



Consolidated Financial Results for the Second Quarter Ended September 30, 2019 [IFRS]

November 8, 2019

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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 14, 2019
 Scheduled Date to Start Dividend Payment: December 9, 2019
 Preparation of Supplementary Explanation Materials for Quarterly Financial Results: Yes
 Briefing on Quarterly Account Settlement: Yes (for institutional investors)

(Amounts less than one million yen are rounded off)

1. Consolidated Financial Results (From April 1, 2019, to September 30, 2019)

(1) Consolidated Operating Results

(% figures show year-on-year change)

	Net sales		Profit before tax		Profit		Profit attributable to owners of parent		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2019	422,404	-9.5	36,365	-50.3	32,070	-48.2	29,386	-49.4	8,353	-87.2
Six months ended September 30, 2018	466,657	6.0	73,208	51.7	61,943	59.8	58,058	51.7	65,057	115.0

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2019	106.94	106.94
Six months ended September 30, 2018	211.28	211.28

(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, 2019	1,717,452	1,100,994	992,633	57.8
As of March 31, 2019	1,797,701	1,151,280	1,047,561	58.3

2. Dividends

	Dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2019	—	51.00	—	22.00	73.00
Year ending March 31, 2020	—	39.00			
Year ending March 31, 2020 (Forecast)			—	38.00	77.00

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

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

(% figures show year-on-year change)

	Net sales		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	857,000	-6.1	79,000	-11.6	60,000	-10.2	218.35

(Note) Revision of operating results forecast that has been disclosed lastly: Yes
For further details, please refer to “1. Qualitative Information on Quarterly Financial Results, (3) Forward-Looking Information Including Forecast of Consolidated Operating Results and Other” on page 5.

Notes

- (1) Change in Important Subsidiaries during the Period under Review (Change in specific subsidiaries that will accompany a change in scope of consolidation): None
- (2) Changes in Accounting Policies or Estimates
- | | |
|---|------|
| 1) Changes in accounting policies required by IFRS: | Yes |
| 2) Changes in accounting policies other than item 1) above: | None |
| 3) Change in accounting estimates: | None |
- (3) Number of Outstanding Shares (Common stock)
- 1) Number of shares issued as of end of period (including treasury stock)
- 290,814,015 shares at September 30, 2019
290,814,015 shares at March 31, 2019
- 2) Number of shares of treasury stock as of end of period
- 16,028,768 shares at September 30, 2019
16,026,270 shares at March 31, 2019
- 3) Average number of shares during the period
- 274,786,364 shares for six months ended September 30, 2019
274,791,852 shares for six months ended September 30, 2018

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

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

(Caution Regarding Forward-Looking Statements)

The forecast of consolidated operating results for the year ending March 31, 2020, disclosed on May 9, 2019, has been revised in this report. The forward-looking statements, including business results forecast, contained in this report are based on information available to the Company and on certain assumptions deemed to be reasonable as of the date of release of this report and they are not meant to be a commitment by the Company. Also, actual business results may differ substantially due to a number of factors.

(Supplementary Explanation Materials for Financial Results for the Period)

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

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).....	16
(Significant Subsequent Event).....	17
3. Supplementary Information.....	18

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, 2019	422,404	36,365	29,386
Six months ended September 30, 2018	466,657	73,208	58,058
Increase/decrease	-44,253	-36,843	-28,672
[Rate of change: %]	[-9.5]	[-50.3]	[-49.4]

(Overseas market prices and foreign exchange rates)

	Unit	Six months ended September 30, 2018	Six months ended September 30, 2019	Increase/decrease
Copper	\$/t	6,487	5,956	-531
Gold	\$/TOZ	1,259.7	1,392.0	132.3
Nickel	\$/lb	6.28	6.32	0.04
Exchange rate (TTM)	¥/\$	110.28	108.63	-1.65

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

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

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

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

Under these circumstances, consolidated net sales in the first six months of fiscal 2019 decreased by ¥44,253 million year over year to ¥422,404 million, due mainly to falling copper prices and appreciation of the yen.

Consolidated profit before tax decreased by ¥36,843 million year over year to ¥36,365 million, due mainly to a deterioration of finance income and finance costs owing to such factors as fluctuations in foreign exchange gains and losses from appreciation of the yen, in addition to a decrease in income, along with a deterioration in other income as a result of the absence in the period under review of the recording of gain on sale of subsidiaries, which were recorded in the same period of the previous fiscal year.

Profit attributable to owners of parent decreased by ¥28,672 million year over year to ¥29,386 million, due mainly to the decrease in consolidated profit before tax.

Operating results by segment are as follows.

(Mineral Resources segment)

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019	Increase/decrease	Rate of change (%)
Net sales	72,188	55,264	-16,924	-23.4
Segment income	37,202	16,527	-20,675	-55.6

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

The statuses of our main mines are as follows.

Mining operations at the Hishikari Mine remained steady in line with the planned annual sales volume of 6 t, and the sales volume of gold was 2.7 t.

Production levels at the Morenci Copper Mine (United States) (of which the Company holds a 25% interest, excluding non-controlling interest) remained unchanged from the same period of the previous fiscal year, at 219,000 t.

Production levels at the Cerro Verde Copper Mine (Peru) (of which the Company holds a 16.8% interest, excluding non-controlling interest) fell from the same period of the previous fiscal year to 227,000 t, due mainly to a drop in the grade of ore.

Production levels at the Sierra Gorda Copper Mine (Chile) (of which the Company holds a 31.5% interest, excluding non-controlling interest) rose year over year to 53,000 t, due mainly to an increase in throughput.

(Smelting & Refining segment)

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019	Increase/decrease	Rate of change (%)
Net sales	325,451	296,060	-29,391	-9.0
Segment income	25,757	17,652	-8,105	-31.5

(Output by the Company's major product)

Product	Unit	Six months ended September 30, 2018	Six months ended September 30, 2019	Increase/decrease
Copper	t	230,640	196,446	-34,194
Gold	kg	10,808	9,184	-1,624
Electrolytic nickel	t	28,200	29,014	814
Ferronickel	t	6,156	6,480	324

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

Segment income decreased from the same period of the previous fiscal year, despite rises in the prices of gold and nickel, due mainly to drops in prices such as copper and a negative impact of inventory valuation, along with decreases in the sales volumes of electrolytic copper and electrolytic nickel.

Although the production level of electrolytic copper declined from the same period of the previous fiscal year, the production level of electrolytic nickel increased from the same period of the previous fiscal year.

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

(Materials segment)		(Millions of yen)		
	Six months ended September 30, 2018	Six months ended September 30, 2019	Increase/decrease	Rate of change (%)
Net sales	106,516	109,210	2,694	2.5
Segment income	11,413	2,833	-8,580	-75.2

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

(2) Financial Position

1) Financial Position

(Millions of yen)			
	As of March 31, 2019	As of September 30, 2019	Increase/decrease
Total assets	1,797,701	1,717,452	-80,249
Total liabilities	646,421	616,458	-29,963
Total equity	1,151,280	1,100,994	-50,286

Total assets as of September 30, 2019 decreased from those as of March 31, 2019. Long-term loans receivable included under other financial assets (non-current) decreased due to the effect of the amendment to the International Accounting Standards (hereinafter "IAS") 28 Investments in Associates and Joint Ventures, in addition to a decrease in trade and other receivables.

Total liabilities as of September 30, 2019 decreased from those as of March 31, 2019. Trade and other payables decreased, despite an increase in borrowings due to funding of the Quebrada Blanca Copper Mine (Chile).

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

2) Cash Flows

(Millions of yen)			
	Six months ended September 30, 2018	Six months ended September 30, 2019	Increase/decrease
Net cash provided by operating activities	82,136	74,502	-7,634
Net cash used in investing activities	(4,471)	(23,278)	-18,807
Net cash provided by (used in) financing activities	(39,638)	11,521	51,159
Effect of exchange rate changes on cash and cash equivalents	(327)	(2,757)	-2,430
Cash and cash equivalents at beginning of period	137,330	81,261	-56,069
Cash and cash equivalents at end of period	175,030	141,249	-33,781

Net cash provided by operating activities during the first six months of fiscal 2019 decreased from the same period of the previous fiscal year, due mainly to a decrease in profit before tax, despite a decrease in inventories, primarily as a result of a fall in copper prices and appreciation of the yen.

Net cash used in investing activities during the first six months of fiscal 2019 increased, due mainly to the absence of the recording of gain on sale of subsidiaries, which were recorded in the same period of the previous fiscal year.

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

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

		A	B	(A+B/2)
	Unit	FY2019 First Six Months Results	FY2019 Third and Fourth Quarter Forecasts	FY2019 Forecasts
Copper	\$/t	5,956	5,700	5,828
Gold	\$/TOZ	1,392.0	1,525.0	1,458.5
Nickel	\$/lb	6.32	7.50	6.91
Exchange rate (TTM)	¥/\$	108.63	105.00	106.82

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

The forecast of consolidated operating results for fiscal 2019 has been revised from the previous forecast (on May 9, 2019), revising our forecast for major non-ferrous metals prices by considering the current level and predicting the future supply-demand balance, as well as our forecast for exchange rates based on the current trend. Furthermore, our forecast for production levels and sales volumes of major products has been revised based on current results. As a result, net sales are expected to reach ¥857.0 billion, profit before tax of ¥79.0 billion, and profit attributable to owners of parent of ¥60.0 billion on a consolidated basis.

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

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

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

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

2. Condensed Quarterly Consolidated Financial Statements and Primary Notes

(1) Condensed Quarterly Consolidated Statement of Financial Position

	FY2018 (As of March 31, 2019)	Second Quarter of FY2019 (As of September 30, 2019)
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and cash equivalents	81,261	141,249
Trade and other receivables	151,598	112,585
Other financial assets	9,493	7,431
Inventories	288,918	276,559
Other current assets	19,945	16,255
Subtotal	551,215	554,079
Assets held for sale	—	493
Total current assets	551,215	554,572
Non-current assets		
Property, plant and equipment	458,802	453,556
Intangible assets and goodwill	61,207	58,055
Investment property	3,428	3,428
Investments accounted for using equity method	363,165	353,680
Other financial assets	330,212	261,260
Deferred tax assets	11,276	13,894
Other non-current assets	18,396	19,007
Total non-current assets	1,246,486	1,162,880
Total assets	1,797,701	1,717,452

	FY2018 (As of March 31, 2019)	Second Quarter of FY2019 (As of September 30, 2019)
	Millions of yen	Millions of yen
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	165,823	126,821
Bonds and borrowings	75,282	79,759
Other financial liabilities	2,225	2,693
Income taxes payable	2,724	2,836
Provisions	4,753	4,300
Other current liabilities	6,671	6,574
Total current liabilities	257,478	222,983
Non-current liabilities		
Bonds and borrowings	304,009	307,599
Other financial liabilities	3,502	10,672
Provisions	22,362	18,014
Retirement benefit liability	10,391	11,254
Deferred tax liabilities	47,791	45,101
Other non-current liabilities	888	835
Total non-current liabilities	388,943	393,475
Total liabilities	646,421	616,458
Equity		
Share capital	93,242	93,242
Capital surplus	87,598	87,598
Treasury shares	(37,983)	(37,990)
Other components of equity	25,756	6,314
Retained earnings	878,948	843,469
Total equity attributable to owners of parent	1,047,561	992,633
Non-controlling interests	103,719	108,361
Total equity	1,151,280	1,100,994
Total liabilities and equity	1,797,701	1,717,452

(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, 2018 (From April 1, 2018 to September 30, 2018)	Six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)
	Millions of yen	Millions of yen
Net sales	466,657	422,404
Cost of sales	(393,941)	(367,639)
Gross profit	72,716	54,765
Selling, general and administrative expenses	(24,944)	(24,457)
Finance income	14,593	6,779
Finance costs	(3,367)	(5,682)
Share of profit of investments accounted for using equity method	7,661	4,519
Other income	11,022	3,410
Other expenses	(4,473)	(2,969)
Profit before tax	73,208	36,365
Income tax expense	(11,265)	(4,295)
Profit	61,943	32,070
Profit attributable to:		
Owners of parent	58,058	29,386
Non-controlling interests	3,885	2,684
Profit	61,943	32,070
Earnings per share		
Basic earnings per share (Yen)	211.28	106.94
Diluted earnings per share (Yen)	211.28	106.94

(Condensed Quarterly Consolidated Statement of Comprehensive Income)

	Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)	Six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)
	Millions of yen	Millions of yen
Profit	61,943	32,070
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	5,836	(4,862)
Share of other comprehensive income of investments accounted for using equity method	(128)	49
Total of items that will not be reclassified to profit or loss	5,708	(4,813)
Items that will be reclassified to profit or loss:		
Cash flow hedges	730	(1,015)
Exchange differences on transition of foreign operations	3,970	(11,133)
Share of other comprehensive income of investments accounted for using equity method	(7,294)	(6,756)
Total of items that will be reclassified to profit or loss	(2,594)	(18,904)
Other comprehensive income, net of tax	3,114	(23,717)
Comprehensive income	65,057	8,353
Comprehensive income attributable to:		
Owners of parent	59,517	8,499
Non-controlling interests	5,540	(146)
Comprehensive income	65,057	8,353

(3) Condensed Quarterly Consolidated Statement of Changes in Equity
For the six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on transition of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
As of April 1, 2018	93,242	87,598	(37,959)	(11,944)	241	50,118
Cumulative effect of accounting change	—	—	—	—	—	—
Restated balance as of April 1, 2018	93,242	87,598	(37,959)	(11,944)	241	50,118
Profit	—	—	—	—	—	—
Other comprehensive income	—	—	—	(4,800)	551	5,708
Total comprehensive income	—	—	—	(4,800)	551	5,708
Purchase of treasury shares	—	—	(15)	—	—	—
Dividends	—	—	—	—	—	—
Changes in ownership interests	—	—	—	—	—	—
Transactions with owners - total	—	—	(15)	—	—	—
As of September 30, 2018	93,242	87,598	(37,974)	(16,744)	792	55,826

	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, 2018	—	38,415	848,089	1,029,385	83,964	1,113,349
Cumulative effect of accounting change	—	—	—	—	—	—
Restated balance as of April 1, 2018	—	38,415	848,089	1,029,385	83,964	1,113,349
Profit	—	—	58,058	58,058	3,885	61,943
Other comprehensive income	—	1,459	—	1,459	1,655	3,114
Total comprehensive income	—	1,459	58,058	59,517	5,540	65,057
Purchase of treasury shares	—	—	—	(15)	—	(15)
Dividends	—	—	(18,136)	(18,136)	(2,583)	(20,719)
Changes in ownership interests	—	—	—	—	2,419	2,419
Transactions with owners - total	—	—	(18,136)	(18,151)	(164)	(18,315)
As of September 30, 2018	—	39,874	888,011	1,070,751	89,340	1,160,091

For the six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)

	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on transition of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
As of April 1, 2019	93,242	87,598	(37,983)	(18,573)	631	43,698
Cumulative effect of accounting change	—	—	—	(1,045)	—	—
Restated balance as of April 1, 2019	93,242	87,598	(37,983)	(19,618)	631	43,698
Profit	—	—	—	—	—	—
Other comprehensive income	—	—	—	(15,026)	(1,048)	(4,813)
Total comprehensive income	—	—	—	(15,026)	(1,048)	(4,813)
Purchase of treasury shares	—	—	(7)	—	—	—
Dividends	—	—	—	—	—	—
Changes in ownership interests	—	—	—	—	—	—
Transfer to retained earnings	—	—	—	—	—	2,490
Transactions with owners - total	—	—	(7)	—	—	2,490
As of September 30, 2019	93,242	87,598	(37,990)	(34,644)	(417)	41,375

	Equity attributable to owners of parent					
	Other components of equity				Non-controlling interests	Total equity
	Remeasurements of defined benefit plans	Total	Retained earnings	Total		
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
As of April 1, 2019	—	25,756	878,948	1,047,561	103,719	1,151,280
Cumulative effect of accounting change	—	(1,045)	(56,330)	(57,375)	—	(57,375)
Restated balance as of April 1, 2019	—	24,711	822,618	990,186	103,719	1,093,905
Profit	—	—	29,386	29,386	2,684	32,070
Other comprehensive income	—	(20,887)	—	(20,887)	(2,830)	(23,717)
Total comprehensive income	—	(20,887)	29,386	8,499	(146)	8,353
Purchase of treasury shares	—	—	—	(7)	—	(7)
Dividends	—	—	(6,045)	(6,045)	(2,257)	(8,302)
Changes in ownership interests	—	—	—	—	7,045	7,045
Transfer to retained earnings	—	2,490	(2,490)	—	—	—
Transactions with owners - total	—	2,490	(8,535)	(6,052)	4,788	(1,264)
As of September 30, 2019	—	6,314	843,469	992,633	108,361	1,100,994

(4) Condensed Quarterly Consolidated Statement of Cash Flows

	Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)	Six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)
	Millions of yen	Millions of yen
Cash flows from operating activities		
Profit before tax	73,208	36,365
Depreciation and amortization expense	23,141	22,224
Share of loss (profit) of investments accounted for using equity method	(7,661)	(4,519)
Loss (gain) on sale of subsidiaries	(9,520)	—
Increase or decrease in retirement benefit asset or liability	726	(908)
Finance income	(14,593)	(6,779)
Finance costs	3,367	5,682
Decrease (increase) in trade and other receivables	(8,682)	37,763
Decrease (increase) in inventories	415	11,158
Increase (decrease) in trade and other payables	9,883	(32,673)
Increase (decrease) in accrued consumption taxes	2,880	415
Other	3,521	1,191
Subtotal	76,685	69,919
Interest received	945	2,139
Dividends received	12,127	9,399
Interest paid	(3,165)	(3,727)
Income taxes paid	(7,559)	(4,563)
Income taxes refund	3,103	1,335
Net cash provided by (used in) operating activities	82,136	74,502
Cash flows from investing activities		
Payments into time deposits	(10,308)	(3,842)
Proceeds from withdrawal of time deposits	7,833	5,214
Proceeds from redemption of investments	10,610	—
Purchase of property, plant and equipment	(32,325)	(23,781)
Purchase of intangible assets	(410)	(264)
Purchase of shares of subsidiaries and associates	(6,427)	(1,945)
Payments for short-term loans receivable	(959)	(3)
Collection of short-term loans receivable	2,899	140
Collection of long-term loans receivable	16	1,533
Proceeds from sale of interests in subsidiaries resulting in change in scope of consolidation	24,531	—
Other	69	(330)
Net cash provided by (used in) investing activities	(4,471)	(23,278)

	Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)	Six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)
	Millions of yen	Millions of yen
Cash flows from financing activities		
Proceeds from short-term borrowings	31,619	118,877
Repayments of short-term borrowings	(33,094)	(118,950)
Proceeds from long-term borrowings	332	27,479
Repayments of long-term borrowings	(10,096)	(13,727)
Proceeds from issuance of bonds	19,917	—
Redemption of bonds	(30,000)	—
Proceeds from share issuance to non-controlling shareholders	2,418	7,047
Dividends paid	(18,136)	(6,045)
Dividends paid to non-controlling interests	(2,583)	(2,257)
Other	(15)	(903)
Net cash provided by (used in) financing activities	(39,638)	11,521
Net increase (decrease) in cash and cash equivalents	38,027	62,745
Cash and cash equivalents at beginning of period	137,330	81,261
Effect of exchange rate changes on cash and cash equivalents	(327)	(2,757)
Cash and cash equivalents at end of period	175,030	141,249

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

(Note Relating to the Going Concern Assumption)

There are no pertinent items.

(Changes in Accounting Policies)

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

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

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

(Application of IFRS 16 Leases)

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

(1) Significant accounting policies

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

1) Right-of-use assets

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

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

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

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

2) Lease liabilities

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

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

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

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

(2) Application of IFRS 16

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

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

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

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

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

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

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

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

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

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

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

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

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

Furthermore, as an effect on the first six months of fiscal 2019, in the Condensed Quarterly Consolidated Statement of Profit or Loss, finance income decreased by ¥2,265 million and income tax expense decreased by ¥464 million, while basic earnings per share and diluted earnings per share decreased by ¥6.55, respectively.

(Operating Segments)

(1) Summary of reportable segments

1) Decision method of the reportable segments

The reportable segments of the Company refer to constitutional units, for which separate financial information is available and that are subject to periodic reviews by the Board of Directors as the supreme, managerial decision-making organ to determine the allocation of management resources and assess their respective operating results.

The Company currently has four business divisions—Mineral Resources Div., Non-Ferrous Metals Div., Battery Materials Div. and Advanced Materials Div.—in the pursuit of effective business operations by products and services. Each of these business divisions plans its own comprehensive strategies to be carried out in Japan and overseas for its own product and service lines and engages in diverse business activities within the Company and through the consolidated subsidiaries and equity-method associates over which it holds jurisdiction. Furthermore, from the first three months of fiscal 2019, the Company has divided the previous Materials Div. into the Battery Materials Div. and the Advanced Materials Div. However, as they have similar business characteristics and similar economic characteristics in terms of their customers, etc., and are recognized to be similar in all aspects including product/service characteristics, their operating segments have been integrated. The Company has classified these operating segments into three core reportable segments of Mineral Resources, Smelting & Refining, and Materials by classifying the mineral resource businesses into Mineral Resources, the metals businesses into Smelting & Refining, and the battery materials businesses and the advanced materials businesses into Materials.

2) Types of products and services that belong to each reportable segment

In the Mineral Resources segment, the SMM Group mainly engages in the exploration, development and production of non-ferrous metal resources in Japan and overseas, as well as sales of ores and products.

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

In the Materials segment, the Company mainly engages in manufacturing, processing and sales of advanced materials including battery materials (e.g., nickel hydroxide, lithium nickel oxide), pastes, powder materials (e.g., nickel powder), crystal materials (e.g., lithium tantalate substrates, lithium niobate substrates) and semiconductor materials including tape materials; and manufacturing and sales of automotive exhaust processing catalysts, chemical catalysts, petroleum refinery and desulfurization catalysts and autoclaved lightweight concrete (ALC) products.

(2) Calculation methods of net sales and income (loss) by reportable segments

The accounting methods employed for the reported operating segments are almost the same as the accounting policies for the creation of Condensed Quarterly Consolidated Financial Statements, with the exception of the recording by each operating segment of amounts corresponding to interest on internal loans, as determined in the statement of financial position of each segment.

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

Six months ended September 30, 2018 (from April 1, 2018 to September 30, 2018)

(Millions of yen)

	Reportable Segments				Other Businesses ¹	Total	Adjustments ²	Consolidated Statement of Profit or Loss
	Mineral Resources	Smelting & Refining	Materials	Total				
Net sales:								
Outside customers	58,699	307,746	98,644	465,089	1,568	466,657	—	466,657
Inter-segment	13,489	17,705	7,872	39,066	2,794	41,860	(41,860)	—
Total	72,188	325,451	106,516	504,155	4,362	508,517	(41,860)	466,657
Segment income (loss)	37,202	25,757	11,413	74,372	(746)	73,626	(418)	73,208

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 ¥(418) million consist primarily of eliminations of inter-segment transactions and finance income and costs, which are not attributable to the reportable segments.
3. Segment income (loss) is adjusted against the profit before tax on the Condensed Quarterly Consolidated Statement of Profit or Loss.

Six months ended September 30, 2019 (from April 1, 2019 to September 30, 2019)

(Millions of yen)

	Reportable Segments				Other Businesses ¹	Total	Adjustments ²	Consolidated Statement of Profit or Loss
	Mineral Resources	Smelting & Refining	Materials	Total				
Net sales:								
Outside customers	40,299	280,604	99,536	420,439	1,965	422,404	—	422,404
Inter-segment	14,965	15,456	9,674	40,095	2,424	42,519	(42,519)	—
Total	55,264	296,060	109,210	460,534	4,389	464,923	(42,519)	422,404
Segment income	16,527	17,652	2,833	37,012	148	37,160	(795)	36,365

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 ¥(795) million consist primarily of eliminations of inter-segment transactions and finance income and costs, which are not attributable to the reportable segments.
3. Segment income is adjusted against the profit before tax of the Condensed Quarterly Consolidated Statement of Profit or Loss.

(Significant Subsequent Event)

On September 30, 2019, a consolidated subsidiary of the Company, Taihei Metal Industry Co., Ltd. (Smelting & Refining segment) entered into an agreement with the transferee to transfer its owned business land and buildings (located in Yamato City, Kanagawa Prefecture), as part of its asset liquidation consequent to business withdrawal. The sale and transfer were effective on October 31, 2019. Accordingly, the Company plans to record ¥8,957 million as other income (gain on sale of land and buildings) for the third quarter of fiscal 2019. In the second quarter of fiscal 2019, the land and buildings are classified as assets held for sale.

3. Supplementary Information

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

Segment	Product	Unit	FY2019 First Six Months Results	FY2019 Forecasts
Mineral Resources	Gold and silver ores (Gold content)	t	76,728	144,503
		¥1,000/DMT	161	193
		¥million	12,353	27,950
		(kg)	(2,705)	(5,950)
Smelting & Refining	Copper	t	213,272	424,767
		¥1,000/t	655	632
		¥million	139,793	268,365
	Gold	kg	9,205	17,743
		¥/g	4,854	4,996
		¥million	44,677	88,652
	Silver	kg	102,664	206,338
		¥1,000/kg	56	58
¥million		5,725	12,065	
Nickel	t	32,380	75,078	
	¥1,000/t	1,534	1,623	
	¥million	49,663	121,887	
Materials	Advanced materials, etc.	¥million	76,811	160,060

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.