

1 Consolidated Financial Statements

(1) Consolidated Financial Statements

1) Consolidated Statement of Financial Position

	Notes	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)	
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Assets				
Current assets				
Cash and cash equivalents	7	81,261	155,530	1,429,372
Trade and other receivables	8, 33	151,598	123,393	1,134,023
Other financial assets	15, 33	9,493	8,959	82,336
Inventories	9	288,918	252,799	2,323,307
Other current assets	16	19,945	20,541	188,779
Total current assets		551,215	561,222	5,157,816
Non-current assets				
Property, plant and equipment	10	458,802	463,405	4,258,846
Intangible assets and goodwill	11	61,207	58,338	536,146
Investment property	13	3,428	3,428	31,504
Investments accounted for using equity method	14	363,165	365,090	3,355,298
Other financial assets	15, 33	330,212	241,957	2,223,665
Deferred tax assets	17	11,276	8,466	77,805
Other non-current assets	16, 22	18,396	17,784	163,441
Total non-current assets		1,246,486	1,158,468	10,646,705
Total assets	6	1,797,701	1,719,690	15,804,522

	Notes	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)	
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	18, 33	165,823	104,803	963,174
Bonds and borrowings	19, 33	75,282	80,656	741,255
Other financial liabilities	19, 20, 33	2,225	5,019	46,126
Income taxes payable		2,724	4,687	43,075
Provisions	21	4,753	4,392	40,364
Other current liabilities	23	6,671	6,753	62,062
Total current liabilities		257,478	206,310	1,896,057
Non-current liabilities				
Bonds and borrowings	19, 33	304,009	316,847	2,911,929
Other financial liabilities	19, 20, 33	3,502	11,705	107,573
Provisions	21	22,362	21,708	199,504
Retirement benefit liability	22	10,391	14,024	128,885
Deferred tax liabilities	17	47,791	37,394	343,663
Other non-current liabilities	23	888	842	7,738
Total non-current liabilities		388,943	402,520	3,699,292
Total liabilities		646,421	608,830	5,595,350
Equity				
Share capital	24	93,242	93,242	856,925
Capital surplus	24	87,598	87,598	805,055
Treasury shares	24	(37,983)	(38,002)	(349,251)
Other components of equity		25,756	(94)	(864)
Retained earnings	24	878,948	859,202	7,896,351
Total equity attributable to owners of parent		1,047,561	1,001,946	9,208,216
Non-controlling interests		103,719	108,914	1,000,956
Total equity		1,151,280	1,110,860	10,209,172
Total liabilities and equity		1,797,701	1,719,690	15,804,522

2) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

Consolidated Statement of Profit or Loss

	Notes	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)	
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Net sales	26	912,208	872,615	8,019,621
Cost of sales	27	(785,571)	(763,144)	(7,013,547)
Gross profit		126,637	109,471	1,006,075
Selling, general and administrative expenses	27	(49,329)	(49,098)	(451,227)
Finance income	28	20,967	15,390	141,439
Finance costs	28	(8,862)	(7,858)	(72,218)
Share of profit (loss) of investments accounted for using equity method	14	(4,901)	6,178	56,778
Other income	29	13,011	12,855	118,142
Other expenses	29	(8,152)	(7,903)	(72,631)
Profit before tax	6	89,371	79,035	726,358
Income tax expense	17	(22,130)	(18,283)	(168,027)
Profit		67,241	60,752	558,331
Profit attributable to:				
Owners of parent		66,790	60,600	556,934
Non-controlling interests		451	152	1,397
Profit		67,241	60,752	558,331
Earnings per share				
Basic earnings per share (Yen)	31	243.06	220.54	2.03
Diluted earnings per share (Yen)	31	243.06	220.54	2.03

Consolidated Statement of Comprehensive Income

		FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)	
	Notes	Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit		67,241	60,752	558,331
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	30	(6,969)	(21,126)	(194,155)
Remeasurements of defined benefit plans	30	(3,036)	(2,520)	(23,160)
Share of other comprehensive income of investments accounted for using equity method	14, 30	(205)	(115)	(1,057)
Total of items that will not be reclassified to profit or loss		(10,210)	(23,761)	(218,371)
Items that will be reclassified to profit or loss:				
Cash flow hedges	30	466	(1,645)	(15,118)
Exchange differences on translation of foreign operations	30	475	(5,108)	(46,944)
Share of other comprehensive income of investments accounted for using equity method	14, 30	(6,323)	(2,979)	(27,378)
Total of items that will be reclassified to profit or loss		(5,382)	(9,732)	(89,440)
Other comprehensive income, net of tax		(15,592)	(33,493)	(307,812)
Comprehensive income		51,649	27,259	250,519
Comprehensive income attributable to:				
Owners of parent		50,351	28,541	262,301
Non-controlling interests		1,298	(1,282)	(11,782)
Comprehensive income		51,649	27,259	250,519

3) Consolidated Statement of Changes in Equity
FY2018 (From April 1, 2018 to March 31, 2019)

Notes	Equity attributable to owners of parent					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation 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	30	—	—	(6,629)	390	(7,120)
Total comprehensive income	—	—	—	(6,629)	390	(7,120)
Purchase of treasury shares	24	—	(25)	—	—	—
Disposal of treasury shares	24	0	1	—	—	—
Dividends	25	—	—	—	—	—
Establishment of subsidiaries with non-controlling interests	—	—	—	—	—	—
Changes in ownership interests	—	—	—	—	—	—
Transfer to retained earnings	15	—	—	—	—	700
Transactions with owners - total	—	0	(24)	—	—	700
As of March 31, 2019	93,242	87,598	(37,983)	(18,573)	631	43,698

		Equity attributable to owners of parent					
		Other components of equity				Non-controlling interests	Total equity
	Notes	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		—	—	66,790	66,790	451	67,241
Other comprehensive income	30	(3,080)	(16,439)	—	(16,439)	847	(15,592)
Total comprehensive income		(3,080)	(16,439)	66,790	50,351	1,298	51,649
Purchase of treasury shares	24	—	—	—	(25)	—	(25)
Disposal of treasury shares	24	—	—	—	1	—	1
Dividends	25	—	—	(32,151)	(32,151)	(5,049)	(37,200)
Establishment of subsidiaries with non-controlling interests		—	—	—	—	17,976	17,976
Changes in ownership interests		—	—	—	—	5,530	5,530
Transfer to retained earnings	15	3,080	3,780	(3,780)	—	—	—
Transactions with owners - total		3,080	3,780	(35,931)	(32,175)	18,457	(13,718)
As of March 31, 2019		—	25,756	878,948	1,047,561	103,719	1,151,280

FY2019 (From April 1, 2019 to March 31, 2020)

		Equity attributable to owners of parent					
		Other components of equity					
	Notes	Share capital	Capital surplus	Treasury shares	Exchange differences on translation 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	30	—	—	—	(6,758)	(1,547)	(21,039)
Total comprehensive income		—	—	—	(6,758)	(1,547)	(21,039)
Purchase of treasury shares	24	—	—	(19)	—	—	—
Disposal of treasury shares	24	—	0	0	—	—	—
Dividends	25	—	—	—	—	—	—
Establishment of subsidiaries with non-controlling interests		—	—	—	—	—	—
Changes in ownership interests		—	—	—	—	—	—
Transfer to retained earnings	15	—	—	—	—	—	4,539
Transactions with owners - total		—	0	(19)	—	—	4,539
As of March 31, 2020		93,242	87,598	(38,002)	(26,376)	(916)	27,198

		Equity attributable to owners of parent				Non-controlling interests	Total equity
Notes	Other components of equity		Retained earnings	Total			
	Remeasurements of defined benefit plans	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		—	—	60,600	60,600	152	60,752
Other comprehensive income	30	(2,715)	(32,059)	—	(32,059)	(1,434)	(33,493)
Total comprehensive income		(2,715)	(32,059)	60,600	28,541	(1,282)	27,259
Purchase of treasury shares	24	—	—	—	(19)	—	(19)
Disposal of treasury shares	24	—	—	—	0	—	0
Dividends	25	—	—	(16,762)	(16,762)	(3,121)	(19,883)
Establishment of subsidiaries with non-controlling interests		—	—	—	—	—	—
Changes in ownership interests		—	—	—	—	9,598	9,598
Transfer to retained earnings	15	2,715	7,254	(7,254)	—	—	—
Transactions with owners - total		2,715	7,254	(24,016)	(16,781)	6,477	(10,304)
As of March 31, 2020		—	(94)	859,202	1,001,946	108,914	1,110,860

Equity attributable to owners of parent						
Notes	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of April 1, 2019	856,925	805,055	(349,076)	(170,692)	5,799	401,599
Cumulative effect of accounting change	—	—	—	(9,604)	—	—
Restated balance as of April 1, 2019	856,925	805,055	(349,076)	(180,296)	5,799	401,599
Profit	—	—	—	—	—	—
Other comprehensive income	30	—	—	(62,108)	(14,217)	(193,355)
Total comprehensive income	—	—	—	(62,108)	(14,217)	(193,355)
Purchase of treasury shares	24	—	(175)	—	—	—
Disposal of treasury shares	24	0	0	—	—	—
Dividends	25	—	—	—	—	—
Establishment of subsidiaries with non-controlling interests	—	—	—	—	—	—
Changes in ownership interests	—	—	—	—	—	—
Transfer to retained earnings	15	—	—	—	—	41,715
Transactions with owners - total	—	0	(175)	—	—	41,715
As of March 31, 2020	856,925	805,055	(349,251)	(242,404)	(8,418)	249,959

Equity attributable to owners of parent						
Notes	Other components of equity		Retained earnings	Total	Non-controlling interests	Total equity
	Remeasurements of defined benefit plans	Total				
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of April 1, 2019	—	236,706	8,077,824	9,627,433	953,212	10,580,645
Cumulative effect of accounting change	—	(9,604)	(517,691)	(527,295)	—	(527,295)
Restated balance as of April 1, 2019	—	227,102	7,560,132	9,100,138	953,212	10,053,350
Profit	—	—	556,934	556,934	1,397	558,331
Other comprehensive income	30	(24,952)	—	(24,952)	(13,179)	(307,812)
Total comprehensive income	—	(24,952)	556,934	262,301	(11,782)	250,519
Purchase of treasury shares	24	—	—	(175)	—	(175)
Disposal of treasury shares	24	—	—	0	—	0
Dividends	25	—	(154,048)	(154,048)	(28,683)	(182,731)
Establishment of subsidiaries with non-controlling interests	—	—	—	—	—	—
Changes in ownership interests	—	—	—	—	88,209	88,209
Transfer to retained earnings	15	24,952	(66,667)	—	—	—
Transactions with owners - total	—	24,952	(220,715)	(154,223)	59,526	(94,697)
As of March 31, 2020	—	(864)	7,896,351	9,208,216	1,000,956	10,209,172

4) Consolidated Statement of Cash Flows

		FY2018	FY2019	
	Notes	(From April 1, 2018 to March 31, 2019)	(From April 1, 2019 to March 31, 2020)	
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash flows from operating activities				
Profit before tax		89,371	79,035	726,358
Depreciation and amortization expense		43,541	45,355	416,827
Loss (gain) on sale of property, plant and equipment		(56)	(8,616)	(79,184)
Impairment losses		—	1,506	13,841
Share of loss (profit) of investments accounted for using equity method		4,901	(6,178)	(56,778)
Loss (gain) on sale of subsidiaries		(9,512)	488	4,485
Increase or decrease in retirement benefit asset or liability		(1,438)	892	8,198
Increase (decrease) in provisions		(2,930)	(1,635)	(15,026)
Finance income		(20,967)	(15,390)	(141,439)
Finance costs		8,862	7,858	72,218
Decrease (increase) in trade and other receivables		3,941	26,820	246,485
Decrease (increase) in inventories		(14,573)	35,331	324,704
Increase (decrease) in trade and other payables		12,849	(28,825)	(264,911)
Increase (decrease) in accrued consumption taxes		1,451	553	5,082
Other		(3,608)	(2,042)	(18,767)
Subtotal		111,832	135,152	1,242,092
Interest received		2,607	5,112	46,981
Dividends received		14,662	11,991	110,201
Interest paid		(6,737)	(6,669)	(61,290)
Income taxes paid		(12,701)	(10,587)	(97,298)
Income taxes refund		5,081	1,546	14,208
Net cash provided by (used in) operating activities		114,744	136,545	1,254,894
Cash flows from investing activities				
Payments into time deposits		(32,300)	(9,272)	(85,213)
Proceeds from withdrawal of time deposits		28,674	10,652	97,895
Proceeds from redemption of investments		10,610	—	—
Purchase of property, plant and equipment		(49,657)	(45,778)	(420,715)
Proceeds from sale of property, plant and equipment		689	10,849	99,706
Purchase of intangible assets		(1,527)	(695)	(6,387)
Proceeds from sale of investment securities		740	6,307	57,963
Purchase of shares of subsidiaries and associates		(49,169)	(43,657)	(401,222)
Payments for short-term loans receivable		(969)	(2)	(18)
Collection of short-term loans receivable		3,698	260	2,389
Payments for long-term loans receivable		(75,408)	(3,246)	(29,832)
Collection of long-term loans receivable		27	3,138	28,839
Proceeds from sale of interests in subsidiaries resulting in change in scope of consolidation	32	24,531	885	8,133
Other		(2,293)	225	2,068
Net cash provided by (used in) investing activities		(142,354)	(70,334)	(646,393)

		FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)	
	Notes	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash flows from financing activities				
Proceeds from short-term borrowings	32	78,577	188,223	1,729,832
Repayments of short-term borrowings	32	(75,816)	(185,585)	(1,705,588)
Proceeds from long-term borrowings	32	15,928	28,629	263,110
Repayments of long-term borrowings	32	(23,985)	(29,891)	(274,708)
Proceeds from issuance of bonds	32	19,917	19,884	182,741
Redemption of bonds	32	(30,000)	—	—
Proceeds from share issuance to non-controlling shareholders		23,556	9,598	88,209
Purchase of treasury shares		(25)	(19)	(175)
Dividends paid	25	(32,151)	(16,762)	(154,048)
Dividends paid to non-controlling shareholders		(5,049)	(3,121)	(28,683)
Other	32	1	(1,807)	(16,607)
Net cash provided by (used in) financing activities		(29,047)	9,149	84,082
Net increase (decrease) in cash and cash equivalents		(56,657)	75,360	692,583
Cash and cash equivalents at beginning of period	7	137,330	81,261	746,816
Effect of exchange rate changes on cash and cash equivalents		588	(1,091)	(10,027)
Cash and cash equivalents at end of period	7	81,261	155,530	1,429,372

Notes to Consolidated Financial Statements

1. Reporting Entity

Sumitomo Metal Mining Co., Ltd. (hereinafter the “Company”) is a company based in Japan, and its shares are listed on the Tokyo Stock Exchange. The address of head office is 11-3, Shimbashi 5-chome Minato-ku, Tokyo. The Company’s consolidated financial statements, which were prepared with the end of the fiscal year on March 31, 2020, represent the Company and its subsidiaries (hereinafter the “SMM Group”) as well as the Company’s interests in its associates and joint ventures.

The ultimate parent of the SMM Group is the Company. Description of the SMM Group’s main businesses and activities is included in operating segments section (6. Operating Segments).

2. Basis of Preparation

(1) Statement of compliance with International Financial Reporting Standards

The consolidated financial statements of the SMM Group meet the requirements for a “Specified Company Complying with Designated International Accounting Standards” as prescribed in Article 1-2 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976), and thus are prepared in accordance with International Financial Reporting Standards (hereinafter “IFRS”) pursuant to the provisions of Article 93 of the aforementioned Ministry of Finance Order.

(2) Approval of the consolidated financial statements

The consolidated financial statements of the SMM Group were approved on June 26, 2020, by Akira Nozaki, President and Representative Director.

(3) Basis of measurement

The consolidated financial statements of the SMM Group are prepared based on acquisition cost, except for the financial instruments stated in the significant accounting policies section (3. Significant Accounting Policies).

(4) Presentation currency

The consolidated financial statements of the SMM Group are presented in Japanese yen, which is the functional currency adopted by the Company, and figures less than one million yen are rounded to the nearest million yen. The totals of the related items in Japanese yen in the notes may not match the corresponding line items in the financial statements due to rounding.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate as of March 31, 2020, which was ¥108.81 to U.S. \$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange. The totals of U.S. dollars conversions of the Japanese yen item amounts may not match the totals due to rounding.

(5) Changes in accounting policies

Significant accounting policies applied in the consolidated financial statements of the SMM Group are the same as those applied in the consolidated financial statements for FY2018, with the following exception.

1) Application of IFRS 16 Leases

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

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 modified 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 assets and the lease liabilities as of April 1, 2019 were calculated based on the carrying amounts of the lease assets and the lease obligations 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 of low-value assets.

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 (U.S. \$85,957 thousand), and other financial liabilities (current) and other financial liabilities (non-current) increased by ¥9,183 million (U.S. \$84,395 thousand), respectively, at the beginning of FY2019, 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 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 of low-value assets.

For the noncancelable operating lease contracts disclosed as of March 31, 2019 by applying IAS 17, the following is the reconciliation of the amount of lease obligations discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognized in the consolidated statement of financial position at the date of initial application.

(Millions of yen)

Noncancelable operating lease contracts disclosed as of March 31, 2019	3,259
Amount discounted using the incremental borrowing rate at the date of initial application	3,112
Finance lease obligations recognized as of March 31, 2019	1,900
Discounted present value of cancelable operating lease contracts	6,071
Lease liabilities at the date of initial application	11,083

(Thousands of U.S. dollars)

Noncancelable operating lease contracts disclosed as of March 31, 2019	29,951
Amount discounted using the incremental borrowing rate at the date of initial application	28,600
Finance lease obligations recognized as of March 31, 2019	17,462
Discounted present value of cancelable operating leases contracts	55,795
Lease liabilities at the date of initial application	101,856

2) 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 beginning of FY2019.

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 FY2019. 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 (U.S. \$559,608 thousand) and deferred tax assets increased by ¥3,516 million (U.S. \$32,313 thousand), as a cumulative effect on the opening balance of the consolidated statement of financial position for FY2019. Additionally, as a cumulative effect on the opening balance of the consolidated statement of changes in equity for FY2019, the opening balance of retained earnings decreased by ¥56,330 million (U.S. \$517,691 thousand) and the exchange differences on translation of foreign operations decreased by ¥1,045 million (U.S. \$9,604 thousand).

Furthermore, as an effect on FY2019, in the consolidated statement of profit or loss, finance income decreased by ¥2,278 million (U.S. \$20,936 thousand) and income tax expense decreased by ¥467 million (U.S. \$4,292 thousand), while basic earnings per share and diluted earnings per share both decreased by ¥6.59 (U.S. \$0.06).

(6) Changes in presentation policies

(Consolidated statement of cash flows)

“Loss (gain) on sale of property, plant and equipment,” which had been included in “Other” under “Cash flows from operating activities,” and “Proceeds from sale of property, plant and equipment,” which had been included in “Other” under “Cash flows from investing activities” for FY2018, have been presented separately due to their increasing materiality. In order to reflect this change in the presentation method, the consolidated financial statements for FY2018 have been restated.

As a result, in the consolidated statement of cash flows for FY2018, ¥(3,664) million in “Other” under “Cash flows from operating activities” has been reclassified as ¥(56) million in “Loss (gain) on sale of property, plant and equipment” and ¥(3,608) million in “Other,” and ¥(1,604) million in “Other” under “Cash flows from investing activities” has been reclassified as ¥689 million in “Proceeds from sale of property, plant and equipment” and ¥(2,293) million in “Other.”

3. Summary of Significant Accounting Policies

Unless otherwise specified, significant accounting policies applied in the consolidated financial statements are the same as those applied in all the periods stated.

(1) Basis for consolidation

These consolidated financial statements are prepared based on the financial statements of the Company, its subsidiaries, associates and joint ventures.

1) Subsidiaries

Subsidiaries refer to the companies under the control of the SMM Group. Financial statements of subsidiaries are included in the SMM Group's consolidated financial statements in the period between the date when control commences and the date when control ends. Some of the subsidiaries use financial statements based on the provisional settlement conducted at the end of the reporting period of the parent. The aforementioned subsidiaries include those unable to adopt the parent's closing date in practice due to the requirement to use specific closing dates other than the parent's under the local laws and regulations, or those unable to conduct provisional settlement in practice due to the environment surrounding their local accounting systems or their business characteristics. The gap between the end of the reporting period of such subsidiaries and that of the parent does not exceed three months, while adjustments are made as appropriate for the significant transactions or events during such gap period. Changes in ownership interests in subsidiaries that do not result in loss of control are accounted for as equity transactions. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received are directly recognized in equity attributable to owners of parent. Balances of receivables and payables and transactions within the SMM Group, as well as the unrealized gains or losses arising from the transactions within the SMM Group, are eliminated at the time when the consolidated financial statements are prepared.

2) Associates and joint agreement

Associates refer to the companies over which the SMM Group does not have control or joint control, but exerts significant influence on their financial affairs and operating policies.

Joint control exists only when decisions about the relevant activities require, by prior contractual arrangements, the unanimous consent of the parties sharing control. Joint arrangements are classified, depending on the rights and obligations of the parties that have joint control, into either joint operations or joint ventures. A joint operation refers to an arrangement in which parties that have joint control have rights to the assets, and obligations to the liabilities arising under the arrangement, while a joint venture is a joint arrangement in which parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates or joint ventures are recognized at cost at the time of acquisition, and accounted for by using equity method. The consolidated financial statements of the SMM Group include investments in equity-method associate with various closing dates, as it is impracticable to unify closing date due to the consideration for the relationship with other shareholders. The gap between the end of the reporting period of such equity method companies and that of the SMM Group does not exceed three months, while adjustments are made as appropriate for the significant transactions or events during such gap period.

Unrealized gains derived from the transactions with such equity method companies are deducted from the investments to the extent of the SMM Group's interest in the investee. Unrealized losses are deducted from the investments in the same way as unrealized gains, subject to absence of evidence of impairment.

For investments in joint operations, the SMM Group recognizes its assets, including its share of any assets held jointly, its liabilities, including its share of any liabilities incurred jointly, its revenue from the sale of its share of the output arising from the joint operation, its share of revenue from the sale of the output by the joint operation, and its expenses, including its share of any expenses incurred jointly.

3) Business combinations and goodwill

Business combinations are accounted for by the acquisition method. Identifiable assets and liabilities of the acquiree are measured at fair value as of the acquisition date. Goodwill is measured as the excess, if any, of the aggregate of the consideration transferred in a business combination, the amount of non-controlling interest in the acquiree, and the fair value of the acquirer's previously-held equity interest in the acquiree, over the net of the identifiable assets and liabilities as of the acquisition date. The consideration transferred in a business combination is calculated as the sum of the fair values of the assets transferred by the acquirer, liabilities incurred by the acquirer to former owners of the acquiree and equity interests issued by the acquirer as of the acquisition date.

The SMM Group decides whether to measure the non-controlling interest at fair value or at the non-controlling interest's proportional share of identifiable net assets of the acquiree for each business combination on a case-by-case basis. Acquisition-related costs are accounted for as expenses in the period in which the costs are incurred.

Additional acquisition of non-controlling interest after the acquisition of control is accounted for as equity transaction, for which no goodwill is recognized.

(2) Foreign currency translation

1) Foreign currency denominated transactions

Foreign currency denominated transactions are translated into the functional currency by the exchange rate on the transaction date or the exchange rate approximate thereto. Foreign currency denominated monetary items on the closing date are translated into the functional currency by the exchange rate on the closing date, while the non-monetary items measured at fair value are translated into the functional currency by the exchange rate on the date when such fair value is calculated. Exchange differences arising from such translation or settlement are recognized in profit or loss, provided, however, that equity instruments measured at fair value through other comprehensive income and the effective portion of hedging in the exchange difference arising from the hedging instrument for cash flow hedges against foreign currency risks are recognized in other comprehensive income.

2) Foreign operations

Assets and liabilities in the statement of financial position at foreign operations are translated by the exchange rate on the date of such statement, while revenues and costs of respective statements presenting profit or loss and other comprehensive income are translated by the average exchange rate during the period unless exposed to significant exchange rate fluctuations. Exchange differences resulting from such translation are recognized in other comprehensive income. In the event of disposal of a foreign operation, the cumulative amount of exchange differences related to such foreign operation is reclassified to profit or loss for the period in which such disposal is carried out.

(3) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposit, and short-term investments with maturities not exceeding three months from the purchase date, that are readily convertible into cash and subject to an insignificant risk of changes in value.

(4) Financial instruments

1) Non-derivative financial assets

(i) Initial recognition and measurement

The SMM Group classifies non-derivative financial assets into financial assets measured at fair value through profit or loss, or other comprehensive income, and financial assets measured at amortized cost. The SMM Group determines such classification at the time of initial recognition. A regular way purchase or sale of financial assets is recognized or derecognized on the date of transaction.

Unless classified into those measured at fair value through profit or loss, all financial assets are measured at fair value added with transaction costs directly attributable thereto, provided, however,

that trade receivables not containing a significant financing component are subject to initial measurement at transaction price.

(a) Financial assets measured at amortized cost

Financial assets that meet both of the following conditions are classified into financial assets measured at amortized cost.

- Financial assets are held based on the business model whose objective is to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Financial assets measured at fair value

Financial assets other than those measured at amortized cost are classified into financial assets measured at fair value.

Of the financial assets measured at fair value, equity instruments are individually measured at fair value through profit or loss, unless the SMM Group makes an irrevocable election to present subsequent changes in fair value in other comprehensive income.

(ii) Subsequent measurement

Measurement of financial assets after the initial recognition are as follows, depending on respective classifications.

(a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are, subsequent to initial recognition, measured at amortized cost by using the effective interest method. Amortization by using the effective interest method, as well as gains and losses associated with derecognition, are recognized as part of finance income through profit or loss in the current period.

(b) Financial assets measured at fair value

Financial assets other than those measured at amortized cost are measured at fair value, where changes in fair value are recognized in profit or loss, or in other comprehensive income, depending on the classification of such financial assets. Dividends from such financial assets are recognized as part of finance income through profit or loss in the current period.

(iii) Impairment of financial assets

To determine the recoverability of financial assets measured at amortized cost, expected credit loss is estimated at the end of each period.

For the financial assets with no significant increase in credit risk associated therewith since initial recognition, an amount equal to the expected credit loss in the next 12 months is recognized as allowance for doubtful accounts, while for the financial assets with significant increase in credit risk associated therewith since initial recognition, an amount equal to the lifetime expected credit loss is recognized as allowance for doubtful accounts. On the other hand, for trade receivables, etc., allowance for doubtful accounts is measured at an amount equal to the lifetime expected credit loss without exception. Expected credit loss is measured based on the present value of the difference between all contractual cash flows payable to a company, and all contractual cash flows expected to be received by a company.

In determining whether there has been a significant increase in credit risk as a result of a change in default risk, considerations include information concerning the deterioration of the obligor's business performance, etc., apart from past due information.

Any situation in which recovery of a financial asset is wholly or partially impossible, or is deemed to be extremely difficult, is considered as default.

If the asset is deemed as default or if the issuer or obligor meets with extreme financial difficulty, it is judged to be a credit-impaired financial asset.

For the financial assets with evidence of impairment of credit thereof, interest revenue is measured at an amount calculated by subtracting allowance for doubtful accounts from gross carrying amount, then multiplying by the effective interest rate.

In the event of a decrease in credit risk in later period, which can be associated objectively with an actual event that occurred subsequent to the recognition of impairment, reversal of the previously recognized impairment loss is recognized in profit or loss.

Allowance for doubtful accounts is directly deducted from financial assets measured at amortized cost.

(iv) Derecognition of financial assets

The SMM Group derecognizes financial assets if the contractual rights to cash flows arising from the financial assets expire, or if the SMM Group transfers the rights to receive cash flows from the financial assets and substantially all the risks and rewards of ownership of the financial assets.

2) Non-derivative financial liabilities

(i) Initial recognition and measurement

The SMM Group classifies non-derivative financial liabilities into financial liabilities measured at amortized cost. The SMM Group determines such classification at the time of initial recognition of the financial liabilities. Financial liabilities measured at amortized cost are measured at an amount after deduction of transaction costs directly attributable thereto.

(ii) Subsequent measurement

Financial liabilities measured at amortized cost are, subsequent to initial recognition, measured at amortized cost by using the effective interest method. Amortization by using the effective interest method, as well as gains and losses associated with derecognition, are recognized as part of finance costs through profit or loss in the current period.

(iii) Derecognition

The SMM Group derecognizes financial liabilities when they are extinguished, namely when the obligation specified in the contract is discharged or cancelled or expires.

3) Derivatives and hedge accounting

In order to hedge foreign currency risk, interest rate risk, and commodity price risk, the SMM Group uses derivatives including forward exchange contract, interest rate swap contract, and commodity futures contract. Documentation regarding the relationship between hedging instruments and hedged items, and the SMM Group's risk management objective and strategy for undertaking the hedge is provided at the start of trading. Evaluation is carried out at the commencement of hedging and then on a continual basis thereafter to determine whether the derivative used for the hedging transactions meets the hedge accounting requirements in offsetting the fluctuations in the fair value or the cash flows of the hedged items.

Derivatives are subjected to initial recognition at fair value. For some of the derivatives that do not meet the requirements of hedge accounting, fluctuations in fair value subsequent to their initial recognition are recognized in profit or loss. For the derivatives that meet the requirements of hedge accounting, changes in fair value are accounted for as follows.

(i) Fair value hedges

Changes in fair value of the derivatives designated as fair value hedges, thus meeting the requirements thereof, along with the changes in fair value of the hedged assets or liabilities corresponding to the hedged risks, are recognized in profit or loss.

(ii) Cash flow hedges

Changes in fair value of the derivatives designated as cash flow hedges, thus meeting the requirements thereof, are recognized in other comprehensive income, provided, however, that the ineffective portion of hedging in changes in fair value of such derivatives is recognized in profit or loss.

The amount accumulated in other components of equity is reclassified into profit or loss in the period in which hedged items affect profit or loss.

In either case of fair value hedges or cash flow hedges, if the derivatives no longer meet the hedge accounting requirements, or when hedging instruments are lapsed, sold, terminated or exercised, adoption of hedge accounting is discontinued thereafter.

4) Embedded derivatives

Sales contracts for copper concentrates, etc. include provisional price terms at the time of shipment, and the final prices are determined based on the monthly average price of copper on the London Metal Exchange (LME) over certain future period. Such sales based on provisional price is considered as sales contracts with a nature of commodity futures contract, where delivery month is the month in which price is determined, and thus deemed to contain embedded derivatives with sales of copper concentrates, etc., as a host. In the case of such embedded derivatives involving a post-shipment price adjustment process, the host (non-derivative component) of the host contract is a financial asset, and therefore such embedded derivatives are accounted for as an integral part of the whole pursuant to IFRS 9 “Financial Instruments” (hereinafter “IFRS 9”).

Revenues from provisional price-based sales are recognized at estimated fair value of the consideration received, and are re-estimated at the end of the reporting period. The difference between the fair value at the time of shipment and that at the end of the reporting period is recognized as adjustment to revenues.

(5) Inventories

Inventories are measured at the lower of cost and net realizable value. Cost of inventories includes purchase cost and conversion cost, and is calculated by using primarily the first-in first-out method, except for some of the foreign subsidiaries where the gross average method is used. Net realizable value is determined at the estimated selling price in the ordinary course of business, less estimated costs required up to the completion of the conversion and estimated selling expenses.

(6) Property, plant and equipment

Property, plant and equipment are measured by using cost model, and presented at the value calculated by subtracting accumulated depreciation and accumulated impairment from acquisition cost. Acquisition cost includes costs directly associated with the acquisition of assets, and any costs for dismantlement, removal, and site restoration, as well as borrowing costs to be capitalized. Depreciation of property, plant and equipment (excluding mining sites and tunnels) is calculated by mainly using the straight-line method, while mining sites and tunnels are depreciated by using the units-of-production method. Depreciation of these assets commences when they become available for their intended use.

Estimated useful lives of the main assets by category are as follows.

Buildings and structures:	From two to sixty (60) years
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Machinery, equipment and vehicles:	From two to thirty-five (35) years
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Estimated useful lives, residual values, and depreciation method are reviewed at the end of each fiscal year, and any change therein is applicable thereafter as changes in accounting estimates.

(7) Intangible assets and goodwill

1) Goodwill

Goodwill arising from business combinations is presented at acquisition cost less accumulated impairment. Goodwill is not amortized, but allocated to cash-generating units or cash-generating unit groups and subjected to impairment test on an annual basis, or as appropriate if there is an indication of impairment. Impairment loss of goodwill is recognized in profit or loss, involving no subsequent reversal. Measurement of goodwill at initial recognition is described in “(1) Basis for consolidation, 3) Business combinations and goodwill.”

2) Other intangible assets

Intangible assets are measured subsequent to recognition by using cost model, and presented at the value calculated by subtracting accumulated amortization and accumulated impairment from acquisition cost. Mining rights (mineral rights) are amortized by using the units-of-production method, while mining rights (exploration rights) by the straight-line method. Software is also amortized by using the straight-line method. Amortization of these assets commences when they become available for their intended use.

Estimated useful lives of the main intangible assets are as follows.

Mining rights (mineral rights): By the units-of-production method

Mining rights (exploration rights): Five years

Software: Five years

Estimated useful lives, residual values, and amortization method are reviewed at the end of each fiscal year, and any change therein is applicable thereafter as changes in accounting estimates.

(8) Investment property

Investment property refers to property held for the purpose of rental income or capital gain, or both. Investment property is measured subsequent to recognition by using cost model.

(9) Exploration and evaluation of mining resources

Expenditures concerning the exploration for and evaluation of mining resources are divided into stages comprising acquisition of legal rights, completion of feasibility study and start of commercial production. Expenditures incurred before completion of feasibility study are charged to expenses in principle, provided, however, that exploration rights and other rights obtained from the outside parties are recognized as intangible asset, while mining machinery and vehicles as property, plant and equipment.

(10) Stripping costs

Stripping costs refer to expenditures associated with the stripping activities for removing mine waste materials to reach mining resources, incurred in development as well as production phase at surface mines. Since stripping activities in the development phase are meant to gain access to mining resources, such stripping costs are recognized in assets. Stripping costs in the production phase include costs for producing mining resources, and those for improving access to the future mining resources. Stripping costs associated with the production of mining resources therefore comprise part of the SMM Group's inventories, while those for improving access to the future mining resources are classified as stripping activity asset insofar as they meet certain criteria, and capitalized by component. Such stripping activity asset is depreciated by using the units-of-production method based on the reserves, etc. of the associated component.

(11) Leases

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.

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 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 lease accounting policy for FY2018 is as follows.

Leasing arrangements are classified as finance lease if it transfers substantially all the risks and economic benefits incidental to ownership of an asset to the SMM Group. Lease assets are measured at initial recognition at the lower of fair value or present value of minimum lease payments amounts. Lease assets are, subsequent to initial recognition, depreciated over the shorter of lease term and economic useful lives, and expenses associated therewith are recognized in profit or loss. All leases other than finance lease are classified as operating lease, where lease payment is recognized in profit or loss over the lease term by using the straight-line method.

(12) Impairment of non-financial assets

The SMM Group assesses whether there is an indication of impairment as of the end of the fiscal year in the non-financial assets excluding inventories, deferred tax assets, assets held for sale, and retirement benefit asset. If any such indication exists, the SMM Group estimates the recoverable amount of each asset. Where it is impossible to estimate the recoverable amount of individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. The recoverable amount of the asset or the cash-generating unit is measured at the higher of fair value less cost to dispose and value in use. Value in use is calculated by discounting the estimated future cash flows into present value, using the discount rate reflecting time value of money as well as the risks specific to the concerned asset. Only if the recoverable amount of the asset or that of the cash-generating unit is lower than their carrying amount, the carrying amount of such asset is reduced to the recoverable amount and recognized in profit or loss. As for the asset or cash-generating unit other than the goodwill for which impairment was recognized in prior years, test is conducted on the end of the fiscal year, to see if there is indication of likely decrease or elimination of such impairment loss recognized in prior years. If such indication exists, the recoverable amount of the asset or the cash-generating unit is estimated, where if the recoverable amount exceeds the carrying amount, the impairment loss is reversed to the extent not exceeding the lower of calculated recoverable amount and the carrying amount less depreciation/amortization if the impairment loss had not been recognized for the asset in prior years. Reversal of impairment loss is immediately recognized in profit or loss.

(13) Assets held for sale

If the carrying amount of non-current assets or disposal group is expected to be recovered mainly from their sale transactions rather than continuous use, they are classified as assets held for sale. Such classification involves requirements that they are likely to be sold within one year, and that they are readily available for sale.

Non-current assets or disposal group classified as held for sale are measured at the lower of carrying amount and fair value less cost to sell. Of the assets classified as held for sale, property, plant and equipment, and intangible assets are neither depreciated nor amortized.

(14) Employee benefits

1) Defined benefit plan

The present value of defined benefit obligation and the related current and past service cost are calculated for each plan by using the projected unit credit method. Discount rate is determined by reference to market yields on high quality corporate bonds at the end of the fiscal year. Liability or asset associated with a defined benefit plan is calculated by subtracting the fair value of the plan assets from the present value of defined benefit obligation. However, if the defined benefit plan has a surplus, a net defined benefit asset is limited to the asset ceiling, which is the present value of any

economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Remeasurements of the net amount of liability or asset associated with a defined benefit plan are recognized collectively through other comprehensive income in the period in which such assets or liabilities arise, and reclassified as retained earnings.

2) Defined contribution plan

Post-employment benefit expense associated with a defined contribution plan is recognized as expenses in the period in which the employee renders service.

(15) Provisions

Provisions are recognized when there exists present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

(16) Government grants

Government grants are recognized when there is reasonable assurance that the SMM Group will comply with the conditions for such grant and that the grant will be received. Grant that covers the incurred cost is recorded as revenue in the fiscal year that such cost is incurred. Grant that covers an asset is recorded at the carrying amount of the concerned asset, which is determined at the cost to acquire such asset less the amount of grant.

(17) Equity

1) Ordinary shares

As for ordinary shares, issue price is recorded in share capital and capital surplus.

2) Treasury shares

When treasury shares are acquired, consideration paid is recognized in equity as a deduction item. When treasury shares are sold, the difference between the carrying amount and the consideration thereof at the time of sale is recognized as capital surplus.

(18) Revenue

The SMM Group recognizes revenue through the following five steps, except for interest and dividend income based on IFRS 9.

Step 1: Identify contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to performance obligations in the contract

Step 5: Recognize revenue when (or as) the performance obligation is satisfied.

Revenue is recognized at one point in time or over a period, when or as the performance obligations in the contract with a customer are satisfied. With regard to revenue from the sale of goods in the regular course of trading activities, a performance obligation is satisfied by transferring control over the goods to the customer and the revenue is recorded at the time of delivery of the goods.

(19) Finance income and finance costs

Finance income and finance costs consist mainly of interest income, dividend income, interest expense, changes in fair value of derivative financial instruments, and foreign exchange gains and losses.

Interest income, interest expense and interest on bonds are recognized at the time of occurrence by using the effective interest method.

(20) Income taxes

Income taxes are the sum of current and deferred tax.

1) Current tax

Current tax is measured at an amount of tax paid to, or expected amount of refund from the tax authorities. The amount of tax is calculated based on the tax rates and the tax laws that have been established or enacted, or substantially established or enacted by the closing date. Current tax recognized in profit or loss includes neither tax arising from the items directly recognized in other comprehensive income or in equity, nor tax arising from business combinations.

2) Deferred tax

Deferred tax is recognized to the extent of taxable profit expected to be generated to recover the temporary differences between the carrying amount of assets and liabilities for accounting purposes and their tax bases, unused tax credits, and unused tax losses as of the closing date, while deferred tax liabilities are recognized in principle for taxable temporary differences.

Neither deferred tax assets nor deferred tax liabilities are recorded in the following cases.

- Temporary differences arising from the initial recognition of goodwill, unless the carrying amount of goodwill arising from a business combination is lower than its tax base.
- Temporary differences arising from the initial recognition of assets or liabilities in the transactions outside business combinations, which affect, at the time of transaction, neither accounting profit nor taxable profit (loss).
- Deductible temporary differences arising from investments in subsidiaries and associates, when such deductible temporary differences are unlikely to be reversed, or when taxable profit for which such deductible temporary differences is used, is unlikely to be earned, in either case in the foreseeable future.
- Taxable temporary differences arising from investments in subsidiaries and associates, when the Company retains control over the timing of reversal of such taxable temporary differences, and such taxable temporary differences are unlikely to be reversed in the foreseeable future.

Deferred tax assets and deferred tax liabilities are calculated by using the tax rate expected to be applicable in the period in which the temporary differences are reversed, based on the statutory tax rate or effective statutory tax rate as well as the prevailing tax law as of the closing date. Deferred tax assets and deferred tax liabilities are offset, when the SMM Group has legally enforceable rights to offset the current tax liabilities and the current tax assets, and when they are imposed by the same taxation authorities on the same taxable entity.

As the Company and certain of its domestic subsidiaries applied for approval for the consolidated taxation system during FY2019, the system is to be applicable from FY2020. Accordingly, from FY2019, the SMM Group has started accounting for deferred taxes assuming that the consolidated taxation system is applicable to the SMM Group.

(21) Earnings per share

Basic earnings per share are calculated by dividing profit or loss attributable to ordinary equity holders of parent entity by the weighted average number of ordinary shares outstanding after adjustment to treasury shares during the period. Diluted earnings per share are calculated taking into consideration the effect of all dilutive shares.

4. Significant Accounting Estimates and Judgments Involving Estimates

The consolidated financial statements of the SMM Group are prepared by using judgments, estimates, and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, revenue, and expenses. Actual results could differ from those accounting estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis, and the effect of any changes in accounting estimates is recognized in the reporting period in which the change was made and in future periods.

The items involving estimates and judgments that significantly affect the amounts in the consolidated financial statements are listed as follows:

- Recoverability of deferred tax assets (Note 17. Income Taxes)
- Accounting for and measurement of provisions (Note 21. Provisions)
- Measurement of defined benefit obligations (Note 22. Employee Benefits)
- Fair value measurement of financial instruments (Note 33. Financial Instruments)

<Impact of spread of COVID-19 on accounting estimates>

In the course of making accounting estimates for FY2019, the SMM Group tested financial and non-financial assets for impairment based on information available at the time of preparing the consolidated financial statements. It also used an assumption that the spread of COVID-19 would impact to a certain extent on its business through a drop in non-ferrous metal prices and a slump in demand from customers as well as a decline in the capacity utilization rate of its own plants.

However, as the SMM Group is still facing many uncertainties about the future arising from COVID-19, it may pose a material impact on the SMM Group's financial position and operating results for FY2020. The impact of COVID-19 on expected credit loss is presented in "Note 33. Financial Instruments."

5. Standards and Interpretations Newly Issued or Amended but Not Yet Adopted

There are no material standards and interpretations that were newly issued or amended prior to the date of approval of the consolidated financial statements.

6. 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—the 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 FY2019, 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, platinum and palladium.

In the Materials segment, the SMM Group 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) Information on net sales, income (loss), assets and other items by reportable segments

The accounting methods employed for the reported operating segments are almost the same as those set forth in the (3. Significant Accounting Policies), with the exception of the reporting by each reported 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.

FY2018 (From April 1, 2018 to March 31, 2019)

	Reportable Segments				Other Businesses (Note 2)	Adjustments (Note 3)	Consolidated Statement of Profit or Loss
	Mineral Resources	Smelting & Refining	Materials	Total			
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Net sales:							
Outside customers	100,099	605,393	203,008	908,500	3,708	–	912,208
Inter-segment	29,979	32,386	16,388	78,753	5,156	(83,909)	–
Total	130,078	637,779	219,396	987,253	8,864	(83,909)	912,208
Segment income (loss) (Profit before tax)	47,320	40,935	13,780	102,035	(2,007)	(10,657)	89,371
Segmental assets	713,743	693,126	256,389	1,663,258	28,211	106,232	1,797,701
Other items:							
Depreciation and amortization expense	(15,390)	(18,945)	(7,817)	(42,152)	(427)	(962)	(43,541)
Finance income	14,203	3,923	1,079	19,205	3	1,759	20,967
Finance costs	(3,192)	(4,888)	(346)	(8,426)	(5)	(431)	(8,862)
Share of profit (loss) of investments accounted for using equity method	(14,021)	5,989	3,217	(4,815)	–	(86)	(4,901)
Impairment losses on non-financial assets	–	–	–	–	–	–	–
Other gain (loss)	10,574	(2,619)	348	8,303	(2,317)	(1,127)	4,859
Capital expenditures	13,573	13,688	14,308	41,569	854	5,022	47,445
Investments accounted for using equity method	241,210	104,285	24,715	370,210	–	(7,045)	363,165

FY2019 (From April 1, 2019 to March 31, 2020)

	Reportable Segments				Other Businesses (Note 2)	Adjustments (Note 3)	Consolidated Statement of Profit or Loss
	Mineral Resources	Smelting & Refining	Materials	Total			
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Net sales:							
Outside customers	79,951	578,999	209,451	868,401	4,214	–	872,615
Inter-segment	34,910	35,032	19,184	89,126	5,806	(94,932)	–
Total	114,861	614,031	228,635	957,527	10,020	(94,932)	872,615
Segment income (loss) (Profit before tax)	37,956	48,257	5,274	91,487	(911)	(11,541)	79,035
Segmental assets	609,805	661,437	224,893	1,496,135	27,774	195,781	1,719,690
Other items:							
Depreciation and amortization expense	(12,841)	(20,581)	(9,360)	(42,782)	(582)	(1,991)	(45,355)
Finance income	12,143	5,480	1,565	19,188	1	(3,799)	15,390
Finance costs	(3,550)	(4,156)	(386)	(8,092)	(34)	268	(7,858)
Share of profit (loss) of investments accounted for using equity method	(2,240)	4,668	2,820	5,248	–	930	6,178
Impairment losses on non-financial assets	(657)	–	(783)	(1,440)	–	(66)	(1,506)
Other gain (loss)	685	6,968	(268)	7,385	(2,078)	(355)	4,952
Capital expenditures	14,551	24,305	8,245	47,101	636	2,952	50,689
Investments accounted for using equity method	240,262	104,216	24,124	368,602	–	(3,512)	365,090

	Reportable Segments				Other Businesses (Note 2)	Adjustments (Note 3)	Consolidated Statement of Profit or Loss
	Mineral Resources	Smelting & Refining	Materials	Total			
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Net sales:							
Outside customers	734,776	5,321,193	1,924,924	7,980,893	38,728	–	8,019,621
Inter-segment	320,834	321,956	176,307	819,098	53,359	(872,457)	–
Total	1,055,611	5,643,149	2,101,232	8,799,991	92,087	(872,457)	8,019,621
Segment income (loss) (Profit before tax)	348,828	443,498	48,470	840,796	(8,372)	(106,066)	726,358
Segmental assets	5,604,310	6,078,825	2,066,841	13,749,977	255,252	1,799,292	15,804,522
Other items:							
Depreciation and amortization expense	(118,013)	(189,146)	(86,022)	(393,181)	(5,349)	(18,298)	(416,827)
Finance income	111,598	50,363	14,383	176,344	9	(34,914)	141,439
Finance costs	(32,626)	(38,195)	(3,547)	(74,368)	(312)	2,463	(72,218)
Share of profit (loss) of investments accounted for using equity method	(20,586)	42,900	25,917	48,231	–	8,547	56,778
Impairment losses on non-financial assets	(6,038)	–	(7,196)	(13,234)	–	(607)	(13,841)
Other gain (loss)	6,295	64,038	(2,463)	67,871	(19,098)	(3,263)	45,511
Capital expenditures	133,729	223,371	75,774	432,874	5,845	27,130	465,849
Investments accounted for using equity method	2,208,087	957,780	221,708	3,387,575	–	(32,276)	3,355,298

- Notes:
1. Due to organizational changes, the reportable segment of SMM Holland B.V., which had previously been included in Adjustments, has been changed to Mineral Resources starting from FY2019. Segment information for FY2018 has been prepared and disclosed based on the reportable segments of FY2019.
 2. The Other Businesses segment refers to the operating segments and 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.
 3. The adjustments are as follows.

- 1) The adjustments for segment income (loss) are as follows.

	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Head Office expenses not allocated to each reportable segment *1	(3,731)	(3,903)	(35,870)
Internal interest rate	794	890	8,179
Eliminations of inter-segmental transactions among the reportable segments	(8,274)	(2,861)	(26,294)
Profit or loss not allocated to each reportable segment *2	554	(5,667)	(52,082)
Adjustments for segment income (loss)	<u>(10,657)</u>	<u>(11,541)</u>	<u>(106,066)</u>

*1 The Head Office expenses not allocated to each reportable segment consist of general and administrative expenses, which are not attributable to the reportable segments.

*2 Profit or loss not allocated to each reportable segment consists primarily of finance income and costs, which are not attributable to the reportable segments.

- 2) The adjustments on segmental assets are as follows

	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Corporate assets not allocated to each reportable segment *1	525,917	490,561	4,508,418
Offsets and eliminations of inter-segmental receivables among the reportable segments, including those toward Head Office divisions/departments, etc.	(419,685)	(294,780)	(2,709,126)
Adjustments on segmental assets	<u>106,232</u>	<u>195,781</u>	<u>1,799,292</u>

*1 The corporate assets not allocated to each reportable segment refer to the assets under the control of the Head Office, which are not attributable to the reportable segments.

- 3) The adjustments on depreciation and amortization expense refer to depreciation and amortization expense at the Head Office divisions/departments, which are not allocated to the reportable segments.
- 4) The adjustments on finance income and costs consist of interest income and interest expense at the Head Office divisions/departments, which are not allocated to the reportable segments, and eliminations of transactions among the reportable segments.
- 5) The adjustments on share of profit (loss) of investments accounted for using equity method refer to the deduction of unrealized income relating to the inter-segmental transactions among the reportable segments.
- 6) The adjustments on impairment losses on non-financial assets refer to impairment losses at the Head Office divisions/departments, which are not allocated to the reportable segments.
- 7) The adjustments on other gain (loss) consist of other income and expenses at the Head Office divisions/departments, which are not allocated to the reportable segments, and eliminations of transactions among the reportable segments.
- 8) The adjustments on capital expenditures refer to an increase thereof at the Head Office divisions/departments, which is not allocated to the reportable segments.
- 9) The adjustments on investments accounted for using equity method refer to exchange differences on translation of foreign operations.

(3) Information by region

The breakdown of net sales by region is as follows.

		FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)	
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Domestic		502,496	458,031	4,209,457
United States		152,526	173,857	1,597,804
Other		257,186	240,727	2,212,361
Total		912,208	872,615	8,019,621

Note: Net sales are broken down by location of shipping destination.

The breakdown of non-current assets by region is as follows.

		FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)	
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Domestic		182,102	187,316	1,721,496
The Philippines		210,859	204,809	1,882,263
United States		120,955	120,614	1,108,483
Other		27,917	30,216	277,695
Total		541,833	542,955	4,989,937

Note: Non-current assets are broken down by location of each asset and do not include financial instruments, investments accounted for using equity method and deferred tax assets.

(4) Information about major customers

Net sales to the major external customers are as follows.

		FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)	
Relevant reportable segment		Millions of yen	Millions of yen	Thousands of U.S. dollars
Panasonic Corporation	Materials and Smelting & Refining	179,529	178,966	1,644,757

7. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows.

	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents			
Cash and deposits	81,261	155,530	1,429,372
Total	81,261	155,530	1,429,372

Cash and cash equivalents are classified into financial assets measured at amortized cost.

8. Trade and Other Receivables

The breakdown of trade and other receivables is as follows.

	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Notes receivable – trade	5,485	4,230	38,875
Accounts receivable – trade	114,763	100,192	920,798
Accounts receivable – other	31,350	18,971	174,350
Total	151,598	123,393	1,134,023

The above amounts of accounts receivable – trade include trade receivables with embedded derivatives (¥11,892 million as of March 31, 2019, and ¥8,805 million (U.S. \$80,921 thousand) as of March 31, 2020). The SMM Group classifies such trade receivables as financial instruments measured at fair value through profit or loss and the others as financial instruments measured at amortized cost.

9. Inventories

The breakdown of inventories is as follows.

	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Merchandise and finished goods	62,371	58,712	539,583
Work in process	104,158	95,109	874,083
Raw materials and supplies	122,389	98,978	909,641
Total	288,918	252,799	2,323,307

The amounts of inventories recognized as an expense for FY2018 and FY2019 are ¥775,620 million and ¥752,014 million (U.S. \$6,911,258 thousand), respectively.

The amounts of inventories written down and recognized as an expense for FY2018 and FY2019 are ¥3,913 million and ¥5,578 million (U.S. \$51,264 thousand), respectively.

10. Property, Plant and Equipment

- (1) Changes in acquisition cost, accumulated depreciation and accumulated impairment losses of property, plant and equipment; and carrying amount thereof are as follows.

Acquisition cost	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Right-of-use assets	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2018	311,375	588,496	20,855	25,789	—	45,881	992,396
Acquisition (Note 1)	814	2,484	315	3,751	—	43,144	50,508
Increase due to business combinations	—	—	—	—	—	—	—
Decrease due to deconsolidation	(23,632)	(40,557)	—	(9)	—	(284)	(64,482)
Transfer	10,381	33,208	1,023	115	—	(44,727)	—
Disposal	(2,238)	(22,946)	(1,760)	(308)	—	(2,638)	(29,890)
Exchange differences on translation	3,215	7,771	(11)	(77)	—	781	11,679
Other	—	(3)	—	(17)	—	(37)	(57)
As of March 31, 2019	299,915	568,453	20,422	29,244	—	42,120	960,154
Cumulative effect of accounting change	(17)	(2,368)	(38)	—	11,776	—	9,353
As of April 1, 2019	299,898	566,085	20,384	29,244	11,776	42,120	969,507
Acquisition (Note 1)	325	809	135	1	2,032	48,637	51,939
Increase due to business combinations	—	—	—	—	—	—	—
Decrease due to deconsolidation	(1,113)	(630)	(127)	(263)	—	(8)	(2,141)
Transfer	9,564	28,217	1,188	281	—	(39,250)	—
Disposal (Note 2)	(3,737)	(11,148)	(1,277)	(495)	(547)	(5,024)	(22,228)
Exchange differences on translation	(2,354)	(4,800)	(23)	(46)	9	(512)	(7,726)
Other (Note 3)	1,458	2,688	86	(3,751)	—	—	481
As of March 31, 2020	304,041	581,221	20,366	24,971	13,270	45,963	989,832

Acquisition cost	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Right-of-use assets	Construction in progress	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2019	2,756,318	5,224,272	187,685	268,762	–	387,097	8,824,134
Cumulative effect of accounting change	(156)	(21,763)	(349)	–	108,225	–	85,957
As of April 1, 2019	2,756,162	5,202,509	187,336	268,762	108,225	387,097	8,910,091
Acquisition (Note 1)	2,987	7,435	1,241	9	18,675	446,990	477,337
Increase due to business combinations	–	–	–	–	–	–	–
Decrease due to deconsolidation	(10,229)	(5,790)	(1,167)	(2,417)	–	(74)	(19,677)
Transfer	87,896	259,324	10,918	2,582	–	(360,721)	–
Disposal (Note 2)	(34,344)	(102,454)	(11,736)	(4,549)	(5,027)	(46,172)	(204,283)
Exchange differences on translation	(21,634)	(44,114)	(211)	(423)	83	(4,705)	(71,005)
Other (Note 3)	13,400	24,704	790	(34,473)	–	–	4,421
As of March 31, 2020	2,794,238	5,341,614	187,170	229,492	121,956	422,415	9,096,884

- Notes:
1. The amounts of borrowing costs for FY2018 and FY2019 are ¥168 million and ¥182 million (U.S. \$1,673 thousand), respectively. The capitalization rates applied for FY2018 and FY2019 are 1.16% and 1.16%, respectively.
 2. Includes decreases from the cancellation of leases.
 3. The amounts of Other represent a change in estimates of asset retirement obligations resulting from extinguishment of performance obligations at a domestic subsidiary and a change of the investment time horizon and other factors for copper mines overseas as assumptions for their restoration plan.

Accumulated depreciation and impairment losses	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Right-of-use assets	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2018	(147,326)	(362,413)	(17,567)	(2,774)	—	(428)	(530,508)
Depreciation (Note 1)	(11,829)	(28,153)	(795)	(70)	—	—	(40,847)
Impairment losses	—	—	—	—	—	—	—
Decrease due to deconsolidation	17,861	33,263	—	—	—	—	51,124
Disposal	1,525	19,140	1,721	—	—	61	22,447
Exchange differences on translation	(1,032)	(2,706)	6	47	—	—	(3,685)
Other	7	90	20	—	—	—	117
As of March 31, 2019	(140,794)	(340,779)	(16,615)	(2,797)	—	(367)	(501,352)
Cumulative effect of accounting change	17	499	38	—	(554)	—	—
As of April 1, 2019	(140,777)	(340,280)	(16,577)	(2,797)	(554)	(367)	(501,352)
Depreciation (Note 1)	(11,328)	(28,579)	(819)	(22)	(1,759)	—	(42,507)
Impairment losses	(755)	(486)	(4)	—	(111)	(147)	(1,503)
Decrease due to deconsolidation	803	585	122	—	—	—	1,510
Disposal (Note 2)	3,483	9,715	1,245	—	94	367	14,904
Exchange differences on translation	732	1,738	15	36	(0)	—	2,521
Other	—	—	—	—	—	—	—
As of March 31, 2020	(147,842)	(357,307)	(16,018)	(2,783)	(2,330)	(147)	(526,427)

Accumulated depreciation and impairment losses	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Right-of-use assets	Construction in progress	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2019	(1,293,944)	(3,131,872)	(152,697)	(25,705)	–	(3,373)	(4,607,591)
Cumulative effect of accounting change	156	4,586	349	–	(5,091)	–	–
As of April 1, 2019	(1,293,787)	(3,127,286)	(152,348)	(25,705)	(5,091)	(3,373)	(4,607,591)
Depreciation (Note 1)	(104,108)	(262,650)	(7,527)	(202)	(16,166)	–	(390,653)
Impairment losses	(6,939)	(4,467)	(37)	–	(1,020)	(1,351)	(13,813)
Decrease due to deconsolidation	7,380	5,376	1,121	–	–	–	13,877
Disposal (Note 2)	32,010	89,284	11,442	–	864	3,373	136,973
Exchange differences on translation	6,727	15,973	138	331	(0)	–	23,169
Other	–	–	–	–	–	–	–
As of March 31, 2020	(1,358,717)	(3,283,770)	(147,211)	(25,577)	(21,413)	(1,351)	(4,838,039)

Notes: 1. Depreciation is included in “cost of sales” and “selling, general and administrative expenses” of the consolidated statement of profit or loss.

2. Includes decreases from the cancellation of leases.

Carrying amount	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Land	Right-of-use assets	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2018	164,049	226,083	3,288	23,015	–	45,453	461,888
As of March 31, 2019	159,121	227,674	3,807	26,447	–	41,753	458,802
As of March 31, 2020	156,199	223,914	4,348	22,188	10,940	45,816	463,405
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2020	1,435,521	2,057,844	39,960	203,915	100,542	421,064	4,258,846

(2) Right-of-use assets

The carrying amounts of right-of-use assets (as compared with assets held under finance leases for FY2018) included in property, plant and equipment are as follows.

Assets held under finance leases	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of March 31, 2018	2	898	–	900
As of March 31, 2019	–	1,869	–	1,869

Right-of-use assets	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2019	5,870	5,345	7	11,222
As of March 31, 2020	5,351	5,572	17	10,940
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2020	49,177	51,209	156	100,542

(3) Impairment losses

For the purpose of determining impairment losses, the grouping of assets is based on the smallest identifiable group of assets that generates largely independent cash inflows.

Impairment losses are included in “cost of sales” of the consolidated statement of profit or loss.

	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Mineral Resources	–	657	6,038
Smelting & Refining	–	–	–
Materials	–	780	7,168
Other	–	66	607
Total	–	1,503	13,813

FY2018 (From April 1, 2018 to March 31, 2019)

There are no pertinent items.

FY2019 (From April 1, 2019 to March 31, 2020)

The Mineral Resources segment reported an impairment loss of ¥657 million (U.S. \$6,038 thousand). This is because the book value of facilities for the quarrying business was reduced to the recoverable amount as a result of the SMM Group’s decision to withdraw from this business. As the recoverable amount is measured at value in use and the estimated value in use based on future cash flows is negative, the recoverable amount is assessed to be zero.

The Materials segment reported an impairment loss of ¥780 million (U.S. \$7,168 thousand). This is because the book value of manufacturing facilities for SiC substrates was reduced to the recoverable amount as a result of the SMM Group’s assessment that the facilities are not expected to generate cash flows sufficient to recover the invested capital.

The recoverable amount, which is measured at fair value less costs of disposal, is assessed to be ¥783 million (U.S. \$7,196 thousand). The fair value less costs of disposal is calculated using the valuation technique that includes unobservable inputs (mainly cost approach) and classified as Level 3 in the fair value hierarchy.

(4) Commitments

Commitments to purchase property, plant and equipment as of March 31, 2019 and March 31, 2020 are ¥26,034 million and ¥16,260 million (U.S. \$149,435 thousand), respectively.

11. Intangible Assets and Goodwill

The breakdown of the carrying amounts of intangible assets and goodwill is as follows.

Carrying amount	Goodwill	Mining rights	Software	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2018	772	61,284	1,513	2,126	65,695
As of March 31, 2019	772	55,884	2,268	2,283	61,207
As of March 31, 2020	772	52,940	2,668	1,958	58,338
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2020	7,095	486,536	24,520	17,995	536,146

Note: There were no material internally generated intangible assets at each reporting date.

The changes in acquisition cost, accumulated amortization and accumulated impairment losses, and the carrying amount of mining rights, the SMM Group's major intangible assets, are as follows.

Acquisition cost	Mining rights
	Millions of yen
As of April 1, 2018	75,327
Decrease due to deconsolidation	(12,636)
Exchange differences on translation	(1,073)
As of March 31, 2019	61,618
Exchange differences on translation	(803)
As of March 31, 2020	60,815

Acquisition cost	Mining rights
	Thousands of U.S. dollars
As of March 31, 2019	566,290
Exchange differences on translation	(7,380)
As of March 31, 2020	558,910

Accumulated amortization and accumulated impairment losses	Mining rights
	Millions of yen
As of April 1, 2018	(14,043)
Amortization expense	(2,235)
Decrease due to deconsolidation	10,501
Exchange differences on translation	43
As of March 31, 2019	(5,734)
Amortization expense	(2,192)
Exchange differences on translation	51
As of March 31, 2020	(7,875)

Accumulated amortization and accumulated impairment losses	Mining rights
	Thousands of U.S. dollars
As of March 31, 2019	(52,697)
Amortization expense	(20,145)
Exchange differences on translation	469
As of March 31, 2020	(72,374)

Note: Amortization expense is included in “cost of sales” of the consolidated statement of profit or loss.

The breakdown of carrying amount of the above mining rights is as follows.

Carrying amount	SMM Morenci Inc.	SMM Gold Cote Inc.	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2018	36,529	21,821	2,934	61,284
As of March 31, 2019	34,158	21,439	287	55,884
As of March 31, 2020	31,508	21,153	279	52,940
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2020	289,569	194,403	2,564	486,536

12. Expenditures Concerning Exploration for and Evaluation of Mining Resources

Expenses incurred during the stage of exploration for and evaluation of mining resources are as follows.

	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Exploration and evaluation expenses	2,861	1,075	9,880
Net cash provided by (used in) operating activities	(2,842)	(1,104)	(10,146)

Exploration and evaluation expenses are included in “selling, general and administrative expenses” of the consolidated statement of profit or loss.

13. Investment Property

(1) Changes in carrying amount of investment properties

All the investment properties held by the SMM Group are land and the fluctuations in the carrying amount are as follows.

Carrying amount	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Balance at beginning of period	3,427	3,428	31,504
Acquisition	1	—	—
Disposal	—	—	—
Transfer between accounts	—	—	—
Exchange differences on translation	—	—	—
Other	—	—	—
Balance at end of period	3,428	3,428	31,504

The grouping of the investment properties is based on the smallest identifiable group of assets that generates largely independent cash inflows.

The carrying amount and fair value of the investment properties are as follows.

Carrying amount and fair value	FY2018 (As of March 31, 2019)		FY2019 (As of March 31, 2020)		FY2019 (As of March 31, 2020)	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars	Thousands of U.S. dollars
	3,428	7,743	3,428	7,735	31,504	71,087

The fair value of the investment properties is based primarily on real estate appraisal evaluated by outside licensed real estate appraisers. The valuations conform to the relevant valuation standards of the countries where the properties are located and are based on market evidence reflecting transaction prices for similar assets.

The fair value of the investment properties is classified as Level 3 (fair value that is determined using a valuation technique with unobservable inputs) in the fair value hierarchy.

(2) Income and expenses arising from investment properties

	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Lease income	506	505	4,641
Direct operating expenses	267	234	2,151

Lease income and direct operating expenses incurred to earn lease income are included in “net sales” and “cost of sales” of the consolidated statement of profit or loss, respectively.

14. Investments Accounted for Using Equity Method

(1) Investments in associates

1) Significant associates

Associates individually material to the SMM Group are as follows.

Name	Description of main businesses	Location	Voting rights held by the Company	
			FY2018 (As of March 31, 2019) %	FY2019 (As of March 31, 2020) %
Sociedad Minera Cerro Verde S.A.A.	Development and mining of copper mines	Arequipa, Peru	21.0	21.0
Sierra Gorda S.C.M.	Development and mining of copper mines	Santiago, Chile	45.0	45.0
Quebrada Blanca Holdings SpA	Development and mining of copper mines	Santiago, Chile	33.3	33.3

Investments in these associates are accounted for using the equity method. The condensed financial statements, the carrying amounts of the SMM Group's share of equity in these associates, and the SMM Group's share of comprehensive income of these associates under the equity method are as follows. The items of the statement of profit or loss in the condensed financial statements of Quebrada Blanca Holdings SpA for FY2019 represent the amounts arising from the date of the SMM Group obtaining significant influence over the company to the closing date of the company (from March 31, 2019 to December 31, 2019).

FY2018 (As of March 31, 2019)

	Sociedad Minera Cerro Verde S.A.A.	Sierra Gorda S.C.M.
	Millions of yen	Millions of yen
Current assets	164,925	42,643
Non-current assets	673,798	432,577
Total assets	838,723	475,220
Current liabilities	45,379	87,962
Non-current liabilities	226,157	574,584
Total liabilities	271,536	662,546
Total equity	567,187	(187,326)
The SMM Group's share of total equity	119,109	(84,297)
Consolidation adjustment	6,141	84,297
Carrying amount of investments	125,250	—

FY2019 (As of March 31, 2020)

	Sociedad Minera Cerro Verde S.A.A.	Sierra Gorda S.C.M.	Quebrada Blanca Holdings SpA
	Millions of yen	Millions of yen	Millions of yen
Current assets	176,899	34,276	55,064
Non-current assets	678,545	445,903	473,729
Total assets	855,444	480,179	528,793
Current liabilities	46,092	99,155	43,211
Non-current liabilities	223,395	572,183	295,210
Total liabilities	269,487	671,338	338,421
Total equity	585,957	(191,159)	190,372
The SMM Group's share of total equity	123,051	(86,022)	63,451
Consolidation adjustment	6,058	86,022	(1,568)
Carrying amount of investments	129,109	–	61,883

	Sociedad Minera Cerro Verde S.A.A.	Sierra Gorda S.C.M.	Quebrada Blanca Holdings SpA
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Current assets	1,625,760	315,008	506,056
Non-current assets	6,236,054	4,097,997	4,353,727
Total assets	7,861,814	4,413,004	4,859,783
Current liabilities	423,601	911,267	397,123
Non-current liabilities	2,053,074	5,258,552	2,713,078
Total liabilities	2,476,675	6,169,819	3,110,201
Total equity	5,385,139	(1,756,815)	1,749,582
The SMM Group's share of total equity	1,130,880	(790,571)	583,136
Consolidation adjustment	55,675	790,571	(14,410)
Carrying amount of investments	1,186,555	–	568,725

FY2018 (From April 1, 2018 to March 31, 2019)

	Sociedad Minera Cerro Verde S.A.A.	Sierra Gorda S.C.M.
	Millions of yen	Millions of yen
Net sales	337,317	107,998
Profit (loss)	13,029	(41,144)
Other comprehensive income	(10,857)	–
Total comprehensive income	2,172	(41,144)
The SMM Group's share:		
Net sales	70,837	48,599
Profit (loss)	2,736	(18,515)
Other comprehensive income	(2,280)	–
Total comprehensive income	456	(18,515)
Dividends received by the SMM Group	4,639	–

FY2019 (From April 1, 2019 to March 31, 2020)

	Sociedad Minera Cerro Verde S.A.A.	Sierra Gorda S.C.M.	Quebrada Blanca Holdings SpA
	Millions of yen	Millions of yen	Millions of yen
Net sales	315,133	103,261	9,916
Profit (loss)	42,567	(28,656)	(9,312)
Other comprehensive income	(7,833)	2,473	(2,757)
Total comprehensive income	34,734	(26,183)	(12,069)

The SMM Group's share:

Net sales	66,178	46,467	3,305
Profit (loss)	9,588	(11,863)	(1,076)
Other comprehensive income	(1,645)	779	(919)
Total comprehensive income	7,943	(11,084)	(1,995)
Dividends received by the SMM Group	3,435	—	—

	Sociedad Minera Cerro Verde S.A.A.	Sierra Gorda S.C.M.	Quebrada Blanca Holdings SpA
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Net sales	2,896,177	949,003	91,131
Profit (loss)	391,205	(263,358)	(85,580)
Other comprehensive income	(71,988)	22,728	(25,338)
Total comprehensive income	319,217	(240,630)	(110,918)

The SMM Group's share:

Net sales	608,198	427,047	30,374
Profit (loss)	88,117	(109,025)	(9,889)
Other comprehensive income	(15,118)	7,159	(8,446)
Total comprehensive income	72,999	(101,866)	(18,335)
Dividends received by the SMM Group	31,569	—	—

SMM Quebrada Blanca SpA, a consolidated subsidiary of the Company, acquired 33% interests in Quebrada Blanca Holdings SpA, which has 90 percent ownership of the Quebrada Blanca Copper Mine, effective March 30, 2019 (with the final consideration transferred of ¥66,512 million (U.S. \$611,267 thousand) and the carrying amount of investments for FY2019 of ¥61,883 million (U.S. \$568,725 thousand)). As the SMM Group has significant influence over the financial and operating policy decisions of Quebrada Blanca Holdings SpA, the investment was accounted for by applying the equity method.

In FY2018, the acquisition of interests in Quebrada Blanca Holdings SpA was provisionally accounted for because allocation of the consideration transferred was incomplete by the end of FY2018. In FY2019, however, the SMM Group completed the allocation of the consideration at the time of the acquisition of interests in Quebrada Blanca Holdings SpA and the measurement of fair values of its assets and liabilities. Consequently, fair value of the mining rights (Reserve) is measured at ¥251,320 million (U.S. \$2,309,714 thousand) (the amount corresponding to the SMM Group's equity interest: ¥83,765 million (U.S. \$769,828 thousand)) in the table below.

The consideration paid for the investment includes contingent consideration, which is an estimated amount to be paid to Teck Resources Chile Ltd. determined based primarily on the production level and other factors at the mine over a certain period of time in the future.

Consideration at the time of acquisition, fair values of assets acquired and liabilities assumed

	Quebrada Blanca Holdings SpA	
	Millions of yen	Thousands of U.S. dollars
Consideration transferred	66,512	611,267
Assets acquired and liabilities assumed		
Current assets	153,977	1,415,100
Non-current assets		
Mining rights (Reserve)	251,320	2,309,714
Mining rights (Resource)	68,358	628,233
Other non-current assets	35,457	325,862
Total non-current assets	355,135	3,263,808
Total assets	509,112	4,678,908
Total liabilities	309,555	2,844,913
Total equity	199,557	1,833,995
The SMM Group's share of total equity	66,512	611,267

2) Associates individually immaterial to the SMM Group

The total carrying amount of investments in associates individually immaterial to the SMM Group are as follows.

	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total carrying amount	202,719	139,352	1,280,691

The SMM Group's share of total comprehensive income of associates individually immaterial to the SMM Group are as follows.

	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Share of profit of the associates	7,174	6,235	57,302
Share of other comprehensive income of the associates	(4,208)	(1,160)	(10,661)
Share of total comprehensive income of the associates	2,966	5,075	46,641

(2) Investments in joint ventures

The total carrying amounts of investments in joint ventures individually immaterial to the SMM Group are as follows.

	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total carrying amount	35,196	34,746	319,327

The SMM Group's share of total comprehensive income of joint ventures individually immaterial to the SMM Group are as follows.

	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Share of profit of the joint ventures	3,704	3,294	30,273
Share of other comprehensive income of the joint ventures	(40)	(149)	(1,369)
Share of total comprehensive income of the joint ventures	3,664	3,145	28,904

15. Other Financial Assets

(1) Breakdown of other financial assets

The breakdown of other financial assets is as follows.

	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Equity securities	150,183	116,048	1,066,520
Loans receivable	177,756	126,629	1,163,763
Time deposits	5,293	3,880	35,658
Derivative assets	2,927	3,651	33,554
Other	3,546	708	6,507
Total	339,705	250,916	2,306,001
Current assets	9,493	8,959	82,336
Non-current assets	330,212	241,957	2,223,665
Total	339,705	250,916	2,306,001

Derivative assets are classified as financial assets measured at fair value through profit or loss; equity securities as financial assets measured at fair value through other comprehensive income; and loans receivable and time deposits as financial assets measured at amortized cost. Loans receivable mainly consist of long-term investments of the SMM Group from associates and joint ventures.

(2) Equity financial assets measured at fair value through other comprehensive income

Equity securities are held primarily for the purpose of maintaining and enhancing business relationships, and therefore, designated as financial assets measured at fair value through other comprehensive income.

The fair value of major issues of equity financial assets measured at fair value through other comprehensive income held by the SMM Group as of the fiscal year-end and dividend income from these financial assets are as follows.

	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)	
Issue	Millions of yen	Millions of yen	Thousands of U.S. dollars
Toyota Motor Corporation	35,565	35,642	327,562
Sumitomo Forestry Co., Ltd.	15,540	14,003	128,692
Sumitomo Realty & Development Co., Ltd.	21,453	12,327	113,289
MS&AD Insurance Group Holdings, Inc.	5,762	5,172	47,532
Teck Resources Limited	10,817	4,365	40,116
Other	61,046	44,539	409,328
Total	150,183	116,048	1,066,520

	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Dividend income from financial assets held by the SMM Group as of the fiscal year-end	3,778	3,494	32,111

(3) Derecognition of financial assets measured at fair value through other comprehensive income

The financial assets measured at fair value through other comprehensive income disposed of during the period are as follows.

FY2018 (From April 1, 2018 to March 31, 2019)			FY2019 (From April 1, 2019 to March 31, 2020)		
Fair value at time of sale	Accumulated gains (losses)	Dividend income	Fair value at time of sale	Accumulated gains (losses)	Dividend income
Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
321	264	25	6,310	(4,887)	328

FY2019 (From April 1, 2019 to March 31, 2020)		
Fair value at time of sale	Accumulated gains (losses)	Dividend income
Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
57,991	(44,913)	3,014

These assets were sold primarily due to the reconsideration of business relationships. Accumulated gains net of tax were reclassified from other components of equity into retained earnings at the time of sale. The amounts of such reclassification for FY2018 and FY2019 are ¥185 million and ¥(3,391) million (U.S. \$(31,164) thousand), respectively.

Furthermore, for the financial assets measured at fair value through other comprehensive income, those whose fair value declined significantly when compared with their cost, accumulated losses net of tax were reclassified from other components of equity into retained earnings if the decline is deemed other-than-temporary. The amounts of such reclassification for FY2018 and FY2019 are ¥(885) million and ¥(1,148) million (U.S. \$(10,551) thousand), respectively.

16. Other Assets

The breakdown of other assets is as follows.

	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Other current assets			
Advance payments to suppliers	4,619	8,401	77,208
Prepaid expenses	7,371	4,619	42,450
Bullion in storage	4,041	4,068	37,386
Consumption taxes receivable	1,282	1,051	9,659
Other	2,632	2,402	22,075
Total	19,945	20,541	188,779
Other non-current assets			
Long-term prepaid expenses	9,630	8,548	78,559
Net defined benefit asset	4,592	7,342	67,475
Other	4,174	1,894	17,406
Total	18,396	17,784	163,441

17. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

The breakdown of major factors giving rise to deferred tax assets and deferred tax liabilities and the changes therein are as follows.

FY2018 (From April 1, 2018 to March 31, 2019)

	As of April 1, 2018	Recognized through profit or loss	Recognized in other comprehensive income	Other	As of March 31, 2019
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Deferred tax assets					
Exploration costs	3,409	(3,091)	—	(76)	242
Inventories	3,734	(551)	—	—	3,183
Property, plant and equipment	978	333	—	—	1,311
Provisions	6,635	2,349	—	(1,915)	7,069
Retirement benefit liability	4,382	(1,641)	1,345	—	4,086
Unused tax losses	8,277	235	—	(139)	8,373
Other	5,831	(1,390)	—	817	5,258
Total	33,246	(3,756)	1,345	(1,313)	29,522
Deferred tax liabilities					
Property, plant and equipment	(9,620)	(133)	—	92	(9,661)
Other financial assets	(18,547)	(4,930)	2,132	(7)	(21,352)
Retained earnings at subsidiaries and associates	(19,231)	(874)	—	106	(19,999)
Reserves	(6,229)	(5,056)	—	—	(11,285)
Other	(6,244)	2,655	(151)	—	(3,740)
Total	(59,871)	(8,338)	1,981	191	(66,037)

FY2019 (From April 1, 2019 to March 31, 2020)

	As of April 1, 2019	Effect of accounting change	Recognized through profit or loss	Recognized in other comprehensive income	Other	As of March 31, 2020
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Deferred tax assets						
Exploration costs	242	—	(117)	—	(4)	121
Inventories	3,183	—	(662)	—	—	2,521
Property, plant and equipment	1,311	—	1,771	—	—	3,082
Provisions	7,069	—	(1,305)	—	—	5,764
Lease liabilities	—	(43)	141	—	—	98
Retirement benefit liability	4,086	—	(1,211)	1,148	—	4,023
Unused tax losses	8,373	—	(2,087)	—	(113)	6,173
Other	5,258	—	(159)	—	255	5,354
Total	29,522	(43)	(3,629)	1,148	138	27,136
Deferred tax liabilities						
Property, plant and equipment	(9,661)	—	2,059	—	72	(7,530)
Other financial assets	(21,352)	3,516	2,206	6,813	46	(8,771)
Retained earnings at subsidiaries and associates	(19,999)	—	(2,629)	—	77	(22,551)
Reserves	(11,285)	—	(1,632)	—	—	(12,917)
Other	(3,740)	—	(555)	—	—	(4,295)
Total	(66,037)	3,516	(551)	6,813	195	(56,064)

	As of April 1, 2019	Effect of accounting change	Recognized through profit or loss	Recognized in other comprehensive income	Other	As of March 31, 2020
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Deferred tax assets						
Exploration costs	2,224	–	(1,075)	–	(37)	1,112
Inventories	29,253	–	(6,084)	–	–	23,169
Property, plant and equipment	12,049	–	16,276	–	–	28,325
Provisions	64,966	–	(11,993)	–	–	52,973
Lease liabilities	–	(395)	1,296	–	–	901
Retirement benefit liability	37,552	–	(11,129)	10,551	–	36,973
Unused tax losses	76,951	–	(19,180)	–	(1,039)	56,732
Other	48,323	–	(1,461)	–	2,344	49,205
Total	271,317	(395)	(33,352)	10,551	1,268	249,389
Deferred tax liabilities						
Property, plant and equipment	(88,788)	–	18,923	–	662	(69,203)
Other financial assets	(196,232)	32,313	20,274	62,614	423	(80,608)
Retained earnings at subsidiaries and associates	(183,797)	–	(24,161)	–	708	(207,251)
Reserves	(103,713)	–	(14,999)	–	–	(118,712)
Other	(34,372)	–	(5,101)	–	–	(39,472)
Total	(606,902)	32,313	(5,064)	62,614	1,792	(515,247)

The SMM Group considers the possibility that a portion or all of the deductible temporary differences or unused tax losses can be utilized against future taxable profits upon recognition of deferred tax assets. In assessing the recoverability of deferred tax assets, the SMM Group considers the scheduled reversal of deferred tax liabilities, projected future taxable profits, and tax planning strategies. Based on the level of historical taxable profits and projected future taxable profits for the periods in which the deferred tax assets can be recognized, the SMM Group has determined that it is probable that the tax benefits can be realized from recognized deferred tax assets.

The unused tax losses and deductible temporary differences for which deferred tax assets were not recognized are as follows.

	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Unused tax losses	16,114	11,879	109,172
Deductible temporary differences	9,569	3,070	28,214
Total	25,683	14,949	137,386

The unused tax losses for which deferred tax assets were not recognized will expire as follows.

	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
1st year	274	67	616
2nd year	122	200	1,838
3rd year	137	125	1,149
4th year	320	118	1,084
5th year and after	15,261	11,369	104,485
Total	16,114	11,879	109,172

Deferred tax liabilities related to the temporary differences are not recognized in cases where the SMM Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future. Taxable temporary differences related to investments in consolidated subsidiaries and other entities, for which deferred tax liabilities were not recognized, as of March 31, 2019 and March 31, 2020 totaled ¥203,159 million, and ¥213,345 million (U.S. \$1,960,711 thousand), respectively.

(2) Income tax expense

The breakdown of income tax expense is as follows.

	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Current tax expense	10,036	14,103	129,611
Deferred tax expense			
Origination and reversal of temporary differences	12,122	7,040	64,700
Assessed recoverability of deferred tax assets	(1,758)	(2,860)	(26,284)
Changes in applicable tax rates and other factors	1,730	—	—
Total	22,130	18,283	168,027

The tax reforms were implemented in the Netherlands during FY2018. Accordingly, the SMM Group has revised the valuation of deferred tax assets and deferred tax liabilities.

Current tax expense includes the benefits that arose from previously unrecognized unused tax losses or temporary differences for prior periods. Such benefits helped decrease current tax expense by ¥583 million and ¥3,751 million (U.S. \$34,473 thousand) for FY2018 and FY2019, respectively.

Deferred tax expense includes the benefits that arose from previously unrecognized unused tax losses or temporary differences for prior periods. Such benefits helped decrease deferred tax expense by ¥2,374 million and ¥1,702 million (U.S. \$15,642 thousand) for FY2018 and FY2019, respectively.

The following shows the reconciliation of differences between the Japanese statutory tax rates and the average effective tax rates for the SMM Group for FY2018 and FY2019.

	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)
	%	%
Japanese statutory tax rates	30.6	30.6
Changes in unrecognized deferred tax assets	(0.9)	(2.5)
Non-taxable revenues	(1.8)	(1.3)
Differences in applicable tax rates of consolidated subsidiaries	(3.2)	(3.0)
Changes in tax effects of undistributed profit of consolidated subsidiaries	1.0	3.8
Share of profit (loss) of investments accounted for using equity method	0.5	(2.4)
Tax credit	(1.9)	(2.2)
Other	0.5	0.1
Average effective tax rates	<u>24.8</u>	<u>23.1</u>

Effective tax rates represent the rate of income tax on profit before taxes.

The SMM Group is subject to the Japanese corporate tax, inhabitant tax and business tax. The SMM Group's statutory income tax rates calculated based on these taxes for FY2018 and FY2019 are 30.6%. Overseas consolidated subsidiaries, however, are subject to local corporate and other taxes.

18. Trade and Other Payables

The breakdown of trade and other payables is as follows.

	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Accounts payable - trade	92,900	59,122	543,351
Accounts payable	57,350	31,901	293,181
Other	15,573	13,780	126,643
Total	<u>165,823</u>	<u>104,803</u>	<u>963,174</u>

Trade and other payables are classified as financial liabilities measured at amortized cost.

19. Other Financial Liabilities (Including Bonds and Borrowings)

(1) Breakdown of financial liabilities

The breakdown of “bonds and borrowings” and “other financial liabilities” is as follows.

	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)		Average interest rate (Note)	Due date
	Millions of yen	Millions of yen	Thousands of U.S. dollars	%	
Short-term borrowings	44,760	47,045	432,359	0.87	—
Current portion of long-term borrowings	30,522	33,611	308,896	1.75	—
Long-term borrowings	244,604	237,394	2,181,730	1.50	From December 20, 2021 to July 22, 2031
Bonds payable	29,912	49,832	457,973	0.33	From August 31, 2021 to December 13, 2029
Convertible bond-type bonds with share acquisition rights	29,493	29,621	272,227	—	March 15, 2023
Lease liabilities	—	11,396	104,733	1.46	From April 5, 2020 to June 25, 2097
Derivative liabilities	1,849	3,574	32,846	—	—
Other	3,878	1,754	16,120	—	—
Total	385,018	414,227	3,806,884		
Current liabilities	77,507	85,675	787,382		
Non-current liabilities	307,511	328,552	3,019,502		
Total	385,018	414,227	3,806,884		

Note: The item “average interest rate” represents the weighted average interest rates for the balances as of the end of FY2019.

Restrictive financial covenants have been attached to some of the SMM Group’s borrowings; the covenants require, for example, that the SMM Group maintain a certain level of net assets. No events resulting in a breach of the covenants have occurred during FY2018 and FY2019.

Short-term borrowings, current portion of long-term borrowings, long-term borrowings, bonds payable, and the bond portion of convertible bond-type bonds with share acquisition rights are classified as financial liabilities measured at amortized cost. Derivative liabilities are classified as financial liabilities measured at fair value through profit or loss.

Terms and conditions for bond issuance are summarized below.

Company name	Issue	Issuance date	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)	
			Millions of yen	Millions of yen	Thousands of U.S. dollars
Sumitomo Metal Mining Co., Ltd.	29th series straight bonds	August 31, 2011	9,981	9,989	91,802
Sumitomo Metal Mining Co., Ltd.	30th series straight bonds	September 18, 2018	19,931	19,959	183,430
Sumitomo Metal Mining Co., Ltd.	31st series straight bonds	December 13, 2019	—	9,947	91,416
Sumitomo Metal Mining Co., Ltd.	32nd series straight bonds	December 13, 2019	—	9,937	91,324
Sumitomo Metal Mining Co., Ltd.	Euro-yen denominated convertible bond-type bonds with share acquisition rights due 2023	March 15, 2018	29,493	29,621	272,227
Total			59,405	79,453	730,199

Company name	Coupon rate %	Collateral	Redemption date
Sumitomo Metal Mining Co., Ltd.	1.26	None	August 31, 2021
Sumitomo Metal Mining Co., Ltd.	0.02	None	September 17, 2021
Sumitomo Metal Mining Co., Ltd.	0.10	None	December 13, 2024
Sumitomo Metal Mining Co., Ltd.	0.25	None	December 13, 2029
Sumitomo Metal Mining Co., Ltd.	—	None	March 15, 2023
Total			

(2) Assets pledged as collateral

Assets pledged as collateral are as follows.

	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Investments accounted for using equity method (Note)	0	0	0
Total	0	0	0

Liabilities with collateral are as follows.

	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Long-term borrowings (including current portion)	45,492	34,680	318,721
Total	45,492	34,680	318,721

Note: The assets pledged as collateral for the borrowings that Sierra Gorda S.C.M. borrowed from financial institutions. In the case of a default in the repayment of principal and/or payment of interest of the loans that became due or a failure to comply with the representations and warranties or financial covenants, the

financial institution can exercise its right to dispose of the assets pledged as collateral and appropriate the proceeds from such disposal for repaying or offsetting the loan amount.

Aside from the above, shares of consolidated subsidiaries (the amount before inter-company eliminations) are also pledged as collateral as follows.

	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Shares of consolidated subsidiaries (amount before inter-company eliminations)	28,032	28,032	257,623
Total	28,032	28,032	257,623

20. Leases

FY2018 (From April 1, 2018 to March 31, 2019)

Operating lease

The breakdown by due date of future minimum lease payments under noncancelable operating leases is as follows.

	FY2018 (As of March 31, 2019)
	Millions of yen
Due within one year	431
Due after one year through five years	1,477
Due after five years	1,351
Total	3,259

The minimum lease payments and variable lease payments under operating lease contracts recognized as expense are as follows.

	FY2018 (From April 1, 2018 to March 31, 2019)
	Millions of yen
Minimum lease payments	1,925
Variable lease payments	—
Total	1,925

The SMM Group's lease assets include machinery and equipment as a lessee.

Some contracts include a renewal option. There are no restrictions imposed by lease contracts such as significant renewal or purchase options, or escalation clauses.

FY2019 (From April 1, 2019 to March 31, 2020)

The SMM Group's lease assets include buildings and structures; machinery, equipment and vehicles; tools; furniture and fixtures; and land as a lessee. Right-of-use assets are included in "Property, plant and equipment," and lease liabilities are included in "Other financial liabilities" (current) and "Other financial liabilities" (non-current) in the consolidated statement of financial position. Some contracts include a renewal option. There are no restrictions imposed by lease contracts such as significant renewal or purchase options, or escalation clauses.

(1) Right-of-use assets

The breakdown of the carrying amounts of right-of-use assets as of March 31, 2020 is presented in “Note 10. Property, Plant and Equipment, (2) Right-of-use assets.”

Right-of-use assets increased by ¥2,032 million (U.S. \$18,675 thousand) during FY2019.

(2) Lease liabilities

The balances of lease liabilities by due date as of March 31, 2020 are as follows.

	FY2019 (As of March 31, 2020)	FY2019 (As of March 31, 2020)
	Millions of yen	Thousands of U.S. dollars
Due within one year	1,973	18,133
Due after one year through five years	4,596	42,239
Due after five years	4,827	44,362
Total balance of lease liabilities	11,396	104,733

(3) Amounts presented in the consolidated statement of profit or loss

The breakdown of items related to leases is as follows.

	FY2019 (From April 1, 2019 to March 31, 2020)	FY2019 (From April 1, 2019 to March 31, 2020)
	Millions of yen	Thousands of U.S. dollars
Depreciation of right-of-use assets		
Land, buildings and structures	753	6,920
Machinery, equipment and vehicles	1,002	9,209
Tools, furniture and fixtures	4	37
Total depreciation	1,759	16,166
Interest expense related to lease liabilities	112	1,029
Lease expenses arising from short-term lease exemptions	44	404
Lease expenses arising from low-value asset exemptions	45	414
Total lease expenses	1,960	18,013

(4) Amount recognized in the consolidated statement of cash flows

The total amount of cash outflows related to leases for FY2019 is ¥2,001 million (U.S. \$18,390 thousand).

21. Provisions

The breakdown of provisions and their changes during the period are as follows.

	Provision for decommission- ing preparations	Asset retirement obligations	Provision for bonuses	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of March 31, 2019	11,345	10,148	3,544	2,078	27,115
Increases	191	6,235	3,397	293	10,116
Effect of changes in the discount rate	–	1,614	–	–	1,614
Unwinding of discount	–	114	–	–	114
Decreases (utilized)	(691)	(9)	(3,544)	(548)	(4,792)
Decreases (reversed)	–	(7,330)	–	(640)	(7,970)
Decreases due to deconsolidation	–	–	(28)	–	(28)
Exchange differences on translation	–	(65)	(1)	(3)	(69)
As of March 31, 2020	10,845	10,707	3,368	1,180	26,100
Current liabilities	–	2	3,544	1,207	4,753
Non-current liabilities	11,345	10,146	–	871	22,362
Total (as of March 31, 2019)	11,345	10,148	3,544	2,078	27,115
Current liabilities	–	87	3,368	937	4,392
Non-current liabilities	10,845	10,620	–	243	21,708
Total (as of March 31, 2020)	10,845	10,707	3,368	1,180	26,100

	Provision for decommission- ing preparations	Asset retirement obligations	Provision for bonuses	Other	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2019	104,264	93,263	32,571	19,098	249,196
Increases	1,755	57,302	31,220	2,693	92,969
Effect of changes in the discount rate	–	14,833	–	–	14,833
Unwinding of discount	–	1,048	–	–	1,048
Decreases (utilized)	(6,351)	(83)	(32,571)	(5,036)	(44,040)
Decreases (reversed)	–	(67,365)	–	(5,882)	(73,247)
Decreases due to deconsolidation	–	–	(257)	–	(257)
Exchange differences on translation	–	(597)	(9)	(28)	(634)
As of March 31, 2020	99,669	98,401	30,953	10,845	239,868
Current liabilities	–	800	30,953	8,611	40,364
Non-current liabilities	99,669	97,601	–	2,233	199,504
Total (as of March 31, 2020)	99,669	98,401	30,953	10,845	239,868

(1) Provision for decommissioning preparations

JCO Co., Ltd., a domestic consolidated subsidiary of the Company, is advancing measures to promote facility dismantlement and decontamination to prepare for the decommissioning of its facilities. As certain losses are anticipated to be incurred depending on the conditions of dismantlement and decontamination of its facilities in the future, the Company will post a provision for decommissioning preparations for losses that can be reasonably estimated.

An outflow of economic benefits is expected to take place mostly after one year from the end of each fiscal year, which, however, can vary depending on future business plans and other factors.

(2) Asset retirement obligations

The amount of asset retirement obligations is the reasonable estimate of the expenses required for the Company under the business plan and its consolidated subsidiaries to fulfill their obligations under

individual leasing contracts and restoration obligations under mining laws and regulations of each jurisdiction. Furthermore, for the SMM Group's business establishments, subsidiaries and associates in Japan, the amount of asset retirement obligations is based on the reasonable estimate of retirement, research and other expenses required to fulfill their obligations, for example to retire assets and conduct environmental researches in a special manner provided by asbestos related laws and regulations (such as the Ordinance on Prevention of Asbestos Hazards) and dioxins related laws and regulations (such as the Ordinance on Industrial Safety and Health).

An outflow of economic benefits is expected to take place mostly after one year from the end of each fiscal year, which, however, can vary depending on future business plans and other factors.

(3) Provision for bonuses

Regarding payment of bonuses to employees and executive officers, the amount that is expected to be paid is calculated and stated at that amount.

An outflow of economic benefits is expected to take place within a year from the end of each fiscal year.

22. Employee Benefits

The SMM Group has adopted both funded and unfunded defined benefit plans and defined contribution plans as retirement benefits for its employees, which cover substantially all of the employees. Although the SMM Group's defined benefit plans are exposed to the following risks, we believe that none of these risks are material.

(i) Investment risk

The present value of the defined benefit obligations is calculated based on a discount rate that is determined by reference to market yields on high quality corporate bonds at the fiscal year-end. In the event the investment yields for plan assets fall below the discount rate, worsened funded status may lead to a reduction in equity.

(ii) Interest rate risk

In case the discount rate is lowered due to a decline in market yields on high quality corporate bonds, the present value of the defined benefit obligations increases, and as a result, worsened funded status may lead to a reduction in equity.

(iii) Inflation risk

Some of the SMM Group's defined benefit plan is linked to inflation. In case the inflation rate keeps rising, the present value of the defined benefit obligations increases, and as a result, worsened funded status may lead to a reduction in equity.

(iv) Longevity risk

If the average life expectancy of the participants in the plans rises, the present value of the defined benefit obligations increases, and as a result, worsened funded status may lead to a reduction in equity.

The funded defined benefit plans are run by pension funds legally isolated from the SMM Group. Institutions undertaking the investment of pension funds are required by laws and regulations to act in the best interest of participants in the pension plans, and are responsible for managing the plan assets in accordance with established policies.

The present value of defined benefit obligation and the related current and past service cost are calculated by using the projected unit credit method.

The discount rate is determined by reference to market yields on high quality corporate bonds as of the fiscal year-end, corresponding to the discount period, which is set based on the period up to the expected benefit payment date for each fiscal year in the future.

Liability or asset associated with a defined benefit plan is calculated by subtracting the fair value of the plan assets from the present value of defined benefit obligation.

Remeasurements of the defined benefit plans is recognized in full as other comprehensive income when such remeasurements occur, and transferred immediately from other components of equity to retained earnings.

Past service cost is recognized as an expense on a straight-line basis over the average period until the benefits are vested. In the event the benefits are already vested immediately after introduction of or amendment to the defined benefit plan, past service cost is recognized as profit or loss for the period when they occur.

Retirement benefit expenses associated with the defined contribution plans are recognized when the contribution is made.

(1) Retirement benefits

1) Defined benefit plan

(i) Reconciliation of defined benefit obligations and plan assets

The relation between defined benefit obligations and plan assets and net defined benefit liability (asset) on the consolidated statement of financial position is as follows.

		(Thousands of (Millions of yen) U.S. dollars)	
	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)	
Present value of funded defined benefit obligations	71,892	70,746	650,179
Fair value of plan assets	(67,986)	(66,167)	(608,097)
Subtotal	3,906	4,579	42,083
Present value of unfunded defined benefit obligations	1,893	2,103	19,327
Net defined benefit liability (asset)	5,799	6,682	61,410
Amounts on the consolidated statement of financial position			
Retirement benefit liability	10,391	14,024	128,885
Retirement benefit asset (Note)	(4,592)	(7,342)	(67,475)
Net liability (asset) on the consolidated statement of financial position	5,799	6,682	61,410

Note: Retirement benefit asset is included in “other non-current assets” on the consolidated statement of financial position.

(ii) Reconciliation of present value of defined benefit obligations

Changes in the present value of defined benefit obligations are as follows.

		(Millions of yen)	(Thousands of U.S. dollars)
	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)	
Defined benefit obligation at beginning of period	70,490	73,785	678,109
Service cost	1,736	2,139	19,658
Interest expenses	360	331	3,042
Remeasurements			
Actuarial gains and losses arising from changes in demographic assumptions	2,574	122	1,121
Actuarial gains and losses arising from changes in financial assumptions	665	(721)	(6,626)
Past service cost	707	725	6,663
Benefits paid	(2,844)	(3,449)	(31,697)
Exchange differences on translation	(10)	(6)	(55)
Other	107	(77)	(708)
Defined benefit obligation at end of period	73,785	72,849	669,506

The weighted-average duration of the defined benefit obligations was 12 years and 11 years for FY2018 and FY2019, respectively.

(iii) Reconciliation of fair value of plan assets

Changes in the fair value of the plan assets are as follows.

		(Millions of yen)	(Thousands of U.S. dollars)
	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)	
Fair value of the plan assets at beginning of period	63,241	67,986	624,814
Interest revenue	181	150	1,379
Remeasurements			
Return on plan assets	(1,142)	(4,267)	(39,215)
Contribution to the plan			
Contribution from employers	6,963	3,974	36,522
Contribution from participants in the plan	90	89	818
Benefits paid	(1,553)	(1,647)	(15,136)
Other	206	(118)	(1,084)
Fair value of the plan assets at end of period	67,986	66,167	608,097

The SMM Group plans to make contributions of ¥2,407 million (U.S. \$22,121 thousand) in the next fiscal year (ending March 31, 2021).

(iv) Breakdown of plan assets by item

Major components of the plan assets are as follows.

Breakdown of fair value by asset class

(Millions of yen)

	FY2018 (As of March 31, 2019)			FY2019 (As of March 31, 2020)		
	With quoted prices in active markets	With no quoted prices in active markets	Total	With quoted prices in active markets	With no quoted prices in active markets	Total
Japanese equity securities	22,794	—	22,794	18,655	—	18,655
Foreign equity securities	11,312	—	11,312	9,711	—	9,711
Japanese debt securities	11,628	8,245	19,873	9,066	9,864	18,930
Foreign debt securities	2,394	35	2,429	7,222	1,434	8,656
General accounts of insurance companies	—	1,094	1,094	—	1,173	1,173
Other	9,199	1,285	10,484	6,830	2,212	9,042
Total plan assets	57,327	10,659	67,986	51,484	14,683	66,167

(Thousands of U.S. dollars)

	FY2019 (As of March 31, 2020)		
	With quoted prices in active markets	With no quoted prices in active markets	Total
Japanese equity securities	171,446	—	171,446
Foreign equity securities	89,247	—	89,247
Japanese debt securities	83,320	90,653	173,973
Foreign debt securities	66,373	13,179	79,552
General accounts of insurance companies	—	10,780	10,780
Other	62,770	20,329	83,099
Total plan assets	473,155	134,942	608,097

The SMM Group's policy for managing plan assets is to secure stable returns over the medium to long term so that it can ensure the payment of defined benefit obligations in the future, in accordance with company regulations. More specifically, the SMM Group sets a target return and defines asset allocation within the range of tolerable risk defined annually, and seeks to maintain such target return and asset allocation in managing the plan assets. Each time the SMM Group reviews the asset allocation, it examines whether it should introduce the type of plan assets linked closely to changes in defined benefit obligations.

Also, based on the Defined Benefit Corporate Pension Act, the SMM Group regularly reviews the amount of contributions. Specifically, the SMM Group recalculates the amount of contributions every five years to maintain a well-balanced financial position.

In addition, the SMM Group has adopted an investment policy to minimize any mismatch between assets and liabilities so that it can secure stable investment returns over the medium to long term. Specifically, the SMM Group has invested primarily in low-risk long-term debt securities to suppress fluctuations in investment returns and stabilize funding ratios.

(v) Major actuarial assumptions

Major assumptions used for the actuarial calculation are as follows.

	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Discount rate	0.40%	0.50%

(vi) Sensitivity analysis

The impact of 0.5% changes in the discount rates used for actuarial calculations on the present value of the defined benefit obligations is as follows. Although the analysis assumes that all the other variables remain constant, changes in other assumptions may actually affect the results of the sensitivity analysis.

		(Millions of yen)	(Thousands of U.S. dollars)	
		FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)	
Discount rate	0.5% increase	(3,659)	(3,478)	(31,964)
	0.5% decrease	3,977	3,800	34,923

2) Defined contribution plan

The amounts recognized as expenses associated with a defined contribution plan are ¥386 million and ¥415 million (U.S. \$3,814 thousand) for FY2018 and FY2019, respectively.

23. Other Liabilities

The breakdown of other liabilities is as follows.

		FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)	
		Millions of yen	Millions of yen	Thousands of U.S. dollars
Other current liabilities				
	Borrowed bullion	4,041	4,068	37,386
	Deposits received	744	845	7,766
	Other	1,886	1,840	16,910
	Total	6,671	6,753	62,062
Other non-current liabilities				
	Other	888	842	7,738
	Total	888	842	7,738

24. Equity and Other Components of Equity

(1) Share capital and capital surplus

Changes in the numbers of authorized shares and issued shares are as follows.

	Number of authorized shares	Number of issued shares
	Shares	Shares
The beginning of FY2018 (As of April 1, 2018)	500,000,000	290,814,015
Increase (decrease) during the period	—	—
FY2018 (As of March 31, 2019)	500,000,000	290,814,015
Increase (decrease) during the period	—	—
FY2019 (As of March 31, 2020)	500,000,000	290,814,015

Note: The shares issued by the Company are ordinary shares with no par value that have no restrictions on any rights. The issued shares have been fully paid up.

(2) Treasury shares

Changes in the number of treasury shares are as follows.

	Number of shares	Amount
	Shares	Millions of yen
The beginning of FY2018 (As of April 1, 2018)	16,020,099	37,959
Increase (decrease) during the period (Note 1)	6,171	24
FY2018 (As of March 31, 2019)	16,026,270	37,983
Increase (decrease) during the period (Note 2)	6,215	19
FY2019 (As of March 31, 2020)	16,032,485	38,002
	Amount	
	Thousands of U.S. dollars	
FY2018 (As of March 31, 2019)	349,076	
Increase (decrease) during the period (Note 2)	175	
FY2019 (As of March 31, 2020)	349,251	

Notes: 1. The number of treasury shares increased by 6,632 shares during the period. The increase is attributable to the purchase of fractional shares.

The number of treasury shares decreased by 461 shares during the period. The decrease is attributable to sale of fractional shares to meet the demand for sale of shares less than one unit.

2. The number of treasury shares increased by 6,263 shares during the period. The increase is attributable to the purchase of fractional shares.

The number of treasury shares decreased by 48 shares during the period. The decrease is attributable to sale of fractional shares to meet the demand for sale of shares less than one unit.

(3) Capital surplus

The Companies Act of Japan (hereinafter the “Companies Act”) provides that at least half the amount of money paid in for issuance of shares or the amount of properties other than money delivered be credited to the share capital, and the remainder be credited to legal capital reserve, which is part of capital surplus. The Companies Act also provides that legal capital reserve may be credited to share capital pursuant to a resolution at the general meeting of shareholders.

(4) Retained earnings

The Companies Act provides that an amount equal to 10% of the dividends paid from surplus be transferred to legal capital reserve and legal retained earnings until the aggregate amount of legal capital reserve and legal retained earnings equals 25% of share capital. The amount accumulated in legal retained earnings may be used to offset deficit. Further, the Act provides that legal retained earnings may be reversed pursuant to a resolution at the general meeting of shareholders.

25. Dividends

(1) Dividends paid

FY2018 (From April 1, 2018 to March 31, 2019)

Date of resolution	Total dividend amount	Dividend per share	Record date	Effective date
	Millions of yen	Yen		
Ordinary General Meeting of Shareholders held on June 26, 2018	18,136	66	March 31, 2018	June 27, 2018
Board of Directors meeting held on November 8, 2018	14,014	51	September 30, 2018	December 5, 2018

FY2019 (From April 1, 2019 to March 31, 2020)

Date of resolution	Total dividend amount		Dividend per share		Record date	Effective date
	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Ordinary General Meeting of Shareholders held on June 25, 2019	6,045	55,556	22	0.20	March 31, 2019	June 26, 2019
Board of Directors meeting held on November 8, 2019	10,717	98,493	39	0.36	September 30, 2019	December 9, 2019

(2) Dividends with effective date falling in the following fiscal year are as follows.

FY2018 (From April 1, 2018 to March 31, 2019)

Date of resolution	Total dividend amount	Dividend per share	Record date	Effective date
	Millions of yen	Yen		
Ordinary General Meeting of Shareholders on June 25, 2019	6,045	22	March 31, 2019	June 26, 2019

FY2019 (From April 1, 2019 to March 31, 2020)

Date of resolution	Total dividend amount		Dividend per share		Record date	Effective date
	Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
Ordinary General Meeting of Shareholders on June 26, 2020	10,716	98,484	39	0.36	March 31, 2020	June 29, 2020

26. Net Sales

(1) Disaggregation of revenue and relationship with each reportable segment

FY2018 (From April 1, 2018 to March 31, 2019)

	Reportable segments				Other businesses	Total
	Mineral Resources	Smelting & Refining	Materials	Total		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Major products/services						
Ore	130,078	—	—	130,078	—	130,078
Metals						
Copper and precious metals	—	462,243	—	462,243	—	462,243
Nickel	—	158,833	—	158,833	—	158,833
Zinc and lead	—	13,970	—	13,970	—	13,970
Materials						
Powder materials	—	—	33,233	33,233	—	33,233
Battery materials	—	—	113,547	113,547	—	113,547
Package materials	—	—	18,193	18,193	—	18,193
Other	—	2,733	54,423	57,156	8,864	66,020
Subtotal	130,078	637,779	219,396	987,253	8,864	996,117
Adjustments	(29,979)	(32,386)	(16,388)	(78,753)	(5,156)	(83,909)
Outside customers	100,099	605,393	203,008	908,500	3,708	912,208

FY2019 (From April 1, 2019 to March 31, 2020)

	Reportable segments				Other businesses	Total
	Mineral Resources	Smelting & Refining	Materials	Total		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Major products/services						
Ore	114,861	—	—	114,861	—	114,861
Metals						
Copper and precious metals	—	438,839	—	438,839	—	438,839
Nickel	—	160,175	—	160,175	—	160,175
Zinc and lead	—	12,634	—	12,634	—	12,634
Materials						
Powder materials	—	—	29,341	29,341	—	29,341
Battery materials	—	—	126,935	126,935	—	126,935
Package materials	—	—	17,376	17,376	—	17,376
Other	—	2,383	54,983	57,366	10,020	67,386
Subtotal	114,861	614,031	228,635	957,527	10,020	967,547
Adjustments	(34,910)	(35,032)	(19,184)	(89,126)	(5,806)	(94,932)
Outside customers	79,951	578,999	209,451	868,401	4,214	872,615

	Reportable segments				Other businesses	Total
	Mineral Resources	Smelting & Refining	Materials	Total		
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Major products/services						
Ore	1,055,611	–	–	1,055,611	–	1,055,611
Metals						
Copper and precious metals	–	4,033,076	–	4,033,076	–	4,033,076
Nickel	–	1,472,061	–	1,472,061	–	1,472,061
Zinc and lead	–	116,111	–	116,111	–	116,111
Materials						
Powder materials	–	–	269,654	269,654	–	269,654
Battery materials	–	–	1,166,575	1,166,575	–	1,166,575
Package materials	–	–	159,691	159,691	–	159,691
Other	–	21,901	505,312	527,213	92,087	619,300
Subtotal	1,055,611	5,643,149	2,101,232	8,799,991	92,087	8,892,078
Adjustments	(320,834)	(321,956)	(176,307)	(819,098)	(53,359)	(872,457)
Outside customers	734,776	5,321,193	1,924,924	7,980,893	38,728	8,019,621

1) Mineral Resources

In the Mineral Resources business, the SMM Group mainly engages in sales of gold and silver ores, copper concentrates and copper produced by the SX-EW method. Regarding the timing of revenue recognition, the SMM Group records revenue at the time of delivery of the goods because a performance obligation is satisfied by transferring control over the goods to the customer. Revenue from sale of these products are measured at the transaction price in contracts with customers. The contracts do not contain a significant financing component as the consideration for most transactions is received within one year after the performance obligation is satisfied.

2) Smelting & Refining

In the Smelting & Refining business, the SMM Group mainly engages in sales of copper, nickel, ferronickel and zinc, as well as sales of precious metals such as gold, silver, platinum and palladium. Regarding the timing of revenue recognition, the SMM Group records revenue at the time of delivery of the goods because a performance obligation is satisfied by transferring control over the goods to the customer. Revenue from sale of these products are measured at the transaction price in contracts with customers. The contracts do not contain a significant financing component as the consideration for most transactions is received within one year after the performance obligation is satisfied.

3) Materials

In the Materials business, the SMM Group mainly engages in sales of battery materials, pastes, powder materials, crystal materials and tape materials. Regarding the timing of revenue recognition, the SMM Group records revenue at the time of delivery of the goods because a performance obligation is satisfied by transferring control over the goods to the customer. Revenue from sale of these products are measured at the transaction price in contracts with customers. The contracts do not contain a significant financing component as the consideration for most transactions is received within one year after the performance obligation is satisfied.

(2) Contract balances

Contract balances consist primarily of receivables (notes and accounts receivable-trade) arising from contracts with customers. The balances are presented in “Note 8. Trade and Other Receivables.”

(3) Transaction price allocated to the remaining performance obligations

There are no significant transactions with the individual contract period exceeding one year. The SMM Group has applied the practical expedient provided in paragraph 121 of IFRS 15 and omitted disclosure of the information about the remaining performance obligations with an individual expected contract period of one year or less.

There are no significant considerations from contracts with customers that were not included in the transaction price.

(4) Assets recognized from the costs to obtain or fulfil a contract with a customer

There are no incremental costs to obtain a contract and significant costs to fulfill a contract with a customer that the SMM Group shall recognize as an asset.

27. Breakdown of Expenses by Nature

The breakdown of cost of sales and selling, general and administrative expenses is as follows.

	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Material cost and cost of merchandise sold	634,465	607,085	5,579,313
Personnel expenses	65,373	65,229	599,476
Depreciation	40,541	43,020	395,368
Subcontract expenses	22,107	20,750	190,699
Repair expenses	20,397	21,936	201,599
Research and development expenses	6,298	6,920	63,597
Other	45,719	47,302	434,721
Total	834,900	812,242	7,464,773

28. Finance Income and Costs

(1) Finance income

The breakdown of finance income is as follows.

	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Interest income			
Financial assets measured at amortized cost	14,319	8,897	81,766
Dividend income			
Equity financial assets measured at fair value through other comprehensive income	3,803	3,822	35,125
Foreign exchange gains	2,845	—	—
Reversal of allowance for doubtful accounts (Note)	—	2,255	20,724
Other	—	416	3,823
Total	20,967	15,390	141,439

(Note) Mainly incurred from loans receivable.

(2) Finance costs

The breakdown of finance costs is as follows.

	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Interest expense			
Financial liabilities measured at amortized cost	6,887	6,393	58,754
Lease liabilities	—	112	1,029
Foreign exchange losses	—	1,239	11,387
Other	1,975	114	1,048
Total	8,862	7,858	72,218

29. Other Income and Expenses

(1) The breakdown of other income is as follows.

	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Gain on sale of fixed assets (Note 1)	262	9,224	84,772
Gain on sale of subsidiaries (Note 2)	9,512	112	1,029
Foreign exchange gains	6	192	1,765
Other	3,231	3,327	30,576
Total	13,011	12,855	118,142

- Notes:
1. During FY2019, the Company's then consolidated subsidiary, Taihei Metal Industry Co., Ltd. (Smelting & Refining segment) sold and transferred its own operating assets consisting of land and buildings as part of its asset liquidation consequent to business withdrawal. Accordingly, the Company recorded ¥8,953 million (U.S. \$82,281 thousand) as gain on sale of fixed assets for FY 2019.
 2. During FY2018 the SMM Group recorded gain on sale of subsidiaries of ¥9,512 million as a result of selling Sumitomo Metal Mining Pogo LLC, a consolidated subsidiary of the Company, which belonged to the Mineral Resources segment.

(2) The breakdown of other expenses is as follows.

	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Maintenance expense of suspended or abandoned mines	700	1,246	11,451
Suspended business management expense	794	986	9,062
Loss on sales and retirement of fixed assets	1,079	608	5,588
Loss on sale of subsidiaries	—	488	4,485
Provision for decommissioning preparations	350	191	1,755
Other	5,229	4,384	40,290
Total	8,152	7,903	72,631

30. Other Comprehensive Income

The following table shows the analysis of other comprehensive income by item in terms of the amount that occurred during the period, the amount reclassified to profit or loss, and the effect of income taxes.

FY2018 (From April 1, 2018 to March 31, 2019)

	Amount that occurred during the period	Reclassification adjustment	Amount before tax	Income taxes	Amount after tax
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
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	(9,022)	–	(9,022)	2,053	(6,969)
Remeasurements of defined benefit plans	(4,381)	–	(4,381)	1,345	(3,036)
Share of other comprehensive income of investments accounted for using equity method	(205)	–	(205)	–	(205)
Total of items that will not be reclassified to profit or loss	(13,608)	–	(13,608)	3,398	(10,210)
Items that will be reclassified to profit or loss:					
Cash flow hedges	721	(105)	616	(151)	466
Exchange differences on translation of foreign operations	475	–	475	–	475
Share of other comprehensive income of investments accounted for using equity method	(6,323)	–	(6,323)	–	(6,323)
Total of items that will be reclassified to profit or loss	(5,127)	(105)	(5,232)	(151)	(5,382)
Total	(18,735)	(105)	(18,840)	3,247	(15,592)

FY2019 (From April 1, 2019 to March 31, 2020)

	Amount that occurred during the period	Reclassification adjustment	Amount before tax	Income taxes	Amount after tax
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
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	(28,815)	–	(28,815)	7,689	(21,126)
Remeasurements of defined benefit plans	(3,668)	–	(3,668)	1,148	(2,520)
Share of other comprehensive income of investments accounted for using equity method	(115)	–	(115)	–	(115)
Total of items that will not be reclassified to profit or loss	(32,598)	–	(32,598)	8,837	(23,761)
Items that will be reclassified to profit or loss:					
Cash flow hedges	(2,129)	(136)	(2,265)	620	(1,645)
Exchange differences on translation of foreign operations	(5,108)	–	(5,108)	–	(5,108)
Share of other comprehensive income of investments accounted for using equity method	(2,979)	–	(2,979)	–	(2,979)
Total of items that will be reclassified to profit or loss	(10,216)	(136)	(10,352)	620	(9,732)
Total	(42,814)	(136)	(42,950)	9,457	(33,493)

	Amount that occurred during the period	Reclassification adjustment	Amount before tax	Income taxes	Amount after tax
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
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	(264,819)	—	(264,819)	70,664	(194,155)
Remeasurements of defined benefit plans	(33,710)	—	(33,710)	10,551	(23,160)
Share of other comprehensive income of investments accounted for using equity method	(1,057)	—	(1,057)	—	(1,057)
Total of items that will not be reclassified to profit or loss	(299,586)	—	(299,586)	81,215	(218,371)
Items that will be reclassified to profit or loss:					
Cash flow hedges	(19,566)	(1,250)	(20,816)	5,698	(15,118)
Exchange differences on translation of foreign operations	(46,944)	—	(46,944)	—	(46,944)
Share of other comprehensive income of investments accounted for using equity method	(27,378)	—	(27,378)	—	(27,378)
Total of items that will be reclassified to profit or loss	(93,888)	(1,250)	(95,138)	5,698	(89,440)
Total	(393,475)	(1,250)	(394,725)	86,913	(307,812)

31. Earnings per Share

	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)
Profit attributable to owners of parent (Millions of yen)	66,790	60,600
Adjustment of profit attributable to owners of parent (Millions of yen)	—	—
Profit used to calculate diluted earnings per share (Millions of yen)	66,790	60,600
Weighted average number of ordinary shares outstanding (Thousands of shares)	274,790	274,785
Increase in ordinary shares (Thousands of shares)	—	—
Weighted average number of diluted ordinary shares (Thousands of shares)	274,790	274,785
Basic earnings per share (Yen)	243.06	220.54
Diluted earnings per share (Yen)	243.06	220.54

	FY2019 (From April 1, 2019 to March 31, 2020)
Profit attributable to owners of parent (Thousands of U.S. dollars)	556,934
Adjustment of profit attributable to owners of parent (Thousands of U.S. dollars)	—
Profit used to calculate diluted earnings per share (Thousands of U.S. dollars)	556,934
Basic earnings per share (U.S. dollars)	2.03
Diluted earnings per share (U.S. dollars)	2.03

32. Cash Flow Information

(1) Cash inflows and outflows for acquisition or sale of subsidiaries, etc.

During FY2018, the Company sold the shares of Sumitomo Metal Mining Pogo LLC, which had been a consolidated subsidiary. The breakdown of assets and liabilities of the subsidiary at the time of the sale, as well as considerations received and proceeds from sale of the shares, are as follows.

	(Millions of yen)
	FY2018 (From April 1, 2018 to March 31, 2019)
Breakdown of assets at time of loss of control	
Current assets	5,355
Non-current assets	17,619
Breakdown of liabilities at time of loss of control	
Current liabilities	(2,440)
Non-current liabilities	(5,743)

	(Millions of yen)
	FY2018 (From April 1, 2018 to March 31, 2019)
Consideration received	(25,101)
Cash and cash equivalents	570
Proceeds from sale of interests in subsidiaries resulting in change in scope of consolidation (received)	(24,531)

During FY2019, the Company sold the shares of Stone Boy Inc., and Nittosha Co., Ltd., which had been consolidated subsidiaries. The breakdown of assets and liabilities of the subsidiaries at the time of the sale, as well as considerations received and proceeds from sale of the shares, are as follows.

	(Millions of yen)	(Thousands of U.S. dollars)
	FY2019 (From April 1, 2019 to March 31, 2020)	
Breakdown of assets at time of loss of control		
Current assets	1,060	9,742
Non-current assets	691	6,351
Breakdown of liabilities at time of loss of control		
Current liabilities	258	2,371
Non-current liabilities	23	211

	(Millions of yen)	(Thousands of U.S. dollars)
	FY2019 (From April 1, 2019 to March 31, 2020)	
Consideration received	885	8,133
Cash and cash equivalents	–	–
Proceeds from sale of interests in subsidiaries resulting in change in scope of consolidation (received)	(885)	(8,133)

(2) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities are as follows.

FY2018 (From April 1, 2018 to March 31, 2019)

	As of April 1, 2018	Changes with cash flows	Exchange differences on translation of foreign operations	Changes under amortized cost method	Other	As of March 31, 2019
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Short-term borrowings	41,362	2,761	637	–	–	44,760
Long-term borrowings	280,448	(8,057)	2,682	53	–	275,126
Bonds payable	69,330	(10,083)	–	158	–	59,405
Total	391,140	(15,379)	3,319	211	–	379,291

FY2019 (From April 1, 2019 to March 31, 2020)

	As of April 1, 2019	Effect of accounting change	Changes with cash flows	Exchange differences on translation of foreign operations	Changes under amortized cost method	Other (Note 1)	As of March 31, 2020
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Short-term borrowings	44,760	–	2,638	(353)	–	–	47,045
Long-term borrowings	275,126	–	(1,262)	(2,911)	52	–	271,005
Bonds payable	59,405	–	19,884	–	164	–	79,453
Lease liabilities	–	11,083	(1,800)	7	–	2,106	11,396
Total	379,291	11,083	19,460	(3,257)	216	2,106	408,899

	As of April 1, 2019	Effect of accounting change	Changes with cash flows	Changes without cash flows			As of March 31, 2020
				Exchange differences on translation of foreign operations	Changes under amortized cost method	Other (Note 1)	
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Short-term borrowings	411,359	–	24,244	(3,244)	–	–	432,359
Long-term borrowings	2,528,499	–	(11,598)	(26,753)	478	–	2,490,626
Bonds payable	545,952	–	182,741	–	1,507	–	730,199
Lease liabilities	–	101,856	(16,543)	64	–	19,355	104,733
Total	3,485,810	101,856	178,844	(29,933)	1,985	19,355	3,757,917

(Note 1) Mainly an increase in lease liabilities associated with new lease contracts.

33. Financial Instruments

(1) Management of capital risk

In order to sustainably enhance its corporate value, the SMM Group regularly sets out policies for the level of shareholders' equity and its debt/equity structure, and then verifies the status of their implementation under the capital policy in view of capital efficiency and stability related to financing. In addition, in "2018 3-Year Business Plan," the SMM Group has determined to maintain a consolidated equity ratio of 50% or more as a financial indicator to prove its sound financial strength.

Changes in consolidated equity ratio are as follows.

	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Total equity attributable to owners of parent	1,047,561	1,001,946	9,208,216
Total liabilities and equity	1,797,701	1,719,690	15,804,522
Consolidated equity ratio (Equity attributable to owners of parent ratio)	58.3%	58.3%	58.3%

(2) Management of financial risk

The SMM Group is exposed to various risks, such as credit risk, liquidity risk and market risks (comprising foreign currency risk, interest rate risk, commodity price fluctuation risk and equity price fluctuation risk), and performs risk management as described below.

1) Credit risk

Credit risk is the risk that customers and other counterparties will default on their contractual obligations, resulting in financial loss to the SMM Group.

With respect to trade receivables (notes and accounts receivable-trade), each business division within the SMM Group establishes its own set of credit control regulations. Pursuant to these regulations, sales and other relevant departments regularly monitor the status of counterparties, managing due dates and balances on an individual counterparty basis. In this manner, every effort is made to ensure early detection and mitigation of concerns regarding collection due to deterioration in financial standing or other factors.

As for other receivables (accounts receivable-other, etc.) and other financial assets such as loans receivable, etc., the SMM Group goes through an internal approval process regarding counterparties'

credit status at the start of transaction. The SMM Group also monitors counterparties to check their credit status on a regular basis even after the start of transaction.

In conjunction with the amendment to IAS 28, the SMM Group's long-term interests in its associates and joint ventures have been included in the scope of disclosure on credit risk from the beginning of FY2019.

With respect to the use of derivative transactions, steps are taken to engage in transactions with highly rated financial institutions only. These steps are taken with the aim of mitigating counterparty risk; therefore, such transactions have only limited impact on the SMM Group's credit risk. The SMM Group does not expose itself to significant concentrations of credit risk from specific counterparties as its receivables are due from a number of counterparties across a wide range of industries and geographies.

The maximum amount of the credit risk as of the consolidated closing date equals to the carrying amount of financial assets subject to credit risk that are presented in the consolidated statement of financial position. The following is the balance of guarantee obligations, which is the maximum exposure related to the SMM Group's credit risk.

	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Guarantee obligations	63,918	49,713	456,879

No provision for loss on guarantees that could arise from the performance of the said guarantee contracts is recorded as it is monetarily immaterial.

With respect to allowance for doubtful accounts for trade receivables, lifetime expected credit losses (ECL) are measured on a collective basis. The SMM Group calculates said allowance by first grouping receivables according to the similarity in characteristics of credit risks; and then by multiplying such receivables by a provision rate, determined based on the historical credit loss experience taking into account factors such as expected future economic conditions. A financial asset is considered to be credit-impaired when one or more events occur that have a detrimental impact on all the future cash flows that the SMM Group expects to receive; such events include an increase in probability that a counterparty will go into bankruptcy or other financial reorganization. On the occurrence of such events, the SMM Group measures ECL for credit-impaired financial assets on an individual receivable basis.

Allowance for doubtful accounts for other receivables and other financial assets such as loans receivable, etc. is measured at an amount equal to 12-month ECL if credit risk for them is deemed not to have increased significantly in accordance with the general approach. If otherwise, allowance for doubtful accounts is measured at an amount equal to lifetime ECL.

(i) Trade receivables

Changes in allowance for doubtful accounts for trade receivables are as follows.

FY2018 (From April 1, 2018 to March 31, 2019)

Allowance for doubtful accounts for	Financial assets recorded at an amount equal to 12-month ECL	Financial assets recorded at an amount equal to lifetime ECL			Total
		Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2018	—	3	—	—	3
Increase	—	—	—	—	—
Decrease (utilized)	—	(2)	—	—	(2)
Decrease (reversed)	—	—	—	—	—
Other	—	—	—	—	—
As of March 31, 2019	—	1	—	—	1

FY2019 (From April 1, 2019 to March 31, 2020)

Allowance for doubtful accounts for	Financial assets recorded at an amount equal to 12-month ECL	Financial assets recorded at an amount equal to lifetime ECL			Total
		Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2019	—	1	—	—	1
Increase	—	—	—	—	—
Decrease (utilized)	—	—	—	—	—
Decrease (reversed)	—	—	—	—	—
Other	—	—	—	—	—
As of March 31, 2020	—	1	—	—	1

Allowance for doubtful accounts for	Financial assets recorded at an amount equal to 12-month ECL	Financial assets recorded at an amount equal to lifetime ECL			Total
		Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of April 1, 2019	—	9	—	—	9
Increase	—	—	—	—	—
Decrease (utilized)	—	—	—	—	—
Decrease (reversed)	—	—	—	—	—
Other	—	—	—	—	—
As of March 31, 2020	—	9	—	—	9

The aggregate carrying amount of financial assets subject to allowance for doubtful accounts is as follows.

Carrying amount	Financial assets recorded at an amount equal to 12-month ECL	Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of March 31, 2019	—	108,357	—	—
As of March 31, 2020	—	95,618	—	—
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2020	—	878,761	—	—

(ii) Loans receivable, etc.

Changes in allowance for doubtful accounts for loans receivable, etc. are as follows.

FY2019 (From April 1, 2019 to March 31, 2020)

Allowance for doubtful accounts for	Financial assets recorded at an amount equal to 12-month ECL	Financial assets recorded at an amount equal to lifetime ECL			Total
		Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2019	—	—	—	—	—
Cumulative effect of accounting change	—	—	—	60,891	60,891
Restated balance as of April 1, 2019	—	—	—	60,891	60,891
Increase	—	—	—	4,533	4,533
Decrease (utilized)	—	—	—	—	—
Decrease (reversed)	—	—	—	(2,255)	(2,255)
Exchange differences on translation	—	—	—	(786)	(786)
As of March 31, 2020	—	—	—	62,383	62,383

Allowance for doubtful accounts for	Financial assets recorded at an amount equal to 12-month ECL	Financial assets recorded at an amount equal to lifetime ECL			Total
		Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of April 1, 2019	—	—	—	—	—
Cumulative effect of accounting change	—	—	—	559,608	559,608
Restated balance as of April 1, 2019	—	—	—	559,608	559,608
Increase	—	—	—	41,660	41,660
Decrease (utilized)	—	—	—	—	—
Decrease (reversed)	—	—	—	(20,724)	(20,724)
Exchange differences on translation	—	—	—	(7,224)	(7,224)
As of March 31, 2020	—	—	—	573,320	573,320

The carrying amounts by borrower for loans receivable subject to allowance for doubtful accounts are as follows.

As of April 1, 2019

Borrower	Financial assets recorded at an amount equal to 12-month ECL	Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Sierra Gorda S.C.M. (Note 1)	—	—	—	98,009
Compania Minera Teck Quebrada Blanca S.A.	75,352	—	—	—
Other	7,689	—	—	—
Total	83,041	—	—	98,009

Borrower	Financial assets recorded at an amount equal to 12-month ECL	Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Sierra Gorda S.C.M. (Note 1)	—	—	—	900,735
Compania Minera Teck Quebrada Blanca S.A.	692,510	—	—	—
Other	70,664	—	—	—
Total	763,174	—	—	900,735

As of March 31, 2020

Borrower	Financial assets recorded at an amount equal to 12-month ECL	Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Sierra Gorda S.C.M. (Note 1)	—	—	—	107,021
Compania Minera Teck Quebrada Blanca S.A.	77,537	—	—	—
Other	4,454	—	—	—
Total	81,991	—	—	107,021

Borrower	Financial assets recorded at an amount equal to 12-month ECL	Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Sierra Gorda S.C.M. (Note 1)	–	–	–	983,558
Compania Minera Teck Quebrada Blanca S.A.	712,591	–	–	–
Other	40,934	–	–	–
Total	753,524	–	–	983,558

Note: 1. Sierra Gorda S.C.M. was in balance sheet insolvency at the beginning of and throughout FY2019. Having assessed that Sierra Gorda is facing significant financial difficulty, the Company has measured an expected credit loss as a result of treating loan and other receivables extended by the SMM Group to Sierra Gorda as credit-impaired financial assets.

The SMM Group has assessed that the impact of COVID-19 on Sierra Gorda's earnings will be insignificant. This is because of the effect of the cost reduction program by curbing various operating expenses and curtailing capital investments despite copper prices being expected to hover below the previously expected range throughout FY2020. In addition, earnings for FY2021 and after are not expected to materially deviate from the existing plan. Future falls in the copper price due to the market environment and future developments of the spread of COVID-19 could impact the amount of allowance for doubtful accounts.

(iii) Other receivables and other financial assets

Changes in allowance for doubtful accounts for other receivables and other financial assets are as follows.

FY2018 (From April 1, 2018 to March 31, 2019)

Allowance for doubtful accounts for	Financial assets recorded at an amount equal to 12-month ECL	Financial assets recorded at an amount equal to lifetime ECL			Total
		Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
		Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2018	–	–	–	847	847
Increase	–	–	–	29	29
Decrease (utilized)	–	–	–	(676)	(676)
Decrease (reversed)	–	–	–	–	–
Other	–	–	–	–	–
As of March 31, 2019	–	–	–	200	200

FY2019 (From April 1, 2019 to March 31, 2020)

Allowance for doubtful accounts for	Financial assets recorded at an amount equal to 12-month ECL	Financial assets recorded at an amount equal to lifetime ECL			Total
		Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of April 1, 2019	—	—	—	200	200
Increase	—	—	—	5	5
Decrease (utilized)	—	—	—	—	—
Decrease (reversed)	—	—	—	(4)	(4)
Other	—	—	—	(4)	(4)
As of March 31, 2020	—	—	—	197	197

Allowance for doubtful accounts for	Financial assets recorded at an amount equal to 12-month ECL	Financial assets recorded at an amount equal to lifetime ECL			Total
		Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets	
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of April 1, 2019	—	—	—	1,838	1,838
Increase	—	—	—	46	46
Decrease (utilized)	—	—	—	—	—
Decrease (reversed)	—	—	—	(37)	(37)
Other	—	—	—	(37)	(37)
As of March 31, 2020	—	—	—	1,810	1,810

The aggregate carrying amount of financial assets subject to allowance for doubtful accounts is as follows.

Carrying amount	Financial assets recorded at an amount equal to 12-month ECL	Financial assets to which the simplified approach is applied	Financial assets whose credit risk has increased significantly since initial recognition	Credit-impaired financial assets
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of March 31, 2019	34,761	—	—	380
As of March 31, 2020	19,027	—	—	376
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
As of March 31, 2020	174,864	—	—	3,456

2) Liquidity risk

Liquidity risk is the risk of being unable to make payments on due dates in situations where the SMM Group is required to fulfill its repayment obligations for financial liabilities due.

The SMM Group manages liquidity risk by preparing and updating a cash management plan six months in advance based on reports from each department and division. Certain consolidated subsidiaries have adopted a cash management system and are efficiently maintaining appropriate levels of liquidity and cash on hand.

While maintaining an appropriate level of funds for repayment, the SMM Group has established a commitment line in case of emergencies such as unexpected funding needs and significant decline in market liquidity.

The amount of non-derivative financial liabilities by remaining term to maturity is as follows.

The amount of lease liabilities by remaining term to maturity is presented in” Note 20. Leases.”

FY2018 (As of March 31, 2019)

	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Non-derivative financial liabilities								
Trade and other payables	165,823	165,823	165,823	—	—	—	—	—
Bonds and borrowings	379,291	406,992	81,041	39,257	74,152	75,471	26,864	110,207
Total	545,114	572,815	246,864	39,257	74,152	75,471	26,864	110,207

FY2019 (As of March 31, 2020)

	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Non-derivative financial liabilities								
Trade and other payables	104,803	104,803	104,803	—	—	—	—	—
Bonds and borrowings	397,503	416,669	84,482	72,848	75,295	32,129	34,686	117,229
Total	502,306	521,472	189,285	72,848	75,295	32,129	34,686	117,229

	Carrying amount	Contractual cash flows	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Non-derivative financial liabilities								
Trade and other payables	963,174	963,174	963,174	—	—	—	—	—
Bonds and borrowings	3,653,184	3,829,326	776,418	669,497	691,986	295,276	318,776	1,077,373
Total	4,616,359	4,792,501	1,739,592	669,497	691,986	295,276	318,776	1,077,373

3) Market risks

(i) Foreign currency risk

The SMM Group uses forward exchange contracts and currency option contracts in an effort to offset the risks of movements in foreign currency exchange rates in connection with recognized receivables and payables as well as forecast transactions denominated in foreign currencies.

Exposure to foreign currency risk

The SMM Group is exposed to foreign currency risk mainly arising from U.S. dollar fluctuations.

The SMM Group's exposure to the U.S. dollar exchange risk is as follows. The following figures are after deduction of the amount of exposures to foreign currency risk that is hedged with derivative transactions.

	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
	Thousands of U.S. dollars	Thousands of U.S. dollars
Net exposure (liability)	(320,088)	636,182

Sensitivity analysis of foreign exchange

As for the SMM Group's foreign-currency-denominated financial instruments to which hedge accounting is not applied, the impact of weakening of the yen against the U.S. dollar by 1% on profit in the consolidated statement of profit or loss in each reporting period is as follows.

The figures below do not include the impact of translation of financial instruments denominated in functional currencies, as well as assets and liabilities and revenues and costs of foreign operations into yen. This analysis is based on the assumption that other variable factors are constant.

	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit	(246)	477	4,384

(ii) Interest rate risk

The SMM Group uses interest rate swap contracts and interest rate option contracts aiming at hedging the risks of hikes in interest rates for floating-rate borrowings.

Exposure to interest rate risk

The SMM Group's exposure to interest rate risk is as follows. The following figures are after deduction of the amount of exposures to interest rate risk that is hedged with derivative transactions.

	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Net exposure (liability)	(183,919)	(164,203)	(1,509,080)

Sensitivity analysis of interest rate

As for the SMM Group's floating-rate borrowings to which hedge accounting is not applied, the impact of interest rate hikes by 1% on profit in the consolidated statement of profit or loss in each reporting period is as follows. However, this analysis is based on the assumption that other variable factors (balance, exchange rate, etc.) are constant.

	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Profit	(1,477)	(1,277)	(11,736)

(iii) Commodity price risk

The SMM Group engages in sales of metal and other products and purchases of copper concentrates and other materials that are used as raw materials for such products. As sales and purchase prices of such commodities are affected by fluctuations in commodity prices, the SMM Group is exposed to risk of price fluctuations. Therefore, the SMM Group employs commodity forward contracts and commodity option contracts, which seek to provide hedges for the risk of price fluctuations.

Sensitivity analysis of commodity prices

As for the SMM Group's commodity forward and other contracts, the impact of commodity price changes on profit in the consolidated statement of profit or loss is immaterial for FY2018 and FY2019.

(iv) Risks associated with fluctuations in prices of equity instruments

With respect to equity instruments, the SMM Group regularly monitors fair values as well as the financial status of issuers; when such issuers are the SMM Group's counterparties, the SMM Group also reviews its holdings on a continuous basis taking into consideration its relationships with them.

Sensitivity analysis of risks associated with fluctuations in prices of equity instruments

The impact of drops in market prices of the SMM Group's equity instruments by 10% on other comprehensive income (net of tax effect) in each reporting period is as follows. This analysis is based on the assumption that all other variable factors are constant.

	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Other comprehensive income (net of tax effect)	(10,433)	(7,546)	(69,350)

(3) Fair value of financial instruments

1) Financial instruments measured at amortized cost

Carrying amount and fair value of financial instruments measured at amortized cost are as follows.

The table below does not include financial instruments whose carrying amounts reasonably approximate fair values and those that are immaterial, except for floating-rate long-term loans receivable and payable. Nor does the table below include lease liabilities, whose fair value is not required to be disclosed under IFRS 7.

	FY2018 (As of March 31, 2019)		FY2019 (As of March 31, 2020)			
	Carrying amount	Fair value	Carrying amount		Fair value	
	Millions of yen	Millions of yen	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Long-term loans receivable (Note)	177,738	177,007	126,610	1,163,588	192,369	1,767,935
Bonds payable	29,912	30,285	49,832	457,973	49,888	458,487
Convertible bond-type bonds with share acquisition rights	29,493	30,126	29,621	272,227	29,991	275,627
Long-term borrowings	275,126	277,392	271,005	2,490,626	272,882	2,507,876

- (Note) Long-term loans receivable predominantly consist of long-term interests that substantively form part of the net investment in associates. Their carrying amount for FY2019 is determined by concurrently performing evaluations by applying the expected credit loss model under IFRS 9 and the equity method procedures under IAS 28.

The method to measure fair value is as follows.

Long-term loans receivable

The fair values of floating-rate long-term loans receivable are based on their carrying amounts because their fair values reflect market interest rates within a short period of time and closely approximate their carrying amounts.

Fixed-rate long-term loans receivable are classified into Level 3 of fair value hierarchy, and their fair values are measured based on a method whereby the total principal and interest are discounted at an interest rate reflecting difference between market interest rates at inception of loan and those at the end of the period.

Long-term loans receivable are included and presented in other financial assets in the consolidated statement of financial position.

Bonds payable

Bonds payable are classified into Level 2 of fair value hierarchy, and their fair values are measured based on market prices and others.

Bonds payables are included and presented in bonds and borrowings in the consolidated statement of financial position.

Convertible bond-type bonds with share acquisition rights

Bond portion of convertible bond-type bonds with share acquisition rights is classified into Level 3 of fair value hierarchy, and its fair value is measured based on risk-free rates, credit spreads of discount bonds and others.

Bond portion of convertible bond-type bonds with share acquisition rights is included and presented in bonds and borrowings in the consolidated statement of financial position.

Long-term borrowings

The fair values of floating-rate long-term borrowings are based on their carrying amounts because their fair values reflect market interest rates within a short period of time and closely approximate their carrying amounts.

Fixed-rate long-term borrowings are classified into Level 3 of fair value hierarchy, and their fair values are measured based on a method whereby the total principal and interest are discounted at an estimated interest rate that is assumed to be applied to a new similar borrowing.

Long-term borrowings are included and presented in bonds and borrowings in the consolidated statement of financial position.

2) Financial instruments measured at fair value

The fair value hierarchy is categorized into the following three levels based on observability in market of inputs used to measure fair value.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly

Level 3: Unobservable inputs

The breakdown of financial instruments measured at fair value by fair value hierarchy level is as follows.

FY2018 (As of March 31, 2019)

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets:				
Financial assets measured at fair value through profit or loss				
Trade receivables with embedded derivatives	–	11,892	–	11,892
Derivatives to which hedge accounting is not applied	–	1,528	9	1,537
Derivatives to which hedge accounting is applied	–	1,390	–	1,390
Financial assets measured at fair value through other comprehensive income				
Equity instruments	143,711	–	6,472	150,183
Total	143,711	14,810	6,481	165,002
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives to which hedge accounting is not applied	–	1,068	–	1,068
Derivatives to which hedge accounting is applied	–	781	–	781
Total	–	1,849	–	1,849

FY2019 (As of March 31, 2020)

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets:				
Financial assets measured at fair value through profit or loss				
Trade receivables with embedded derivatives	–	8,805	–	8,805
Derivatives to which hedge accounting is not applied	–	2,409	3	2,412
Derivatives to which hedge accounting is applied	–	1,239	–	1,239
Financial assets measured at fair value through other comprehensive income				
Equity instruments	108,207	–	7,841	116,048
Total	108,207	12,453	7,844	128,504
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives to which hedge accounting is not applied	–	2,537	–	2,537
Derivatives to which hedge accounting is applied	–	1,037	–	1,037
Total	–	3,574	–	3,574

	Level 1	Level 2	Level 3	Total
	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars	Thousands of U.S. dollars
Assets:				
Financial assets measured at fair value through profit or loss				
Trade receivables with embedded derivatives	–	80,921	–	80,921
Derivatives to which hedge accounting is not applied	–	22,140	28	22,167
Derivatives to which hedge accounting is applied	–	11,387	–	11,387
Financial assets measured at fair value through other comprehensive income				
Equity instruments	994,458	–	72,061	1,066,520
Total	994,458	114,447	72,089	1,180,994
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivatives to which hedge accounting is not applied	–	23,316	–	23,316
Derivatives to which hedge accounting is applied	–	9,530	–	9,530
Total	–	32,846	–	32,846

The SMM Group recognizes transfers between fair value hierarchy levels as of the date of the event or change in circumstances that is the reason for the transfer.

There was no material transfer between Level 1 and Level 2 during each reporting period.

In addition, at derecognition of equity instruments or when the significant decline in fair value below acquisition cost is not temporary, the balance of other components of equity is transferred directly into retained earnings and not recognized in profit or loss.

The method to measure fair value is as follows.

Trade receivables with embedded derivatives

Trade receivables that include embedded derivatives and are accounted for in combination are classified into Level 2 of fair value hierarchy, and their fair values are measured based on the market price of copper on the LME for a certain period of time in the future.

Trade receivables with embedded derivatives are included and presented in trade and other receivables in the consolidated statement of financial position.

Derivatives

Derivatives are classified into Level 2 of fair value hierarchy, and their fair values are measured based on market prices and others.

Derivatives are included and presented in either other financial assets or other financial liabilities in the consolidated statement of financial position.

Derivatives embedded in convertible bond-type bonds with share acquisition rights are classified into Level 3 of fair value hierarchy, and their fair values are measured using valuation techniques such as one based on discounted future cash flows.

Equity instruments

Marketable securities are classified into Level 1 of fair value hierarchy, and their fair values are measured based on market prices.

Unlisted shares are classified into Level 3 of fair value hierarchy, and their fair values are measured using valuation techniques such as one based on discounted future cash flows.

Unlisted shares are included and presented in other financial assets in the consolidated statement of financial position.

- 3) Reconciliation of financial instruments classified into Level 3 from the beginning to the end of period
- Changes in the balance of financial instruments classified into Level 3 from the beginning to the end of period are as follows.

	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)	
	Millions of yen	Millions of yen	Thousands of U.S. dollars
Balance at beginning of period	6,465	6,481	59,563
Total gains and losses			
Profit or loss (Note 1)	(24)	(6)	(55)
Other comprehensive income (Note 2)	35	(486)	(4,467)
Purchases	5	—	—
Sales	—	(2)	(18)
Other	—	1,857	17,066
Balance at end of period	6,481	7,844	72,089

- Notes:
1. Gains and losses included in profit or loss relate to financial assets measured at fair value through profit or loss as of the end of the reporting period. These gains and losses are included in “finance income” and “finance costs” in the consolidated statement of profit or loss, respectively.
 2. Gains and losses included in other comprehensive income relate to financial assets measured at fair value through other comprehensive income as of the end of the reporting period. These gains and losses are included in “financial assets measured at fair value through other comprehensive income” in the consolidated statement of comprehensive income.

Financial instruments classified into Level 3 consist of non-listed shares and derivatives embedded in convertible bond-type bonds with share acquisition rights.

In accordance with the SMM Group’s accounting policy, their fair values are measured on a quarterly basis using the latest available data and reported to the superior; the SMM Group also constantly validates their appropriateness.

Significant unobservable inputs used in the measurement of fair value of unlisted shares classified into Level 3 are the discount rate used in the calculation of discounted future cash flows as well as the assumptions used for illiquidity discount. The SMM Group uses an approximately 11% discount rate and estimates the illiquidity discount at 30%. If the discount rate rises, the fair value decreases.

(4) Derivatives and hedge accounting

When applying hedge accounting, the SMM Group confirms whether an economic relationship between a hedged item and hedging instrument exists through qualitative and quantitative assessments. The qualitative assessments show whether the critical terms of hedged items and hedging instruments match exactly or are closely aligned, while the quantitative assessments show fluctuations in value of hedged items and hedging instruments offset each other because of the same risk. The purpose of these assessments is to confirm whether there is an economic relationship in which changes in fair value or cash flow of a hedged item attributable to the hedged risk shall be offset by changes in fair value or cash flow of a hedging instrument. The SMM Group also determines appropriate hedge ratios in light of economic relationships between hedging instruments and hedged items as well as the risk management strategy. The expected ineffective portion of hedge including cases affected by credit risk is immaterial.

1) Derivative transactions to which hedge accounting is applied

Floating-rate borrowings are exposed to risk of future interest rate hikes. The SMM Group enters into interest rate swap contracts and interest rate option contracts in order to hedge such risk, and designates these contracts as cash flow hedges.

The SMM Group is also subject to commodity price risk arising from the fact that the timing of price-setting for copper raw materials does not coincide with that for copper products. The SMM Group enters into short commodity futures contracts or long commodity futures contracts both with

inventories and purchase contracts as hedged items in order to hedge such risk, and designates these contracts as fair value hedges.

Notional amount and average price are as follows.

FY2018 (As of March 31, 2019)

Type of hedge	Category of risk	Type of transaction	Notional amount (Total)	Notional amount (Mature within one year)	Notional amount (Mature after one year through two years)	Notional amount (Mature after two years)	Rate / price
Cash flow hedges	Foreign currency risk	Forward exchange contracts (Millions of U.S. dollars)	0	0	—	—	¥107.85/U.S. \$
	Interest rate risk	Interest rate swaps (Millions of U.S. dollars)	168	13	13	142	Fixed interest rate 2.019%
		Interest rate options (Millions of U.S. dollars)	168	13	13	142	Interest rate cap 3.0%
	Commodity price risk	Commodity options	—	—	—	—	—
			—	—	—	—	—
Fair value hedges	Commodity price risk	Short copper futures contracts (T)	31,189	31,189	—	—	Average price ¥694 thousand/T (U.S. \$6,252.25 /T)
		Long copper futures contracts (T)	4,937	4,937	—	—	Average price ¥716 thousand/T (U.S. \$6,450.45 /T)

FY2019 (As of March 31, 2020)

Type of hedge	Category of risk	Type of transaction	Notional amount (Total)	Notional amount (Mature within one year)	Notional amount (Mature after one year through two years)	Notional amount (Mature after two years)	Rate / price
Cash flow hedges	Interest rate risk	Interest rate swaps (Millions of U.S. dollars)	155	13	13	129	Fixed interest rate 2.019%
		Interest rate swaps (Millions of U.S. dollars)	180	—	—	180	Fixed interest rate 2.185%
		Interest rate options (Millions of U.S. dollars)	155	13	13	129	Interest rate cap 3.0%
Fair value hedges	Commodity price risk	Short copper futures contracts (T)	21,341	21,341	—	—	Average price ¥602 thousand/T (U.S. \$5,532.58 /T)
		Long copper futures contracts (T)	10,651	10,651	—	—	Average price ¥563 thousand/T (U.S. \$5,174.16 /T)

Contract amount and fair value are as follows.

(Millions of yen)

	FY2018 (As of March 31, 2019)			FY2019 (As of March 31, 2020)		
	Contract amount and others	o/w Mature after one year	Fair value	Contract amount and others	o/w Mature after one year	Fair value
Forward exchange contracts	30	–	1	–	–	–
Interest rate swap / option contracts	19,240	17,722	1,389	37,071	35,559	(907)
Commodity option / futures contracts	25,191	–	(781)	18,857	–	1,109
Total	44,461	17,722	609	55,928	35,559	202

(Thousands of U.S. dollars)

	FY2019 (As of March 31, 2020)		
	Contract amount and others	o/w Mature after one year	Fair value
Forward exchange contracts	–	–	–
Interest rate swap / option contracts	340,695	326,799	(8,336)
Commodity option / futures contracts	173,302	–	10,192
Total	513,997	326,799	1,856

Changes in fair values of hedging instruments and those used as the basis for recognizing ineffective portion are as follows.

FY2018 (As of March 31, 2019)

(Millions of yen)

Type of hedge	Category of risk	Assets	Liabilities	Line items in the consolidated statement of financial position	Changes in fair value used as the basis for recognizing ineffective portion
Cash flow hedges	Foreign currency risk	1	–	Other financial assets	1
	Interest rate risk	1,389	–	Other financial assets	409
	Commodity price risk	–	–	–	132
Fair value hedges	Commodity price risk	–	781	Other financial liabilities	(781)

FY2019 (As of March 31, 2020)

(Millions of yen)

Type of hedge	Category of risk	Assets	Liabilities	Line items in the consolidated statement of financial position	Changes in fair value used as the basis for recognizing ineffective portion
Cash flow hedges	Interest rate risk	130	1,037	Other financial assets Other financial liabilities	(2,160)
Fair value hedges	Commodity price risk	1,109	–	Other financial assets	1,109

(Thousands of U.S. dollars)

Type of hedge	Category of risk	Assets	Liabilities	Line items in the consolidated statement of financial position	Changes in fair value used as the basis for recognizing ineffective portion
Cash flow hedges	Interest rate risk	1,195	9,530	Other financial assets Other financial liabilities	(19,851)
Fair value hedges	Commodity price risk	10,192	—	Other financial assets	10,192

Carrying amount of hedged items, financial impacts of hedges included in carrying amounts and changes in fair value used as the basis for recognizing ineffective portion related to fair value hedges are as follows.

FY2018 (As of March 31, 2019)

(Millions of yen)

Category of risk	Line items in the consolidated statement of financial position	Carrying amount	Cumulative adjustment for fair value hedges	Changes in fair value used as the basis for recognizing ineffective portion
Commodity price risk	Other current liabilities	19	(19)	(19)
	Inventories	22,456	800	800

FY2019 (As of March 31, 2020)

(Millions of yen)

Category of risk	Line items in the consolidated statement of financial position	Carrying amount	Cumulative adjustment for fair value hedges	Changes in fair value used as the basis for recognizing ineffective portion
Commodity price risk	Other current assets	278	278	278
	Inventories	11,468	(1,387)	(1,387)

(Thousands of U.S. dollars)

Category of risk	Line items in the consolidated statement of financial position	Carrying amount	Cumulative adjustment for fair value hedges	Changes in fair value used as the basis for recognizing ineffective portion
Commodity price risk	Other current assets	2,555	2,555	2,555
	Inventories	105,395	(12,747)	(12,747)

The amount recorded in other components of equity related to cash flow hedges is as follows.

FY2018 (As of March 31, 2019)

(Millions of yen)

Category of risk	Amount recorded in other components of equity related to continuing hedging relationships	Amount recorded in other components of equity related to discontinued hedging relationships
Foreign currency risk	0	—
Interest rate risk	630	—
Commodity price risk	—	—

FY2019 (As of March 31, 2020)

(Millions of yen)

Category of risk	Amount recorded in other components of equity related to continuing hedging relationships	Amount recorded in other components of equity related to discontinued hedging relationships
Interest rate risk	(1,015)	—

(Thousands of U.S. dollars)

Category of risk	Amount recorded in other components of equity related to continuing hedging relationships	Amount recorded in other components of equity related to discontinued hedging relationships
Interest rate risk	(9,328)	—

Changes in fair value of hedged items used as the basis for recognizing ineffective portion related to cash flow hedges are as follows.

FY2018 (As of March 31, 2019)

(Millions of yen)

Category of risk	Changes in fair value used as the basis for recognizing ineffective portion
Foreign currency risk	1
Interest rate risk	409
Commodity price risk	132

FY2019 (As of March 31, 2020)

(Millions of yen)

(Thousands of U.S. dollars)

Category of risk	Changes in fair value used as the basis for recognizing ineffective portion	Changes in fair value used as the basis for recognizing ineffective portion
Interest rate risk	(2,160)	(19,851)

The amount recorded in gains or losses and line items in the consolidated statement of profit or loss related to cash flow hedges are as follows.

FY2018 (As of March 31, 2019)

(Millions of yen)

Category of risk	Gains or losses on hedge recorded in other comprehensive income during the reporting period	Ineffective portion of hedge recorded in profit or loss	Line items in which ineffective portion of hedge is recorded in the consolidated statement of profit or loss	Amount reclassified (recycled) from cash flow hedges to profit or loss	Line items in which reclassification adjustment is recorded in the consolidated statement of comprehensive income
Foreign currency risk	1	—	—	—	—
Interest rate risk	425	—	—	22	Finance income
Commodity price risk	295	—	—	83	Finance income

FY2019 (As of March 31, 2020)

(Millions of yen)

Category of risk	Gains or losses on hedge recorded in other comprehensive income during the reporting period	Ineffective portion of hedge recorded in profit or loss	Line items in which ineffective portion of hedge is recorded in the consolidated statement of profit or loss	Amount reclassified (recycled) from cash flow hedges to profit or loss	Line items in which reclassification adjustment is recorded in the consolidated statement of comprehensive income
Interest rate risk	(2,129)	—	—	136	Finance income

(Thousands of U.S. dollars)

Category of risk	Gains or losses on hedge recorded in other comprehensive income during the reporting period	Ineffective portion of hedge recorded in profit or loss	Line items in which ineffective portion of hedge is recorded in the consolidated statement of profit or loss	Amount reclassified (recycled) from cash flow hedges to profit or loss	Line items in which reclassification adjustment is recorded in the consolidated statement of comprehensive income
Interest rate risk	(19,566)	—	—	1,250	Finance income

2) Derivative transactions to which hedge accounting is not applied

FY2018 (As of March 31, 2019)

Category of risk	Type of transaction	Notional amount (Total)	Notional amount (Mature within one year)	Notional amount (Mature after one year through two years)	Notional amount (Mature after two years)	Rate / price
Foreign currency risk	Forward exchange contracts (Millions of U.S. dollars)	70	70	—	—	Average ¥111.10/U.S. \$
	Forward exchange contracts (Millions of pounds sterling)	51	12	3	36	Average ¥137.14/GBP
	Forward exchange contracts (Millions of yen)	1,488	726	753	9	Average ¥108.55/U.S. \$
	Forward exchange contracts (Millions of Philippine pesos)	518	228	223	67	Average PHP 55.74/U.S. \$
	Currency options (Millions of U.S. dollars)	525	195	234	96	Exercise price CLP 625/U.S. \$
Commodity price risk	Short copper futures contracts (T)	9,100	9,100	—	—	Average price ¥678 thousand/T
	Long copper futures contracts (T)	19,875	19,450	425	—	Average price ¥688 thousand/T
	Long nickel futures contracts (T)	30	30	—	—	Average price ¥1,399 thousand/T
	Short gold futures contracts (Toz)	24,030	24,030	—	—	Average price ¥144 thousand/Toz

FY2019 (As of March 31, 2020)

Category of risk	Type of transaction	Notional amount (Total)	Notional amount (Mature within one year)	Notional amount (Mature after one year through two years)	Notional amount (Mature after two years)	Rate / price
Foreign currency risk	Forward exchange contracts (Millions of U.S. dollars)	36	36	–	–	Average ¥106.99/U.S. \$
	Forward exchange contracts (Millions of pounds sterling)	53	17	15	21	Average ¥136.88/GBP
	Forward exchange contracts (Millions of yen)	762	753	9	–	Average ¥108.55/U.S. \$
	Forward exchange contracts (Millions of Philippine pesos)	290	223	67	–	Average PHP 55.74/U.S. \$
	Currency options (Millions of U.S. dollars)	330	234	95	1	Exercise price CLP 625/U.S. \$
Commodity price risk	Short copper futures contracts (T)	9,300	6,300	3,000	–	Average price ¥621 thousand/T (U.S. \$5,707.20/T)
	Long copper futures contracts (T)	24,000	21,725	2,275	–	Average price ¥606 thousand/T (U.S. \$5,569.34/T)
	Short gold futures contracts (Toz)	1,290	1,290	–	–	Average price ¥176 thousand/Toz (U.S. \$1,617.50/Toz)
	Long gold futures contracts (Toz)	1,286	1,286	–	–	Average price ¥172 thousand/Toz (U.S. \$1,580.74/Toz)

Contract amount and fair value are as follows.

(Millions of yen)

	FY2018 (As of March 31, 2019)			FY2019 (As of March 31, 2020)		
	Contract amount and others	o/w Mature after one year	Fair value	Contract amount and others	o/w Mature after one year	Fair value
Forward exchange contracts	19,297	8,268	849	13,990	5,586	(214)
Commodity futures contracts	23,439	263	(389)	23,102	3,046	86
Total	42,736	8,531	460	37,092	8,632	(128)

(Thousands of U.S. dollars)

	FY2019 (As of March 31, 2020)		
	Contract amount and others	o/w Mature after one year	Fair value
Forward exchange contracts	128,573	51,337	(1,967)
Commodity futures contracts	212,315	27,994	790
Total	340,888	79,331	(1,176)

34. Significant Subsidiaries

The status of the Company's major consolidated subsidiaries is as follows.

Company name	Location	Reportable segments	Voting rights held by the Company (%)	
			FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
Sumitomo Metal Mining America Inc.	U.S.A.	Mineral Resources	100	100
Sumitomo Metal Mining Arizona Inc.	U.S.A.	Mineral Resources	80	80
SMM Morenci Inc.	U.S.A.	Mineral Resources	100	100
Sumitomo Metal Mining Oceania Pty. Ltd.	Australia	Mineral Resources	100	100
Hyuga Smelting Co., Ltd.	Japan	Smelting & Refining	60	60
Coral Bay Nickel Corporation	The Philippines	Smelting & Refining	54	54
Taganito HPAL Nickel Corporation	The Philippines	Smelting & Refining	75	75
Ohkuchi Electronics Co., Ltd.	Japan	Materials	100	100
Shinko Co., Ltd.	Japan	Materials	99	99
Sumitomo Metal Mining Siporex Co., Ltd.	Japan	Materials	100	100
JCO Co., Ltd.	Japan	Other Businesses	100	100

35. Related Parties

(1) Related party transactions

The SMM Group conducts transactions with the following related parties.

FY2018 (From April 1, 2018 to March 31, 2019)

Type	Name of the company or person	Location	Capital (Thousands of U.S. dollars)	Segment	Voting rights held by the Company (%)	Description of the business relationship	Transaction detail	Transaction amount Millions of yen	Account item	Ending balance Millions of yen
Associate	Sierra Gorda S.C.M.	Santiago, Chile	2,519,400	Mineral resources	Indirectly 45.0	Debt guarantee and pledge as security for loans, etc., from financial institutions, etc.	Debt guarantee	61,825 (Note 1)	—	—
							Debt guarantee fee	614 (Note 1)	Other financial assets	3,294
							Pledge as security	42,735 (Note 2)	—	—
						Financing support	Providing loans	— (Note 3)	Other financial assets	37,884
							Interest on loans	11,084 (Note 3)	Other financial assets	56,831
Associate	Quebrada Blanca Holdings SpA	Santiago, Chile	881,460	Mineral resources	Indirectly 33.3	Financing support	Subscription to capital increase	67,433 (Note 4)	Trade and other payables	35,065 (Note 4)
Subsidiary of an associate	Compañía Minera Teck Quebrada Blanca S.A.	Santiago, Chile	360,112	Mineral resources	—	Financing support	Providing loans	75,352 (Note 5)	Other financial assets	75,352 (Note 5)

- Notes:
1. The SMM Group guarantees for loans, etc., from financial institutions, etc.
 2. The SMM Group pledges as security for the loan from the financial institution. The amounts of security are the debt balance as of March 31, 2019.
 3. Terms and conditions of loan are determined based on the market interest rates, etc.
 4. The SMM Group subscribed to the capital increase of Quebrada Blanca Holdings SpA. Stock subscription payable is included in trade and other payables.
 5. The SMM Group provided loans to Compañía Minera Teck Quebrada Blanca S.A.

FY2019 (From April 1, 2019 to March 31, 2020)

Type	Name of the company or person	Location	Capital (Thousands of U.S. dollars)	Segment	Voting rights held by the Company (%)	Description of the business relationship	Transaction detail	Transaction amount		Account item	Ending balance	
								Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars
Associate	Sierra Gorda S.C.M.	Santiago, Chile	2,724,400	Mineral resources	Indirectly 45.0	Debt guarantee and pledge as security for loans, etc., from financial institutions, etc.	Debt guarantee	44,440 (Note 1)	408,418	—	—	—
							Debt guarantee fee	695 (Note 1)	6,387	Other financial assets	3,926	36,081
							Pledge as security	22,850 (Note 2)	209,999	—	—	—
						Financing support	Providing loans	— (Note 3)	—	Other financial assets	16,033	147,349
							Interest on loans	6,404 (Note 3)	58,855	Other financial assets	24,679	226,808
Subsidiary of an associate	Compañía Minera Teck Quebrada Blanca S.A.	Santiago, Chile	701,060	Mineral resources	—	Financing support	Providing loans	3,174 (Note 4)	29,170	Other financial assets	77,537 (Note 4)	712,591

- Notes: 1. The SMM Group guarantees for loans, etc., from financial institutions, etc.
2. The SMM Group pledges as security for the loan from the financial institution. The amounts of security are the debt balance as of March 31, 2020.
3. Terms and conditions of loan are determined based on the market interest rates, etc. The SMM Group deducted allowance for doubtful accounts of ¥62,383 million (U.S. \$573,320 thousand) for the loans receivable.
4. Terms and conditions of loan are determined based on the market interest rates, etc.

(2) Compensation for key management personnel

The compensation for key management personnel is as follows.

	FY2018 (From April 1, 2018 to March 31, 2019)	FY2019 (From April 1, 2019 to March 31, 2020)
	Millions of yen	Millions of yen Thousands of U.S. dollars
Compensations and bonuses	425	391 3,593
Total	425	391 3,593

36. Contingencies

The SMM Group has no material contingencies.

37. Subsequent Event

(Agreement concerning the transfer of shares of PT Vale Indonesia Tbk)

The Company holds approximately 20% stake of the shares of PT Vale Indonesia Tbk (an associate of the Company, Smelting & Refining segment, located in the Republic of Indonesia). However, the Company entered into a share transfer agreement with PT Indonesia Asahan Aluminium (Persero), which is a state-owned enterprise in Indonesia, on June 19, 2020 to sell part of its shareholding (approximately 5% stake of the shares of PT Vale Indonesia Tbk, which would leave the Company with approximately 15% stake of such shares). The execution of the share transfer is planned to be completed within six months of the conclusion of this agreement.

The shares that are scheduled to be transferred will be classified as assets held for sale in the first three months of the fiscal year ending March 31, 2021. Moreover, upon the completion of said share transfer, PT Vale Indonesia Tbk will be excluded from the scope of associates accounted for using equity method

(the shares that the Company will continue to hold will be reclassified from investments accounted for using equity method to other financial assets). The impact of this share transfer on the consolidated financial statements for the year ending March 31, 2021 has not been assessed or finalized at present.

(2) Other

Quarterly information for FY2019

	Three months ended June 30, 2019	Six months ended September 30, 2019	Nine months ended December 31, 2019	FY2019
Net sales (Millions of yen)	207,049	422,404	644,767	872,615
Profit before tax (Millions of yen)	17,900	36,365	67,473	79,035
Profit attributable to owners of parent (Millions of yen)	14,261	29,386	51,456	60,600
Basic earnings per share (Yen)	51.90	106.94	187.26	220.54

	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	51.90	55.04	80.32	33.28



Independent auditor's report

To the Board of Directors of Sumitomo Metal Mining Co., Ltd.:

Opinion

We have audited the accompanying consolidated financial statements of Sumitomo Metal Mining Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements

as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan



Kensuke Sodekawa

Designated Engagement Partner

Certified Public Accountant



Takahiro Akiyama

Designated Engagement Partner

Certified Public Accountant



Yukihiro Kase

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

July 31, 2020