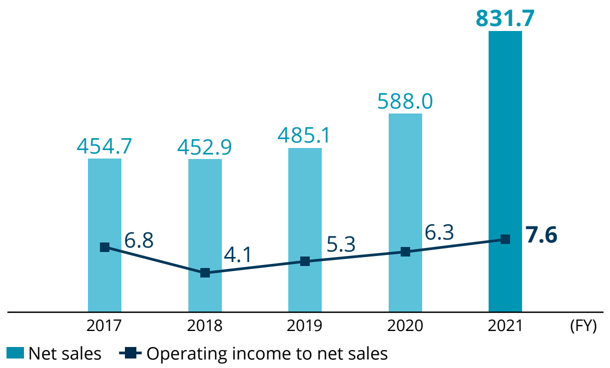
Financial Performance

Looking at the DOWA Group's businesses in fiscal 2021, the fiscal year ended March 31, 2022, although the state of automobile production remained uncertain globally, automobile-related products and services saw strong sales, reflecting the negligible impact on the Group. In information- and communication-related products, sales of products for 5G applications increased, while an adjustment phase for sales of products related to new forms of energy has continued since the third consolidated fiscal quarter. In environmental- and recycling-related services, orders for waste treatment were firm. As for the exchange rate and metals prices, in comparison with the previous fiscal year, the average exchange rate of the yen weakened against the U.S. dollar, and the average prices of both precious metals, such as silver and platinum group metals, and base metals, such as zinc and copper, increased.

Amid these circumstances, the Group made steady progress with measures to raise corporate value under the basic policies put forth under Midterm Plan 2020, which are "expand businesses in growth markets" and "increase competitiveness of existing businesses." As a result, consolidated net sales increased 41.5%, to ¥831,794 million; consolidated operating income was up 70.4%, to ¥63,824 million; and consolidated ordinary income increased 104.5%, to ¥76,073 million. Total income taxes increased 48.6%, to ¥20,259 million, and net income attributable to owners of parent increased 133.7%, to ¥51,012 million.

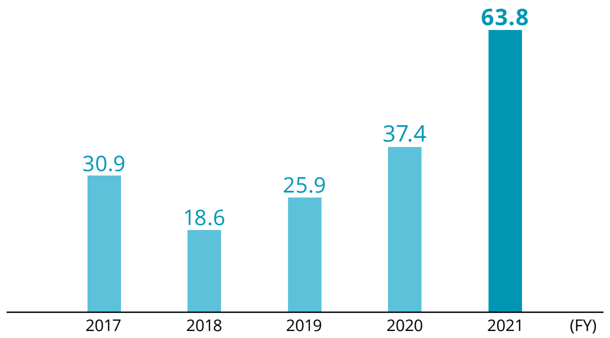
Net Sales / Operating Income to Net Sales

(Billions of yen / %)



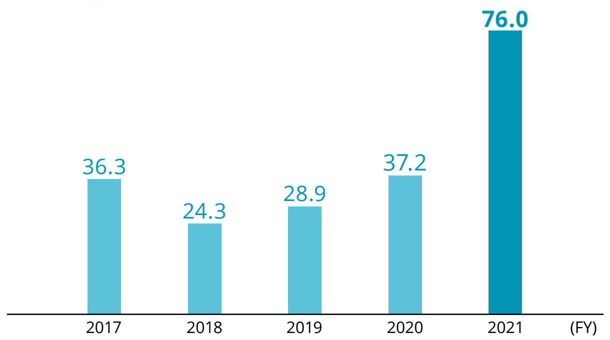
Operating Income

(Billions of yen)



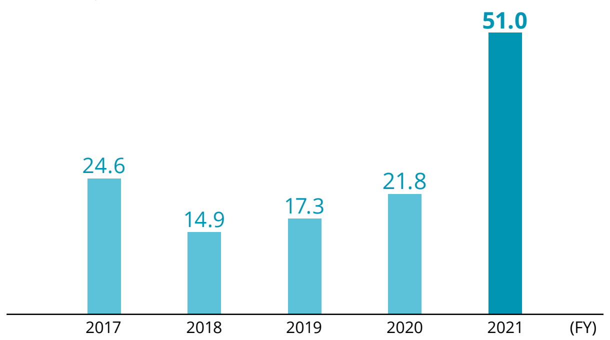
Ordinary Income

(Billions of yen)



Net Income Attributable to Owners of Parent

(Billions of yen)



Factor Analysis of Ordinary Income

(Billions of yen)

Results by Segment

(Billions of yen)

	FY2020			FY2021			YoY Changes		
	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income
Environmental Management & Recycling	117.6	8.4	8.6	**135.0**	**12.6**	**13.6**	17.4	4.2	4.9
Nonferrous Metals	282.0	20.3	25.9	**455.6**	**36.1**	**42.7**	173.5	15.8	16.8
Electronic Materials	151.2	2.4	3.6	**175.3**	**5.2**	**6.5**	24.0	2.7	2.8
Metal Processing	77.8	4.3	4.6	**111.9**	**6.3**	**6.8**	34.1	1.9	2.1
Heat Treatment	23.1	0.7	0.8	**28.9**	**2.6**	**3.0**	5.8	1.8	2.1
Others / Elimination	(63.9)	1.0	(6.5)	**(75.1)**	**0.7**	**3.2**	(11.2)	(0.3)	9.7
Total	588.0	37.4	37.2	**831.7**	**63.8**	**76.0**	243.7	26.3	38.8

Foreign-Exchange Rate and Metal Prices

	FY2020*	FY2021*
Exchange rate: (¥/$)	106.1	**112.4**
Copper: ($/t)	6,879	**9,691**
Zinc: ($/t)	2,419	**3,254**
Indium: ($/kg)	166	**229**

* Figures are the average for the full year.

Analysis of Financial Position

Assets

Total assets at the end of the fiscal year under review came to ¥657,283 million, up ¥58,812 million compared with the end of the previous fiscal year. Total current assets increased ¥56,042 million, while total non-current assets grew ¥2,770 million.

The increase in current assets was attributable to factors including a rise of ¥24,782 million in inventories, ¥18,570 million in cash and deposits, and ¥14,880 million in notes and accounts receivable–trade, and contract assets.

Non-current assets grew mainly due to an increase of ¥14,821 million in investment securities; ¥7,776 million in property, plant and equipment; ¥1,942 million in deferred tax assets; and ¥1,906 million in other intangible assets listed under intangible assets as well as a decrease of ¥24,301 million in long-term loans receivable.

Liabilities

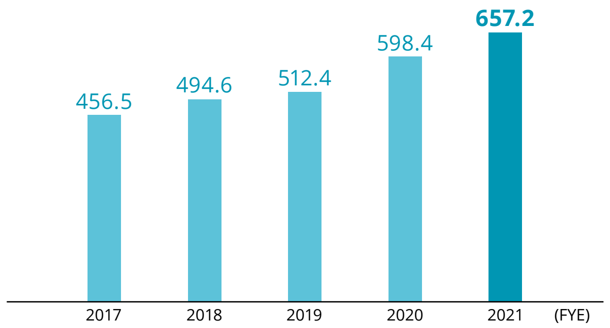
Total liabilities grew ¥6,953 million compared with the previous fiscal year-end. This outcome was primarily due to an increase of ¥10,119 million in other current liabilities listed under current liabilities, ¥10,000 million in bonds payable, and ¥7,927 million in notes and accounts payable–trade and a decrease of ¥25,197 million in short-term borrowings.

Equity

As for total equity, net income attributable to owners of parent came to ¥51,012 million, but payment of cash dividends resulted in an increase in shareholders' equity of ¥44,467 million. In addition, total accumulated other comprehensive income increased ¥3,283 million, due in part to foreign currency translation adjustment, while total equity was ¥51,859 million higher than the balance as of the end of the previous fiscal year. As a result, the equity ratio was 47.69%.

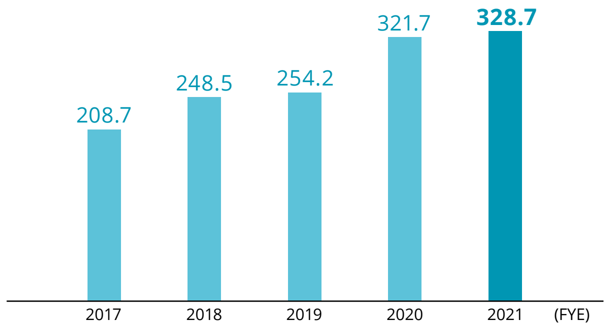
Total Assets

(Billions of yen)



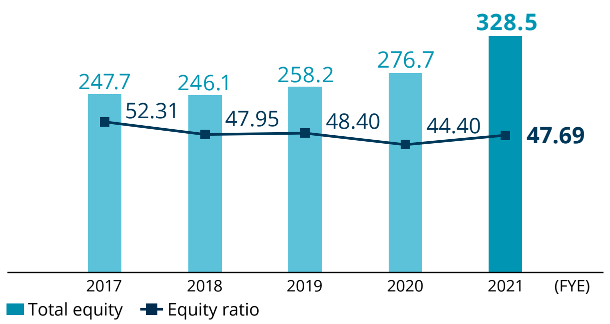
Liabilities

(Billions of yen)



Total Equity / Equity Ratio

(Billions of yen / %)



Analysis of Cash Flows

Consolidated cash and cash equivalents (hereinafter, "net cash") at the end of the consolidated fiscal year under review amounted to ¥35,740 million, up ¥18,419 million compared with the previous fiscal year-end.

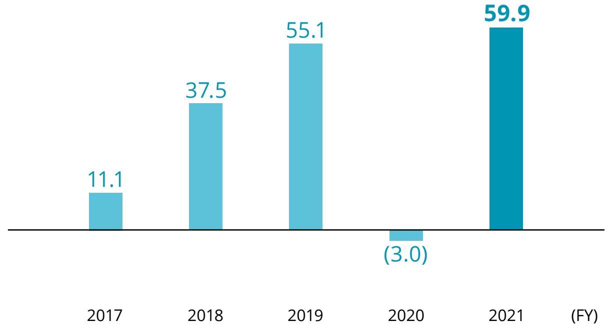
Net cash provided by operating activities came to ¥59,911 million, up ¥62,999 million compared with the previous fiscal year. This was primarily attributable to such factors as profit before income taxes of ¥77,090 million, depreciation of ¥22,582 million, an increase in inventories of ¥22,977, and an increase in trade receivables of ¥15,412 million.

Net cash used in investing activities totaled ¥11,339 million, down ¥11,603 million compared with the previous fiscal year. This was mainly the result of capital expenditures of ¥31,779 million, primarily in the Environmental Management & Recycling Business, and proceeds from collection of loans receivable of ¥18,142 million.

Net cash used in financing activities came to ¥31,190 million, up ¥42,775 million compared with the previous fiscal year. This was largely due to a decrease in interest-bearing debt of ¥22,677 million and cash dividends paid of ¥8,149 million.

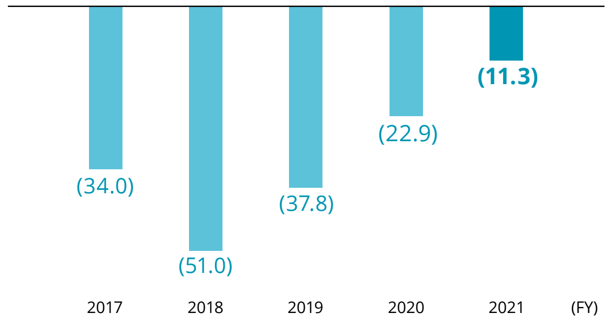
Cash Flows from Operating Activities

(Billions of yen)



Cash Flows from Investing Activities

(Billions of yen)



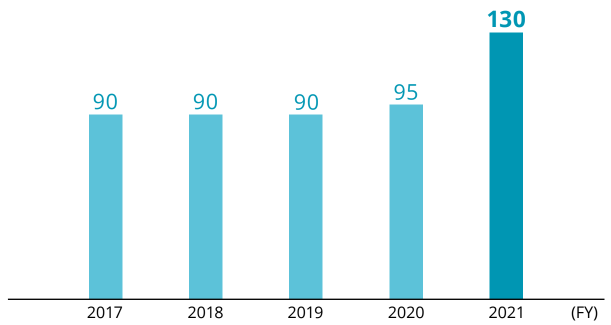
Basic Dividend Policy and Dividends Paid for the Fiscal Year under Review

DOWA views the payment of dividends to shareholders as one of its most important management issues. The Company's fundamental policy is to maintain the stable payment of dividends and, in that light, it pays a dividend commensurate with performance, having appropriated a sufficient amount of retained earnings to bolster the Group's business position and support future business development. As part of Midterm Plan 2020, we have aimed to increase dividends according to profit levels, maintaining a stable dividend of at least ¥90 per share.

With regard to the annual dividend for the fiscal year under review, the Group paid an ordinary dividend of ¥100 per share, an increase of ¥5 per share from the previous fiscal year, having taken into account a comprehensive range of factors including results, future business development, and the strengthening of its financial position. In addition, the Group paid a special dividend of ¥30 per share in light of achieving record-high results. As a result, the annual dividend for the fiscal year under review totaled ¥130 (an ordinary dividend of ¥100 yen and a special dividend of ¥30).

Cash Dividends

(Yen)



Consolidated Performance Trends

(Millions of yen)

For the years ended March 31	2011	2012	2013	2014	2015	2016	2017	2018 (Midterm Plan 2020)	2019 (Midterm Plan 2020)	2020 (Midterm Plan 2020)	2021
Financial Performance											
Net Sales	¥392,468	¥419,390	¥443,985	¥464,219	¥406,598	¥410,503	¥ 454,754	¥ 452,928	¥ 485,130	¥ 588,003	**¥ 831,794**
Cost of Sales	343,015	365,963	382,079	391,509	337,314	341,177	387,831	396,495	421,630	512,155	**725,368**
Selling, General and Administrative Expenses	27,443	28,863	30,111	33,616	34,216	35,335	35,975	37,761	37,544	38,393	**42,601**
Operating Income	22,009	24,564	31,794	39,094	35,067	33,990	30,948	18,671	25,955	37,454	**63,824**
Operating Income by Segment											
Environmental Management & Recycling (%)	20.34	26.37	29.86	18.80	18.01	19.50	16.06	30.46	27.76	22.58	**19.85**
Nonferrous Metals (%)	19.25	19.09	22.20	34.69	38.00	29.58	29.74	3.17	38.54	54.31	**56.67**
Electronic Materials (%)	24.95	23.58	21.12	22.55	22.89	19.36	18.17	11.66	4.09	6.60	**8.23**
Metal Processing (%)	20.59	19.89	16.96	14.85	14.01	20.49	23.54	33.74	19.71	11.72	**9.97**
Heat Treatment (%)	8.95	6.33	7.12	6.02	3.86	7.00	8.47	13.05	4.63	1.97	**4.13**
Others and Elimination (%)	5.92	4.74	2.74	3.09	3.24	4.06	4.01	7.92	5.27	2.82	**1.15**
Ordinary Income	¥ 20,918	¥ 27,277	¥ 35,055	¥ 42,037	¥ 35,056	¥ 36,504	¥ 36,355	¥ 24,309	¥ 28,996	¥ 37,200	**¥ 76,073**
EBITDA*1	40,354	41,551	48,000	54,667	50,212	49,786	48,160	37,300	45,244	57,505	**86,407**
Net Income Attributable to Owners of Parent	10,610	15,213	23,310	26,543	21,826	26,169	24,693	14,986	17,395	21,824	**51,012**
Capital Expenditures	15,910	18,422	16,549	17,247	22,936	26,526	24,608	24,087	37,723	37,338	**32,546**
Depreciation	18,344	16,987	16,205	15,572	15,145	15,796	17,212	18,628	19,288	20,050	**22,582**
R&D Expenses	4,623	4,604	4,651	5,320	5,594	5,670	5,380	5,888	6,076	6,177	**7,035**
Exchange Rate and Metal Prices											
Copper (Price Quoted, Average)	¥717,817	¥696,375	¥757,633	¥765,775	¥675,483	¥603,917	¥ 756,683	¥ 746,608	¥ 681,592	¥ 769,500	**¥1,136,175**
Zinc (Price Quoted, Average)	211,683	208,675	240,325	285,983	269,383	305,633	386,733	353,725	313,308	309,400	**419,725**
U.S. Dollar (Average)	79.08	83.10	100.24	109.93	120.14	108.38	110.85	110.91	108.74	106.06	**112.38**
Financial Position											
Equity	¥121,807	¥142,400	¥166,987	¥195,649	¥203,370	¥227,821	¥ 247,762	¥ 246,158	¥ 258,241	¥ 276,715	**¥ 328,574**
Non-Controlling Interests	7,999	8,807	8,733	8,528	8,449	8,518	8,946	8,944	10,194	11,010	**15,119**
Total Assets*2	319,665	349,787	358,717	379,193	364,420	404,604	456,530	494,683	512,495	598,471	**657,283**
Interest-Bearing Debt	117,670	107,138	99,663	86,668	81,135	79,883	109,827	135,241	134,086	153,951	**131,625**
Per Share*3 (Yen)											
Basic Net Income	¥ 35.86	¥ 51.41	¥ 78.77	¥ 89.69	¥ 73.75	¥ 88.43	¥ 417.21	¥ 253.22	¥ 293.92	¥ 368.45	**¥ 857.32**
Fully Diluted Equity	384.55	451.41	534.75	632.30	658.66	741.06	4,035.06	4,008.03	4,191.09	4,465.44	**5,267.94**
Cash Dividends	10.00	12.00	15.00	18.00	18.00	18.00	90.00	90.00	90.00	95.00	**130.00**
Cash Flows											
Cash Flows from Operating Activities	¥ 31,499	¥ 34,970	¥ 30,189	¥ 38,345	¥ 45,751	¥ 29,389	¥ 11,125	¥ 37,555	¥ 55,113	¥ (3,088)	**¥ 59,911**
Cash Flows from Investing Activities	(19,491)	(19,354)	(18,689)	(20,321)	(23,486)	(25,954)	(34,010)	(51,025)	(37,812)	(22,943)	**(11,339)**
Cash Flows from Financing Activities	(24,134)	(14,982)	(12,341)	(16,905)	(11,159)	(7,155)	24,087	15,944	(6,569)	11,585	**(31,190)**
Free Cash Flow	12,007	15,615	11,499	18,024	22,265	3,434	(22,884)	(13,470)	17,301	(26,032)	**48,571**
Cash and Cash Equivalents at End of Year	4,788	6,129	5,823	8,044	18,902	15,126	16,472	19,002	30,232	17,320	**35,740**
Ratios											
Return on Assets*4 (%)	6.34	8.15	9.90	11.39	9.43	9.49	8.44	5.11	5.76	6.70	**12.12**
Return on Equity*5 (%)	9.62	12.30	15.97	15.37	11.43	12.64	10.78	6.30	7.17	8.50	**17.62**
Operating Income to Net Sales (%)	5.61	5.86	7.16	8.42	8.62	8.28	6.81	4.12	5.35	6.37	**7.67**
Equity Ratio*6 (%)	35.60	38.19	44.12	49.35	53.49	54.20	52.31	47.95	48.40	44.40	**47.69**
Operating Income Growth (%)	(3.99)	11.60	29.43	22.96	(10.30)	(3.07)	(8.95)	(39.67)	39.01	44.31	**70.40**
Interest Coverage (Times)	11.52	14.82	21.41	34.23	39.04	43.12	55.47	20.71	21.69	43.03	**97.83**
Debt / Equity Ratio*6 (Times)	1.03	0.80	0.63	0.46	0.42	0.36	0.46	0.57	0.54	0.58	**0.42**
Debt / Capacity Ratio (Times)	1.83	1.37	1.28	1.06	1.00	0.83	1.05	1.29	1.26	1.50	**0.97**
Return on Invested Capital*6 (%)	4.58	6.32	9.04	9.70	7.91	8.75	7.08	4.02	4.55	5.20	**11.46**

*1 EBITDA is calculated by adding operating income and depreciation.

*2 Changes put forth in the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, issued February 16, 2018) have been applied to the consolidated financial results for the fiscal year under review. These amendments have been retroactively applied to the consolidated financial results for fiscal 2017, and the amount of total assets has been adjusted accordingly.

*3 On October 1, 2017, the Company conducted a 5-for-1 reverse stock split.

*4 Ordinary income divided by the average of total assets at the start and end of the year.

*5 Net income attributable to owners of parent divided by the average of shareholders' equity (the amounts after deducting non-controlling interest amounts from equity amounts) at the start and end of the year.

*6 The ratios have been calculated using shareholders' equity (the amounts after deducting non-controlling interest amounts from equity amounts).

Consolidated Balance Sheet

DOWA HOLDINGS CO., LTD. and Its Consolidated Subsidiaries
For the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
Assets	**2022**	2021	**2022**
Current Assets:			
Cash and time deposits (Notes 4, 7, and 16)	**¥ 36,847**	¥ 18,277	**$ 301,070**
Notes and accounts receivable: (Note 16)			
Trade	**97,592**	83,015	**797,388**
Nonconsolidated subsidiaries and associates	**1,729**	1,398	**14,130**
Others	**5,048**	5,483	**41,246**
Subtotal	**104,369**	89,898	**852,764**
Inventories: (Note 13)			
Merchandise and finished products	**54,026**	44,908	**441,426**
Work in process	**8,693**	6,925	**71,029**
Raw materials and supplies	**167,290**	153,394	**1,366,867**
Subtotal	**230,010**	205,228	**1,879,322**
Other current assets	**11,997**	13,822	**98,026**
Allowance for doubtful accounts	**(183)**	(227)	**(1,502)**
Total current assets	**383,041**	326,999	**3,129,680**
Property, Plant, and Equipment (Notes 6 and 7):			
Land	**27,890**	27,776	**227,886**
Buildings and structures	**155,787**	142,800	**1,272,875**
Machinery and equipment	**283,894**	271,782	**2,319,590**
Construction in progress	**18,509**	21,147	**151,232**
Others	**20,110**	19,197	**164,313**
Subtotal	**506,192**	482,704	**4,135,897**
Accumulated depreciation	**(337,848)**	(322,136)	**(2,760,425)**
Net property, plant, and equipment	**168,344**	160,567	**1,375,472**
Investments and Other Assets:			
Investments in securities (Notes 5, 7, and 16)	**27,905**	26,865	**228,004**
Investments in and advances to nonconsolidated subsidiaries and associates (Notes 5, 7, 16 and 21)	**55,299**	65,820	**451,829**
Deferred tax assets (Note 11)	**9,403**	7,461	**76,835**
Goodwill	**3,156**	3,591	**25,793**
Other assets	**10,225**	7,258	**83,548**
Allowance for doubtful accounts	**(93)**	(93)	**(762)**
Total investments and other assets	**105,897**	110,903	**865,249**
Total assets	**¥ 657,283**	¥ 598,471	**$ 5,370,402**

*1. The accompanying notes are an integral part of these consolidated financial statements.
2. ¥122.39 = U.S. $1, the rate of exchange on March 31, 2022.

	Millions of yen		Thousands of U.S. dollars (Note 1)
Liabilities and Equity	**2022**	2021	**2022**
Current Liabilities:			
Short-term borrowings (Notes 7 and 16)	**¥ 17,055**	¥ 38,449	**$ 139,356**
Commercial paper (Notes 7 and 16)	**33,000**	35,000	**269,629**
Current maturities of long-term debt (Notes 7 and 16)	**11,184**	14,962	**91,380**
Notes and accounts payable: (Note 16)			
Trade	**61,009**	53,867	**498,483**
Nonconsolidated subsidiaries and associates	**2,255**	1,470	**18,431**
Others	**11,387**	9,299	**93,039**
Subtotal	**74,652**	64,637	**609,953**
Accrued expenses	**8,895**	7,484	**72,681**
Accrued income taxes	**12,767**	6,179	**104,321**
Accrued bonuses	**5,200**	4,244	**42,490**
Accrued directors' bonuses	**346**	212	**2,831**
Borrowing precious metals	**39,872**	38,180	**325,782**
Other current liabilities	**25,292**	17,541	**206,655**
Total current liabilities	**228,267**	226,894	**1,865,084**
Long-term Liabilities:			
Long-term debt (Notes 7 and 16)	**72,039**	67,257	**588,610**
Liability for employees' retirement benefits (Note 8)	**20,489**	19,546	**167,411**
Retirement allowance for directors and Audit & Supervisory Board members	**618**	739	**5,055**
Deferred tax liabilities (Note 11)	**2,337**	2,334	**19,101**
Other long-term liabilities	**4,955**	4,982	**40,486**
Total long-term liabilities	**100,441**	94,861	**820,665**
Total liabilities	**328,708**	321,755	**2,685,749**
Contingent Liabilities (Note 9)			
Equity: (Note 10)			
Common stock:			
Authorized: 200,000 thousand shares in 2022 and 2021			
Issued: 61,989 thousand shares in 2022 and 2021	**36,437**	36,437	**297,715**
Capital surplus	**25,870**	26,473	**211,379**
Retained earnings	**246,360**	201,290	**2,012,913**
Treasury stock, at cost (2,486 thousand shares in 2022 and 2,486 thousand shares in 2021)	**(5,064)**	(5,064)	**(41,381)**
Accumulated Other Comprehensive Income:			
Unrealized gain (loss) on available-for-sale securities (Note 5)	**11,662**	10,569	**95,288**
Deferred gain (loss) on derivatives under hedge accounting (Note 17)	**(5,547)**	(2,196)	**(45,325)**
Foreign currency translation adjustments	**3,788**	(1,643)	**30,951**
Defined retirement benefit plans (Note 8)	**(52)**	(161)	**(425)**
Total	**313,455**	265,704	**2,561,116**
Noncontrolling interests	**15,119**	11,010	**123,535**
Total equity	**328,574**	276,715	**2,684,652**
Total liabilities and equity	**¥ 657,283**	¥ 598,471	**$ 5,370,402**

Consolidated Statement of Income

DOWA HOLDINGS CO., LTD. and Its Consolidated Subsidiaries
For the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Net Sale (Note 12)	**¥ 831,794**	¥588,003	**$ 6,796,260**
Cost of Sales (Note 13)	**725,368**	512,155	**5,926,696**
Gross profit (loss)	**106,425**	75,848	**869,563**
Selling, General, and Administrative Expenses (Notes 8 and 14)	**42,601**	38,393	**348,077**
Operating income (loss)	**63,824**	37,454	**521,485**
Other Income (Expenses):			
Interest and dividend income	**1,165**	1,733	**9,520**
Interest expense	**(664)**	(910)	**(5,427)**
Gain (loss) on sales and disposals of property, plant and equipment, net	**(914)**	(1,008)	**(7,474)**
Foreign exchange gain (loss)	**361**	1,133	**2,951**
Share of profit (loss) of entities accounted for using equity method	**8,864**	(4,815)	**72,431**
Commission income	**172**	998	**1,407**
Royalty income	**1,669**	1,036	**13,640**
Gain (loss) on sales of investments in securities, net (Note 5)	**1,473**	5,026	**12,041**
Loss on devaluation of investments in securities	**(253)**	(198)	**(2,073)**
Environmental expenses	**(871)**	(760)	**(7,119)**
Loss on impairments (Note 6)	**(644)**	(2,252)	**(5,267)**
Cancellation fee income	**1,269**	–	**10,372**
Other, net	**1,638**	1,423	**13,389**
Subtotal	**13,266**	1,405	**108,392**
Income (loss) before income taxes	**77,090**	38,860	**629,878**
Income Taxes: (Note 11)			
Current	**21,091**	14,525	**172,327**
Deferred	**(831)**	(889)	**(6,793)**
Total income taxes	**20,259**	13,636	**165,533**
Net Income (loss)	**56,831**	25,224	**464,344**
Net Income (Loss) Attributable to Noncontrolling Interests	**5,818**	3,399	**47,538**
Net income (loss) attributable to owners of the parent	**¥ 51,012**	¥ 21,824	**$ 416,806**

Per Share: (Note 2(21))	Yen		U.S. dollars (Note 1)
Basic net income	**¥ 857.32**	¥ 368.45	**$ 7.00**
Cash dividends	**130.00**	95.00	**1.06**

*1. The accompanying notes are an integral part of these consolidated financial statements.
2. ¥122.39= U.S. $1, the rate of exchange on March 31, 2022.

Consolidated Statement of Comprehensive Income

DOWA HOLDINGS CO., LTD. and Its Consolidated Subsidiaries
For the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Net Income (loss)	**¥ 56,831**	¥ 25,224	**$ 464,344**
Other comprehensive income: (Note 18)			
Unrealized gain (loss) on available-for-sale securities	**1,092**	5,807	**8,924**
Deferred gain (loss) on derivatives under hedge accounting	**(3,525)**	(4,179)	**(28,801)**
Foreign currency translation adjustments	**3,697**	(102)	**30,209**
Defined retirement benefit plans	**129**	(89)	**1,060**
Share of other comprehensive income in affiliates	**1,985**	(1,366)	**16,222**
Total other comprehensive income	**3,379**	68	**27,614**
Comprehensive income	**¥ 60,210**	¥ 25,293	**$ 491,958**
Total comprehensive income attributable to:			
Owners of the parent	**¥ 54,296**	¥ 21,927	**$ 443,634**
Noncontrolling interests	**5,914**	3,366	**48,324**

*1. The accompanying notes are an integral part of these consolidated financial statements.
2. ¥122.39= U.S. $1, the rate of exchange on March 31, 2022.

Consolidated Statement of Changes in Equity

DOWA HOLDINGS CO., LTD. and Its Consolidated Subsidiaries
For the years ended March 31, 2022 and 2021

	Thousands	Millions of yen			
		Shareholders' Equity			
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost
Balance, April 1, 2020	59,184	¥ 36,437	¥ 25,928	¥ 184,927	¥ (5,711)
Cash dividends paid	–	–	–	(5,409)	–
Net Income (loss) attributable to owners of the parent	–	–	–	21,824	–
Purchases of treasury stock	(0)	–	–	–	(1)
Disposal of treasury stock	318	–	544	–	648
Change of scope of consolidation	–	–	–	(51)	–
Net changes of items other than shareholders' equity	–	–	–	–	–
Balance, March 31, 2021	59,502	¥ 36,437	¥ 26,473	¥ 201,290	¥ (5,064)
Cumulative effects of changes in accounting policies	–	–	–	(233)	–
Restated balance, April 1, 2021	59,502	36,437	26,473	201,057	(5,064)
Cash dividends paid	–	–	–	(5,709)	–
Net Income (loss) attributable to owners of the parent	–	–	–	51,012	–
Purchases of treasury stock	(0)	–	–	–	(1)
Disposal of treasury stock	–	–	–	–	0
Change in the parent's ownership interest due to transactions with noncontrolling interests	–	–	(602)	–	–
Net changes of items other than shareholders' equity	–	–	–	–	–
Balance, March 31, 2022	59,502	¥ 36,437	¥ 25,870	¥ 246,360	¥ (5,064)

	Thousands	Thousands of U.S. dollars (Note 1)			
		Shareholders' Equity			
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost
Balance, April 1, 2021	59,502	$ 297,715	$ 216,300	$ 1,644,666	$ (41,378)
Cumulative effects of changes in accounting policies	–	–	–	(1,908)	–
Restated balance, April 1, 2021	59,502	297,715	216,300	1,642,758	(41,378)
Cash dividends paid	–	–	–	(46,650)	–
Net Income (loss) attributable to owners of the parent	–	–	–	416,806	–
Purchases of treasury stock	(0)	–	–	–	(8)
Disposal of treasury stock	–	–	–	–	5
Change in the parent's ownership interest due to transactions with noncontrolling interests	–	–	(4,921)	–	–
Net changes of items other than shareholders' equity	–	–	–	–	–
Balance, March 31, 2022	59,502	$ 297,715	$ 211,379	$ 2,012,913	$ (41,381)

*1. The accompanying notes are an integral part of these consolidated financial statements.
2. ¥122.39= U.S. $1, the rate of exchange on March 31, 2022.

	Millions of yen						
	Accumulated Other Comprehensive Income						
	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Non-controlling Interests	Total Equity
Balance, April 1, 2020	¥ 5,226	¥ 2,285	¥ (875)	¥ (172)	¥ 248,047	¥10,194	¥ 258,241
Cash dividends paid	–	–	–	–	(5,409)	–	(5,409)
Net Income (loss) attributable to owners of the parent	–	–	–	–	21,824	–	21,824
Purchases of treasury stock	–	–	–	–	(1)	–	(1)
Disposal of treasury stock	–	–	–	–	1,192	–	1,192
Change of scope of consolidation	–	–	–	–	(51)	–	(51)
Net changes of items other than shareholders' equity	5,342	(4,482)	(767)	10	102	816	919
Balance, March 31, 2021	¥ 10,569	¥ (2,196)	¥ (1,643)	¥ (161)	¥ 265,704	¥11,010	¥ 276,715
Cumulative effects of changes in accounting policies	–	–	–	–	(233)	–	(233)
Restated balance, April 1, 2021	10,569	(2,196)	(1,643)	(161)	265,470	11,010	276,481
Cash dividends paid	–	–	–	–	(5,709)	–	(5,709)
Net Income (loss) attributable to owners of the parent	–	–	–	–	51,012	–	51,012
Purchases of treasury stock	–	–	–	–	(1)	–	(1)
Disposal of treasury stock	–	–	–	–	0	–	0
Change in the parent's ownership interest due to transactions with noncontrolling interests	–	–	–	–	(602)	–	(602)
Net changes of items other than shareholders' equity	1,092	(3,350)	5,431	109	3,283	4,108	7,392
Balance, March 31, 2022	¥ 11,662	¥ (5,547)	¥ 3,788	¥ (52)	¥ 313,455	¥15,119	¥ 328,574

	Thousands of U.S. dollars (Note 1)						
	Accumulated Other Comprehensive Income						
	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Non-controlling Interests	Total Equity
Balance, April 1, 2021	$ 86,358	$ (17,949)	$(13,427)	$ (1,320)	$ 2,170,964	$ 89,965	$ 2,260,930
Cumulative effects of changes in accounting policies	–	–	–	–	(1,908)	–	(1,908)
Restated balance, April 1, 2021	86,358	(17,949)	(13,427)	(1,320)	2,169,056	89,965	2,259,022
Cash dividends paid	–	–	–	–	(46,650)	–	(46,650)
Net Income (loss) attributable to owners of the parent	–	–	–	–	416,806	–	416,806
Purchases of treasury stock	–	–	–	–	(8)	–	(8)
Disposal of treasury stock	–	–	–	–	5	–	5
Change in the parent's ownership interest due to transactions with noncontrolling interests	–	–	–	–	(4,921)	–	(4,921)
Net changes of items other than shareholders' equity	8,930	(27,375)	44,378	895	26,828	33,570	60,398
Balance, March 31, 2022	$ 95,288	$ (45,325)	$ 30,951	$ (425)	$ 2,561,116	$123,535	$ 2,684,652

Consolidated Statement of Cash Flows

DOWA HOLDINGS CO., LTD. and Its Consolidated Subsidiaries
For the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Cash Flows from Operating Activities			
Income (loss) before income taxes	**¥ 77,090**	¥ 38,860	**$ 629,878**
Adjustments for:			
Income taxes (paid) refund	**(15,040)**	(14,496)	**(122,888)**
Depreciation and amortization	**23,085**	20,526	**188,625**
Loss (gain) on sales and disposals of property, plant, and equipment, net	**914**	1,008	**7,474**
Share of (profit) loss of entities accounted for using the equity method	**(8,864)**	4,815	**(72,431)**
Loss (gain) on sales of investment securities, net (Note 5)	**(1,473)**	(5,026)	**(12,041)**
Loss on impairments (Note 6)	**644**	2,252	**5,267**
Changes in assets and liabilities			
Decrease (increase) in notes and accounts receivable	**(15,412)**	(9,152)	**(125,927)**
Decrease (increase) in inventories	**(22,977)**	(89,511)	**(187,743)**
Increase (decrease) in notes and accounts payable	**6,440**	20,690	**52,625**
Increase (decrease) in allowance for doubtful accounts	**(60)**	(120)	**(494)**
Increase (decrease) in net defined benefit liability	**923**	879	**7,549**
Decrease (increase) in interest and dividend receivables	**3,795**	1,236	**31,014**
Increase (decrease) in interest payable	**(52)**	(97)	**(425)**
Increase (decrease) in borrowing precious metals	**1,691**	24,809	**13,821**
Other, net	**9,204**	235	**75,207**
Net cash provided by (used in) operating activities	**59,911**	(3,088)	**489,509**
Cash Flows from Investing Activities:			
Acquisition of property, plant, and equipment	**(28,949)**	(33,487)	**(236,532)**
Proceeds from sales of property, plant, and equipment	**642**	565	**5,249**
Acquisition of intangible fixed assets	**(2,830)**	(1,535)	**(23,125)**
Acquisition of investments in securities	**(103)**	(6)	**(847)**
Proceeds from sales of investments in securities (Note 5)	**1,552**	966	**12,687**
Acquisition of investments in subsidiaries and associates	**(81)**	(700)	**(667)**
Proceeds from sales of shares of subsidiaries and associates (Note 5)	**–**	7,754	**–**
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	13	–	112
Payments for loans	**(278)**	(4,086)	**(2,277)**
Proceeds from collection of loans	**18,142**	7,334	**148,237**
Proceeds from subsidies	**848**	687	**6,933**
Other, net	**(296)**	(435)	**(2,423)**
Net cash provided by (used in) investing activities	**(11,339)**	(22,943)	**(92,654)**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2022	2021	**2022**
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term loans payable	**(21,427)**	5,440	**(175,072)**
Net increase (decrease) in commercial papers	**(2,000)**	11,000	**(16,341)**
Proceeds from long-term debt	**26,724**	10,180	**218,352**
Repayment of long-term debt	**(35,927)**	(6,797)	**(293,552)**
Proceeds from issuance of bonds	**9,953**	–	**81,327**
Cash dividends paid	**(5,709)**	(5,407)	**(46,651)**
Dividends paid to non-controlling interests	**(2,439)**	(2,554)	**(19,935)**
Repayment of lease obligations	**(362)**	(275)	**(2,961)**
Purchases of treasury stock	**(1)**	(1)	**(8)**
Net cash provided by (used in) financing activities	**(31,190)**	11,585	**(254,844)**
Foreign Currency Translation Adjustment on Cash and Cash Equivalents	**1,038**	55	**8,489**
Net Increase (Decrease) in Cash and Cash Equivalents	**18,419**	(14,390)	**150,500**
Cash and Cash Equivalents of Newly Consolidated Subsidiaries	**–**	1,479	**–**
Cash and Cash Equivalents at Beginning of Year	**17,320**	30,232	**141,519**
Cash and Cash Equivalents at End of Year (Note 4)	**¥ 35,740**	¥ 17,320	**$ 292,020**

*1. The accompanying notes are an integral part of these consolidated financial statements.
2. ¥ 122.39 = U.S. $1, the rate of exchange on March 31, 2022.

Notes to Consolidated Financial Statements

DOWA HOLDINGS CO., LTD. and Its Consolidated Subsidiaries
For the years ended March 31, 2022 and 2021

1. Basis of Presentation of the Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Japanese yen figures less than a million yen are rounded down to the nearest million yen, except for per share data.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2021 consolidated financial statements to conform to the classifications used in 2022.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which DOWA HOLDINGS CO., LTD. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥122.39 to U.S. $1, the approximate rate of exchange at March 31, 2022. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

(1) Consolidation

The consolidated financial statements as of March 31, 2022, include the accounts of the Company and its 87 (87 in 2021) significant subsidiaries (together, the "Group").

Under the control and influence concepts, those significant companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 15 (18 in 2021) associated companies are accounted for by the equity method.

Investments in the remaining nonconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is amortized on a straight-line basis within 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

(a) Changes in Consolidated Subsidiaries and Associates

(2022)

The consolidated financial statements for the year ended March 31, 2022 (fiscal 2022), now include CONSTANTINE MINING LLC., which were affiliates accounted for by the equity method in the consolidated financial statements for the year ended March 31, 2021 because DOWA METALS & MINING ALASKA LTD. acquired additional equity in CONSTANTINE MINING LLC. Furthermore, KEY METAL REFINING, LLC was then excluded from consolidation owing to its liquidation.

The consolidated financial statements for the year ended March 31, 2022 (fiscal 2022), CONSTANTINE MINING LLC. was excluded from the scope of equity-method accounting because DOWA METALS & MINING ALASKA LTD. acquired additional equity in CONSTANTINE MINING LLC. Furthermore, EXPLORACIONES Y DESARROLLOS MINEROS TIZAPA, S. A. DE C. V. and SERVICIOS SAN JOSÉ DE PLATA, S. DE R. L. DE C. V., which were previously classified as affiliates accounted for by the equity method, have been removed from the scope of equity-method accounting as a result of an absorption-type merger with MINERA TIZAPA, S. A. DE C. V. and MINERA PLATA REAL, S. DE R. L. DE C. V., respectively, which remains as affiliates accounted for by the equity method.

(2021)

The consolidated financial statements for the year ended March 31, 2021 (fiscal 2021), now include DOWA METALTECH MEXICO, S.A.de C.V. , DOWA HD Europe GmbH, and 3 other companies which were nonconsolidated subsidiaries in the consolidated financial statements for the year ended March 31, 2020, because they became material subsidiaries.

(b) Accounting Period of Foreign Subsidiaries

In preparing the consolidated financial statements for the year ended March 31, 2022, the Company used financial statements with an account closing date of December 31, 2021, for 22 foreign subsidiaries, including PT Prasadha Pamunah Limbah Industri.; Dowa Environmental Management Co., Ltd.; Dowa Advanced Materials (Shanghai) Co., Ltd.; and other companies and used financial statements with an account closing date of February 28, 2022, for DOWA INTERNATIONAL CORPORATION. Material transactions that occurred between each closing date and March 31, 2022, were adjusted in the consolidated financial statements, as necessary.

The fiscal year-end for GOLDEN DOWA ECO-SYSTEM MYANMAR CO., LTD. has been changed from September 30 to March 31 in accordance with local laws and regulations during this fiscal year. However, such change had no effect on the consolidated financial statements.

(c) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards ("IFRS") or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification—"FASB ASC") tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; and (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting.

(2) Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificates of deposit, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

(3) Inventories

Inventories are stated at the lower of cost or net selling value. The costs of the primary finished products such as gold, silver, copper, zinc, lead, platinum, palladium, rhodium, cadmium, and other metals, and imported raw materials are determined by the first-in, first-out method. The costs of other finished products and other raw materials are determined by the moving-average method or the specific identification method, etc.

(4) Property, Plant and Equipment

Property, plant and equipment, including significant renewals and additions, are stated at cost. Repairs and maintenance expenses are charged to current income. Depreciation is mainly computed by the declining-balance method based on the estimated useful lives of the respective assets.

The Company and domestic consolidated subsidiaries have computed the depreciation for buildings (excluding leasehold improvements and building improvements) acquired on or after April 1, 1998, as well as for building improvements and structures acquired on or after April 1, 2016, by the straight-line method, while the straight-line method is applied to all property, plant and equipment of consolidated foreign subsidiaries.

Depreciation of the landfill and mining land are computed using the production method.

(5) Long-lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable.

An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group.

The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(6) Investment Securities

Investment securities held by the Group are classified into two categories.

Available-for-sale securities with market prices are stated at fair value. Unrealized gains and losses on these securities are stated, net of applicable taxes, as “unrealized gain (loss) on available-for-sale securities” on the consolidated balance sheet. The fair value is determined based on the market price of closing date.

Available-for-sale securities without market prices are stated at cost by using the moving-average method.

In cases where the fair value of equity securities issued by nonconsolidated subsidiaries and associates, or available-for-sale securities, has declined significantly and such impairment is deemed other than temporary, those securities are written down to the fair value and the resulting losses are included in net profit or loss for the period.

(7) Allowance for Doubtful Accounts

The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group’s past credit loss experience and an evaluation of potential losses in the receivables outstanding.

(8) Accrued Bonuses

Accrued bonuses to employees are provided for at the estimated amounts, which the Group is obliged to pay to employees after the year-end.

(9) Accrued Directors’ Bonuses

Accrued bonuses to directors, including bonuses for the portion corresponding to the corporate performance-based remuneration system, are provided for at the estimated amounts, which the Group is obliged to pay to directors after the year-end.

(10) Retirement and Pension Plans

The Company and consolidated subsidiaries have unfunded retirement benefit plans for employees.

The Company accounts for the liability for retirement benefits based on the projected benefit obligations at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses are amortized on a straight-line basis over five years within the average remaining service period. Past service costs are amortized on a straight-line basis over five years within the average remaining service period.

(11) Retirement Allowances for Directors and Audit & Supervisory Board Members

Retirement allowance for directors and Audit & Supervisory Board members of some of the Company’s subsidiaries are recorded as a liability at the amount that would be required if all directors and Audit & Supervisory Board members retired at each balance sheet date.

(12) Allowance for Environmental Measures

The Group adopted the Act Concerning Special Measures against PCB Waste (Act No. 65 of June 22, 2001) and recorded the estimated cost for the disposal of polychlorinated biphenyl waste. Those amounts are included in other long-term liabilities in the consolidated balance sheet.

(13) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

(14) Consolidated Tax Return

The Group files a tax return under the consolidated taxation system, which allows companies to base tax payments on the combined profits or losses of the Parent company and its wholly owned domestic subsidiaries.

(15) Adoption of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

The Group will transition from the consolidated taxation system to the group tax sharing system starting from the next consolidated fiscal year. However, domestic consolidated companies have not yet adopted the provisions of Paragraph 44 of the ASBJ Guidance No. 28, "Implementation Guidance on Tax Effect Accounting," issued on February 16, 2018, in accordance with the treatment under Paragraph 3 of the PITF No. 39, "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System," issued on March 31, 2020. Therefore, the amounts of deferred tax assets and deferred tax liabilities are calculated based on the provisions of the Income Tax Act prior to the revision.

Furthermore, from the beginning of the next consolidated fiscal year, the Group plans to apply the PITF No. 42, "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System," issued on August 12, 2021, which provides for accounting treatment and disclosure of corporate and local income taxes and tax effect accounting in the case where a group tax sharing system is applied.

(16) Revenue Recognition

The Group recognizes revenue using the following five-step approach.

Step 1: Identify the 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 the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The primary performance obligations of main businesses involving revenue generated through contracts between customers and either the Company or its consolidated subsidiaries are described below, as are the points in time when those performance obligations are considered satisfied (and when revenue is recognized).

(a) Environmental Management & Recycling Business

The Environmental Management & Recycling Business engages in waste treatment, soil remediation, resource recycling, and other businesses. The main performance obligations of the waste treatment and soil remediation businesses are the disposal and detoxification of customer’s waste and contaminated soil in accordance with the contract with the customer. The period between the receipt of the customer's waste and the completion of treatment is very short. Therefore, performance obligations are satisfied primarily at the time of completion of treatment and revenue is recognized at that time. As the payment from the customer is usually received within about one year of the completion, the transaction prices do not include any material financial factors.

The main performance obligation of the resource recycling business is to deliver the goods in accordance with the contract with the customer. Performance obligations are satisfied when control of the goods is transferred to the customer upon delivery and revenue is recognized at that time. However, for some domestic transactions, revenue is recognized upon shipment of the goods. As the payment from the customer is usually received within about one year of the completion, the transaction prices do not include any material financial factors.

(b) Nonferrous Metals Business

The Nonferrous Metals Business engages in the production and sale of copper, zinc, lead, gold, silver, zinc alloy, platinum, palladium, rhodium, indium, sulfuric acid, tin, antimony, and other metals. The main performance obligation of the Nonferrous Metals Business is to deliver the goods in accordance with the contract with the customer. Performance obligations are satisfied when control of the goods is transferred to the customer upon delivery and revenue is recognized at that time. However, for some domestic transactions, revenue is recognized upon shipment of the goods. As the payment from the customer is usually received within about one year of the completion, the transaction prices do not include any material financial factors.

(c) Electronic Materials Business

The Electronic Materials Business engages in the production and sale of high-purity metals, compound semiconductor wafers, LEDs, conductive materials, battery materials, magnetic materials, reduced iron powder, and other materials. The main performance obligation of the Electronic Materials Business is to deliver the goods in accordance with the contract with the customer. Performance obligations are satisfied when control of the goods is transferred to the customer upon delivery and revenue is recognized at that time. However, for some domestic transactions, revenue is recognized upon shipment of the goods. As the payment from the customer is usually received within about one year of the completion, the transaction prices do not include any material financial factors.

(d) Metal Processing Business

The Metal Processing Business engages in the production and sale of copper, brass, and copper alloy plates and strips, electroplated products, brass alloy rods, metal-ceramics substrates, and other materials. The main performance obligation of the Metal Processing Business is to deliver the goods in accordance with the contract with the customer. Performance obligations are satisfied when control of the goods is transferred to the customer upon delivery and revenue is recognized at that time. However, for some domestic transactions, revenue is recognized upon shipment of the goods. As the payment from the customer is usually received within about one year of the completion, the transaction prices do not include any material financial factors.

(e) Heat Treatment Business

The Heat Treatment Business engages in heat treatment processing and industrial furnace business.

The heat treatment processing business is to provide services including heat and surface treatments for automobile parts and other metal materials. The main performance obligation of the heat treatment processing business is to provide heat treatment services on the customer’s goods and then deliver the goods in accordance with the contract with the customer. Since the period of the receipt of the customer's goods, the completion of heat treatment services and delivery to the customer is very short, performance obligations are satisfied when control of the goods is transferred to the customer upon delivery and revenue is recognized at that time. As the payment from the customer is usually received within about one year of the completion, the transaction prices do not include any material financial factors.

The industrial furnaces business engages in the production and sale of heat treatment processing facilities, such as industrial furnaces and their ancillary equipment. The main performance obligations of the industrial furnaces business are to produce industrial furnaces and other products in accordance with the customer’s specifications, to deliver the product to the designated location, to assemble, install, and configure the product, and to receive the acceptance of the customer’s inspection in accordance with the contract with the customer. Since such transactions in the industrial furnaces business do not fulfill the requirements of Paragraph 38 of the ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," revised on March 31, 2020, it is determined that control over products is transferred to the customer on the completion of the acceptance inspection.

Therefore, performance obligations are satisfied at the time of completing the acceptance inspection and revenue is recognized at that time. As the payment from the customer is usually received within about one year of the completion, the transaction prices do not include any material financial factors.

(f) Others

The main performance obligation of other businesses including the contract of the construction such as plant construction, civil engineering and construction work is to complete such construction projects on the customer’s land in accordance with the contract with the customer. These contracts performance obligations that are satisfied over time since the customer gains control of the assets during the progress of such constructions. The progress of fulfillment of this performance obligation is estimated based on the ratio of the construction cost incurred by the end of the fiscal year to the estimated total cost and as such is considered as a reasonable indicator of the degree of fulfillment of the performance obligation. Therefore, revenue is recognized over time based on such progress. If the conditions of these contracts do not meet the requirements of Paragraph 38 of the “Accounting Standard for Revenue Recognition,” it is determined that control over assets is transferred to the customer and revenue is recognized upon completion of the construction project. Furthermore, if the contract is for a construction project of which period is very short, the alternative treatment is applied and then revenue is recognized upon completion of the project. The payment from the customer is usually received over the timing of the progress of performance obligations in accordance with the contract.

(17) Research and Development

Research and development costs are charged to income as incurred.

(18) Leases

Finance lease transactions are capitalized to recognize lease assets and lease obligations in the consolidated balance sheet.

(19) Foreign Currency Translations and Consolidated Foreign Currency Financial Statements

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates as of the balance sheet date and foreign exchange gains and losses from translation are recognized in the consolidated statement of income. Assets and liabilities of foreign subsidiaries are converted into Japanese yen at the spot exchange rates prevailing on the balance sheet date of the foreign subsidiaries. Revenues and expenses of foreign subsidiaries are converted into Japanese yen at the average exchange rate for the accounting period of foreign subsidiaries. Translation differences are included as non-controlling interests and foreign currency translation adjustments in equity.

(20) Derivatives and Hedging Activities

The Group uses derivative financial instruments to manage its exposures to fluctuations in nonferrous metal, foreign exchange, and interest rates.

Nonferrous metal forward contracts, foreign exchange forward contracts, and interest rate swaps are utilized by the Group to reduce risks of fluctuation in nonferrous metal rates, foreign currency exchange, and interest rates. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:

a) All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income.

b) For derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign exchange forward contracts employed to hedge foreign exchange exposures for export sales and import purchases are measured at fair value and the unrealized gains or losses are mainly recognized in income. Forward contracts applied for forecasted (or committed) transactions are also measured at fair value, but the unrealized gains or losses are deferred until the underlying transactions are completed.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense.

(21) Per Share Information

Basic net income per share is based on the weighted-average number of shares of common stock of the Company issued and outstanding during the respective year. Also, the Group has adopted the ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," revised on March 31, 2020. As a result, basic net income per share increased by ¥2.79(U.S. $0.02).

(22) Accounting Changes

(a) Application of "Accounting Standard for Revenue Recognition"

Effective April 1, 2021, the Group adopted ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition," issued on March 31, 2020 (hereinafter "Revenue Recognition Standard") and recognizes revenue at the amount expected to be received in exchange for promised goods or services when control of the goods or services is transferred to customers.

Before applying Revenue Recognition Standard, regarding construction contracts, construction revenue and construction costs was recognized by the percentage-of-completion method if the outcome of a construction contract can be estimated reliably otherwise the completed-contract method was applied. However, after applying Revenue Recognition Standard, since the customers have controls of the assets which are generated over the progress of constructions, the method of revenue recognition has been changed and revenue is recognized over time based on the estimated progress towards the satisfaction of the performance obligation. The method of estimating the progress rate for fulfillment of performance obligations is based on the ratio of the actual costs to estimated total cost, and the revenue is recognized based on such progress rate. If the contract is not applicable for the requirement of Paragraph 86 of the Revenue Recognition Standard, revenue is recognized at a timing of the completion of the contract since it is deemed that the control is transferred at a timing of that completion. Further, revenue is recognized at a timing of the completion of the contract, of which term is within a very short period.

With regard to the adoption of Revenue Recognition Standard, in accordance with the transitional treatment stipulated in the proviso to paragraph 84 of Revenue Recognition Standard, the cumulative effect of retroactively adopting the new accounting policy prior to the beginning of the fiscal year ended March 31, 2021 has been added to or deducted from remained earnings from the beginning of the fiscal year ended March 31, 2021. However, the method stipulated in paragraph of 86 of the Revenue Recognition Standard has been adopted, the new accounting policy has not been adopted retroactively to contracts for which the amounts of almost all of revenue has been recognized prior to the beginning of the fiscal year ended March 31, 2021 in accordance with the previous accounting policy. In addition, the Group has adopted the method stipulated in the proviso (1) to paragraph 86 of the Revenue Recognition Standard and based on the contract conditions after applying all changes in contracts made prior to the beginning of the fiscal year ended March 31, 2021, the cumulative effect of retroactively adopting the new accounting policy prior to the beginning of the fiscal year ended March 31, 2021 has been added to or deducted from remained earnings from the beginning of the fiscal year ended March 31, 2021.

As a result, for the fiscal year ended March 31, 2022, sales increased by ¥595 million ($4,866 thousand), cost of sales increased by ¥429 million ($3,511 thousand), gross profit, operating income, ordinary income and income before income taxes increased by ¥165 million ($1,354 thousand).

In the consolidated cash flow statements as of March 31, 2022, income before income taxes increased by ¥165 million ($1,354 thousand).

The beginning balance of retained earnings decreased by ¥233 million ($1,908 thousand) due to the cumulative effect of retroactively adopting the new accounting policy prior to the beginning of the fiscal year ended March 31, 2021.

Furthermore, in accordance with the transitional treatment prescribed in Paragraph 89-3 of the Revenue Recognition Standard, Note 12. "Revenue / Net Sales" for the previous consolidated fiscal year are not presented.

(b) Application of "Accounting Standard for Fair Value Measurement"

Effective April 1, 2021, the Group adopted ASBJ Statement No. 30, "Accounting Standard for Fair Value Measurement," and ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement," issued on July 4, 2019 (hereinafter "Fair Value Measurement Standard"), and in accordance with the transitional treatment stipulated in paragraph 19 of the Fair Value Measurement Standard and paragraph 44-2 of the ASBJ Statement No. 10, "Accounting Standard for Financial Instruments," revised on July 4, 2019, the Group will apply the new accounting policy stipulated by the Fair Value Measurement Standard for prospectively.

As a result, the valuation standards for available-for-sale securities (other than equity instruments without market prices) have changed from a market value method based on the average market price for the final month of the fiscal year (including the final day), to a market value method based on the market price on the final day of the fiscal year.

Furthermore, we have included notes regarding the breakdown of financial instruments by fair value level in the section "Note 16. Financial Instruments." However, in accordance with the transitional treatment stipulated in Paragraph 7-4 of the ASBJ Guidance No. 19, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments," revised on July 4, 2019, these notes have not referred to fair values of the previous consolidated fiscal year.

3. Significant Accounting Estimate

Investments in Los Gatos Mine in Mexico

DOWA Metals & Mining Co., Ltd., (hereinafter “DMM”), an operating company in the Group’s Nonferrous Metals Business, has invested in MINERA PLATA REAL, S. DE R. L. DE C. V. and OPERACIONES SAN JOSÉ DE PLATA, S. DE R. L. DE C. V. (hereinafter collectively referred to as “MPRs”), which are the operating companies of the Los Gatos Mine in the State of Chihuahua, Mexico. At the end of the consolidated fiscal year, DMM owns 30% of shares issued by MPRs. The book value of the investments to these companies were ¥15,316 million (U.S. $125,142 thousand) as a result of the equity method applied by the Group, and these investments are recorded in the account of “Investments in and advances to nonconsolidated subsidiaries and associates”.

The material components, which consist of these investments, are the long-lived assets including property, plant and equipment and other long-term assets, used in the mining and ore sorting activities operated by MPRs. Estimates of the total future cash flows generated from the operations of Los Gatos Mine will have a significant impact on the valuation of these long-lived assets recorded in the financial statements of MPRs, which are the basic information used by the Group for applying their equity method on these investments.

These estimates are calculated using a complex calculation model, taking into account various assumptions, such as forecasts of the future market prices of metals, metal concentrate grades, and operational costs. As these assumptions, forecasts of the future market prices of metal are based on results for the current fiscal year, and metal concentrate grades and operational costs are estimated based on the latest plans of MPRs, taking into account mining and ore sorting activities conducted during the current fiscal year.

In the current consolidated fiscal year, no impairment losses were recorded on these long-lived assets included in the financial statements of MPRs, which are the basic information used by the Group for applying their equity method on these investments.

4. Consolidated Statement of Cash Flows

(1) Cash and cash equivalents

Cash and cash equivalents at March 31, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Cash and time deposits	**¥ 36,847**	¥ 18,277	**$ 301,070**
Time deposits with deposit terms of over three months	**(1,107)**	(957)	**(9,049)**
Cash and cash equivalents	**¥ 35,740**	¥ 17,320	**$ 292,020**

(2) Non-cash investing and financing activity

The increase (decrease) in assets related to investment at March 31, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Increase in investment in securities	**¥ 6,860**	¥ 3,436	**$ 56,052**
Decrease in long-term loans receivable	**6,900**	3,433	**56,383**

5. Investment

Investment securities as of March 31, 2022 and 2021, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Investments in securities			
Available-for-sale securities other than equity instruments without market prices	**¥ 25,409**	¥ 24,192	**$ 207,607**
Unlisted securities	**2,496**	2,673	**20,396**
Subtotal	**27,905**	26,865	**228,004**
Investments in and advances to nonconsolidated subsidiaries and associates			
Investments in securities	**51,799**	38,017	**423,233**
Long-term loans receivable	**3,499**	27,802	**28,596**
Subtotal	**55,299**	65,820	**451,829**
Total	**¥ 83,204**	¥ 92,685	**$ 679,834**

(Note) Certain reclassifications have been made in the 2021 to conform to the classifications used in 2022.

The net unrealized gains on the available-for-sale securities other than equity instruments without market prices as of March 31, 2022 and 2021, were ¥15,856 million (U.S. $129,553 thousand) and ¥14,590 million, respectively.

The information for available-for-sale securities which were sold during the years ended March 31, 2022 and 2021, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Proceeds from sales	**¥1,552**	¥8,720	**$ 12,687**
Gain on sales	**1,473**	5,029	**12,041**
Loss on sales	**–**	3	**–**

6. Long-lived Assets

(2022)

The Group reviewed its long-lived assets for impairment as of March 31, 2022. As a result, the Group recognized an impairment loss of ¥644 million (U.S. $5,267 thousand) included in other expenses related to the building and machinery asset group for the brass alloy rods production facilities in Asahi City, the waste treatment business in Thailand and the idle asset group due to significant decreases in fair value. The carrying amount of the relevant assets were written down to the recoverable amount for the year ended March 31, 2022.

(2021)

The Group reviewed its long-lived assets for impairment as of March 31, 2021. As a result, the Group recognized an impairment loss of ¥2,252 million included in other expenses related to the building and machinery asset group for the heat treatment processing business in Mexico, the electroplating business in Mexico, the smelting business in Kosaka Town, the waste treatment business in Thailand, and the idle asset group due to significant decreases in fair value. The carrying amount of the relevant assets were written down to the recoverable amount for the year ended March 31, 2021.

7. Short-term Borrowings and Long-term Debt

Short-term borrowings from banks and other financial institutions were represented by short-term borrowings bearing interest at 0.20% to 8.40% (an approximate average rate of 0.71%) per annum at March 31, 2022, and 0.23% to 6.10% (an approximate average rate of 0.60%) per annum at March 31, 2021.

Commercial paper was represented by commercial paper bearing interest at an approximate average rate of -0.069% per annum at March 31, 2022, and an approximate average rate of -0.050% per annum at March 31, 2021.

It is customary in Japan for short-term borrowings to be rolled over each year.

At March 31, 2022 and 2021, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
0.00% to 7.85% loans, principally from banks and due between 2022 and 2033:			
Collateralized	**¥ 253**	¥ 401	**$ 2,069**
Unsecured	**51,316**	60,101	**419,284**
0.14% straight bonds due 2023	**10,000**	10,000	**81,706**
0.11% straight bonds due 2024	**10,000**	10,000	**81,706**
0.10% straight bonds due 2026	**10,000**	−	**81,706**
Lease obligations	**1,654**	1,717	**13,518**
Total	**83,224**	82,219	**679,990**
Long-term debt, bonds, and lease obligations (due within one year)	**11,184**	14,962	**91,380**
Long-term debt (due after one year)	**¥ 72,039**	¥ 67,257	**$ 588,610**

At March 31, 2022 and 2021, the following assets were pledged as collateral for short-term borrowings and the long-term debt of the Group, and as a deposit of deferred payment of import consumption tax.

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Cash and time deposits	**¥ 4**	¥ 4	**$ 32**
Property, plant, and equipment, less accumulated depreciation, and land	**234**	236	**1,915**
Investments in and advances to associates	**10,029**	7,637	**81,947**
Investments in securities	**13,334**	8,748	**108,954**
Total	**¥ 23,602**	¥ 16,626	**$ 192,849**

Annual maturities of long-term debt as of March 31, 2022, for the next five years and thereafter were as follows:

	Millions of yen	Thousands of U.S. dollars
2022	**¥ 11,184**	**$ 91,380**
2023	**18,816**	**153,741**
2024	**22,655**	**185,112**
2025	**8,691**	**71,014**
2026 and thereafter	**21,876**	**178,741**
Total	**¥ 83,224**	**$ 679,990**

8. Retirement and Pension Plans

The Company and its consolidated subsidiaries have adopted lump-sum benefit plans as their defined benefit pension plans and the Company and certain consolidated subsidiaries have adopted contributory defined benefit pension plans. In addition, certain consolidated subsidiaries have adopted the Smaller Enterprise Retirement Allowance Mutual Aid (SERAMA) Scheme. Moreover, the payment of a premium severance amount that falls outside the scope of retirement benefit obligations based on computations that comply with accounting standards for retirement benefits may arise at the time of an employee's retirement.

Further, the lump-sum benefit plans adopted by certain consolidated subsidiaries calculate the liabilities for employees' retirement benefits and retirement benefit expenses using the simplified method.

Defined benefit plans excluding plans applying the simplified method

(1) The changes in defined benefit obligations relating to defined benefit plans in the consolidated fiscal years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Balance at beginning of year	**¥ 12,711**	¥ 11,952	**$ 103,860**
Service cost	**846**	1,004	**6,916**
Interest expense	**49**	45	**407**
Actuarial (gains) losses	**(299)**	232	**(2,444)**
Benefits paid	**(276)**	(416)	**(2,255)**
Past service cost	**306**	(32)	**2,507**
Other	**88**	(74)	**725**
Balance at end of year	**¥ 13,428**	¥ 12,711	**$ 109,717**

(2) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets was as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Funded defined benefit obligation	**¥ –**	¥ –	**$ –**
Plan assets	**–**	–	**–**
	–	–	**–**
Unfunded defined benefit obligation	**13,428**	12,711	**109,717**
Net liability arising from defined benefit obligation	**¥ 13,428**	¥ 12,711	**$ 109,717**

(3) The components of net periodic benefit costs for the years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Service cost	**¥ 846**	¥ 1,004	**$ 6,916**
Interest expense	**49**	45	**407**
Recognized actuarial (gains) losses	**(14)**	158	**(118)**
Amortization of past service cost	**54**	–	**448**
Other	**1**	–	**9**
Net periodic benefit costs	**¥ 937**	¥ 1,207	**$ 7,663**

(4) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Past service cost	**¥ (252)**	¥ 32	**$(2,059)**
Actuarial (gains) losses	**336**	(60)	**2,750**
Total	**¥ 84**	¥ (28)	**$ 690**

(5) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Unrecognized past service cost	**¥ 219**	¥ (32)	**$ 1,793**
Unrecognized actuarial (gains) losses	**(158)**	178	**(1,294)**
Total	**¥ 61**	¥145	**$ 498**

(6) Matters concerning the assumptions for the main actuarial calculations related to defined benefit plans as of March 31, 2022 and 2021, were as follows:

	2022	2021
Discount rate	**0.08 %**	0.08 %

The Company used the index of salary increases by age at March 31, 2022 and 2021, as the expected rate of future salary increases.

Defined benefit plans applying the simplified method

(7) The changes in defined benefit obligations related to defined benefit plans to which the simplified method is applied in the consolidated fiscal years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Balance at beginning of year	**¥ 6,835**	¥ 6,595	**$ 55,848**
Retirement benefit expenses	**755**	720	**6,176**
Benefits paid	**(508)**	(467)	**(4,154)**
Other	**(21)**	(13)	**(176)**
Balance at end of year	**¥ 7,061**	¥ 6,835	**$ 57,694**

(8) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets that apply the simplified method as of March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Funded defined benefit obligation	**¥ –**	¥ –	**$ –**
Plan assets	**–**	–	**–**
	–	–	**–**
Unfunded defined benefit obligation	**7,061**	6,835	**57,694**
Net liability arising from defined benefit obligation	**¥ 7,061**	¥ 6,835	**$ 57,694**

(9) The retirement benefit costs related to defined benefit plans calculated by the simplified method in the consolidated fiscal years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Retirement benefit costs calculated by the simplified method	**¥755**	¥720	**$ 6,176**

Defined contribution plans

(10) The required contributions to defined contribution plans of the Company and its consolidated subsidiaries in the consolidated fiscal years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Required contributions to defined contribution plans	**¥579**	¥554	**$ 4,738**

9. Contingent Liabilities

At March 31, 2022 and 2021, the Group guaranteed loans incurred by nonconsolidated subsidiaries and associates in the amount of ¥281 million (U.S. $2,303 thousand) and ¥303 million, respectively.

10. Equity

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

The Company meets all the above criteria and accordingly, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve, and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock.

Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

11. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rate of approximately 31.3% for the years ended March 31, 2022 and 2021.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2022 and 2021, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Deferred tax assets			
Reserve for employees' retirement benefits	**¥ 6,123**	¥ 5,908	**$ 50,033**
Unrealized earnings	**3,095**	2,832	**25,295**
Loss on impairments of property, plant and equipment	**2,311**	2,274	**18,883**
Deferred losses on derivatives under hedge accounting	**2,140**	835	**17,489**
Loss on devaluation of inventories	**2,068**	1,120	**16,900**
Accrued bonus	**1,658**	1,306	**13,552**
Loss on devaluation of investment securities	**1,370**	1,387	**11,197**
Accrued enterprise tax	**904**	593	**7,388**
Foreign tax credit	**739**	805	**6,041**
Consolidated subsidiaries' deficit	**437**	583	**3,571**
Reserve for directors' and Audit & Supervisory Board members' retirement benefits	**193**	231	**1,582**
Excess depreciation	**192**	156	**1,569**
Loss on disposal of property, plant and equipment	**186**	204	**1,523**
Allowance for doubtful accounts	**23**	23	**190**
Bad debt loss	**–**	696	**–**
Unrealized loss on available-for-sale securities	**–**	0	**–**
Others	**3,459**	3,374	**28,262**
Total	**24,904**	22,335	**203,481**
Less valuation allowance for tax loss carryforwards(*2)	**(385)**	(475)	**(3,150)**
Less valuation allowance for temporary differences	**(7,044)**	(7,098)	**(57,555)**
Total valuation allowance	**(7,429)**	(7,573)	**(60,705)**
Total deferred tax assets	**17,474**	14,761	**142,775**
Deferred tax liabilities			
Unrealized gain on available-for-sale securities	**(4,527)**	(4,367)	**(36,994)**
Retained earnings of affiliated companies(*1)	**(3,526)**	(3,117)	**(28,812)**
Unrealized gain on land	**(732)**	(732)	**(5,981)**
Reserve for overseas investment loss	**(52)**	(52)	**(431)**
Enterprise tax receivable	**(7)**	(11)	**(57)**
Others(*1)	**(1,562)**	(1,353)	**(12,764)**
Total deferred tax liabilities	**(10,408)**	(9,634)	**(85,042)**
Net deferred tax assets	**¥ 7,065**	¥ 5,126	**$ 57,733**

(*1) Certain reclassifications have been made in the 2021 to conform to the classifications used in 2022.

(*2) The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2022 and 2021, were as follows:

Millions of yen

March 31, 2022	1 year or less	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	Total
Deferred tax assets relating to tax loss carryforwards (a)	**60**	**6**	**12**	**19**	**42**	**294**	**437**
Less valuation allowances for tax loss carryforwards	**(25)**	**(6)**	**(11)**	**(19)**	**(42)**	**(279)**	**(385)**
Net deferred tax assets relating to tax loss carryforwards	**35**	**–**	**0**	**–**	**0**	**15**	**(b)51**

Thousands of U.S. Dollars

March 31, 2022	1 year or less	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	Total
Deferred tax assets relating to tax loss carryforwards (a)	**497**	**55**	**100**	**162**	**350**	**2,405**	**3,571**
Less valuation allowances for tax loss carryforwards	**(205)**	**(55)**	**(97)**	**(162)**	**(348)**	**(2,280)**	**(3,150)**
Net deferred tax assets relating to tax loss carryforwards	**291**	**–**	**2**	**–**	**2**	**124**	**(b)421**

Millions of yen

March 31, 2021	1 year or less	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	Total
Deferred tax assets relating to tax loss carryforwards (a)	106	61	7	15	19	373	583
Less valuation allowances for tax loss carryforwards	(42)	(60)	(7)	(15)	(19)	(329)	(475)
Net deferred tax assets relating to tax loss carryforwards	63	0	0	0	0	43	(b)108

(a) Tax loss carryforwards were calculated using the statutory tax rate.

(b) Out of tax loss carryforward as of March 31, 2022 and 2021 of ¥437 million (U.S. $3,571 thousand) and ¥583 million which were calculated using the statutory tax rate, deferred tax assets of ¥51 million (U.S. $421 thousand) and ¥108 million were recognized, because utilization of such assets are supported by probable future taxable net income.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2022 with the corresponding figures for 2021, is as follows:

	2022	2021
Normal effective statutory tax rate	**31.3 %**	31.3 %
Equity in earnings of affiliates	**(3.6)**	3.7
Tax credits	**(1.1)**	(1.8)
Valuation allowance	**(0.5)**	0.3
Nontaxable items, including dividend income	**(0.0)**	(0.1)
Retained earnings of affiliated companies	**0.4**	0.4
Foreign source taxes	**0.3**	0.2
Nondeductible items, including entertainment expenses	**0.2**	0.4
Inhabitants'tax	**0.1**	0.3
Others	**(0.8)**	0.3
Actual effective tax rate	**26.3 %**	35.1 %

12. Revenue / Net Sales

(1) Disaggregation of Revenue

Millions of yen

	Reportable segment							
2022	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Total	Others (*4)	Total
Waste treatment, etc(*1)	**¥ 52,651**	**¥ –**	**¥ –**	**¥ –**	**¥ –**	**¥ 52,651**	**¥ –**	**¥ 52,651**
Recycle	**74,471**	**–**	**–**	**–**	**–**	**74,471**	**–**	**74,471**
Gold, silver, copper, etc(*2)	**–**	**138,926**	**–**	**–**	**–**	**138,926**	**–**	**138,926**
Platinum group	**–**	**238,830**	**–**	**–**	**–**	**238,830**	**–**	**238,830**
Zinc, Indium	**–**	**77,863**	**–**	**–**	**–**	**77,863**	**–**	**77,863**
Semiconductors, Electronic Materials	**–**	**–**	**165,720**	**–**	**–**	**165,720**	**–**	**165,720**
Copper rolled products, Electroplating(*3)	**–**	**–**	**–**	**111,947**	**–**	**111,947**	**–**	**111,947**
Heat Treatment Processing, Industrial Furnaces	**–**	**–**	**–**	**–**	**28,994**	**28,994**	**–**	**28,994**
Others	**7,922**	**–**	**9,610**	**–**	**–**	**17,532**	**13,888**	**31,420**
Revenues from contracts with customers	**¥ 135,045**	**¥ 455,619**	**¥ 175,331**	**¥ 111,947**	**¥ 28,994**	**¥ 906,938**	**¥ 13,888**	**¥ 920,826**
Intersegment sales or transfers	**(51,893)**	**(21,378)**	**(4,065)**	**(57)**	**(17)**	**(77,413)**	**(11,618)**	**(89,032)**
Sales to external customers	**¥ 83,151**	**¥ 434,240**	**¥ 171,266**	**¥ 111,889**	**¥ 28,976**	**¥ 829,524**	**¥ 2,269**	**¥ 831,794**

Thousands of U.S. dollars

	Reportable segment							
2022	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Total	Others (*4)	Total
Waste treatment, etc(*1)	**$ 430,198**	**$ –**	**$ –**	**$ –**	**$ –**	**$ 430,198**	**$ –**	**$ 430,198**
Recycle	**608,477**	**–**	**–**	**–**	**–**	**608,477**	**–**	**608,477**
Gold, silver, copper, etc(*2)	**–**	**1,135,110**	**–**	**–**	**–**	**1,135,110**	**–**	**1,135,110**
Platinum group	**–**	**1,951,386**	**–**	**–**	**–**	**1,951,386**	**–**	**1,951,386**
Zinc, Indium	**–**	**636,189**	**–**	**–**	**–**	**636,189**	**–**	**636,189**
Semiconductors, Electronic Materials	**–**	**–**	**1,354,039**	**–**	**–**	**1,354,039**	**–**	**1,354,039**
Copper rolled products, Electroplating(*3)	**–**	**–**	**–**	**914,675**	**–**	**914,675**	**–**	**914,675**
Heat Treatment Processing, Industrial Furnaces	**–**	**–**	**–**	**–**	**236,899**	**236,899**	**–**	**236,899**
Others	**64,727**	**–**	**78,525**	**–**	**–**	**143,253**	**113,474**	**256,728**
Revenues from contracts with customers	**$ 1,103,404**	**$ 3,722,685**	**$ 1,432,565**	**$ 914,675**	**$ 236,899**	**$ 7,410,230**	**$ 113,474**	**$ 7,523,705**
Intersegment sales or transfers	**(424,002)**	**(174,677)**	**(33,218)**	**(471)**	**(143)**	**(632,513)**	**(94,931)**	**(727,445)**
Sales to external customers	**$ 679,401**	**$ 3,548,008**	**$ 1,399,346**	**$ 914,204**	**$ 236,755**	**$ 6,777,716**	**$ 18,543**	**$ 6,796,260**

(*1) This includes waste treatment and soil remediation in domestic market, and Southeast Asia business.
(*2) This includes gold, silver, copper, lead, tin, antimony, and other materials.
(*3) It includes copper rolled products, electroplating, metal-ceramics substrates.
(*4) Others primarily includes plant construction, civil engineering and construction work, engineering, office administration services, technological development support, sales administration, marketing, and other operations.

(2) Contract Balances

Receivables from contract with customers, contract assets and contract liabilities at the beginning and end of the year are as follows:

	Millions of yen	
2022	Balance at beginning of year	Balance at end of year
Receivables from contracts with customers	**¥ 84,132**	**¥ 98,894**
Contract assets	**–**	**119**
Contract liabilities	**7,529**	**8,574**

	Thousands of U.S. dollars	
2022	Balance at beginning of year	Balance at end of year
Receivables from contracts with customers	**$ 687,416**	**$ 808,030**
Contract assets	**–**	**972**
Contract liabilities	**61,517**	**70,055**

(*1) Contract assets are primarily recognized by the revenue recognition of construction contracts of which performance obligations are fulfilled over time. Contract assets are classified into receivables from contracts with customers when a consolidated subsidiaries' right to compensation becomes unconditional. Contract assets are included in the consolidated balance sheet under notes and accounts receivable.
(*2) Contract liabilities primarily occur in contracts in the Nonferrous Metals business and the Electronic Materials business, which involve advance payments received from customers which are netted with receivables when the revenue is recognized. Contract liabilities are included in the consolidated balance sheet in "Other current liabilities" under "Current Liabilities".
(*3) The contract liabilities amounts to ¥7,529 million ($61,517 thousand) which were included in such balances at the beginning of the fiscal year and related revenue was recognized during this fiscal year.

13. Loss on Devaluation of Inventories

The Group recorded the following loss on devaluation of inventories held for ordinary sales purposes due to impairments reflecting a drop in profitability for the years ended March 31, 2022 and 2021:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Cost of sales	**¥ 1,714**	¥ 1,345	**$ 14,007**

14. Research and Development Costs

Research and development costs charged to income were ¥5,894 million (U.S. $48,163 thousand) and ¥5,781 million for the years ended March 31, 2022 and 2021, respectively.

15. Leases

The minimum rental commitments under noncancelable operating leases due at March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Operating leases (lessee)			
Within one year	**¥ 204**	¥ 193	**$ 1,674**
Over one year	**259**	314	**2,122**
Total	**¥ 464**	¥ 507	**$ 3,796**

16. Financial Instruments

(1) Status of Financial Instruments

(a) Policy for financial instruments

The Group manages its funds using short-term deposits and bond repurchase agreements.

Financial instruments used for financing are mainly bank loans and other instruments, including corporate bonds and electronic commercial paper, based on the Group's policy of diversifying financing methods, sources, and maturities, etc.

Derivatives are used to avoid the market fluctuation risks of interest on borrowings and the sale and purchase prices of inventories, etc., only within the range of the hedged items, and the Group's policy is to not use derivatives for speculative purposes.

(b) Nature, extent of risks, and risk management for financial instruments

Notes and accounts receivable, and contract assets, which are operating receivables, are exposed to customer credit risk. The Group manages the credit risk of receivables by monitoring the payment terms and balances for each customer.

Listed securities, which are among the equity instruments in investments in securities, are exposed to the risk of market price fluctuations. The Group has a system to periodically monitor and assess the fair values of listed securities, even though, the securities are held neither for pure investment purposes nor short-term trading purposes.

Payment terms of notes and accounts payable, which are operating debt, are mostly less than one year.

Borrowings are exposed to liquidity risk and interest rate fluctuation risk. In order to mitigate these risks, the Group uses multiple financial institutions and staggers the redemption dates of loans. With regard to a portion of long-term debt, the Group uses interest rate swaps as hedging instruments to avoid fluctuation risks of interest rates. The Group periodically compiles cash flow plans and performance and the status of financing is reported at the management meeting monthly.

In addition to interest rate swaps, the Group enters into derivative financial instruments, namely foreign exchange forward contracts and nonferrous metal forward contracts. The former are used to avoid risks of foreign exchange fluctuations associated with the sale of finished products and purchases of inventories (mainly imported raw materials), which are denominated in foreign currencies. The latter are used to avoid fluctuation risks in market prices for raw materials and finished goods that are influenced by nonferrous metal market prices.

Monthly meetings are held regarding derivative transactions, with the attendance of directors who are in charge of hedge transactions and the head of each business division. At the meetings, the implementation policies for hedge transactions are determined, the execution of derivative transactions is managed and reported, and hedge effectiveness is evaluated. In accordance with the policies, each derivative transaction is executed based on internal guidelines, which regulate the credit limit amount and procedures of transactions and reporting. Evaluation of hedge effectiveness is omitted for interest rate swaps as the swaps qualify for hedge accounting and meet specific matching criteria for interest rate swaps. The Group has a policy to diversify transactions through multiple counterparties with high credit standings in order to mitigate credit risk.

(c) Supplementary explanation to fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Since variable factors are incorporated into calculations of the fair value of financial instruments, and the results of valuation may differ depending on prerequisites. The contract or notional amounts of derivatives which are shown in Note 17. Derivatives do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

(2) Fair Value of Financial Instruments

The table below shows the amounts of financial instruments recorded in the consolidated balance sheet and their fair values.

2022	Millions of yen Carrying amount	Millions of yen Fair value	Millions of yen Difference	Thousands of U.S. dollars Carrying amount	Thousands of U.S. dollars Fair value	Thousands of U.S. dollars Difference
(1) Investments in securities (*4)	**37,302**	**34,399**	**(2,903)**	**304,787**	**281,065**	**(23,722)**
Total assets	**¥ 37,302**	**¥ 34,399**	**¥ (2,903)**	**$ 304,787**	**$ 281,065**	**$ (23,722)**
(1) Long-term debt (including repayments due within one year) (*5)	**81,569**	**81,230**	**(338)**	**666,472**	**663,702**	**(1,625)**
Total liabilities	**¥ 81,569**	**¥ 81,230**	**¥ (338)**	**$ 666,472**	**$ 663,702**	**$ (1,625)**
Derivatives (*6)	**¥ (10,707)**	**¥ (10,707)**	**¥ –**	**$ (87,483)**	**$ (87,483)**	**$ –**

2021	Millions of yen Carrying amount	Millions of yen Fair value	Millions of yen Difference
(1) Investments in securities (*4)	33,249	31,484	(1,764)
(2) Long-term loans receivable	27,802	30,537	2,734
Total assets	¥ 61,052	¥ 62,022	¥ 969
(1) Long-term debt (including repayments due within one year) (*5)	80,502	80,635	132
Total liabilities	¥ 80,502	¥ 80,635	¥ 132
Derivatives (*6)	¥ (4,822)	¥ (4,822)	¥ –

(*1) Descriptions are omitted for cash and time deposits, notes and accounts receivable, notes and accounts receivable, and contract assets, notes and account payable, short-term borrowings, and commercial paper because these items consist of cash and items that are settled in a short period of time. Therefore, their carrying amounts approximate fair value.

(*2) Equity instruments without market prices are not included in Assets (1) Investments in securities. The amounts of such financial instruments recorded in the consolidated balance sheet are as follows.

Classification	Millions of yen 2022	Thousands of U.S. dollars 2022
Unlisted securities and others (carrying amount)	**¥ 42,402**	**$ 346,450**

(*3) Financial instruments whose fair values are not readily determinable.

Classification	Millions of yen 2021
Unlisted securities and others (carrying amount)	¥ 31,633

These financial instruments are not included in Assets (1) Investments in securities, as they have no quoted market prices and their fair values are not readily determinable.

(*4) Assets (1): Investments in securities as of March 31, 2022 and 2021, stated above, are obtained by equity instruments without market prices of ¥42,402 million (U.S. $346,450 thousand) and financial instruments whose fair values are not readily determinable of ¥31,633 million, respectively, and long-term loans receivable of ¥3,499 million (U.S. $28,596 thousand) and ¥27,802 million, respectively, from the sum of investments in securities of ¥27,905 million (U.S. $228,004 thousand) and ¥26,865 million, respectively, and investments in and advances to nonconsolidated subsidiaries and associates of ¥55,299 million (U.S. $451,829 thousand) and ¥65,820 million, respectively, presented in the consolidated balance sheet.

(*5) Liabilities (1): Long-term debt as of March 31, 2022 and 2021, stated above, is obtained by subtracting lease obligations of ¥1,654 million (U.S. $13,518 thousand) and ¥1,717 million, respectively, from the sum of current maturities of long-term debt of ¥11,184 million (U.S. $91,380 thousand) and ¥14,962 million, respectively, and long-term debt of ¥72,039 million (U.S. $588,610 thousand) and ¥67,257 million, respectively, presented in the consolidated balance sheet.

(*6) Derivative transactions stated above are stated net of assets and liabilities.

Maturity analysis for financial assets with contractual maturities

2022	Millions of yen Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and time deposits	**¥ 2,868**	**¥ –**	**¥ –**	**¥ –**
Notes and accounts receivable, and contract assets	**99,013**	**–**	**–**	**–**
Total	**¥ 101,882**	**¥ –**	**¥ –**	**¥ –**

2022	Thousands of U.S. dollars Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and time deposits	**$ 23,435**	**$ –**	**$ –**	**$ –**
Notes and accounts receivable, and contract assets	**809,003**	–	**–**	**–**
Total	**$ 832,438**	**$ –**	**$ –**	**$ –**

2021	Millions of yen Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and time deposits	¥ 2,041	¥ –	¥ –	¥ –
Notes and accounts receivable	84,132	–	–	–
Long-term loans receivable	–	17,617	10,185	–
Total	¥ 86,174	¥ 17,617	¥ 10,185	¥ –

(3)Financial Instruments Categorized by Fair Value Hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is categorized at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(a) The financial assets and liabilities measured at the fair values in the consolidated balance sheet

2022	Millions of yen			
	Level 1	Level 2	Level 3	Total
Investments in securities	¥ 25,409	¥ −	¥ −	¥ 25,409
Total assets	¥ 25,409	¥ −	¥ −	¥ 25,409
Derivatives	¥ −	¥ (10,707)	¥ −	¥ (10,707)
Currency-related transactions	−	(4,112)	−	(4,112)
Commodity-related transactions	−	(6,594)	−	(6,594)

2022	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Investments in securities	$ 207,607	$ −	$ −	$ 207,607
Total assets	$ 207,607	$ −	$ −	$ 207,607
Derivatives	$ −	$ (87,483)	$ −	$ (87,483)
Currency-related transactions	−	(33,604)	−	(33,604)
Commodity-related transactions	−	(53,878)	−	(53,878)

(*1)Derivative transactions recorded in assets and liabilities are displayed collectively. Net credits and debts arising from derivative transactions are displayed as net values. Items for which totals are negative are shown in parentheses.

(*2)Under derivative transactions, a loss of ¥5,547 million (U.S. $45,325 thousand) for transactions to which hedge accounting was applied was recorded on the consolidated balance sheet.

(b) The financial assets and liabilities not measured at the fair values in the consolidated balance sheet

2022	Millions of yen			
	Level 1	Level 2	Level 3	Total
Investments in securities	¥ 8,990	¥ −	¥ −	¥ 8,990
Total assets	¥ 8,990	¥ −	¥ −	¥ 8,990
Long-term debt (including repayments due within one year)	¥ −	¥ 81,230	¥ −	¥ 81,230
Total liabilities	¥ −	¥ 81,230	¥ −	¥ 81,230

2022	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Investments in securities	$ 73,457	$ −	$ −	$ 73,457
Total assets	$ 73,457	$ −	$ −	$ 73,457
Long-term debt (including repayments due within one year)	$ −	$ 663,702	$ −	$ 663,702
Total liabilities	$ −	$ 663,702	$ −	$ 663,702

(Note) The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

Investments in securities

Investment in securities that are listed as equity instruments are valued using quoted market prices. Since listed equity instruments are traded in active markets, their fair value is classified as Level 1.

Derivatives

Derivatives are calculated based on fair value obtained from financial institutions, and their fair value is classified as Level 2.

Long-term debt (including repayments due within one year)

The fair value of long-term debt is calculated using the discounted cash flow method, which is based on the present value of the total principal and interest discounted using an assumed interest rate on equivalent new borrowings. Long-term debt with variable interest rates qualifies for special treatment under hedge accounting. The fair value of these accounts is calculated by discounting the total of the interest and principal, including the relevant interest rate swap, by an interest rate reasonably estimated assuming similar borrowings are taken out. Therefore, their fair value is classified as Level 2.

17. Derivatives

(1) Derivative Transactions to which Hedge Accounting is Not Applied

Currency-related transactions (2022)

	Millions of yen				Thousands of U.S. dollars			
Type	Contract amount	Over 1 year	Fair value	Unrealized gains/losses	Contract amount	Over 1 year	Fair value	Unrealized gains/losses
Forward Exchange Contract Transactions								
Selling								
U. S. dollars	**¥ 39,943**	**¥ –**	**¥ (2,441)**	**¥ (2,441)**	**$ 326,364**	**$ –**	**$ (19,950)**	**$ (19,950)**
Thai baht	**2,219**	**–**	**(178)**	**(178)**	**18,136**	**–**	**(1,456)**	**(1,456)**
Total	**–**	**–**	**–**	**¥ (2,619)**	**–**	**–**	**–**	**$ (21,406)**

Commodity-related transactions (2022)

	Millions of yen				Thousands of U.S. dollars			
Type	Contract amount	Over 1 year	Fair value	Unrealized gains/losses	Contract amount	Over 1 year	Fair value	Unrealized gains/losses
Nonferrous Metal Forward Contracts								
Selling								
Gold	**¥ 2,446**	**¥ –**	**¥ (214)**	**¥ (214)**	**$ 19,990**	**$ –**	**$ (1,755)**	**$ (1,755)**
Silver	**5,391**	**–**	**(544)**	**(544)**	**44,051**	**–**	**(4,446)**	**(4,446)**
Zinc	**974**	**–**	**(144)**	**(144)**	**7,958**	**–**	**(1,184)**	**(1,184)**
Copper	**4,524**	**–**	**(427)**	**(427)**	**36,969**	**–**	**(3,490)**	**(3,490)**
Lead	**25**	**–**	**(3)**	**(3)**	**211**	**–**	**(31)**	**(31)**
Nickel	**219**	**–**	**(142)**	**(142)**	**1,795**	**–**	**(1,162)**	**(1,162)**
Palladium	**1,589**	**–**	**(153)**	**(153)**	**12,984**	**–**	**(1,257)**	**(1,257)**
Total	**–**	**–**	**–**	**¥(1,631)**	**–**	**–**	**–**	**$ (13,327)**

Currency-related transactions (2021)

	Millions of yen			
Type	Contract amount	Over 1 year	Fair value	Unrealized gains/losses
Forward Exchange Contract Transactions				
Selling				
U. S. dollars	¥ 31,650	¥ –	¥ (1,543)	¥(1,543)
Thai baht	1,379	–	(42)	(42)
Total	–	–	–	¥(1,586)

Commodity-related transactions (2021)

	Millions of yen			
Type	Contract amount	Over 1 year	Fair value	Unrealized gains/losses
Nonferrous Metal Forward Contracts				
Selling				
Gold	¥ 1,364	¥ –	¥ 12	¥ 12
Silver	4,571	–	124	124
Zinc	348	–	(9)	(9)
Copper	4,169	–	(469)	(469)
Lead	0	–	(0)	(0)
Nickel	212	–	9	9
Palladium	1,790	–	(338)	(338)
Total	–	–	–	¥ (672)

(2) Derivative Transactions to which Hedge Accounting is Applied

Currency-related transactions (2022)

			Millions of yen			Thousands of U.S. dollars		
Treatment	Type	Hedged item	Contract amount	Over 1 year	Fair value	Contract amount	Over 1 year	Fair value
Standard treatment	Forward exchange contract transactions	Accounts receivable						
	Selling							
	U. S. dollars		**¥ 29,220**	**¥ –**	**¥(1,434)**	**$ 238,750**	**$ –**	**$ (11,719)**
	Thai baht		**1,011**	**–**	**(58)**	**8,263**	**–**	**(478)**
Currency swaps under designated hedge accounting	Forward exchange contract transactions	Accounts receivable						
	Selling							
	U. S. dollars		**¥ 2,843**	**¥ –**	**(*1)**	**$ 23,231**	**$ –**	**(*1)**
Total			**–**	**–**	**–**	**–**	**–**	**–**

Commodity-related transactions (2022)

			Millions of yen			Thousands of U.S. dollars		
Treatment	Type	Hedged item	Contract amount	Over 1 year	Fair value	Contract amount	Over 1 year	Fair value
Standard treatment	Nonferrous Metal Forward Contracts	Inventory						
	Selling							
	Gold		**¥ 8,219**	**¥ –**	**¥ (615)**	**$ 67,158**	**$ –**	**$ (5,026)**
	Silver		**7,230**	**–**	**(504)**	**59,073**	**–**	**(4,125)**
	Zinc		**20,416**	**–**	**(3,439)**	**166,817**	**–**	**(28,103)**
	Copper		**8,829**	**–**	**(835)**	**72,145**	**–**	**(6,828)**
	Lead		**65**	**–**	**(4)**	**533**	**–**	**(39)**
	Buying							
	Silver		**¥ 466**	**¥ –**	**¥ 1**	**$ 3,814**	**$ –**	**$ 12**
	Zinc		**2,530**	**–**	**435**	**20,673**	**–**	**3,560**
Total			**–**	**–**	**–**	**–**	**–**	**–**

Currency-related transactions (2021)

			Millions of yen		
Treatment	Type	Hedged item	Contract amount	Over 1 year	Fair value
Standard treatment	Forward exchange contract transactions	Accounts receivable			
	Selling				
	U. S. dollars		¥ 18,837	¥ –	¥ (831)
	Thai baht		1,009	–	(8)
Currency swaps under designated hedge accounting	Forward exchange contract transactions	Accounts receivable			
	Selling				
	U. S. dollars		¥ 2,140	¥ –	(*1)
	Thai baht		948	–	(*1)
Total			–	–	–

Commodity-related transactions (2021)

			Millions of yen		
Treatment	Type	Hedged item	Contract amount	Over 1 year	Fair value
Standard treatment	Nonferrous Metal Forward Contracts	Inventory			
	Selling				
	Gold		¥ 9,049	¥ –	¥ 170
	Silver		5,087	–	140
	Zinc		9,066	–	(390)
	Copper		10,612	–	(1,672)
	Lead		85	–	(1)
	Buying				
	Silver		¥ 18	¥ –	¥ (0)
	Zinc		1,772	11	32
Total			–	–	–

(*1) The fair values of currency swaps under designated hedge accounting are included in the fair values of accounts receivable because they are accounted for as an integral part of accounts receivable, which are hedged items.

18. Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2022 and 2021, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	**2022**
Unrealized gain (loss) on available-for-sale securities:			
Gain (loss) arising during the year	**¥ 1,429**	¥ 8,133	**$ 11,680**
Reclassification adjustments to profit or loss	**(177)**	(167)	**(1,447)**
Amount before income tax effect	**1,252**	7,965	**10,233**
Income tax effect	**(160)**	(2,158)	**(1,309)**
Total	**¥ 1,092**	¥ 5,807	**$ 8,924**
Deferred gain (loss) on derivatives under hedge accounting:			
Gain (loss) arising during the year	**¥ (15,926)**	¥ (13,921)	**$ (130,125)**
Reclassification adjustments to profit or loss	**11,096**	7,907	**90,662**
Adjustment for cost of asset acquisition	**–**	–	**–**
Amount before income tax effect	**(4,829)**	(6,013)	**(39,462)**
Income tax effect	**1,304**	1,833	**10,660**
Total	**¥ (3,525)**	¥ (4,179)	**$ (28,801)**
Foreign currency translation adjustments:			
Adjustments arising during the year	**¥ 3,678**	¥ (153)	**$ 30,056**
Reclassification adjustments to profit or loss	**18**	50	**153**
Amount before income tax effect	**3,697**	(102)	**30,209**
Income tax effect	**–**	–	**–**
Total	**¥ 3,697**	¥ (102)	**$ 30,209**
Defined retirement benefit plan:			
Adjustments arising during the year	**¥ 57**	¥ (199)	**$ 472**
Reclassification adjustments to profit or loss	**26**	170	**218**
Amount before income tax effect	**84**	(28)	**690**
Income tax effect	**45**	(61)	**369**
Total	**¥ 129**	¥ (89)	**$ 1,060**
Share of other comprehensive income in associates:			
Gain (loss) arising during the year	**¥ 2,042**	¥ (1,353)	**$ 16,687**
Reclassification adjustments to profit or loss	**(56)**	(13)	**(464)**
Total	**¥ 1,985**	¥ (1,366)	**$ 16,222**
Total other comprehensive income	**¥ 3,379**	¥ 68	**$ 27,614**

19. Subsequent Events

(1) Year-end dividend

The following appropriation of retained earnings at March 31, 2022, was approved at the Board of Directors' meeting held on May 18, 2022:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥130 (U.S. $1.06) per share	**¥ 7,813**	**$ 63,837**

(Note) The dividend per share by the resolution of the Board of Directors' meeting held on May 18, 2022 has been included a special dividend of ¥30 (U.S. $0.24).

(2) Termination of tolling contract

At the Board of Directors' meeting held on September 9, 2022, the Company has resolved to terminate the tolling contract (hereinafter "the contract") for smelting copper concentrates between our subsidiary, DOWA METALS & MINING CO., LTD., (hereinafter "DMM"), and the tolling contractor, which is our affiliate accounted for by the equity method, Onahama Smelting and Refining Co., Ltd., at the end of March 2023.

With the termination of the contract, the Company has decided to transfer all of the shares of Onahama Smelting and Refining Co., Ltd. owned by DMM to Mitsubishi Materials Corporation.

(a) Background and purpose of termination of the contract

DMM produces and sells copper cathodes mainly from recycling materials at its wholly owned subsidiary, KOSAKA SMELTING & REFINING CO., LTD., and by the tolling of copper concentrates to Onahama Smelting and Refining Co., Ltd.

The Group has established the evolution of recycling-oriented business model as a basic strategy and decided to promote enhancing metal recycling as one of the priority initiatives in its medium-term management plan, Midterm Plan 2024. Based on this plan and to concentrate its management resources in the metal recycling business, the Company has decided to terminate the contract.

(b) Material impact of the termination of the contract on business activities

Since the contract is effective until the end of March 2023, the impact of the termination of the contract and the subsequent transfer of shares on the consolidated financial results for the fiscal year ending March 31, 2023, would be expected to be small. Also, the impact on the consolidated financial results for the fiscal year ending March 31, 2024, which is after the termination of the contract, is under scrutiny.

Net sales for the fiscal year ended March 31, 2022, related to the sale of products under the contract amounted to ¥65,487 million (U.S. $535,068 thousand).

20. Segment Information

(1) Outline of reportable segments

The Company's reportable segments are the components of the Group about which separate financial information is available. These segments are subject to periodic examinations to enable the Company's Board of Directors to decide how to allocate resources and assess performance.

The Company's operations are classified into five product and service segments based on its operating companies.

Each segment's businesses are as follows:

In the Environmental Management & Recycling segment, the Group conducts waste treatment, soil remediation, resource recycling, logistics, and other operations.

In the Nonferrous Metals segment, the Group produces and sells copper, zinc, lead, gold, silver, zinc alloys, platinum, palladium, rhodium, indium, sulfuric acid, tin, antimony, and other materials.

In the Electronic Materials segment, the Group produces and sells high-purity metal materials, compound semiconductor wafers, LEDs, conductive materials, battery materials, magnetic materials, reduced iron powder, and other materials. In the Metal Processing segment, the Group produces and sells copper, brass and copper alloy strips, electroplated products, brass rods, metal-ceramic substrates, and other materials.

In the Heat Treatment segment, the Group provides heat and surface treatment of metallic materials, such as automobile components, and manufactures, sells, and provides maintenance of industrial furnaces and ancillary equipment.

(2) Method for calculating sales, income (loss), assets, liabilities, and other items by reportable segment

The accounting treatment and methods for the reportable segments are largely consistent with Note 1. Basis of Presentation of the Consolidated Financial Statements, and Note 2. Summary of Significant Accounting Policies.

Segment income is reconciled to ordinary income. Ordinary income is calculated by adding share of profit (loss) of entities accounted for using equity method, interest and dividend income, royalty income, etc. and deducting interest expense, environmental expenses, etc. from operating profit (loss).

(3) Information on sales, income (loss), assets, liabilities, and other items by reportable segment

Segment information as of March 31, 2022 and 2021, are summarized as follows:

	Millions of yen									
	Reportable segment									
2022	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Total	Others (*1)	Total	Reconciliations (*2)	Consolidated
Net sales										
Sales to external customers	¥ 83,151	¥ 434,240	¥ 171,266	¥ 111,889	¥ 28,976	¥ 829,524	¥ 2,269	¥ 831,794	¥ –	¥ 831,794
Intersegment sales or transfers	51,893	21,378	4,065	57	17	77,413	11,618	89,032	(89,032)	–
Total	¥ 135,045	¥ 455,619	¥ 175,331	¥ 111,947	¥ 28,994	¥ 906,938	¥ 13,888	¥ 920,826	¥ (89,032)	¥ 831,794
Segment income (*3)	¥ 13,663	¥ 42,774	¥ 6,574	¥ 6,817	¥ 3,010	¥ 72,841	¥ 560	¥ 73,401	¥ 2,671	¥ 76,073
Segment assets	133,880	304,154	92,678	98,294	45,974	674,982	11,848	686,830	(29,547)	657,283
Other items:										
Depreciation	7,340	4,654	3,947	3,352	2,471	21,766	306	22,072	509	22,582
Amortization of goodwill	348	20	–	–	134	503	–	503	–	503
Investment in affiliates accounted for by the equity method	3,327	25,713	623	389	–	30,054	–	30,054	13,978	44,033
Increase in property, plant, and equipment and intangible fixed assets	¥ 10,255	¥ 9,068	¥ 3,965	¥ 4,746	¥ 1,545	¥ 29,580	¥ 881	¥ 30,462	¥ 2,083	¥ 32,546

	Thousands of U.S. dollars									
	Reportable segment									
2022	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Total	Others (*1)	Total	Reconciliations (*2)	Consolidated
Net sales										
Sales to external customers	$ 679,401	$ 3,548,008	$ 1,399,346	$ 914,204	$ 236,755	$ 6,777,716	$ 18,543	$ 6,796,260	$ –	$ 6,796,260
Intersegment sales or transfers	424,002	174,677	33,218	471	143	632,513	94,931	727,445	(727,445)	–
Total	$ 1,103,404	$ 3,722,685	$ 1,432,565	$ 914,675	$ 236,899	$ 7,410,230	$ 113,474	$ 7,523,705	$ (727,445)	$ 6,796,260
Segment income (*3)	$ 111,639	$ 349,493	$ 53,719	$ 55,702	$ 24,601	$ 595,156	$ 4,579	$ 599,735	$ 21,829	$ 621,565
Segment assets	1,093,880	2,485,128	757,236	803,126	375,638	5,515,010	96,810	5,611,820	(241,418)	5,370,402
Other items:										
Depreciation	59,975	38,030	32,257	27,388	20,194	177,846	2,501	180,348	4,162	184,510
Amortization of goodwill	2,849	169	–	–	1,095	4,115	–	4,115	–	4,115
Investment in affiliates accounted for by the equity method	27,188	210,097	5,096	3,184	–	245,566	–	245,566	114,214	359,780
Increase in property, plant, and equipment and intangible fixed assets	$ 83,797	$ 74,092	$ 32,396	$ 38,778	$ 12,629	$ 241,694	$ 7,203	$ 248,897	$ 17,025	$ 265,922

2021	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Total	Others (*1)	Total	Reconciliations (*2)	Consolidated
	Millions of yen									
	Reportable segment									
Net sales										
Sales to external customers	¥ 69,353	¥ 268,000	¥ 147,489	¥ 77,799	¥ 23,027	¥ 585,670	¥ 2,333	¥ 588,003	¥ –	¥ 588,003
Intersegment sales or transfers	48,252	14,063	3,750	20	152	66,239	10,719	76,959	(76,959)	–
Total	¥ 117,606	¥ 282,064	¥ 151,240	¥ 77,819	¥ 23,179	¥ 651,910	¥ 13,053	¥ 664,963	¥ (76,959)	¥ 588,003
Segment income (*3)	¥ 8,668	¥ 25,940	¥ 3,699	¥ 4,637	¥ 820	¥ 43,766	¥ 774	¥ 44,541	¥ (7,340)	¥ 37,200
Segment assets	124,663	286,553	77,078	83,273	43,997	615,568	11,264	626,832	(28,361)	598,471
Other items:										
Depreciation	5,819	4,470	2,969	3,287	2,674	19,222	266	19,488	561	20,050
Amortization of goodwill	348	–	–	–	127	475	–	475	–	475
Investment in affiliates accounted for by the equity method	3,369	16,557	530	390	–	20,847	–	20,847	9,177	30,025
Increase in property, plant, and equipment and intangible fixed assets	¥ 18,129	¥ 5,389	¥ 5,913	¥ 3,644	¥ 1,603	¥ 34,680	¥ 1,052	¥ 35,732	¥ 1,605	¥ 37,338

(*1) The Others segment comprises business operations that are not included in the reportable segments. These operations primarily comprise intergroup transactions, including real estate leasing, plant construction, civil engineering and construction work, office administration services, technological development support, and other operations.

(*2) Reconciliations for the fiscal years ended March 31, 2022 and 2021, were as follows:

(1) The reconciliations to segment income of ¥2,671 million (U.S. $21,829 thousand) and ¥7,340 million include non-operating income and expenses not allocated to any reportable segment (dividends, Share of profit (loss) of entities accounted for using equity method, interest expense, etc.) of ¥3,132 million (U.S. $25,594 thousand) and ¥6,895 million, respectively, and eliminations for intersegment unrealized earning of ¥237 million (U.S. $1,936 thousand) and ¥353 million, respectively.

(2) The reconciliations to segment assets of ¥29,547 million (U.S. $241,418 thousand) and ¥28,361 million include corporate assets of ¥67,386 million (U.S. $550,585 thousand) and ¥17,880 million that are not allocated to any reportable segment, respectively, and intersegment eliminations of ¥96,933 million (U.S. $792,004 thousand) and ¥46,241 million, respectively. The main components of corporate assets are surplus working capital (cash and deposits), long-term investments (investments in securities), and assets of administrative department.

(*3) Segment income is reconciled with ordinary income.

Related Information

1. Information by geographic region (2022)

(1) Net sales

Millions of yen

Japan	North and Central America	Europe	China	Asia (excluding Japan and China)	Other	Total
¥ 553,816	**¥ 5,314**	**¥ 79,350**	**¥ 141,982**	**¥ 51,244**	**¥ 85**	**¥ 831,794**

Thousands of U.S. dollars

Japan	North and Central America	Europe	China	Asia (excluding Japan and China)	Other	Total
$ 4,525,016	**$ 43,419**	**$ 648,343**	**$ 1,160,082**	**$ 418,700**	**$ 696**	**$ 6,796,260**

(2) Net property, plant, and equipment

Millions of yen

Japan	North and Central America	Europe	China	Asia (excluding Japan and China)	Other	Total
¥ 135,652	**¥ 3,308**	**¥ 554**	**¥ 2,901**	**¥ 25,926**	**¥ –**	**¥ 168,344**

Thousands of U.S. dollars

Japan	North and Central America	Europe	China	Asia (excluding Japan and China)	Other	Total
$ 1,108,359	**$ 27,030**	**$ 4,534**	**$ 23,710**	**$ 211,837**	**$ –**	**$ 1,375,472**

2. Information by major customer (2022)

Name of corporate customer	Net sales	Name of involved segment
SUMISHO MATERIALS CORPORATION	**¥124,836 million (U.S. $1,019,991 thousand)**	**Mainly the Nonferrous Metals segment**
TANAKA KIKINZOKU KOGYO K.K.	**¥95,593 million (U.S. $781,054 thousand)**	**Mainly the Nonferrous Metals segment**

3. Information on impairment losses on fixed assets by reportable segment (2022)

2022	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Total	Others	Total	Eliminations	Consolidated
	Millions of yen									
	Reportable segment									
Impairment losses on fixed assets	**¥ 194**	**¥ –**	**¥ –**	**¥ 405**	**¥ –**	**¥ 600**	**¥ –**	**¥ 600**	**¥ 44**	**¥ 644**

2022	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Total	Others	Total	Eliminations	Consolidated
	Thousands of U.S. dollars									
	Reportable segment									
Impairment losses on fixed assets	**$ 1,588**	**$ –**	**$ –**	**$ 3,316**	**$ –**	**$ 4,904**	**$ –**	**$ 4,904**	**$ 362**	**$ 5,267**

4. Unamortized balance of goodwill by reportable segment (2022)

2022	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Total	Others	Total	Eliminations	Consolidated
	Millions of yen									
	Reportable segment									
Unamortized balance at fiscal year end	**¥ 2,441**	**¥ –**	**¥ –**	**¥ –**	**¥ 715**	**¥ 3,156**	**¥ –**	**¥ 3,156**	**¥ –**	**¥ 3,156**

2022	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Total	Others	Total	Eliminations	Consolidated
	Thousands of U.S. dollars									
	Reportable segment									
Unamortized balance at fiscal year end	**$ 19,944**	**$ –**	**$ –**	**$ –**	**$ 5,848**	**$ 25,793**	**$ –**	**$ 25,793**	**$ –**	**$ 25,793**

1. Information by geographic region (2021)

(1) Net sales

Japan	North and Central America	Europe	China	Asia (excluding Japan and China)	Other	Total
Millions of yen						
¥ 379,395	¥ 4,833	¥ 31,080	¥ 127,722	¥ 44,440	¥ 531	¥ 588,003

(2) Net property, plant, and equipment

Japan	North and Central America	Europe	China	Asia (excluding Japan and China)	Other	Total
Millions of yen						
¥ 131,567	¥ 2,818	¥ 51	¥ 2,075	¥ 24,054	¥ –	¥ 160,567

2. Information by major customer (2021)

Name of corporate customer	Net sales	Name of involved segment
TANAKA KIKINZOKU KOGYO K.K.	¥80,708 million	Mainly the Nonferrous Metals segment
SUMISHO MATERIALS CORPORATION	¥61,103 million	Mainly the Nonferrous Metals segment

3. Information on impairment losses on fixed assets by reportable segment (2021)

2021	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Total	Others	Total	Eliminations	Consolidated
	Millions of yen									
	Reportable segment									
Impairment losses on fixed assets	¥ 339	¥ 464	¥ –	¥ 665	¥ 756	¥ 2,226	¥ –	¥ 2,226	¥ 25	¥ 2,252

4. Unamortized balance of goodwill by reportable segment (2021)

2021	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Total	Others	Total	Eliminations	Consolidated
	Millions of yen									
	Reportable segment									
Unamortized balance at fiscal year end	¥ 2,789	¥ –	¥ –	¥ –	¥ 801	¥ 3,591	¥ –	¥ 3,591	¥ –	¥ 3,591

21. Related Party Disclosures

Transactions with related parties

2022

Type	Company	Address	Capital or contribution to capital	Contents of business	Ratio of voting rights ownership	Relationship with related parties	Content	Transaction amount	Account items	Balance at the end of the period
Affiliate	MINERA PLATA REAL, S. DE R.L. DE C.V.	LOMAS DE CHAPUL TEPEC 11000, MEXICO, D.F.	$209,886 thousand	Smelting	30.0% indirectly	Fund loan	Fund collection	**¥3,159 million ($25,813 thousand)**	–	–
							Underwriting of capital increase	**¥877 million ($7,171 thousand)**	–	–
							Interest on loans	**¥25 million ($211 thousand)**	–	–
Affiliate	OPERACIONES SAN JOSÉ DE PLATA, S. DE R.L. DE C.V.	LOMAS DE CHAPUL TEPEC 11000, MEXICO, D.F.	$332,069 thousand	Smelting	30.0% indirectly	Fund loan	Fund collection	**¥21,616 million ($176,616 thousand)**	–	–
							Underwriting of capital increase	**¥6,061 million ($49,526 thousand)**	–	–
							Interest on loans	**¥176 million ($1,440 thousand)**	–	–

(Note) The interest rate of the loan is determined taking market interest rate into account.

2021

Type	Company	Address	Capital or contribution to capital	Contents of business	Ratio of voting rights ownership	Relationship with related parties	Content	Transaction amount	Account items	Balance at the end of the period
Affiliate	MINERA PLATA REAL, S. DE R.L. DE C.V.	LOMAS DE CHAPUL TEPEC 11000, MEXICO, D.F.	$174,102 thousand	Smelting	30.0% indirectly	Fund loan	Fund loan	¥260 million	Long-term loan	¥3,155 million
							Fund collection	¥1,123 million	–	–
							Underwriting of capital increase	¥260 million	–	–
							Interest on loans	¥632 million	–	–
Affiliate	OPERACIONES SAN JOSÉ DE PLATA, S. DE R.L. DE C.V.	LOMAS DE CHAPUL TEPEC 11000, MEXICO, D.F.	$97,265 thousand	Smelting	30.0% indirectly	Fund loan	Fund loan	¥3,173 million	Long-term loan	¥21,508 million
							Fund collection	¥8,795 million	–	–
							Underwriting of capital increase	¥3,427 million	–	–
							Interest on loans	¥355 million	–	–

(Note) The interest rate of the loan is determined taking market interest rate into account.

Report of Independent Auditors

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of DOWA HOLDINGS CO., LTD.:

Opinion

We have audited the consolidated financial statements of DOWA HOLDINGS CO., LTD. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

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 provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As discussed in Note 19 to the consolidated financial statements, at the Board of Directors' meeting held on September 9, 2022, the Company has resolved to terminate the tolling contract for smelting copper concentrates between its consolidated subsidiary, DOWA METALS & MINING CO., LTD., and the tolling contractor which is its affiliate accounted for by the equity method, Onahama Smelting and Refining Co., Ltd., at the end of March 2023. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments in the Los Gatos Mine

Key Audit Matter Description

As stated in Note 3. "Significant Accounting Estimate" to the consolidated financial statements, DOWA Metals & Mining Co., Ltd. (hereinafter "DMM"), an operating company in the Group's Nonferrous Metals business has invested in MINERA PLATA REAL, S. DE R. L. DE C. V. and OPERACIONES SAN JOSE DE PLATA, S. DE R. L. DE C. V. (hereinafter collectively referred to as "MPRs"), which are the operating companies of the Los Gatos Mine in the State of Chihuahua, Mexico. As of the year end, DMM owns 30% of shares issued by MPRs. The book value of the investments to these companies were ¥15,316 million (U.S. $125,142 thousand) as a result of the equity method applied by the Group, and these investments are recorded in the account of "Investments in and advances to nonconsolidated subsidiaries and associates." The ratio of the amount of these accounts to the amount of total assets was 2.3%.

The material components, which consist of these investments, are the long-lived assets including property, plant and equipment and other long-term assets, used in the mining and ore sorting activities operated by MPRs. Estimates of the total future cash flows generated from the operations of Los Gatos Mine will have a significant impact on the valuation of these long-lived assets recorded in the financial statements of MPRs, which are the basic information used by the Group for applying their equity method on these investments.

The total amount of future cash flows is calculated using a complex calculation model, taking into account various assumptions, such as forecasts of the future market prices of metals, metal concentrate grades, and operational costs.

In the current year, no impairment losses were recorded on these long-lived assets included in the financial statements of MPRs, which are the basic information used by the Group for applying their equity method on these investments.

The Los Gatos Mine is a significant project in the Group's strategies for the purposes of securing a long-term and stable supply of raw materials for the Group's producing processes, and the amount of such investments is material. Furthermore, these assumptions described above that are used in the calculation for the future cash flows are affected by management's judgment regarding the external environments and future operating condition involving high uncertainties and therefore highly careful consideration is required. Due to the factors described above, we have determined the valuation of investments in the Los Gatos Mine to be a key audit matter.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to testing the valuation of investments and loans receivable in the Los Gatos Mine included the following, among others:

- We obtained sufficient understanding on the Group's controls over the valuation of investments in the Los Gatos Mine and tested the design and operating effectiveness of such controls.

- We communicated with the component auditors of MPRs to determine whether any material matters existed such as indications of impairment in long-lived assets relating to Los Gatos Mine that would significantly impact the valuation of the Group's investments.

- With the assistance of our valuation specialists, we evaluated the reasonableness of the calculation model for the future cash flows.

- Among the various assumptions for the Group's estimation regarding the future cash flows, we evaluated the reasonableness of the Group's estimations of the future market prices of metals by comparing them with future forecast data of market participants that we obtained independently. We also evaluated the reasonableness of the Group's estimations regarding the metal concentrate grade and operating costs by comparing them with actual performance results.

- Based on these estimations of future cash flows, we evaluated whether the Group properly valued the long-lived assets in the financial statements of MPRs which are the basic information used by the Group for applying their equity method.

Hedge accounting for derivative transactions

Key Audit Matter Description

As stated in Note 17. "Derivatives" to the consolidated financial statements, the Group entered into nonferrous metal forward contracts (both of transactions in which hedge accounting is not applied and in which hedge accounting is applied), which amounted to 59,933 million yen in selling and 2,997 million yen in buying as of March 31, 2022. Furthermore, the Group entered into foreign exchange forward contracts (both of transactions to which hedge accounting is not applied and those to which hedge accounting is applied), which amounted to 72,007 million yen in selling of U.S. dollars and 3,231 million yen in selling of Thai Baht. The Group accounted for the valuation losses on these derivatives, which were qualified for hedge accounting, as Deferred loss on derivatives under hedge accounting, a component of equity, which totaled 5,547 million yen, net of tax effects.

As the Group has material amounts of metal inventories (both of raw materials and finished goods), and these inventories are exposed to fluctuations in the market prices of nonferrous metal and foreign exchange rates, they utilize nonferrous metal forward contracts and foreign exchange forward contracts for the purposes of managing the exposure to variability in market prices of nonferrous metals and foreign exchange rates for the period from the timing of purchasing the raw material to the timing of selling the finished goods.

As stated in Note 2.(20) "Summary of Significant Accounting Policies—Derivatives and Hedging Activities" and 15. "Financial Instruments" to the consolidated financial statements, the Group tests whether the derivatives are in compliance with the Group's risk management policies prior to entering into hedging transactions. Also, the Group determines the hedging instruments, hedged items, and the methods of assessing hedge effectiveness as part of their pre-testing. Furthermore, the Group compares the cumulative gain or loss on the hedging instrument with the cumulative change in fair value of the hedged items, and assesses the hedging relationship between them at the monthly meeting to monitor the hedging transactions ("hedge meeting") as part of their post-testing, which is the period from the start of their hedge to the time of the effectiveness assessment.

As described above, the amount of fair value may be material for such derivatives for the purpose of managing the exposure to variability in market prices of the Group's Nonferrous Metals business inventories. In addition, the determination of the hedge accounting qualification requires expertise, and if the hedge accounting is not qualified, the gains or losses of the market value must be recorded in the consolidated statement of income, which may have a significant impact on the consolidated financial statements. Due to the factors described above, we have determined the hedge accounting for the derivative transactions to be a key audit matter.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the hedge accounting for the derivative transactions included the following, among others:

- We performed confirmation procedures with all parties related to the derivative transactions to confirm the completeness of the Group's derivative ledgers, which covers all of the derivative transactions.

- We tested the accuracy of the unrealized gains or losses amount of the derivative transactions recorded in the Group's ledger by reconciling the amount of market value with the related information publicly available and recalculating these amounts.

- In evaluating the Group's pre-testing, we gained an understanding of the Group's hedging policies and determined whether there is no material change in the Group's policies during the year by inquiring of the Group's management and inspecting the Group's policy regarding the derivative transactions.

- At the Group's year end closing, in evaluating the Group's post-testing executed, we read the minutes of the Group's hedge meeting and related documents for the qualification of the hedging relationship, recalculated the ratio of the cumulative gain or loss on the hedging instrument from inception of the hedge over the cumulative change in fair value of the hedged item, determined the ratios were within the range from 80% to 125%, and assessed the Group's testing.

- Based on our audit procedures results related to the Group's pre-testing and post-testing, we evaluated whether the Group recorded deferred gain or loss on derivatives under hedge accounting as a component of equity for derivatives that were qualified for hedge accounting, taking into account their tax effects.

Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in DOWA REPORT 2022, but does not include the consolidated financial statements and our auditor's report thereon. DOWA REPORT 2022 is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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 accounting principles generally accepted in Japan, 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 accounting principles generally accepted in Japan 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' execution of duties relating to the design and operating effectiveness of the controls over 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 an 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. The procedures selected depend on the auditor's judgment. In addition, we 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, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing 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 overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as 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 and 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.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners 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.

Deloitte Touche Tohmatsu LLC

October 21, 2022