiscal 2021, the assets and liabilities to be transferred have been classified as held for sale. As a result, assets held for sale and liabilities directly associated with assets held for sale rose from those as of March 31, 2021.

2) Cash Flows			(Millions of yen)	
	Nine months ended December 31, 2020	Nine months ended December 31, 2021	Increase/decrease	
Net cash provided by operating activities	54,213	86,021	31,808	
Net cash used in investing activities	(29,044)	(39,147)	-10,103	
Net cash used in financing activities	(41,642)	(56,661)	-15,019	
Net increase (decrease) in cash and cash equivalents due to transfer to assets held for sale	—	(556)	-556	
Effect of exchange rate changes on cash and cash equivalents	(4,625)	6,032	10,657	
Cash and cash equivalents at beginning of period	155,530	158,373	2,843	
Cash and cash equivalents at end of period	134,432	154,062	19,630	

Net cash provided by operating activities during the first nine months of fiscal 2021 increased from the same period of the previous fiscal year, due mainly to an increase in profit before tax, despite an increase in trade and other receivables, a smaller increase in trade and other payables compared with the same period of the previous fiscal year, and an increase in income taxes paid.

Net cash used in investing activities increased from the previous fiscal year, due mainly to an increase in the purchase of property, plant and equipment compared with the previous fiscal year, in which there were proceeds from sale of shares of subsidiaries and associates owing to the partial sale of shares of an associate (PT Vale Indonesia Tbk).

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 issuance of bonds.

(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)	1,211,000	314,000	263,000	248,000
FY2020 (Results)	926,122	123,379	98,709	94,604
Increase/decrease [Rate of change: %]	284,878 [30.8]	190,621 [154.5]	164,291 [166.4]	153,396 [162.1]

(Overseas market prices and foreign exchange rates)

		A	B	(Ax3+Bx1)/4
	Unit	FY2021 First Nine Months Results	FY2021 Fourth Quarter Forecast	FY2021 Forecast (April 1, 2021 to March 31, 2022)
Copper	\$/t	9,593	9,000	9,445
Gold	\$/TOZ	1,799.9	1,750.0	1,787.4
Nickel	\$/lb	8.51	8.50	8.51
Exchange rate (TTM)	¥/\$	111.11	115.00	112.08

In the business environment surrounding the SMM Group, the appearance of a new COVID-19 variant affected the non-ferrous metals industry. However, with regard to the supply-demand balance, supply shortfalls are expected for copper and nickel, which are supported by solid demand. In the future, both copper and nickel prices are expected to converge to appropriate levels, in accordance with the balance of supply and demand.

As for industries related to the Materials business, despite temporary adjustments due to semiconductor shortages, the contraction of demand due to COVID-19 in the automotive applications and communications areas has bottomed out, and demand is expected to remain robust.

As for the forecast of consolidated operating results for fiscal 2021, although uncertainty regarding the future of the economic environment is expected to linger due to the appearance of the new COVID-19 variant, we have revised our forecast for foreign exchange rates based on the current trend, and have also revised our forecast for non-ferrous metals prices by considering the current level and predicting the future supply-demand balance. In addition, assuming that the series of procedures related to the transfer of interest will be completed by the end of March 2022, we have estimated the impact from the transfer of the entirety of our interest in the Sierra Gorda Copper Mine (Chile). As a result, net sales are expected to reach ¥1,211.0 billion, profit before tax of ¥314.0 billion, profit of ¥263.0 billion, and profit attributable to owners of parent of ¥248.0 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	155,000	891,000	276,000	1,322,000	10,000	(121,000)	1,211,000
Segment income	202,000	88,000	23,000	313,000	(1,000)	2,000	314,000

Reference: Forecast of consolidated operating results for fiscal 2021 (Figures announced on November 8)

(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

2. Condensed Quarterly Consolidated Financial Statements and Primary Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

	FY2020 (As of March 31, 2021)	Third Quarter of FY2021 (As of December 31, 2021)
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and cash equivalents	158,373	154,062
Trade and other receivables	153,645	191,405
Other financial assets	3,995	1,664
Inventories	323,229	366,340
Other current assets	34,494	33,474
Subtotal	673,736	746,945
Assets held for sale	—	55,857
Total current assets	673,736	802,802
Non-current assets		
Property, plant and equipment	457,662	482,654
Intangible assets and goodwill	53,180	55,777
Investment property	3,477	3,477
Investments accounted for using equity method	311,768	358,253
Other financial assets	354,465	332,898
Deferred tax assets	8,693	1,602
Other non-current assets	23,018	22,821
Total non-current assets	1,212,263	1,257,482
Total assets	1,885,999	2,060,284

	FY2020 (As of March 31, 2021)	Third Quarter of FY2021 (As of December 31, 2021)
	Millions of yen	Millions of yen
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	151,128	161,125
Bonds and borrowings	120,725	121,100
Other financial liabilities	6,794	6,760
Income taxes payable	22,544	22,683
Provisions	4,952	2,709
Other current liabilities	19,179	16,606
Subtotal	325,322	330,983
Liabilities directly associated with assets held for sale	—	372
Total current liabilities	325,322	331,355
Non-current liabilities		
Bonds and borrowings	239,702	251,259
Other financial liabilities	11,499	10,319
Provisions	22,650	23,428
Retirement benefit liability	5,851	6,807
Deferred tax liabilities	57,041	32,854
Other non-current liabilities	951	808
Total non-current liabilities	337,694	325,475
Total liabilities	663,016	656,830
Equity		
Share capital	93,242	93,242
Capital surplus	87,604	87,604
Treasury shares	(38,027)	(38,046)
Other components of equity	25,148	76,810
Retained earnings	945,956	1,058,907
Total equity attributable to owners of parent	1,113,923	1,278,517
Non-controlling interests	109,060	124,937
Total equity	1,222,983	1,403,454
Total liabilities and equity	1,885,999	2,060,284

(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, 2020 (From April 1, 2020 to December 31, 2020)	Nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)
	Millions of yen	Millions of yen
Net sales	655,200	922,473
Cost of sales	(554,967)	(741,578)
Gross profit	100,233	180,895
Selling, general and administrative expenses	(33,652)	(38,112)
Finance income	10,257	13,473
Finance costs	(10,906)	(2,987)
Share of profit (loss) of investments accounted for using equity method	(341)	40,973
Other income	4,197	5,979
Other expenses	(5,206)	(4,849)
Profit before tax	64,582	195,372
Income tax expense	(17,648)	(14,435)
Profit	46,934	180,937
Profit attributable to:		
Owners of parent	45,402	170,077
Non-controlling interests	1,532	10,860
Profit	46,934	180,937
Earnings per share		
Basic earnings per share (Yen)	165.23	618.97
Diluted earnings per share (Yen)	165.23	618.97

(Condensed Quarterly Consolidated Statement of Comprehensive Income)

	Nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)	Nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)
	Millions of yen	Millions of yen
Profit	46,934	180,937
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Financial assets measured at fair value through other comprehensive income	36,818	11,339
Share of other comprehensive income of investments accounted for using equity method	11	(45)
Total of items that will not be reclassified to profit or loss	36,829	11,294
Items that will be reclassified to profit or loss:		
Cash flow hedges	(881)	321
Exchange differences on transition of foreign operations	(14,575)	30,715
Share of other comprehensive income of investments accounted for using equity method	(3,815)	17,467
Total of items that will be reclassified to profit or loss	(19,271)	48,503
Other comprehensive income, net of tax	17,558	59,797
Comprehensive income	64,492	240,734
Comprehensive income attributable to:		
Owners of parent	67,118	222,865
Non-controlling interests	(2,626)	17,869
Comprehensive income	64,492	240,734

(3) Condensed Quarterly Consolidated Statement of Changes in Equity
For the nine months ended December 31, 2020 (From April 1, 2020 to December 31, 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	—	—	—	(14,101)	(1,012)	36,829
Total comprehensive income	—	—	—	(14,101)	(1,012)	36,829
Purchase of treasury shares	—	—	(15)	—	—	—
Disposal of treasury shares	—	0	1	—	—	—
Dividends	—	—	—	—	—	—
Changes in ownership interest in subsidiaries	—	—	—	—	—	—
Obtaining of control of subsidiaries	—	—	—	—	—	—
Transfer to retained earnings	—	—	—	—	—	30
Other	—	94	—	—	—	—
Transactions with owners - total	—	94	(14)	—	—	30
As of December 31, 2020	93,242	87,692	(38,016)	(40,477)	(1,928)	64,057

	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	—	—	45,402	45,402	1,532	46,934
Other comprehensive income	—	21,716	—	21,716	(4,158)	17,558
Total comprehensive income	—	21,716	45,402	67,118	(2,626)	64,492
Purchase of treasury shares	—	—	—	(15)	—	(15)
Disposal of treasury shares	—	—	—	1	—	1
Dividends	—	—	(16,762)	(16,762)	(1,094)	(17,856)
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	(16,792)	(16,682)	850	(15,832)
As of December 31, 2020	—	21,652	887,812	1,052,382	107,138	1,159,520

For the nine months ended December 31, 2021 (From April 1, 2021 to December 31, 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	—	—	—	41,227	267	11,294
Total comprehensive income	—	—	—	41,227	267	11,294
Purchase of treasury shares	—	—	(19)	—	—	—
Disposal of treasury shares	—	0	0	—	—	—
Dividends	—	—	—	—	—	—
Changes in ownership interest in subsidiaries	—	—	—	—	—	—
Transfer to retained earnings	—	—	—	—	—	(1,126)
Transactions with owners - total	—	0	(19)	—	—	(1,126)
As of December 31, 2021	93,242	87,604	(38,046)	(3,856)	(1,720)	82,386

	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, 2021	—	25,148	945,956	1,113,923	109,060	1,222,983
Profit	—	—	170,077	170,077	10,860	180,937
Other comprehensive income	—	52,788	—	52,788	7,009	59,797
Total comprehensive income	—	52,788	170,077	222,865	17,869	240,734
Purchase of treasury shares	—	—	—	(19)	—	(19)
Disposal of treasury shares	—	—	—	0	—	0
Dividends	—	—	(58,252)	(58,252)	(8,679)	(66,931)
Changes in ownership interest in subsidiaries	—	—	—	—	6,687	6,687
Transfer to retained earnings	—	(1,126)	1,126	—	—	—
Transactions with owners - total	—	(1,126)	(57,126)	(58,271)	(1,992)	(60,263)
As of December 31, 2021	—	76,810	1,058,907	1,278,517	124,937	1,403,454

(4) Condensed Quarterly Consolidated Statement of Cash Flows

	Nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)	Nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)
	Millions of yen	Millions of yen
Cash flows from operating activities		
Profit before tax	64,582	195,372
Depreciation and amortization expense	34,430	34,151
Loss (gain) on sale of property, plant and equipment	(84)	(1,363)
Share of loss (profit) of investments accounted for using equity method	341	(40,973)
Increase or decrease in retirement benefit asset or liability	(1,016)	947
Increase (decrease) in provisions	(4,160)	(2,702)
Finance income	(10,257)	(13,473)
Finance costs	10,906	2,987
Decrease (increase) in trade and other receivables	(21,405)	(35,899)
Decrease (increase) in inventories	(51,805)	(40,925)
Increase (decrease) in trade and other payables	22,464	793
Decrease (increase) in advance payments to suppliers	3,141	(589)
Increase (decrease) in accrued consumption taxes	591	2,241
Other	3,470	8,291
Subtotal	51,198	108,858
Interest received	2,566	1,637
Dividends received	11,097	16,827
Interest paid	(2,877)	(1,557)
Income taxes paid	(7,849)	(39,760)
Income taxes refund	78	16
Net cash provided by (used in) operating activities	54,213	86,021
Cash flows from investing activities		
Payments into time deposits	(21,400)	(83)
Proceeds from withdrawal of time deposits	21,085	83
Purchase of property, plant and equipment	(31,937)	(38,264)
Proceeds from sale of property, plant and equipment	265	1,587
Purchase of intangible assets	(620)	(872)
Proceeds from sale of investment securities	227	2,864
Purchase of shares of subsidiaries and associates	(4,600)	(6,036)
Proceeds from sale of shares of subsidiaries and associates	9,943	24
Collection of short-term loans receivable	249	273
Payments for long-term loans receivable	(2,034)	(17,909)
Collection of long-term loans receivable	33	19,193
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(249)	—
Other	(6)	(7)
Net cash provided by (used in) investing activities	(29,044)	(39,147)

	Nine months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)	Nine months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)
	Millions of yen	Millions of yen
Cash flows from financing activities		
Proceeds from short-term borrowings	208,656	131,139
Repayments of short-term borrowings	(210,934)	(127,997)
Proceeds from long-term borrowings	—	11,162
Repayments of long-term borrowings	(22,060)	(31,911)
Proceeds from issuance of bonds	—	64,007
Redemption of bonds	—	(44,000)
Proceeds from share issuance to non-controlling shareholders	1,916	6,687
Dividends paid	(16,762)	(58,252)
Dividends paid to non-controlling interests	(1,094)	(6,034)
Other	(1,364)	(1,462)
Net cash provided by (used in) financing activities	(41,642)	(56,661)
Net increase (decrease) in cash and cash equivalents	(16,473)	(9,787)
Net increase (decrease) in cash and cash equivalents due to transfer to assets held for sale	—	(556)
Cash and cash equivalents at beginning of period	155,530	158,373
Effect of exchange rate changes on cash and cash equivalents	(4,625)	6,032
Cash and cash equivalents at end of period	134,432	154,062

(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 nine months ended December 31, 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 nine months ended December 31, 2020, “net sales” and “cost of sales” decreased by ¥16,932 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 ¥1,177 million and “other” increased by ¥1,177 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.

Nine months ended December 31, 2020 (from April 1, 2020 to December 31, 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	54,222	462,517	135,436	652,175	3,025	655,200	—	655,200
Inter-segment	42,062	26,049	15,302	83,413	4,103	87,516	(87,516)	—
Total	96,284	488,566	150,738	735,588	7,128	742,716	(87,516)	655,200
Segment income ^{3,5}	33,582	31,807	5,030	70,419	(426)	69,993	(5,411)	64,582

(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 ¥(5,411) 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.

Nine months ended December 31, 2021 (from April 1, 2021 to December 31, 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	80,201	654,342	185,241	919,784	2,689	922,473	—	922,473
Inter-segment	35,708	36,715	18,452	90,875	4,604	95,479	(95,479)	—
Total	115,909	691,057	203,693	1,010,659	7,293	1,017,952	(95,479)	922,473
Segment income ^{3,5}	96,502	75,108	20,268	191,878	619	192,497	2,875	195,372

(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 ¥2,875 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 nine months ended December 31, 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 nine months ended December 31, 2020 have decreased by ¥16,932 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 nine months ended December 31, 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 SpA and SMM Holland B.V., is probable within the foreseeable future. Accordingly, the Company has posted deferred tax assets of ¥25,369 million, an income tax expense (credit) of ¥24,952 million and exchange differences on transition of foreign operations (credit) of ¥417 million in the second quarter of fiscal 2021. The Company has concluded an agreement to transfer the above interests on October 14, 2021.

3. Supplementary Information

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

Segment	Product	Unit	FY2021 First Nine Months Results	FY2021 Forecast
Mineral Resources	Gold and silver ores (Gold content)	t	104,554	144,986
		¥1,000/DMT	276	251
		¥million	28,872	36,415
		(kg)	(4,741)	(6,000)
Smelting & Refining	Copper	t	315,563	421,419
		¥1,000/t	1,068	1,061
		¥million	337,132	447,225
		kg	12,599	16,737
	Gold	¥/g	6,465	6,487
		¥million	81,452	108,567
	Silver	kg	168,695	228,553
		¥1,000/kg	89	88
¥million		15,093	20,206	
Nickel	t	49,266	62,739	
	¥1,000/t	2,103	2,130	
	¥million	103,592	133,629	
Materials	Advanced materials, etc.	¥million	141,089	191,078

(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.