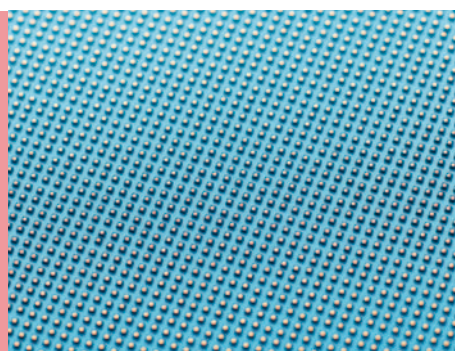


DOWA

DOWA HOLDINGS CO., LTD.



Annual Report 2014

For the year ended March 31, 2014

Through its business operations on the world stage, Dowa seeks to contribute to a high standard of living and the emergence of a resource-recycling society.

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Cautionary note regarding forward-looking statements

Within this report, present plans, forecasts, strategies, beliefs, and other statements relating to the Company and the Group that are not historical facts are forward-looking statements about future performance. These forward-looking statements are based on assessments by the Company's management using information available at the time of writing, and many assumptions and opinions that form the basis for these statements derive from information that carries significant risk and uncertainty. Due to a variety of factors, actual performance may differ materially from the performance expressed or implied in these statements.

Actual performance may be influenced by such factors as economic conditions, particularly changes in consumer trends and exchange rates, changes in legal and administrative systems, pressure due to competitors' price and product strategies, a reduction in the salability of the Company's existing and new products, interruption of production, infringement of the Company's intellectual property rights, rapid technological innovation, and damaging court rulings in major lawsuits. However, factors that may influence performance are not only limited to those listed here.

In this report, fiscal 2013 represents the year ended March 31, 2014.

The Dowa Resource Recycling Loop

Environmental Management & Recycling Business



Waste treatment



Soil remediation



Resource recycling

Nonferrous Metals Business



Gold metal



Zinc alloy

Electronic Materials Business



LED chips

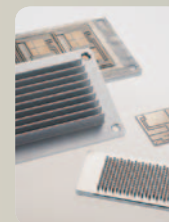


Silver powders

Metal Processing Business



Rolled copper products



Metal-ceramic substrates

Heat Treatment Business



Industrial furnaces



Heat treatment

Operations at the Dowa Group, established in 1884, are based on our unique resource recycling loop. The loop begins with our production of nonferrous metal materials and progresses through the manufacture of a variety of value-added products to recycling.

In our Nonferrous Metals business, we extract useful metals from a variety of recyclable raw materials in addition to natural resources. After being processed by our Electronic Materials, Metal Processing and Heat Treatment businesses, these metals are incorporated in our user end products, including automotive and electronic devices, after being given sophisticated functionality. In our Environmental Management & Recycling business, we make waste materials harmless and recover metals from products after they have been used. These recovered metals are then refined again for re-use.

In this manner, the Dowa Group will continue to develop its business activities, contributing to the building of a society based on the recycling of resources.

Our Five Core Business Segments



Environmental Management & Recycling Business

DOWA ECO-SYSTEM CO., LTD.

Waste treatment business: Integrated and comprehensive services from collection and transport of general and industrial waste through intermediate waste treatment to controlled landfilling.

Soil remediation business: Provision of total support services ranging from soil survey and remediation to monitoring.

Recycling business: Recovery of a variety of valuable metals from scrap generated during production processes, consumer electronics, automobiles, and other discarded products.



Nonferrous Metals Business

DOWA METALS & MINING CO., LTD.

Precious metals and copper business: One of the few smelting operations worldwide that can recover a wide variety of metals including gold, silver, and copper from recyclable raw materials.

Rare metals business: Recovery of platinum group metals from used exhaust gas catalyst material from automobiles.

Zinc business: Integrated business structure that covers every phase from the mining of raw ore to bullion production and sales of finished goods centered on Akita Zinc Co., Ltd., the largest zinc smelting plant in Japan, with an annual output of 200,000 tons.



Electronic Materials Business

DOWA ELECTRONICS MATERIALS CO., LTD.

Semiconductors business: Leading manufacturer of semiconductor materials such as high-purity gallium and indium, compound semiconductor wafers, and high-intensity, high-output LEDs.

Electronic materials business: Largest producer of silver powder for solar cells and manufacturer of copper powders for electronics parts and zinc powder and silver oxide for batteries.

Functional materials business: Dominant share in the world market for metal powders used in high-capacity data storage tape, and producer of a range of products from carrier powder for copying machines to ferrite powder used in printers and copiers.



Metal Processing Business

DOWA METALTECH CO., LTD.

Metal-processing business: Manufactures copper, brass, and copper alloy strips used in terminals and connectors for automobiles; brass rods; and forged brass products.

Plating business: Precious metal plating of connectors and switches for automobiles, mobile telephones and consumer electronics.

Substrates business: Manufactures metal-ceramic substrates employed in industrial machinery such as power management devices.



Heat Treatment Business

DOWA THERMOTECH CO., LTD.

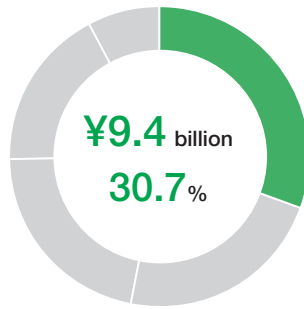
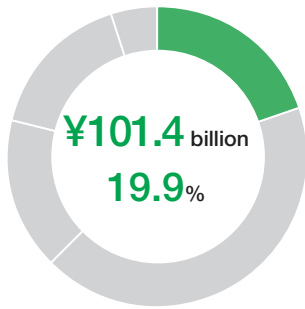
Industrial furnace business: Employs expertise in heat treatment to offer complete services ranging from facilities design to startup and maintenance.

Heat treatment processing business: Provides surface treatment for metal parts adapted for different applications and used in automobile engines and transmission parts to increase factors including abrasion resistance, fatigue resistance, and seizure resistance.

Net Sales and Composition Ratios
(Fiscal year ended March 31, 2014)

Operating Income and Composition Ratios
(Fiscal year ended March 31, 2014)

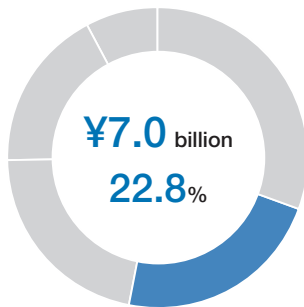
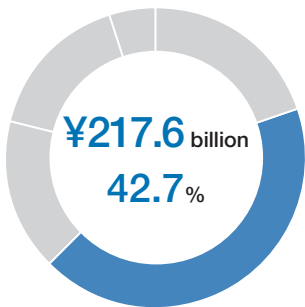
Segment Policy



Become No. 1 environmental management and recycling company in Asia and contribute to environmental improvement in Asia

Dowa Eco-System Co., Ltd. is expanding operations in Japan and abroad by furnishing comprehensive and reliable waste management, soil remediation, and recycling services. As the leading environmental and recycling company in Asia, we are strengthening our business foundations and increasing operating bases overseas to help improve the environment in Asia.

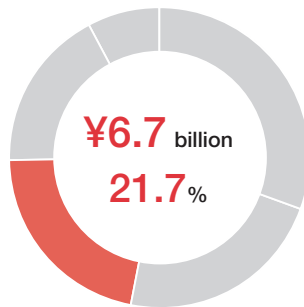
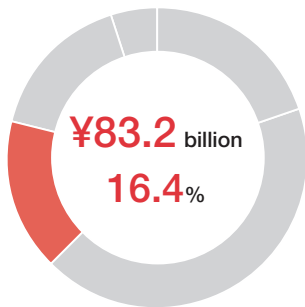
P. 10



Establish the world's best flexible recycling smelting complex

Dowa Metals & Mining Co., Ltd. is establishing distinctive recycling and smelting complexes using its engineering capabilities honed over many years in these two areas. We are helping to develop a resource recycling society by furnishing steady supplies of copper, zinc, precious metals, rare metals, and other metals recovered from the processing of raw materials as we work to further strengthen recycling and smelting operations.

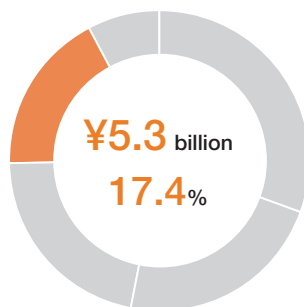
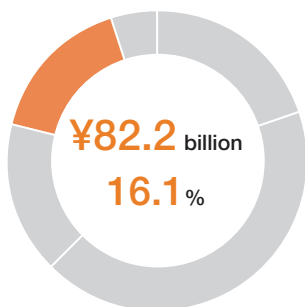
P. 12



Expand revenue in existing businesses, start up new businesses, and search for new subjects

Dowa Electronics Materials Co., Ltd. is engaged in various businesses—semiconductor materials such as high-purity gallium, compound semiconductor wafers, and LEDs, electronic materials that use electrical conducting materials, and functional materials that use magnetic materials—and provides its characteristic products worldwide. In the rapidly changing market for electronic materials, we are always working to further bolster competitiveness in line with our policy of being a leading technological company.

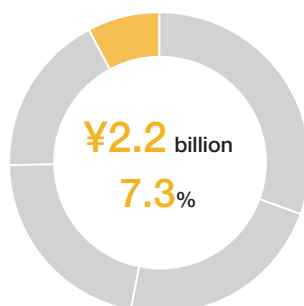
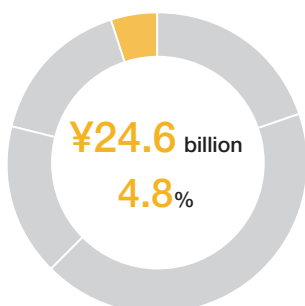
P. 14



Accelerate business in Asia and shift to the growth fields

Dowa Metaltech Co., Ltd. supplies value-added products for in-vehicle installation, power steering, and information communication applications from its metal processing, plating, and substrate businesses. We are promoting operations at the global level, particularly at production bases in Asia, which are positioned to target growing demand within the region.

P. 16



Become a global comprehensive heat treatment company

Dowa Thermotech Co., Ltd. is engaged in a heat treatment processing business for extending the life of metal materials and an industrial furnace business that applies our accumulated expertise. Backed by our technological prowess in carburizing heat treatment and other areas, we aim to become a leading company in the heat treatment industry throughout Asia.

P. 18

Financial Highlights

Dowa Holdings Co., Ltd. and its Consolidated Subsidiaries

For the years ended March 31	2010	2011	2012	2013	(Billions of yen)	(Millions of U.S. dollars*2)
					2014*1	2014*1
Financial Performance:						
Net Sales	¥307.4	¥379.8	¥392.4	¥419.3	¥443.9	\$4,313
Operating Income	13.7	22.9	22.0	24.5	31.7	308
Ordinary Income	13.8	23.3	20.9	27.2	35.0	340
Net Income	4.3	8.5	10.6	15.2	23.3	226
Capital Expenditures	10.7	17.8	15.9	18.4	16.5	160
Depreciation	19.2	18.4	18.3	16.9	16.2	157
R&D Expenses	3.8	3.9	4.3	4.2	4.0	39
Financial Position:						
Equity*3	111.6	113.7	121.8	142.4	166.9	1,622
Total Assets	330.7	340.1	319.6	349.7	358.7	3,485
Interest-bearing Debt*4	149.3	138.1	117.6	107.1	99.6	968
Cash Flows:						
Cash Flows from Operating Activities	25.0	23.9	31.4	34.9	30.1	293
Cash Flows from Investing Activities	(14.6)	(19.2)	(19.4)	(19.3)	(18.6)	(181)
Free Cash Flows	14.2	6.1	15.5	16.5	11.7	114
Ratios:						
Return on Assets (%)*5	4.10	6.97	6.34	8.15	9.90	
Equity Ratio (%)	32.05	31.41	35.60	38.19	44.12	
Debt Equity Ratio (Times)	1.41	1.29	1.03	0.80	0.63	

*1. The years stated in the text are ended March 31 of the year. Thus "2014" refers to the fiscal year, which ran from April 1, 2013 through March 31, 2014.

*2. ¥102.92=US\$1, the rate of exchange on March 31, 2014, is used.

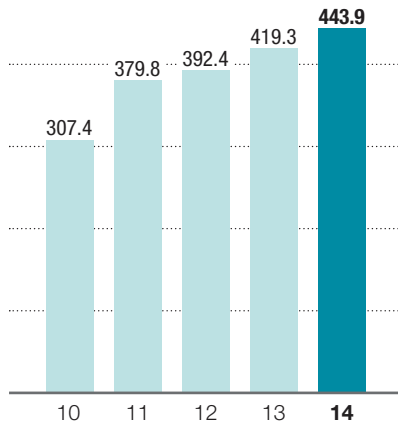
*3. Effective from fiscal 2006, the year ended March 31, 2007, the Company has applied "Accounting Standard for Presentation of Equity in the Balance Sheet (Accounting Standards Board of Japan, Statement No. 5)." Accordingly, from fiscal 2006, equity also included net deferred hedge income and minority interests.

*4. Interest-bearing debt does not include lease obligations.

*5. ROA is Ordinary Income divided by the average of Total Assets at the start and end of the year.

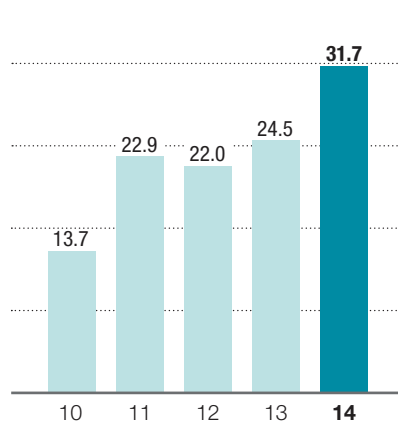
Net Sales

(Billions of yen)



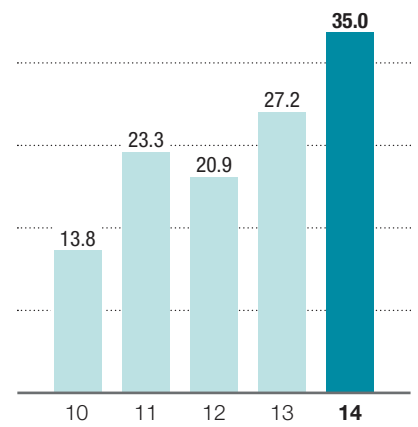
Operating Income

(Billions of yen)



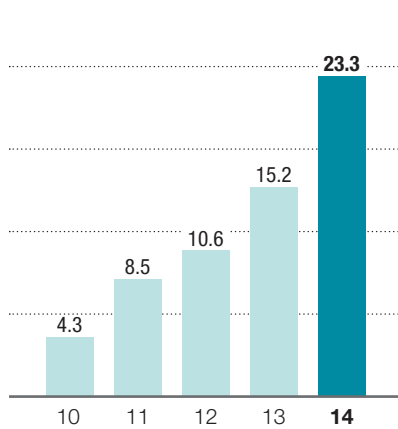
Ordinary Income

(Billions of yen)



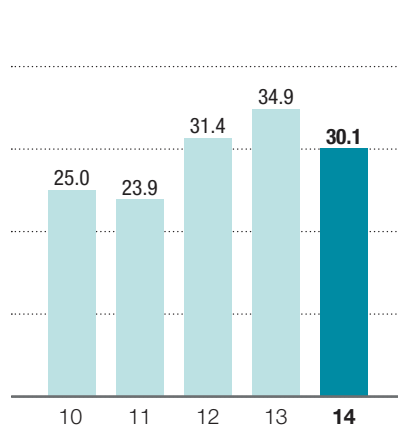
Net Income

(Billions of yen)



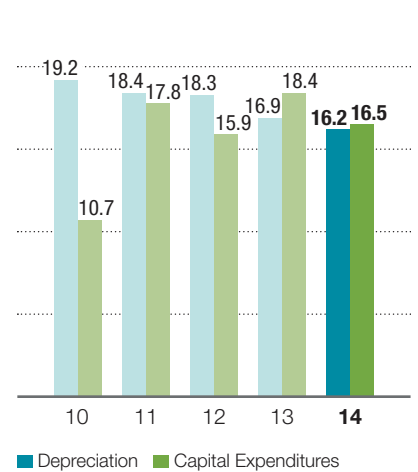
Cash Flows from Operating Activities

(Billions of yen)



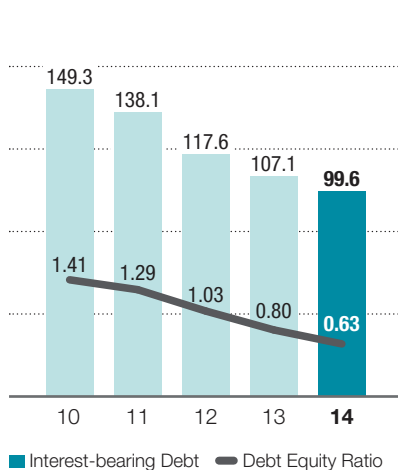
Depreciation / Capital Expenditures

(Billions of yen)



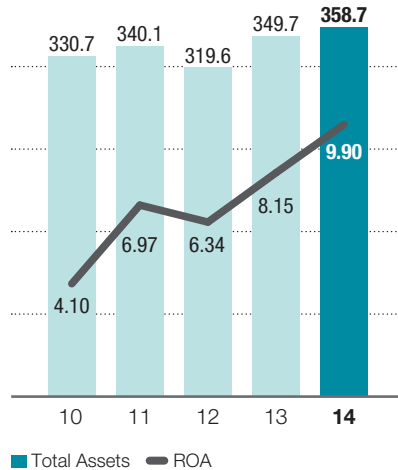
Interest-bearing Debt / Debt Equity Ratio

(Billions of yen / times)



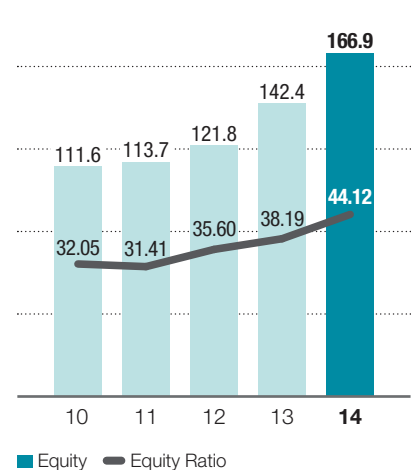
Total Assets / ROA

(Billions of yen / %)



Equity / Equity Ratio

(Billions of yen / %)



Message from the Management

The Dowa Group will pursue further growth by expanding its operations in Asia and other emerging markets where growth is ongoing, continuing to invest in growth fields such as new energy and recycling, and steadily carrying out policies directed at improving productivity and increasing orders.



Masao Yamada

President and
Representative Director

Business Environment

In fiscal 2013, the fiscal year ended March 31, 2014, the Japanese economy was in recovery. There was an upturn in the export environment brought about by corrections made to the extreme appreciation of the yen, and capital expenditure improved due to the effects of factors that included government economic measures. In the global economy, the United States continued to move toward economic recovery amid such factors as strong investment in housing, robust automobile sales, and an improvement in the employment situation. Signs of recovery in the form of positive growth were also seen in Europe, which had been suffering from a prolonged period of stagnation, amid a gradual settling of a sovereign debt crisis. Contrastingly, although developing countries such as China and India continued to experience economic growth, there was a slowdown in the rates of that growth.

Regarding the Group's business environment, demand for automotive products was comparatively strong from the first half of the fiscal year under review. There was also a steady rise in demand for smartphones and new forms of energy. In terms of market demand, there was a general weakening of metal prices due to a fall in precious metal prices in the first half of the fiscal year under review. In currency markets, the yen continued its underlying depreciation.

Fiscal 2013 Results

Amid these conditions, in line with its three-year Medium-Term Plan V, the Dowa Group carried out policies directed at improving productivity and increasing orders in response to evolving markets and user trends. As a result, on a consolidated basis, net sales for fiscal 2013 increased 6% year on year to ¥443.9 billion, operating income rose 29% to ¥31.7 billion, and ordinary income also rose 29% to ¥35.0 billion. Consolidated net income increased 53% year on year to ¥23.3 billion.

Profitability

I would like to take this opportunity to report on the comparative increases and decreases in ordinary income results between fiscals 2012 and 2013.

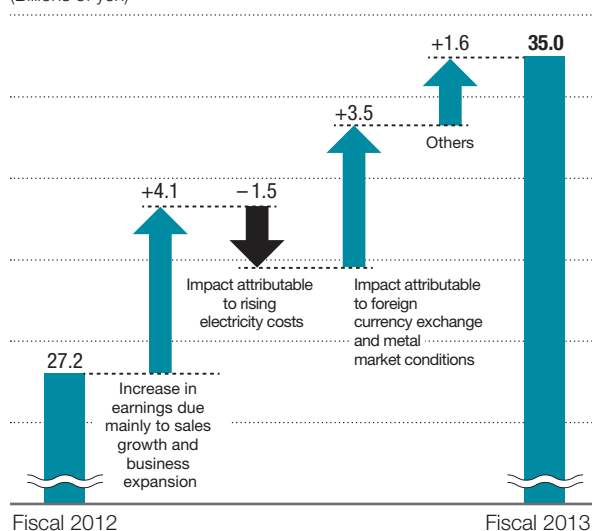
In the fiscal year under review, we expanded our waste treatment business, enhanced metal production, and made progress in expanding sales of products for automobiles and smartphones. These factors together with robust expansion in our overseas business, which is centered on Asia, allowed us to achieve an increase in income of ¥4.1 billion.

There were external factors such as the negative impact on income of ¥1.5 billion from soaring electricity costs, but the effect on the currency markets of the correction to the yen's appreciation and fluctuations in the metals market had the effect of increasing income by ¥3.5 billion.

As a result of these effects, we achieved an increase in income of ¥7.8 billion compared with the previous fiscal year.

Factors that led to an increase / decrease in ordinary income

(Billions of yen)

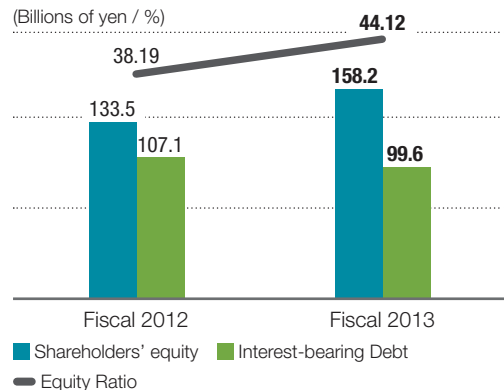


Financial Condition

As of March 31, 2014, shareholders' equity increased ¥24.6 billion compared with the end of the previous fiscal year, to ¥158.2 billion, and interest-bearing debt decreased by ¥7.4 billion, to ¥99.6 billion. The equity ratio rose 5.93 points compared with the end of the previous fiscal year, to 44.12%.

Financial condition

(Billions of yen / %)



Message from the Management

Fiscal 2013 Initiatives

I would like to present some information on efforts made in fiscal 2013 that were in line with the three policies stated under Medium-Term Plan V: expand overseas operations, invest in growth fields, and strengthen the competitive edge of our business.

Expand Overseas Operations

In the Environment Management & Recycling business, we worked to expand our oil drilling sludge management business at our waste treatment site in Indonesia in line with oil and natural gas development. In addition to North America, steps were also taken to enhance our collection system in Asia. For example, we made progress in expanding the collection of raw materials, including from surrounding countries, at our metal recycling base in Singapore.

In the Nonferrous Metals business, we utilized our sampling bases in Europe and North America and worked to increase the amount of used automobile catalyst collected. In Thailand, we established a base to undertake the manufacture and sale of processed zinc products and made progress in business development in Southeast Asia.

In the Metal Processing business, we leveraged our sales bases in Singapore and in Shenzhen, China, and made progress in expanding sales of copper products. We also broadened and upgraded the functions of our plating process base in Thailand and strengthened business development in the burgeoning Southeast Asian market.

In the Heat Treatment business, we promoted the transfer of control of industrial furnace manufacturing to bases in China and India, broadened and enhanced the heat treatment capabilities of bases in North America and Thailand, and launched a heat treatment business in Indonesia.



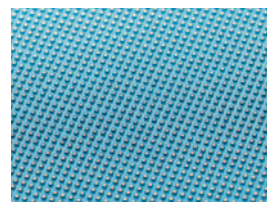
Controlled landfill in Indonesia

Invest in Growth Fields

In the automotive field, we made progress in expanding sales of zinc products for plated sheet steel and of high-performance alloys for connector and terminal materials. We also worked to expand orders received for the heat treatment processing of automotive components, such as those used in engines.

In the field of smartphones, where growth is continuing, we enhanced and expanded our production capabilities for LEDs used in sensors, made headway in setting up a volume production system for new high-output products, and both improved productivity and expanded sales of copper products for connectors.

In the new energy field, we enhanced and expanded our production capabilities and also expanded sales of the silver powder used in electrode materials. In addition, we expanded sales of the metal and metal-ceramic substrates used in high-voltage inverters.



LED chips

Strengthen the Competitive Edge of Our Business

In the Environment Management & Recycling business, ongoing steps were taken to broaden the complex hazardous waste processing menu and to strengthen earnings potential in the waste treatment business. Making progress in response to a market recovery against a backdrop of a reinvigorated real estate market in Japan, the soil remediation business increased orders.

In the Nonferrous Metals business, Kosaka Smelting & Refining Co., Ltd. grew its metal recovery business and treatment of silver concentrate and worked to strengthen metal recovery, such as with increased production of tin and silver. In order to secure more-stable raw materials for copper and zinc smelters, we embarked on zinc and copper ore exploration activities in Alaska in the United States.

The Heat Treatment business promoted the reorganization of its plants in Japan, for example, by integrating the processes of each heat treatment plant and the items produced, as well as taking steps to strengthening its competitiveness.



Silver metal

Fiscal 2014 Policies

Fiscal 2014, the fiscal year ending March 31, 2015, is the third and final year of Medium-Term Plan V. While closely monitoring market trends, we will steadily continue to implement the following measures.

Expand Overseas Operations

In the Environment Management & Recycling business, we will expand our waste management business in Southeast Asia and advance new developments in the soil remediation and recycling businesses. In the Nonferrous Metals business, we will begin full-scale operations at the zinc processing plant we launched in Thailand and promote expansion into Southeast Asian markets. In the Metal Processing business, we will expand and upgrade the plate production line in Thailand and work to increase orders primarily for automobile products. In the Heat Treatment business, we will increase facilities and expand production capacity at our base in Indonesia, which we started up in 2013. We will also work on initiatives to meet local demand, which is growing in North America, India, and Thailand.

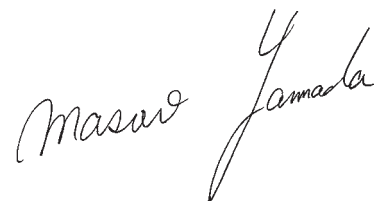
Invest in Growth Fields

In the smartphone field, a field in which demand is forecast to remain firm, we will strengthen production systems for sensor LEDs and promote expanded sales of high-strength copper alloys for connectors. In the field of new forms of energy, we will strengthen our production capabilities in silver powder for use in electrode materials and work to strengthen profitability by expanding sales of metal-ceramic substrates for high-voltage inverters, improving productivity, and reducing costs.

Strengthen the Competitive Edge of Our Business

In the Environment Management & Recycling business, we will expand the collection of waste materials, centered on the Kanto area, and work to increase the amount treated. In the Nonferrous Metals business, we will promote the proactive processing of recycled materials at Kosaka Smelting & Refining Co., Ltd. In the Metal Processing business, we will develop our product lineup, promote the sales, and expand our market share of high-performance connector materials; we will also promote the strengthening of our competitiveness by productivity improvements. In the Heat Treatment business, we will continue to engage in the reorganization of our production systems at our plants in Japan and in cost reduction initiatives, while taking steps to enhance our competitiveness.

By steadily implementing these policies, the Dowa Group intends to achieve continued growth.



Masao Yamada

President and Representative Director



Environmental Management & Recycling

DOWA ECO-SYSTEM CO., LTD.

Waste Treatment

Soil Remediation

Recycling

Southeast Asia

Main Products and Services

Waste treatment, controlled landfilling, soil remediation, metal recycling, household appliances recycling, automobile recycling, consulting on environmental matters, logistics, etc.

Medium-Term Plan V VISION

Become No. 1 environmental management and recycling company in Asia and contribute to environmental improvement in Asia



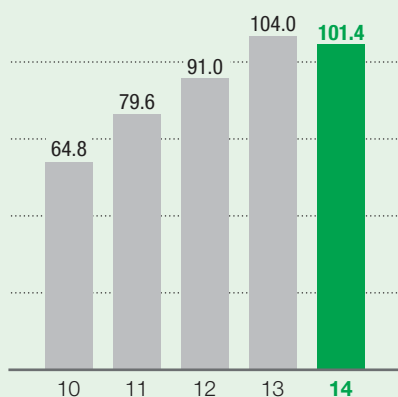
Dowa Eco-System Co., Ltd. offers one-stop integrated services with high traceability. These services range from the collection and transport of waste, contaminated soil, and recyclable raw material to intermediate waste treatment such as compacting/detoxification and conversion into raw material for smelting or controlled landfilling. By expanding into the consultation business, such as performing environmental impact assessments, and responding to a wide range of environmental needs both in Japan and overseas, Dowa Eco-System Co., Ltd. aims to become the leading company in the environmental and recycling businesses.

Kenichi Sasaki

President

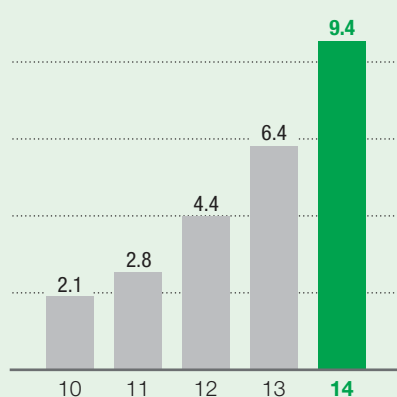
Net Sales

(Billions of yen)



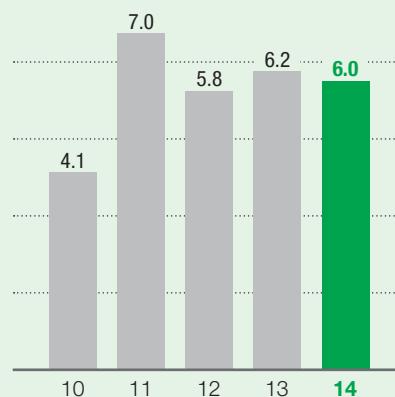
Operating Income

(Billions of yen)



Investment*

(Billions of yen)



* The total of investments in property, plant and equipment, and R&D expenses

Business Conditions and Results for Fiscal 2013

In the waste treatment business, industrial waste emissions in Japan remained on par with those of the previous fiscal year, but the amount treated increased due to an increase in orders thanks to our collection network and the higher utilization of the capacity at our treatment bases. In the soil remediation business, as the real estate market gradually improved, we took steps to increase orders. In the recycling business, the amount of material collected in Japan decreased with the shrinkage of the domestic scrap market. In contrast, we expanded our overseas collection of scraps from electronic components and increased overall collection. In our overseas businesses, we steadily expanded our waste treatment business in Southeast Asia, including in Indonesia.

As a result of these factors, segment consolidated sales decreased 2% year on year to ¥101.4 billion, due to the effect of falling ingot prices, such as of precious metals, and segment consolidated operating income rose 47% to ¥9.4 billion.

Outlook for Fiscal 2014

In the waste treatment business, we will steadily promote the incineration business for waste material with trace amounts of PCBs and continue to take steps to enhance our sales systems. In the soil remediation business, we will seek to win off-site processing projects that are forecast to arise more frequently against a backdrop of intensified public investment. In the recycling business, we will expand the collection of recycling materials throughout the world, mainly in the United States and Asia, and enhance metal recycling. In China, we will take steps to improve profitability in our domestic appliance recycling business. In Southeast Asia, we will expand our waste treatment business and promote new developments in both our soil remediation and recycling businesses.

Initiative in Each Business

Waste Treatment

Harnessing Japan's largest waste treatment network, we will make ongoing efforts to strengthen our sales systems. In addition, we will steadily promote the treatment of complex hazardous waste, including trace amounts of PCBs, at our three authorized plants in Akita, Okayama, and Fukuoka.



Waste incinerator, Eco-System Chiba Co., Ltd.

Soil Remediation

Against a backdrop of intensified public investment in, for example, road infrastructure, we will steadily capture demand for soil remediation, demand that is forecast to expand. In addition, we will enhance our sales systems in Thailand and Indonesia, where markets are growing, and take steps to expand orders.



Contaminated soil remediation facility, Eco-System Hanaoka Co., Ltd.

Recycling

Centered on North America and Asia, we will continue to expand our global recycling material collection system and enhance our metal recycling business. Also, in our domestic appliance recycling business in China, we will increase the amount of material processed, promote improved accuracy in the classification of recovered materials, and improve profitability.



Turning used substrates into recycling materials

Southeast Asia

The volume of waste generated that requires proper treatment is increasing in Southeast Asia due mainly to economic growth and the active development of resources. Recognizing the upswing in demand, we will promote the expansion of our operations at our five bases in three countries—Indonesia, Thailand, and Singapore.



Waste treatment facility in Thailand



Nonferrous Metals

DOWA METALS & MINING CO., LTD.

Precious Metals
and Copper

Rare Metals

Zinc

Main Products and Services

Gold, silver, copper, zinc alloy, lead, platinum, palladium, indium, gallium, germanium, tin, antimony, nickel, bismuth, tellurium, sulfuric acid, and other metals

Medium-Term Plan V VISION

Establish the world's best flexible recycling
smelting complex



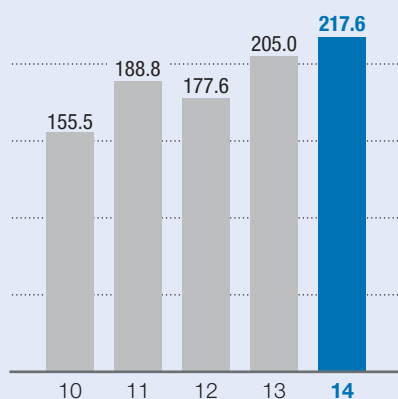
Dowa Metals & Mining Co., Ltd. is steadily developing its operations with a high level of technological capability in the precious metals and copper business, rare metals business, and zinc business. Looking ahead, we will bolster our business base through expanding metal recovery and improving global raw material procurement and build a world-class recycling and smelting complex.

Akira Sekiguchi

President

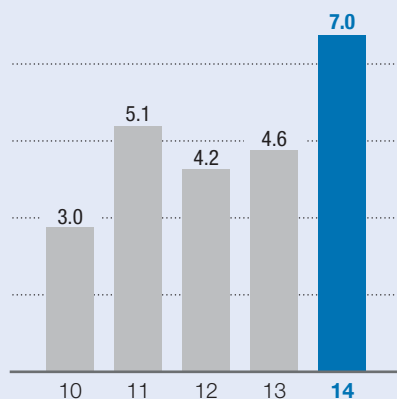
Net Sales

(Billions of yen)



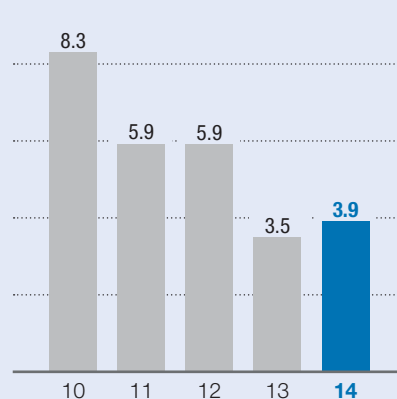
Operating Income

(Billions of yen)



Investment*

(Billions of yen)



* The total of investments in property, plant and equipment, and R&D expenses

Business Conditions and Results for Fiscal 2013

Metal prices were generally weak. In the first half of the fiscal year under review prices for precious metals in particular fell, after which the price slump continued. With regard to exchange rates, the weak yen trend from the end of the previous fiscal year continued. Under these circumstances, each smelter operated steadily, and we took steps to bolster recovery of new metals, such as tin and antimony, an important policy area. From the sales aspect, copper and zinc products for automobiles performed well, and products for construction also sold well. From the cost aspect, we suffered increases in electric power charges, but worked to reduce power consumption and consumable material expenses.

As a result of these factors, segment consolidated sales increased 6% year on year to ¥217.6 billion, and segment consolidated operating income rose 51% to ¥7.0 billion.

Outlook for Fiscal 2014

In the precious metals and copper business, we will increase productivity at Kosaka Smelting & Refining Co., Ltd. by improving our impurity response capabilities and enhancing profitability by promoting the active processing of recycling material. In the rare metals business, we will promote the overseas-centered expansion of material collection and work to increase the treated amount by, for example, accordingly improving our processing efficiency. In the zinc business, we will increase production and improve cost-competitiveness at Akita Zinc Co., Ltd. and, at our zinc processing plant in Thailand, establish an operating framework and promote sales to Southeast Asian markets. We will also work to increase our proprietary ore ratio and secure a stable supply of concentrates for smelters by such activities as our participation in a zinc and copper exploration project in the state of Alaska, in the United States.

Initiatives in Each Business

Precious Metals and Copper

Kosaka Smelting & Refining Co., Ltd. actively promotes the processing of recycling materials. Recovering a wide range of metals, including gold, silver, copper, and lead as well as tin and antimony from diverse raw materials, Kosaka Smelting & Refining Co., Ltd. will be increasing its profitability.



Metal casting

Rare Metals

We are constructing a global material procurement system, leveraging our worldwide group network including sampling facilities in the United States and the Czech Republic. We plan to expand operations for recovering platinum group metals from automobile exhaust catalysts, for which volumes are expected to continue increasing on a global basis.



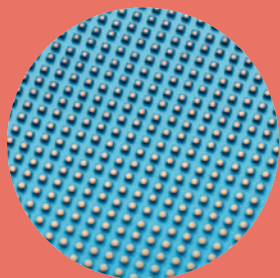
Exhaust catalyst

Zinc

At Akita Zinc Co., Ltd., we are increasing the production of zinc and indium and working to bolster our competitiveness. Having started full-scale operations at our zinc processing plant in Thailand, we are expanding sales in the Southeast Asian market, a market where automobile-related demand will grow.



Zinc alloy



Electronic Materials

DOWA ELECTRONICS MATERIALS CO., LTD.

- Semiconductors
- Electronic Materials
- Functional Materials

Main Products and Services

High-purity gallium, indium, compound semiconductor wafers, light-emitting diodes (LEDs), silver powders, copper powders, silver oxide powders, metal powders, carrier powders, and ferrite powders

**Medium-Term
Plan V
VISION**

Expand revenue in existing businesses, start up new businesses, and search for new subjects



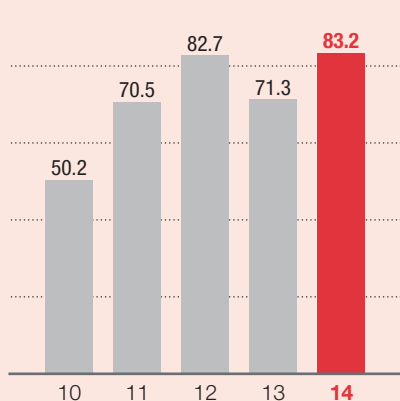
Dowa Electronics Materials Co., Ltd. supplies products with distinctive features in each of the semiconductor, electronic materials, and functional materials fields, and it continues to maintain a high market share by striving to meet ever changing market needs. With these products, which are supported by a high level of technological capability, as a base, we are currently focusing management resources on priority products. At the same time, we are forging ahead with plans to further differentiate our products and expediting the start-up of new businesses.

Akira Otsuka

President

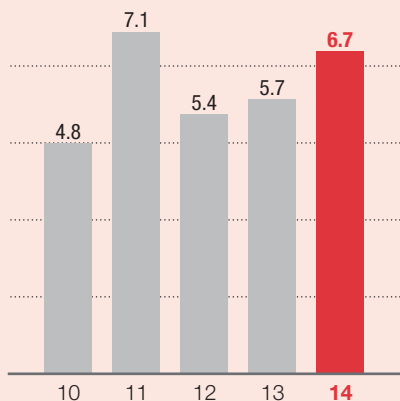
Net Sales

(Billions of yen)



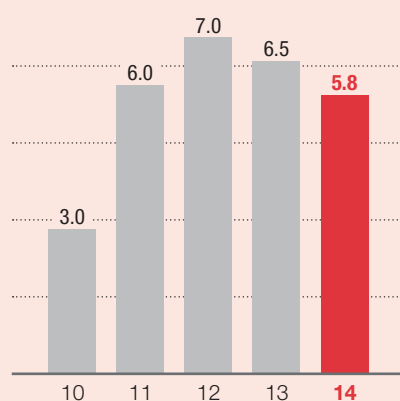
Operating Income

(Billions of yen)



Investment*

(Billions of yen)



* The total of investments in property, plant and equipment, and R&D expenses

Business Conditions and Results for Fiscal 2013

In IT-related items such as multifunctional portable devices, we developed products to meet market needs, expanded sales of new products, and worked to acquire new customers. Sales were sluggish on semiconductor material products for computers and TVs, but growing demand for those materials used in multifunctional portable devices increased sales. In conductive materials, there was a significant increase in silver powder sales. In functional material products, there was market expansion in automotive applications and growth in new sales. In contrast, information communication applications were greatly affected by inventory adjustments.

As a result of these factors, segment consolidated sales increased 17% year on year to ¥83.2 billion, while segment consolidated operating income rose 16% to ¥6.7 billion.

Outlook for Fiscal 2014

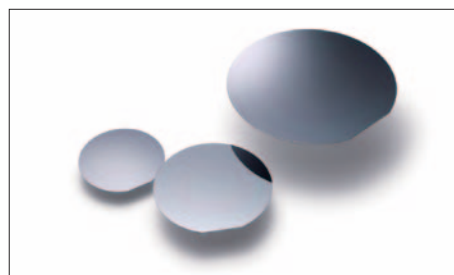
In the semiconductors business, we plan to expand and improve our production systems to meet increased LED demand for sensors, such as those used for proximity sensors or in medical applications. In nitride semiconductors (HEMT), we will establish a mass production system, work to acquire new user certifications, and plan to expand sales. In the electronic materials business, we will bolster our silver powder production capabilities for conductive materials and make progress in expanding our lineup by developing new products. In the functional materials business, we will implement initiatives for the development of next-generation materials for data tapes and for making improvements to and increasing sales of carrier powders for copier machines. Targeting future growth, we will also advance the development of new products, such as conductive alloy powders and electrode materials for fuel cells, and work to strengthen and expand the business.

Initiatives in Each Business

Semiconductors

We plan to bolster our production capabilities in LEDs used for all types of sensor, such as proximity and medical sensors, demand for which continues to grow. We are also advancing the development of next-generation products.

In nitride semiconductors, we are making progress with the setting up of a mass production system and intending to expand sales. Distinguished by their characteristic, for example, to withstand high electric voltages, compared with silicon semiconductors, nitride semiconductors are expected to be used in next-generation power semiconductor devices.



Nitride semiconductor epiwafers

Electronic Materials

For silver powders, which are used in all types of electrode materials, we are making progress with the setting up of a flexible production system in response to increased demand. At the same time, we will expand our lineup by developing new products that accurately meet user needs and broadly respond to diversifying electrode material needs.



Silver powder

Functional Materials

In magnetic materials for the high-capacity recording tapes used in data backup, we will maintain our leading share of the market by continuing to work on the development and mass production of next-generation products to meet increasing demand for recording capacity. In carrier powders for copier machines, we will make ongoing improvements to their properties and further increase our market share.



Magnetic materials used in recording tapes



Metal Processing

DOWA METALTECH CO., LTD.

Metal-Processing

Plating

Substrates

Main Products and Services

Copper, brass, copper alloy strips, nickel alloy strips, reflow tin plated strips, brass rods, forged brass products, electroplated products, and metal-ceramic substrates

Medium-Term
Plan V
VISION

Accelerate business in Asia and shift to the growth fields



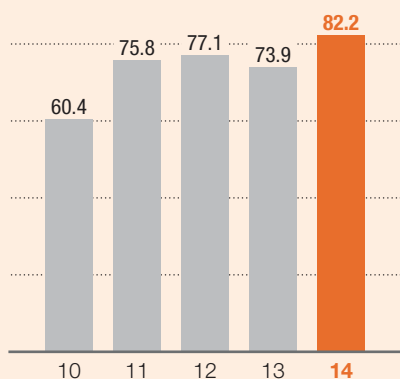
Dowa Metaltech Co., Ltd.’s mainstay product is high-value-added copper alloys. In the metal processing business, the company will strengthen its global production and sales framework as well as increasing sales of high-strength copper alloys in the growth field of connector materials for next-generation automobiles and smartphones. In the plating business, we will provide high-quality products, mainly precious metal plating, globally. In the substrate business, we will work to expand sales of metal-ceramic substrates mainly in the power module market, where growth is expected in rail and new energy applications.

Haruo Nishizawa

President

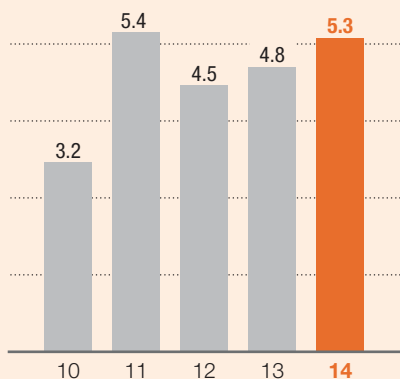
Net Sales

(Billions of yen)



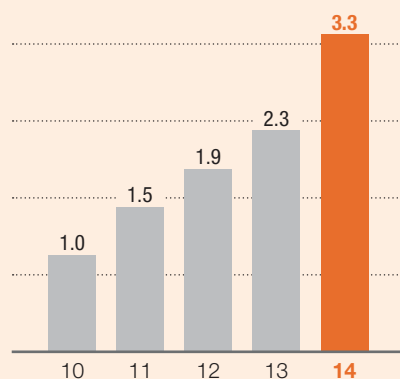
Operating Income

(Billions of yen)



Investment*

(Billions of yen)



* The total of investments in property, plant and equipment, and R&D expenses

Business Conditions and Results for Fiscal 2013

Rolled copper products and plated products used in automotive terminals and connectors showed sales growth—centered on products for hybrid automobiles in particular—against a backdrop of comparatively robust domestic automobile production in Japan and overseas. In rolled copper products for consumer applications, computer-related demand continued to fall, but there was a focus on a gain in demand for smartphone-related applications. In substrates, we worked to expand sales for rail and also increased sales for industrial machines due to such factors as the recovery in capital investment.

As a result of these factors, segment consolidated sales increased 11% year on year to ¥82.2 billion, while segment consolidated operating income rose 10% to ¥5.3 billion.

Outlook for Fiscal 2014

In the metal processing business, we will work to develop high-performance copper alloys for automobiles, pursue higher sales of connector materials for smartphones, and increase our market share. In addition, we will bolster our competitiveness by improving product quality, streamlining processes, and reducing costs. In the plating business, we will add to and upgrade the production lines at our base in Thailand to increase sales, centered on in-car products, in the expanding Asian market. In the substrates business, we will expand sales for rail applications to, for example, China and Europe. We will also develop and launch new, high-value-added products for solar power and wind power generation facilities and boost revenues with improvements in productivity and cost reductions.

Initiatives in Each Business

Metal-Processing

We will work to boost performance of high-strength copper alloys for automobiles at Dowa Metal Co., Ltd., aiming to expand our sales in the hybrid car field, where growth is expected. We will also improve productivity and reduce costs of copper-titanium alloys produced at Dowa Metanix Co., Ltd., and proactively expand into the smartphone field, which is experiencing increasing demand.



Copper alloys

Plating

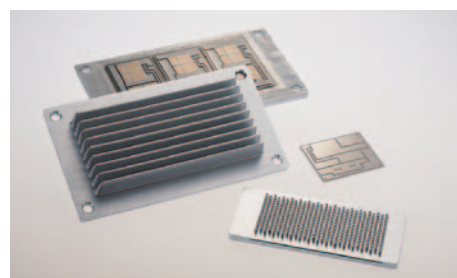
In response to increased automobile production in Southeast Asia and the accompanying localization of procurement among customers in the region, we are bolstering plating facilities at our processing base in Thailand. At the same time, in Japan we will increase our market share through improvements in plating technologies, including partial plating. In these ways, we intend to further develop our business.



Plating products

Substrates

In the substrates business, we are actively working to expand sales of new energy and rail applications as well as products for industrial machinery. In the new energy field, including wind and solar power, we will produce greater volumes of highly reliable integrated substrates that offer superior heat dissipation performance. In the rail field, we will bolster our business by expanding into the Chinese market in addition to serving our existing Japanese and European customers.



Metal-ceramic substrates



Heat Treatment

DOWA THERMOTECH CO., LTD.

Industrial Furnaces

Heat Treatment Processing

Main Products and Services

Various types of heat treatment, various types of surface treatment, design, manufacture, marketing, and maintenance of various types of industrial furnaces and ancillary equipment

Medium-Term
Plan V
VISION

Become a global comprehensive heat treatment company



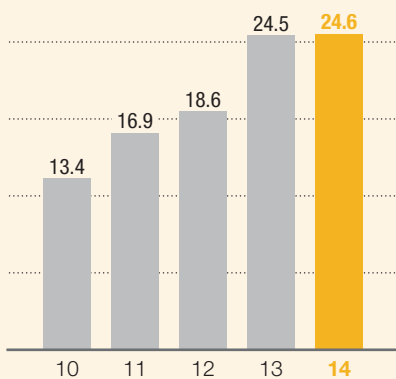
Dowa Thermotech Co., Ltd. as a pioneer in heat treatment technology, provides top-class services in Japan in terms of both scale and quality. In the industrial furnace business, we will work to develop competitive, highly productive heat furnaces and new surface-treatment technologies. In the heat treatment business, we will bolster profitability through increased productivity and more-efficient processes, expanding our domestic share, and accelerating the growth of overseas operations, centered on Asia and North America. While working to respond to shifts in demand, we will work to develop overseas operations more aggressively than ever in order to become a global comprehensive heat treatment maker.

Toshiro Sumida

President

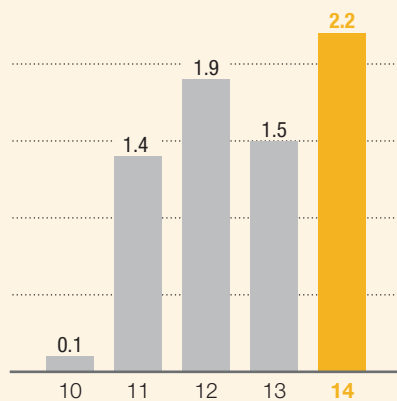
Net Sales

(Billions of yen)



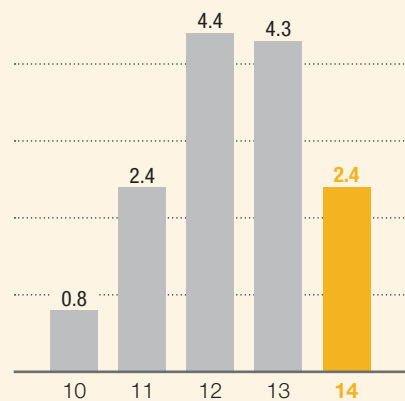
Operating Income

(Billions of yen)



Investment*

(Billions of yen)



* The total of investments in property, plant and equipment, and R&D expenses

Business Conditions and Results for Fiscal 2013

In the industrial furnaces business, we made advances in expanding sales of new furnaces associated with expansion in overseas markets and worked to gain orders by expanding our maintenance bases. In the heat treatment processing business, we inaugurated our base in Indonesia, pushed ahead with plans to bolster the facilities at each of our other overseas bases, and worked to increase orders from the expanding overseas automobile market. In Japan, where automobile production was relatively robust, we took steps to enhance profitability by expanding sales and making improvements in production.

As a result of these factors, segment consolidated sales remained on par with the previous fiscal year at ¥24.6 billion, while segment consolidated operating income increased 45% to ¥2.2 billion.

Outlook for Fiscal 2014

In the industrial furnace business, we will increase sales to meet increased demand in emerging markets, enhance our overseas maintenance sites, and proceed with the integration of our manufacturing bases in Japan. In the heat treatment processing business, we will bolster the facilities at our base in Indonesia, capture expanding local demand in North America, India, and Thailand, and seek to improve profitability. At the same time, in Japan we will reform the production framework to meet shifts in customers and the market, while working on cost-cutting initiatives and other efforts to strengthen our competitiveness. Under these policies, we will engage in a selection and concentration strategy to strengthen our group's foundation as we target growth and development.

Initiatives in Each Business

Industrial Furnaces

In the industrial furnace business, we will increase sales to meet increased demand in emerging markets and push forward with strengthening profitability by localizing equipment manufacturing and maintenance at our bases in China and India. In Japan, we will devise plans to strengthen our competitiveness by, for example, integrating our manufacturing bases, while pushing ahead with the development and commercialization of a furnace that enables low-cost, small-lot production.



Industrial furnace manufactured at our base in India

Heat Treatment Processing

In the heat treatment processing business, we will expand plants and heat treatment furnaces at our sites in North America and Asia, where automobile production is expected to increase. Of particular note at our heat treatment plant in Indonesia will be our progress with the second phase of facility expansion that will increase our production capabilities. Domestically, we will work on reorganizing—for example, by integrating production lines between sites—to put in place a production framework that can respond to shifts in demand and devise ways to strengthen profitability.



Industrial furnace installed at our base in Indonesia

Corporate Governance

The Dowa Group has made strengthening of corporate governance (corporate control) one of its most important management priorities, and the entire Group is engaged in developing and operating effective and efficient internal controls based on the Dowa Group's Values and Standards of Conduct.

Outline of Corporate Governance System

The Dowa Group uses a system of executive officers and a holding company structure that separates business divisions as subsidiaries in order to expedite decision making and improve management efficiency. In addition, the maximum number of directors has been set at 13 to further improve the supervisory function of the Board of Directors. Managerial responsibilities are clearly maintained by keeping the term of office at one year.

As of June 25, 2014, there were six directors (including one outside director). The Board of Directors meeting is held once every month, in principle. There are also five executive officers as of June 25, 2014 (none that are also directors) with a Committee of the Operating Officers held once every month in principle, for executive officers to share information regarding the status of business execution. We also have a Audit & Supervisory Board, comprising

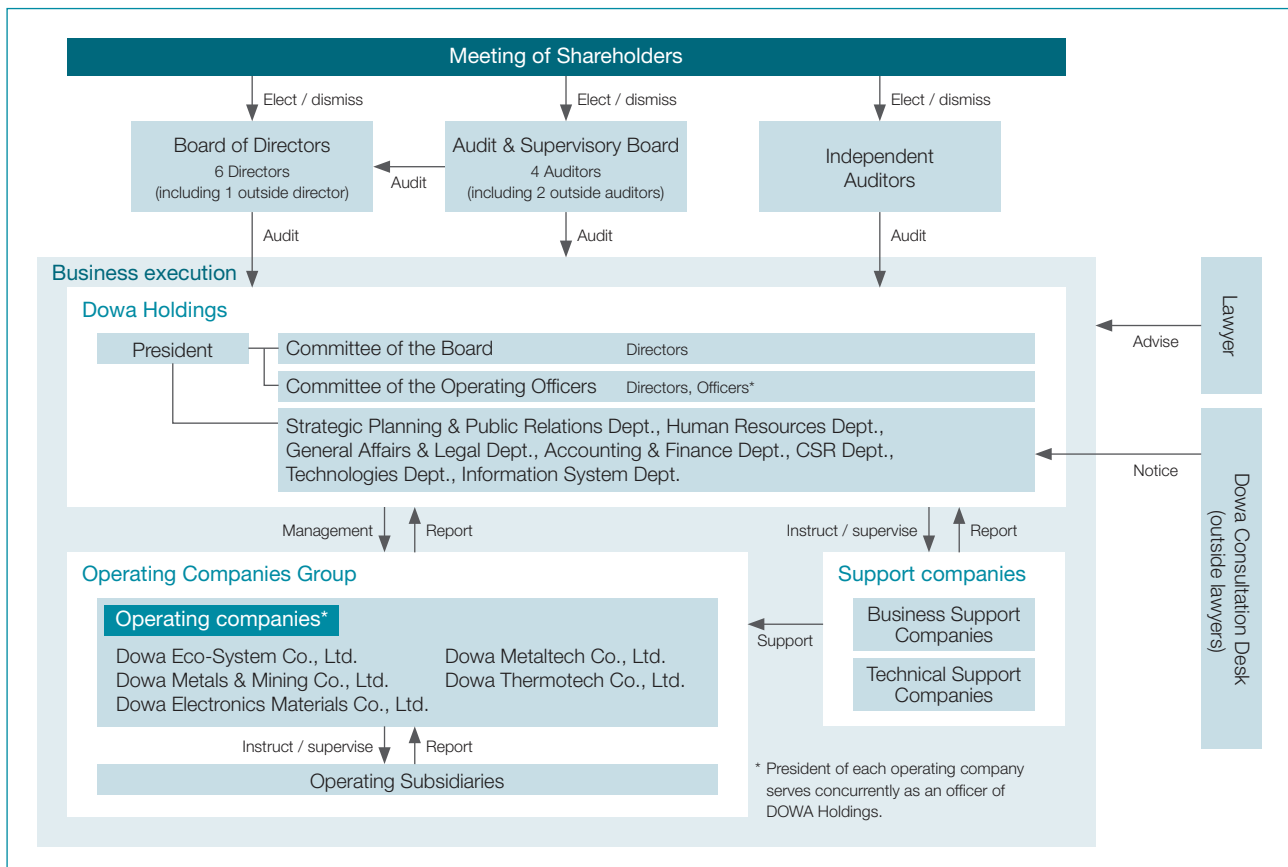
four Audit & Supervisory Board members as of June 25, 2014 (including two outside Audit & Supervisory Board members) who conduct audits of business execution by directors, reporting to the Audit & Supervisory Board meeting, held once every month in principle, ensuring audit effectiveness and efficiency.

Corporate Governance System (As of June 25, 2014)

Organization Form	Company with Auditors
Number of Directors	6 (Number of the Company's Articles of Incorporation: 13)
Among these, Outside Directors	1 Designated Independent Director
Articles of Incorporation	1 year
Chairman of the Board of Directors	President
Number of Audit & Supervisory Board members	4 (Number of the Company's Articles of Incorporation: 5)
Among these, Outside Auditors	2

The DOWA Group Corporate Governance Structure

(As of June 25, 2014)



Status of Internal Audits and Auditor Audits

Internal audits based on internal audit regulations stipulated by the Dowa Group cover all corporate activities, including accounting, legal, safety, and environmental audits. The Company's CSR Department, relevant divisions, and Group companies conduct internal audits in coordination with one another, with findings reported to directors, auditors, and relevant departments.

Audit & Supervisory Board members audit the execution of director duties in accordance with the audit policies and audit plans for the term stipulated by the Audit & Supervisory Board. They also monitor the independence of the independent auditors, and coordinate with them by explaining audit plans and reporting audit findings.

Audit & Supervisory Board members, independent auditors, and the CSR Department regularly set up discussion forums and work closely with one another in order to further improve internal audits.

Development and Overview of Internal Control Systems

Approach Regarding Internal Control Systems

In accordance with the Dowa Group's Values and Standards of Conduct, the Company and Group companies have made a collective effort to design and operate effective and efficient internal controls to contribute to society, maximize corporate value, and fulfill management responsibilities conferred by shareholders. At the same time, laws are being revised and the public's general stance toward compliance is hardening, so we expect even stronger demands to be placed on the Group going forward.

Given these trends, the Company converted to a holding company structure on October 1, 2006.

The holding company structure raises the level of specialization of each business group and the speed at which policies can be executed. However, it also carries the risk that control systems will become localized and overall governance will suffer.

As a result, at the Dowa Group, basic policies and systems for internal control are shared among Group companies. Additionally, individual companies can utilize their own unique characteristics for specific activities, in order to develop an effective and efficient internal control system suited to our holding company structure.

Moreover, the internal control system must continually be revised in line with changes in business activities and the social environment, so the Company and Group companies intend to promote the system even more robustly.

Overview of Internal Control Systems

The Company will work to strengthen oversight of the Board of Directors by appointing executive officers and separating the execution function from the Board.

We will clarify the authority and responsibilities of personnel for each rank based on company rules such as Board regulations and administrative authority regulations and will rigorously ensure compliance with the law, articles of incorporation, and social norms through independent study and educational programs for directors and employees.

We will continue to design and operate systems for ensuring the reliability of financial reporting.

We will adopt a firm stand across the organization toward antisocial forces. In addition, we will coordinate efforts with all relevant organizations including the police as well as legal advisors.

We established the Dowa Consultation Desk, and have put in place the necessary mechanisms to use internal audits to prevent any improprieties or misconduct and to quickly discover any such incidents.

In order to identify and avoid risk, the Company will have the Board of Directors and other bodies conduct stringent reviews when decisions are made on important matters. We will also work to build a communication system to facilitate coordination among Group companies and improve our emergency response capabilities.

Remuneration for Directors and Auditors

Remuneration for directors and Audit & Supervisory Board members is determined by resolution of the general meeting of shareholders. Specific amounts and payment dates for directors are determined by the resolution of the Board of Directors based on the recommendations of the Remuneration Committee, which includes outside members. Specific amounts and payment dates for Audit & Supervisory Board members are decided through Audit & Supervisory Board member deliberations.

Total Remuneration Amount of Individual Directors or Audit & Supervisory Board members for Fiscal 2013

Position	Number	Remuneration Amounts
Directors	6	¥265 million
Audit & Supervisory Board members	5	¥61 million
(Among these, Outside Directors and Audit & Supervisory Board members)	(3)	(¥20 million)

Environmental Management and Social Contribution Activities

Aspiring to be a trusted presence as a global enterprise, the Dowa Group works to provide value to all stakeholders through its business activities.

For details, refer to the CSR Report at <http://www.dowa-csr.jp/en/csr/index.html>

Environmental Management

The Dowa Group's environmental initiatives aim to both reduce the environmental impact of the Group's own business activities and contribute to the environment and society in general through the Group's primary operations. In other words, we strive to conduct environmental protection activities while simultaneously creating economic value.

Environmental Management System

The environmental management activities of the Dowa Group are conducted through coordination between Dowa Holdings Co., Ltd.'s CSR Department and the planning offices of operating companies that conduct environmental protection activities. Dowa Holdings Co., Ltd. organizes and coordinates between operating companies and also handles environmental management and compliance management for the Group as a whole.

Environmental Audits

Internal and external audits are conducted regularly to ensure environmental management is being implemented appropriately. We are also working to train internal auditors and increase their number by holding training seminars.

Environmental Education

We proactively conduct training on environmental management systems (EMS) to raise the environmental awareness of employees and improve their capacity for reducing environmental impact. Environmental training is also actively conducted at business sites, including training for ISO 14001 auditors.

Social Contribution Activities

The Dowa Group actively conducts locally rooted CSR activities at each business site. These activities include participation in local landscaping and cleanup campaigns and holding sports tournaments.

Example from Akita Prefecture Kosaka Forest-Planting Festival (Kosaka)

In the town of Kosaka in Akita Prefecture, where the Dowa Group was founded, we have held the Kosaka Forest-Planting Festival since fiscal 2007 with the cooperation and participation of the local residents. Together, we are cultivating a forest over a disused mine, creating a rich natural landscape with the aim of supporting the environment for future generations. Through this activity, approximately 140,000 trees have been planted over an area of around six hectares, steadily making the area greener.

We will continue to hold the Forest-Planting Festival as an environmental activity important to future generations.



Gold Conflict-Free Smelter Program Certification Received

The Dowa Group engages in CSR procurement in the form of initiatives that extend the entire length of its supply chain. As a company that handles metal products as its main products, one of these initiatives involved the gaining of EICC-GeSI* Conflict-Free Smelter Program Certification covering gold to promote responsible mineral resource procurement with its customers. Certification was awarded to Kosaka Smelting & Refining Co., Ltd. and Eco-System Recycling Co., Ltd. in August 2012 and December 2013, respectively.

* EICC: Electronic Industry Citizenship Coalition
GeSI: Global e-Sustainability Initiative



Board of Directors and Officers

As of June 25, 2014

Directors



Masao Yamada
President & Representative
Director



Fumitoshi Sugiyama
Representative Director



Hiroshi Nakashio
Director



Hiroyuki Kai
Director



Katsuji Matsushita
Director



Eiji Hosoda
Outside Director

Auditors



Susumu Yoshida
Corporate Auditor



Kazu Iwano
Corporate Auditor



Osamu Hamamatsu
Outside Auditor



Jin Takeda
Outside Auditor

Officers



Kenichi Sasaki
Officer
President, Dowa
Eco-System Co., Ltd.



Akira Sekiguchi
Officer
President, Dowa Metals &
Mining Co., Ltd.



Akira Otsuka
Officer
President, Dowa Electronics
Materials Co., Ltd.



Haruo Nishizawa
Officer
President, Dowa Metaltech
Co., Ltd.



Toshiro Sumida
Officer
President, Dowa
Thermotech Co., Ltd.

Financial Review

Fiscal year ended March 31, 2014

Financial Performance

During the fiscal year ended March 31, 2014, the Japanese economy exhibited a recovery trend. This was largely attributable to the upswing in exports reflecting corrections to the appreciation of the yen, which had hovered at an extremely high level, and the increase in capital investment due to such factors as the government's economic pump-priming measures. Looking at the global economy, the United States continued to enjoy firm conditions. In addition to robust investment in the housing sector and a pickup in automobile sales, the nation witnessed improvements in such key economic indicators as employment. This rally in the world's markets also extended to the Continent, which had been mired in a period of prolonged stagnation. As Europe's debt and financial issues began to settle, signs of a positive turnaround began to emerge. Meanwhile, and despite a slowdown in the pace of expansion, emerging economies including China and India continued to experience economic growth.

Looking at the business environment of the Dowa Group, demand for automotive products was relatively strong in the first half. Operating conditions were also buoyed by steady growth in demand for products in each of the smartphone and new energy fields. Market prices for metal were generally weak, buffeted by a downturn in the first half, while an underlying weak yen trend was a feature of currency markets.

Under these circumstances, and in line with its Medium-Term Plan V, the Dowa Group undertook initiatives aimed at enhancing productivity and increasing orders in response to evolving markets and user trends.

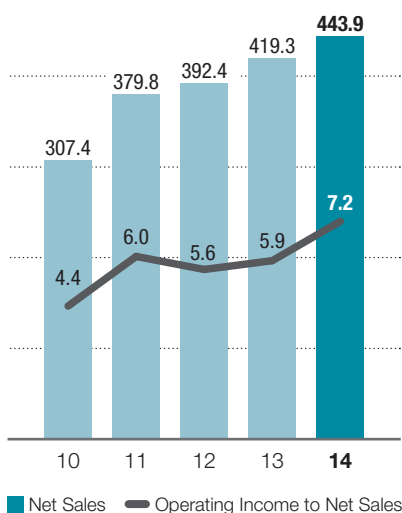
As a result, net sales amounted to ¥443,985 million in the fiscal year under review, up 6% compared with the previous fiscal year on a consolidated basis. From a profit perspective, consolidated operating income climbed 29% year on year to ¥31,794 million, consolidated ordinary income also grew 29% to ¥35,055 million, and consolidated net income surged 53% to ¥23,310 million.

🎯 Forecasts for the Next Fiscal Year

Management expects the global economy as a whole will continue to follow a recovery path. Despite a persistent slowdown in the rates of economic growth of certain developing countries, this positive outlook is attributable to the underlying strength of such developed countries as the United States. Japan is also projected to experience an ongoing recovery on the back of a modest upturn in prices, improvements in exports due to the weak yen, and other factors. In contrast, the future is also viewed with a degree of uncertainty owing to concerns surrounding corrections in demand following an increase in the consumption tax rate.

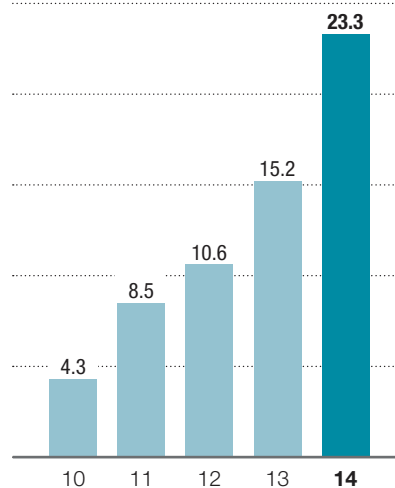
Net Sales / Operating Income to Net Sales

(Billions of yen)



Net Income

(Billions of yen)



Facing such conditions, the Dowa Group will identify future trends in the global market. Armed with this insight, energies will remain focused on carrying out various measures and strengthening business operations.

For the fiscal year ending March 31, 2015, net sales are forecast to reach ¥470.0 billion while operating income, ordinary income, and net income are expected to total ¥36.5 billion, ¥38.0 billion, and ¥25.0 billion, respectively. This forecast data assumes an average U.S. dollar exchange rate of ¥100 and a market price for copper and zinc of \$6,500/ton and \$2,000/ton for zinc, respectively.

Analysis of Financial Position

◎ Assets

Total assets as of the end of the fiscal year under review stood at ¥358,717 million, up ¥8,930 million compared with the end of the previous fiscal year. Current assets grew ¥2,711 million and fixed assets increased ¥6,219 million. The increase in current assets was due mainly to the rise of ¥1,425 million in deferred tax assets. Growth in fixed assets was largely attributable to the ¥5,425 million increase in investment securities as a result of a rise in the value of publicly listed stock owned by the Group.

◎ Liabilities

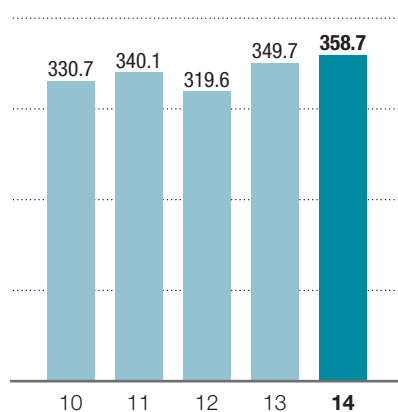
Liabilities decreased ¥15,655 million compared with the previous fiscal year-end. This was mainly due to the drop in notes and accounts payable of ¥7,901 million and a reduction in interest-bearing debt of ¥7,474 million.

◎ Equity

While net income came in at ¥23,310 million, the payment of cash dividends and other factors meant that the increase in shareholders' equity was held to ¥19,619 million. Accumulated other comprehensive income climbed ¥5,040 million due mainly to the application of mark-to-market accounting to investment securities and an increase in foreign currency translation adjustments. As a result, equity was ¥24,586 million higher than the balance as of the end of the previous fiscal year with the equity ratio rising to 44.1%.

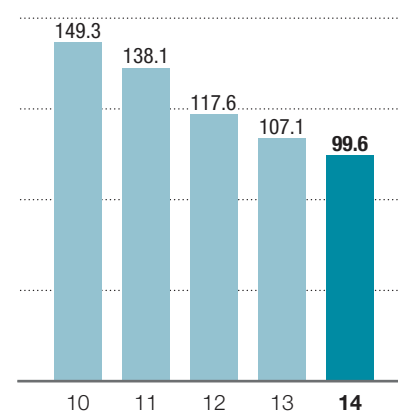
Total Assets

(Billions of yen)



Interest-bearing Debt

(Billions of yen)



Financial Review

Analysis of Cash Flows

Consolidated cash and cash equivalents (“cash”) decreased ¥306 million compared with the end of the previous fiscal year to ¥5,823 million. Net cash provided by operating activities was ¥30,189 million (down ¥4,780 million year on year). Principal cash inflows were income before income taxes and minority interests of ¥32,989 million (up ¥9,139 million compared with the previous fiscal year) and the non-financial expenses of depreciation and amortization of ¥16,205 million. Major cash outflows were the decrease in notes and accounts payable-trade of ¥8,729 million and income taxes paid of ¥9,133 million.

Net cash used in investing activities was ¥18,689 million (down ¥664 million). This was primarily due to capital expenditures of ¥16,330 million mainly in the Environmental Management & Recycling business and purchases of shares of ¥2,367 million for expanding operations.

Net cash used in financing activities was ¥12,341 million (down ¥2,641 million). This largely reflected the repayment of interest-bearing debt totaling ¥8,264 million and cash dividends paid of ¥3,754 million.

(For reference) Cash Flow-related Indicator Trends

	2010.3	2011.3	2012.3	2013.3	2014.3
Equity ratio	32.1	31.4	35.6	38.2	44.1
Market price-based equity ratio	50.4	45.0	50.9	62.3	71.1
Interest-bearing debt-to-cash flow ratio	6.0	5.8	3.7	3.1	3.3
Interest coverage ratio	8.5	10.7	15.7	19.9	19.3

*1. Equity ratio: shareholders' equity / total assets

Market price-based equity ratio: market capitalization / total assets

Interest-bearing debt-to-cash flow ratio: interest-bearing debt / cash flows

Interest coverage ratio: cash flows / total interest paid

2. Each ratio is calculated on a consolidated basis.

3. Market capitalization is calculated based on the number of outstanding shares excluding treasury stock.

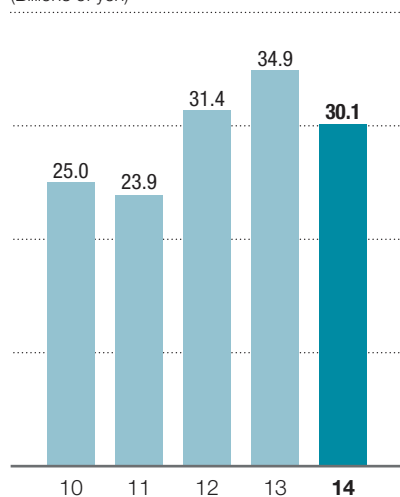
4. Cash flows are the cash flows from operating activities on the consolidated statements of cash flows.

5. Interest-bearing debt includes all liabilities (except lease obligations) bearing interest posted on the consolidated balance sheets.

The total interest paid is the (Decrease) increase in interest payable on the consolidated statements of cash flows.

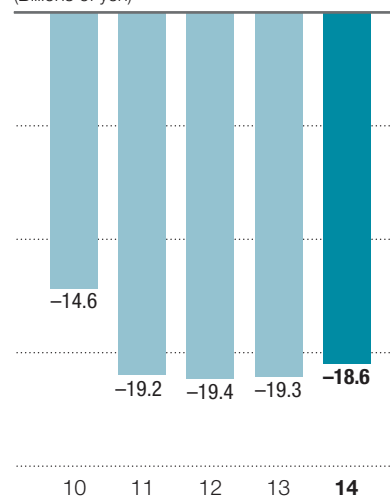
Cash Flows from Operating Activities

(Billions of yen)



Cash Flows from Investing Activities

(Billions of yen)



Basic Dividend Policy and Dividends for the Fiscal Year Under Review and the Next Fiscal Year

Dowa views the payment of dividends to shareholders as one of its most important management issues. The Company's policy is to pay a dividend commensurate with performance, having appropriated sufficient retained earnings to bolster the Group's business position and support future business development.

After comprehensive consideration of its performance in the fiscal year under review as well as the need to pursue business development and strengthen its financial structure, the Company intends to pay an annual dividend of ¥15 per share, an increase of ¥3 per share compared with the previous fiscal year. At present, the Company also plans to pay the same dividend of ¥15 per share in the fiscal year ending March 31, 2015.

Business Risks

The Group faces a variety of risks such as those described below that could potentially and adversely impact its operating results, stock price, and financial position.

Forward-looking statements among the risk items that follow reflect the opinion of the Group as of March 31, 2014.

⊙ Economic Conditions

The Group's business performance and financial condition may be negatively affected by economic recessions in its principal markets, which include Japan, North America, Asia, and Europe, or by shrinking demand accompanying such changes.

⊙ Metal and Currency Markets

Among its products, the Group handles gold, silver, copper, and zinc, the prices for which are set by international markets. The unprocessed ore for these metals is also procured from overseas. For these reasons, the Group is confronted with risks due to changes in international market conditions and fluctuations in currency exchange rates. The Group employs a variety of hedging measures, including nonferrous metal commodity forward contracts and forward exchange contracts, in an attempt to mitigate these risks.

⊙ Public Regulations

The Group is subject to a variety of legal regulations. In Japan, these include laws pertaining to the environment and recycling, as well as anti-trust laws. Overseas, the Group must comply with legal regulations present in the countries where it operates, for example, regulations regarding customs, imports and exports, and laws concerning the control of foreign currency. The Group, for its part, takes every legal precaution to protect its rights with respect to these laws. Nevertheless, business performance may be adversely affected if Group business operations are restricted as a result of mandates stipulated by the establishment of presently unforeseen regulations.

⊙ Stock Price Fluctuations

The Group is subject to risks due to fluctuations in stock prices stemming from the approximately ¥26.4 billion in marketable securities it held as of March 31, 2014. These securities primarily represent stock held in Group business partners.

⊙ Interest Rate Fluctuations

As of March 31, 2014, the Group's balance of interest-bearing debt was ¥99.6 billion, with external fund procurement accounting for 28% of total assets. Consequently, a sharp rise in interest rates could adversely affect business performance.

⊙ Disasters and Power Outages

The Group conducts disaster prevention and equipment inspections at all of its facilities in an attempt to minimize any possible negative effects that could result from sudden production line stoppages. Nevertheless, the Group may experience a dramatic decline in production capacity should a disaster, power outage, or other type of interruption occur at its production facilities.

Consolidated 11-Year Summary

Dowa Holdings Co., Ltd. and its Consolidated Subsidiaries

For the years ended March 31	2014*1	2013	2012	2011
Financial Performance :				
Net Sales	¥443,985	¥419,390	¥392,468	¥379,816
Cost of Sales.....	382,079	365,963	343,015	330,380
Selling, General and Administrative Expenses.....	30,111	28,863	27,443	26,511
Operating Income (Loss)	31,794	24,564	22,009	22,924
Operating Income by Segment (%).....				
Environmental Management & Recycling (2000-).....	29.86%	26.37%	20.34%	12.22%
Nonferrous Metals	22.20	19.09	19.25	22.56
Electronic Materials (2007-).....	21.12	23.58	24.95	31.16
Metal Processing (2007-)	16.96	19.89	20.59	23.66
Electronic Materials & Metal Processing (2003~2006)	—	—	—	—
Heat Treatment (2000-).....	7.12	6.33	8.95	6.18
Others and Elimination	2.74	4.74	5.92	4.21
EBITDA	¥48,000	¥41,551	¥40,354	¥41,410
Net Income (Loss).....	23,310	15,213	10,610	8,521
Capital Expenditures.....	16,549	18,422	15,910	17,820
Depreciation	16,205	16,987	18,344	18,486
R&D Expenses	4,078	4,298	4,367	3,962
Copper (Price quoted, Average).....	¥757,633	¥696,375	¥717,816	¥738,200
Zinc (Price quoted, Average).....	240,325	208,675	211,683	231,858
US Dollar (Average).....	100.73	83.61	79.58	86.22
Financial Position :				
Equity*2	¥166,987	¥142,400	¥121,807	¥113,785
Minority Interests.....	8,733	8,807	7,999	6,942
Total Assets*2	358,717	349,787	319,665	340,161
Interest-bearing Debt*3	99,663	107,198	117,670	138,119
Per share (Yen) :				
Basic Net Income (Loss).....	¥ 78.77	¥ 51.41	¥ 35.86	¥ 28.80
Fully Diluted Net Income*4	—	—	—	—
Fully Diluted Equity*4.....	534.75	451.41	384.55	361.18
Cash Dividends	15.00	12.00	10.00	10.00
Cash flows :				
Cash Flows from Operating Activities	¥ 30,189	¥ 34,970	¥ 31,499	¥ 23,955
Cash Flows from Investing Activities.....	(18,689)	(19,354)	(19,491)	(19,257)
Cash Flows from Financing Activities.....	(12,341)	(14,982)	(24,134)	(15,070)
Free Cash Flows	11,766	16,547	15,589	6,135
Cash and Cash Equivalents at End of Year.....	5,823	6,129	4,788	16,741
Ratios :				
Return on Assets*5	8.98%	7.34%	6.67%	6.83%
Return on Equity*6 *7.....	15.97	12.30	9.62	8.01
Operating Income (Loss) to Net Sales (%)	7.16	5.86	5.61	6.04
Equity Ratio*7	44.12	38.19	35.60	31.41
Operating Income Growth	29.43	11.60	(3.99)	67.31
Interest Coverage (Times).....	21.39	14.82	11.52	10.55
Debt/Equity Ratio (Times)*7.....	0.63	0.80	1.03	1.29
Debt/Capacity Ratio (Times).....	1.28	1.37	1.83	1.90
Return on Invested Capital*7.....	9.04	6.32	4.58	3.48

* 1. The years stated in the text are ended March 31 of the year. Thus "2014" refers to the fiscal year, which ran from April 1, 2013 through March 31, 2014.

2. The Equity and Total Assets for 2006 have been reclassified to reflect the "Accounting standards for presentation of net assets in the balance sheet."

3. From 2008, in the balance sheets, long-term loans payable and current portion of long-term loans payable were stated including lease obligations. However, interest-bearing debt amounts stated in the Consolidated 11-Year Summary do not include lease obligations.

(Millions of yen)

2010	2009	2008	2007	2006	2005	2004
¥307,462	¥346,885	¥475,826	¥458,701	¥316,388	¥254,192	¥234,675
268,738	329,340	399,901	383,136	253,389	202,447	192,843
25,022	26,042	31,605	26,830	26,101	24,102	24,192
13,701	(8,497)	44,319	48,733	36,897	27,642	17,640
15.35%	—%	18.11%	16.31%	16.32%	17.02%	25.77%
21.95	—	50.74	51.55	45.58	41.31	13.99
35.12	—	14.23	14.31	—	—	—
24.00	—	6.86	9.37	—	—	—
—	—	—	—	28.15	32.04	40.47
1.07	—	8.11	7.37	8.90	10.86	16.76
2.51	—	1.93	1.08	1.04	(1.23)	3.01
¥32,978	¥ 19,268	¥18,657	¥14,023	¥ 9,934	¥ 9,343	¥ 9,260
4,359	(28,138)	24,520	26,337	14,532	10,609	8,683
10,763	24,213	26,324	21,821	12,497	11,551	9,419
19,276	18,612	13,974	9,897	9,316	9,242	10,608
3,829	4,421	7,309	4,384	3,739	2,993	2,690
¥609,483	¥657,408	¥915,950	¥867,400	¥517,308	¥371,141	¥270,283
222,575	202,725	388,183	461,633	228,191	162,408	143,916
93.35	101.03	114.78	117.52	113.81	108.05	113.57
¥111,667	¥103,830	¥150,281	¥141,276	¥114,869	¥ 94,670	¥ 84,673
5,663	5,263	6,078	4,491	3,833	—	—
330,720	343,208	367,931	352,299	303,029	261,461	246,275
149,371	180,496	120,953	114,757	99,653	97,709	104,375
¥ 14.96	¥ (94.36)	¥ 81.86	¥ 87.82	¥ 48.12	¥ 35.14	¥ 28.79
—	—	77.91	83.59	—	—	—
358.33	339.93	481.85	456.10	382.69	315.46	282.15
10.00	10.00	20.00	20.00	14.00	10.00	7.00
¥ 25,011	¥ 33,593	¥ 40,398	¥ 13,700	¥ 17,783	¥ 17,432	¥ 29,725
(14,602)	(36,477)	(39,138)	(24,387)	(15,616)	(7,636)	(1,290)
(33,888)	49,303	(1,820)	9,634	(1,758)	(8,917)	(30,072)
14,248	9,380	12,565	(6,504)	6,050	5,162	21,393
27,115	50,681	4,294	4,792	5,813	5,286	4,414
4.07%	—%	12.31%	14.87%	13.07%	10.89%	7.13%
4.26	(23.18)	17.45	20.93	13.87	11.83	11.16
4.46	(2.45)	9.31	10.62	11.66	10.88	7.52
32.05	28.72	39.19	38.83	37.91	36.21	34.38
—	—	(9.06)	32.08	33.48	56.70	19.60
5.12	(2.79)	21.10	30.18	29.23	20.30	12.04
1.41	1.83	0.84	0.84	0.87	1.03	1.23
1.91	2.11	1.48	1.42	1.91	1.87	2.22
1.71	(10.08)	9.25	10.47	6.77	5.52	4.59

4. Fully diluted net income is not stated from 2003 to 2006 and from 2009 to 2013 because no diluted shares existed. From 2003, fully diluted net income is calculated after deducting the average number of shares of treasury stock during the term. Fully diluted net income is not stated for 2009 although diluted shares existed because a net loss per share was incurred.

5. Operating Income divided by average of Total Assets at the start and end of the year.

6. Net Income divided by average of Equity at the start and end of the year.

7. From 2007, the ratios have been calculated using shareholders' equity (the amounts after deducting minority interest amounts from equity amounts).

Consolidated Balance Sheet

DOWA Holdings Co., Ltd. and its Consolidated Subsidiaries
As of March 31, 2014

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Current Assets:			
Cash and time deposits (Note 3)	¥5,857	¥6,163	\$56,915
Notes and accounts receivable:			
Trade	69,202	69,489	672,392
Nonconsolidated subsidiaries and affiliates	3,315	2,983	32,209
Others	7,898	3,578	76,743
Subtotal	80,416	76,051	781,346
Inventories:			
Merchandise and finished products	21,570	20,900	209,588
Work in process	4,983	4,294	48,419
Raw materials and supplies	51,218	55,087	497,658
Subtotal	77,773	80,282	755,666
Deferred tax assets (Note 9)	4,713	3,287	45,793
Other current assets	5,315	5,560	51,650
Allowance for doubtful accounts	(77)	(59)	(752)
Total current assets	173,998	171,287	1,690,619
Property, Plant, and Equipment (Notes 5 and 6):			
Land	22,680	22,577	220,366
Buildings and structures	100,611	96,511	977,566
Machinery and equipment	210,312	203,780	2,043,455
Construction in progress	4,477	4,528	43,500
Others	13,048	12,020	126,780
Subtotal	351,129	339,419	3,411,669
Accumulated depreciation	(247,238)	(235,771)	(2,402,240)
Net property, plant, and equipment	103,890	103,647	1,009,429
Investments and Other Assets:			
Investments in securities (Notes 4 and 6)	28,423	25,553	276,174
Investments in and advances to nonconsolidated subsidiaries and affiliates (Notes 4 and 6)	34,066	31,121	331,003
Long-term loans	1	3	11
Deferred tax assets (Note 9)	3,527	3,976	34,269
Goodwill	6,997	7,325	67,993
Other assets	7,951	7,038	77,263
Allowance for doubtful accounts	(139)	(165)	(1,358)
Total investments and other assets	80,828	74,853	785,356
Total assets	¥358,717	¥349,787	\$3,485,405

*1. The accompanying notes are an integral part of these consolidated financial statements.

*2. The years stated in the text are for fiscal years, which run from April 1 of the previous year through March 31. Thus, 2014 refers to the year ended March 31, 2014.

*3. ¥102.92 = U.S. \$1, the rate of exchange on March 31, 2014, is used.

Liabilities and Equity	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Current Liabilities:			
Short-term borrowings (Note 6)	¥25,848	¥28,020	\$251,154
Commercial paper (Note 6)	10,000	–	97,162
Current maturities of long-term debt (Note 6)	26,022	24,913	252,838
Notes and accounts payable:			
Trade	33,677	41,666	327,218
Nonconsolidated subsidiaries and affiliates	824	744	8,014
Others	4,253	7,143	41,328
Subtotal	38,755	49,555	376,561
Accrued expenses	7,821	7,076	75,992
Accrued income taxes	7,630	5,353	74,136
Accrued bonuses	3,435	3,088	33,385
Accrued directors' bonuses	200	169	1,945
Other current liabilities	12,089	14,949	117,461
Total current liabilities	131,803	133,125	1,280,638
Long-term Liabilities:			
Long-term debt (Note 6)	38,671	55,310	375,742
Reserve for employees' retirement benefits (Note 12)	12,230	10,990	118,833
Reserve for directors' and audit & supervisory board members' retirement benefits	595	613	5,784
Deferred tax liabilities (Note 9)	2,940	2,969	28,571
Other long-term liabilities	5,489	4,376	53,339
Total long-term liabilities	59,927	74,260	582,271
Total liabilities	191,730	207,386	1,862,910
Contingent Liabilities (Note 7)			
Equity (Note 8):			
Common stock:			
Authorized: 1,000,000 thousand shares in 2014 and 2013			
Issued: 309,946 thousand shares in 2014 and 2013	36,437	36,437	354,035
Capital surplus	26,362	26,362	256,145
Retained earnings	87,806	68,180	853,150
Treasury stock, at cost (14,004 thousand shares in 2014 and 13,996 thousand shares in 2013)	(5,695)	(5,688)	(55,339)
Accumulated Other Comprehensive Income:			
Unrealized gains on available-for-sale securities	10,947	8,990	106,364
Deferred gain on derivatives under hedge accounting	315	89	3,066
Foreign currency translation adjustments	2,604	(777)	25,303
Defined retirement benefit plans (Note 12).....	(523)	–	(5,088)
Total	158,253	133,593	1,537,639
Minority Interests	8,733	8,807	84,855
Total equity	166,987	142,400	1,622,494
Total liabilities and equity	¥358,717	¥349,787	\$3,485,405

Consolidated Statement of Income

DOWA Holdings Co., Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Net Sales	¥443,985	¥419,390	\$4,313,885
Cost of Sales (Note 13)	382,079	365,963	3,712,391
Gross profit	61,905	53,427	601,494
Selling, General, and Administrative Expenses (Notes 10 and 11)	30,111	28,863	292,568
Operating income	31,794	24,564	308,925
Other Income (Expenses):			
Interest and dividend income	699	579	6,796
Interest expense	(1,517)	(1,697)	(14,747)
Loss on sales and disposal of property, plant, and equipment.....	(1,794)	(525)	(17,431)
Foreign exchange gains (losses)	63	(229)	617
Equity in earnings of affiliates	2,672	3,125	25,965
Royalty income	1,008	662	9,797
Gain on sales of investments in securities	55	-	538
Loss on devaluation of investments in securities	-	(2,552)	-
Environmental expenses.....	(1,145)	(815)	(11,126)
Business structure improvement expenses	-	(457)	-
Loss on impairments (Note 5)	(52)	(122)	(509)
Losses from natural disaster	(246)	(56)	(2,399)
Other, net	1,451	1,376	14,105
Subtotal	1,194	(713)	11,608
Income before income taxes and minority interests	32,989	23,850	320,534
Income Taxes (Note 9):			
Current	11,302	7,414	109,817
Deferred	(1,757)	795	(17,078)
Total income taxes	9,544	8,210	92,739
Net income before minority interests	23,444	15,640	227,794
Minority Interests	(134)	(426)	(1,304)
Net income	¥23,310	¥15,213	\$226,489
Per Share (Note 17):	Yen		(Note 1)
Basic net income	¥78.77	¥51.41	\$0.77
Cash dividends	15.00	12.00	0.15

*1. The accompanying notes are an integral part of these consolidated financial statements.

*2. The years stated in the text are for fiscal years, which run from April 1 through March 31 of the previous year. Thus, 2014 refers to the year ended March 31, 2014.

*3. ¥102.92 = U.S. \$1, the rate of exchange on March 31, 2014, is used.

Consolidated Statement of Comprehensive Income

DOWA Holdings Co., Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Net income before minority interests	¥23,444	¥15,640	\$227,794
Other comprehensive income:			
Unrealized gain on available-for-sale securities	1,511	4,421	14,681
Deferred gains on derivatives under hedge accounting	177	314	1,720
Foreign currency translation adjustments	2,274	1,731	22,098
Share of other comprehensive income in affiliates	1,846	1,046	17,939
Total other comprehensive income (Note 16).....	5,808	7,514	56,440
Comprehensive income	¥29,253	¥23,154	\$284,235
Comprehensive income attributable to:			
Owners of the parent	¥28,874	¥22,595	\$280,556
Minority interests	378	558	3,679

*1. The accompanying notes are an integral part of these consolidated financial statements.

*2. The years stated in the text are for fiscal years, which run from April 1 through March 31 of the previous year. Thus, 2014 refers to the year ended March 31, 2014.

*3. ¥102.92 = U.S. \$1, the rate of exchange on March 31, 2014, is used.

Consolidated Statement of Changes in Equity

DOWA Holdings Co., Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2014

	Thousands	Millions of yen			
	Number of Shares of Common Stock Outstanding	Shareholders' Equity			
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost
Balance, April 1, 2012	295,953	¥36,437	¥26,362	¥55,737	¥(5,686)
Cash dividends paid	–	–	–	(3,005)	–
Net income	–	–	–	15,213	–
Net change in treasury stock held by affiliates during year	0	–	–	0	–
Purchases of treasury stock	4	–	–	–	(2)
Sales of treasury stock	(1)	–	0	–	0
Increase in retained earnings due to increase in number of consolidated subsidiaries	–	–	–	180	–
Change in the application of equity method	–	–	–	54	–
Net change in the year	3	–	–	–	–
Balance, April 1, 2013	295,949	¥36,437	¥26,362	¥68,180	¥(5,688)
Cash dividends paid	–	–	–	(3,606)	–
Net income	–	–	–	23,310	–
Net change in treasury stock held by affiliates during year	0	–	–	(0)	–
Purchases of treasury stock	7	–	–	–	(6)
Sales of treasury stock	–	–	–	–	–
Decrease in retained earnings due to increase in number of consolidated subsidiaries	–	–	–	(77)	–
Change in the application of equity method	–	–	–	–	–
Net change in the year	7	–	–	–	–
Balance, March 31, 2014	295,941	¥36,437	¥26,362	¥87,806	¥(5,695)

	Thousands	Thousands of U.S. dollars (Note 1)			
	Number of Shares of Common Stock Outstanding	Shareholders' Equity			
		Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost
Balance, April 1, 2013	295,949	\$354,035	\$256,145	\$662,458	\$(55,273)
Cash dividends paid	–	–	–	(35,040)	–
Net income	–	–	–	226,489	–
Net change in treasury stock held by affiliates during year	0	–	–	(7)	–
Purchases of treasury stock	7	–	–	–	(66)
Sales of treasury stock	–	–	–	–	–
Decrease in retained earnings due to increase in number of consolidated subsidiaries	–	–	–	(749)	–
Change in the application of equity method	–	–	–	–	–
Net change in the year	7	–	–	–	–
Balance, March 31, 2014	295,941	\$354,035	\$256,145	\$853,150	\$(55,339)

*1. The accompanying notes are an integral part of these consolidated financial statements.

*2. The years stated in the text are for fiscal years, which run from April 1 through March 31 of the previous year. Thus, 2014 refers to the year ended March 31, 2014.

*3. ¥102.92 = U.S. \$1, the rate of exchange on March 31, 2014, is used.

Millions of yen							
Accumulated Other Comprehensive Income							
	Unrealized Gains on Available-for- Sale Securities	Deferred Gains (Losses) on Derivatives Under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement benefit plans	Total	Minority Interests	Total net assets
Balance, April 1, 2012	¥4,390	¥(179)	¥(3,252)	—	¥113,807	¥7,999	¥121,807
Cash dividends paid	—	—	—	—	(3,005)	—	(3,005)
Net income	—	—	—	—	15,213	—	15,213
Net change in treasury stock held by affiliates during year	—	—	—	—	0	—	0
Purchases of treasury stock	—	—	—	—	(2)	—	(2)
Sales of treasury stock	—	—	—	—	0	—	0
Increase in retained earnings due to increase in number of consolidated subsidiaries	—	—	—	—	180	—	180
Change in the application of equity method	—	—	—	—	54	—	54
Net change in the year	4,600	269	2,475	—	7,344	807	8,152
Balance, April 1, 2013	¥8,990	¥89	¥(777)	—	¥133,593	¥8,807	¥142,400
Cash dividends paid	—	—	—	—	(3,606)	—	(3,606)
Net income	—	—	—	—	23,310	—	23,310
Net change in treasury stock held by affiliates during year	—	—	—	—	(0)	—	0
Purchases of treasury stock	—	—	—	—	(6)	—	(6)
Sales of treasury stock	—	—	—	—	—	—	—
Decrease in retained earnings due to increase in number of consolidated subsidiaries	—	—	—	—	(77)	—	(77)
Change in the application of equity method	—	—	—	—	—	—	—
Net change in the year	1,956	226	3,381	(523)	5,040	(73)	4,966
Balance, March 31, 2014	¥10,947	¥315	¥2,604	¥(523)	¥158,253	¥8,733	¥166,987

Thousands of U.S. dollars (Note 1)							
Accumulated Other Comprehensive Income							
	Accumulated Difference on Available-for-Sale Securities	Deferred Gains or Losses on Derivatives Under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement benefit plans	Total	Minority Interests	Total net assets
Balance, April 1, 2013	\$87,354	\$869	\$(7,554)	—	\$1,298,035	\$85,572	\$1,383,608
Cash dividends paid	—	—	—	—	(35,040)	—	(35,040)
Net income	—	—	—	—	226,489	—	226,489
Net change in treasury stock held by affiliates during year	—	—	—	—	(7)	—	(7)
Purchases of treasury stock	—	—	—	—	(66)	—	(66)
Sales of treasury stock	—	—	—	—	—	—	—
Decrease in retained earnings due to increase in number of consolidated subsidiaries	—	—	—	—	(749)	—	(749)
Change in the application of equity method	—	—	—	—	—	—	—
Net change in the year	19,010	2,197	32,858	(5,088)	48,977	(717)	48,260
Balance, March 31, 2014	\$106,364	\$3,066	\$25,303	\$(5,088)	\$1,537,639	\$84,855	\$1,622,495

Consolidated Statement of Cash Flows

DOWA Holdings Co., Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥32,989	¥23,850	\$320,534
Adjustments for:			
Income taxes paid	(9,133)	(3,432)	(88,744)
Depreciation and amortization	16,205	16,987	157,461
Loss on sales and disposal of property, plant, and equipment.....	1,794	525	17,431
Equity in earnings of affiliates	(2,672)	(3,125)	(25,965)
Gain on sales of investments in securities, net	(55)	-	(538)
Loss on devaluation of investments in securities	-	2,552	-
Loss on impairments (Note 5)	52	122	509
Business structure improvement expenses	-	457	-
Changes in assets and liabilities			
Increase (decrease) in trade receivables	933	(11,402)	9,067
Decrease (increase) in inventories	3,020	(6,837)	29,349
(Decrease) increase in trade payables	(8,729)	6,542	(84,817)
(Decrease) increase in allowance for doubtful accounts	(0)	18	(1)
Increase in Reserve for employees' retirement benefits	563	-	5,479
Decrease in interest and dividend receivables	3,308	1,629	32,149
Decrease in interest payable	(43)	(62)	(420)
Other, net	(8,045)	7,143	(78,167)
Net cash provided by operating activities	30,189	34,970	293,325
Cash Flows from Investing Activities:			
Acquisition of property, plant, and equipment	(15,499)	(16,754)	(150,593)
Proceeds from sales of property, plant, and equipment	95	643	930
Acquisition of intangible fixed asset.....	(831)	(1,116)	(8,082)
Acquisition of investments in securities	(542)	(24)	(5,275)
Proceeds from sales of investments in securities	95	-	928
Acquisition of investments in subsidiaries and affiliates	(1,824)	(1,717)	(17,724)
Payments for loans	(1,621)	(1,247)	(15,758)
Proceeds from collection of loans	970	937	9,430
Proceeds from subsidy.....	466	498	4,531
Other, net	1	(573)	19
Net cash used in investing activities	(18,689)	(19,354)	(181,593)
Cash Flows from Financing Activities:			
Net (decrease) increase in short-term bank loans	(3,043)	8,993	(29,575)
Proceeds from long-term debt	9,517	8,230	92,475
Repayment of long-term debt	(24,738)	(28,690)	(240,362)
Net increase in commercial paper	10,000	-	97,162
Cash dividends paid	(3,754)	(3,167)	(36,476)
Proceeds from stock issuance to minority shareholders.....	-	44	-
Increase in lease obligations by sale and leaseback	45	35	446
Repayment of lease obligations	(361)	(426)	(3,514)
Proceeds from sales of treasury stock	-	0	-
Purchases of treasury stock	(6)	(2)	(66)
Net cash used in financing activities	(12,341)	(14,982)	(119,910)
Foreign Currency Translation Adjustment on Cash and Cash Equivalents	433	261	4,209
Net (decrease) increase in Cash and Cash Equivalents	(408)	894	(3,967)
Cash and Cash Equivalents of Newly Consolidated Subsidiaries	102	446	993
Cash and Cash Equivalents at Beginning of Year	6,129	4,788	59,557
Cash and Cash Equivalents at End of Year (Note 3)	¥5,823	¥6,129	\$56,583

*1. The accompanying notes are an integral part of these consolidated financial statements.

*2. The years stated in the text are for fiscal years, which run from April 1 through March 31 of the previous year.

Thus, 2014 refers to the year ended March 31, 2014.

Notes to Consolidated Financial Statements

DOWA Holdings Co., Ltd. and its Consolidated Subsidiaries
Years ended March 31, 2014

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 standards and in conformity 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 are rounded down to the nearest ¥1 million (U.S. \$1 thousand), 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 2013 consolidated financial statements to conform to the classifications used in 2014.

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 ¥102.92 to U.S. \$1, the approximate rate of exchange at March 31, 2014. 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) Principles of Consolidation

The consolidated financial statements as of March 31, 2014, include the accounts of the Company and its 74 significant (71 in 2013) subsidiaries (together, the "Group").

Under the control or influence concept, those significant companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those 14 significant (13 in 2013) affiliate companies are accounted for by the equity method.

Investments in nonconsolidated subsidiaries have not been accounted for by the equity method, but are carried at cost since the Company's equity in their combined earnings, in the aggregate, does not have a material effect on the consolidated financial statements.

The net difference between the purchase price and the underlying equity in the equity of an acquired business is amortized on a straight-line basis within 20 years.

(a) Note Regarding Scope of Consolidation (2014)

The consolidated financial statements for the year ended March 31, 2014, include NIPPON PGM AMERICA, INC. and Nippon PGM Europe s.r.o., which were unconsolidated subsidiaries in the consolidated financial statements for the year ended March 31, 2013, from the viewpoint of materiality. Newly established during the fiscal year under review, Dowa Metals & Mining Alaska Ltd. has been included within the scope of consolidation.

(2013)

The consolidated financial statements for the year ended March 31, 2013, include Okayama Koyu Co., Ltd., Auto Recycle Akita Co., Ltd., Biodiesel Okayama Co., Ltd., DOWA ECO-SYSTEM SINGAPORE PTE. LTD., Jiangxi Dowa Environmental Management Co., Ltd., Akita Recycle & Finepack Co., Ltd., HIGHTEMP FURNACES Ltd., and Kunshan Dowa Thermo Furnace Co., Ltd., which were unconsolidated subsidiaries in the consolidated financial statements for the year ended March 31, 2012 from the viewpoint of materiality.

(b) Accounting Period of Foreign Subsidiaries

In preparing the consolidated financial statements for the year ended March 31, 2014, the Company used the financial statements with an account closing date of December 31, 2013, in the cases of 18 foreign subsidiaries including Modern Asia Environmental Holdings, Inc.; Dowa Environmental Management Co., Ltd.; Dowa Advanced Materials (Shanghai) Co., Ltd.; and other companies. For material transactions that occurred between January 1, 2014, and March 31, 2014, adjustments were made in the consolidated financial statements, as necessary.

(2) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of cash flows are composed of cash on hand, bank deposits able to be withdrawn on demand, and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuation in value.

(3) Securities

Securities held by the Group are classified into three categories.

Investments in equity securities issued by nonconsolidated subsidiaries and affiliates are accounted for by the equity method. In certain cases, investments in nonconsolidated subsidiaries and affiliates are stated at cost by using the moving-average method because the effect of application of the equity method would be immaterial.

Available-for-sale securities with market quotations are stated at fair value. Unrealized gains on these securities are stated, net of tax and minority interests, as “unrealized gains on available-for-sale securities” on the consolidated balance sheet.

Available-for-sale securities without market quotations are stated at cost by using the moving-average method, except as stated in the paragraph below.

In cases where the fair value of equity securities issued by nonconsolidated subsidiaries and affiliates or available-for-sale securities has declined significantly and such impairment of the value 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.

(4) Inventories

Inventories are stated at the lower of cost or market value. The costs of the primary finished products 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.

(5) 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 computed by the declining-balance method based on the estimated useful lives of the respective assets. Depreciation of the landfill is computed using the production method.

The Company and domestic consolidated subsidiaries have computed the depreciation for buildings (excluding leasehold improvements and auxiliary facilities attached to buildings) that were acquired on or after April 1, 1998, by the straight-line method.

(6) 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.

(7) Research and Development and Intangible Assets

Research and development expenses are charged to the consolidated statement of income as incurred.

Expenses relating to the development of internal use computer software are charged to the consolidated statement of income when incurred, except when it is determined that the software contributes to the future generation of income or cost savings. Such expenses are capitalized as an asset and are amortized using the straight-line method over their estimated useful life, which is five years.

Intangible assets other than software are amortized using the straight-line method, in accordance with the Japanese Corporate Tax Law.

Notes to Consolidated Financial Statements

(8) Leases

(a) Lease Assets Pertaining to Finance Leases that are Deemed to Transfer Ownership of the Leased Property to the Lessee

These are calculated using the same method as the depreciation method that applies to fixed assets owned by the Group.

(b) Lease Assets Pertaining to Finance Leases that are not Deemed to Transfer Ownership of the Leased Property to the Lessee

These use a method of calculation that takes the lease period to be the useful life and the salvage value to be zero. Note, however, that when the lease start date of a finance lease that is not deemed to transfer ownership of the leased property to the lessee is before April 1, 2008, which is the date of the adoption of this accounting method, such finance leases shall be accounted for by the method pertaining to ordinary operating lease transactions.

(9) Allowance for Doubtful Accounts

The Group has recorded an allowance for doubtful accounts based on the percentage of its own historical bad debt losses against the balance of total receivables, plus the amount deemed necessary to cover individual accounts estimated to be uncollectible.

(10) 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.

(11) 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 year-end.

(12) Reserve for Employees' Retirement Benefits

(a) When calculating retirement benefit obligations, the straight-line method is used for attributing expected retirement benefits to periods through March 31, 2014.

(b) Method of amortization for actuarial differences

Unrecognized actuarial differences are treated as an expense and recognized from the following consolidated fiscal year on a straight-line basis over 5 years within the average remaining service period when incurred.

(c) Adoption of the simplified method in some consolidated subsidiaries

In the calculation of retirement benefit costs and liabilities, some consolidated subsidiaries adopt the simplified method, by which total payments pertaining to retirement benefits as required for personal reasons as of the end of the term are treated as retirement benefit obligations.

In May 2012, the Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(d) Under the revised accounting standard, actuarial differences and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(e) The revised accounting standard does not change how to recognize actuarial differences and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial differences and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial differences and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(f) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (d) and (e) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (f) above are effective for the beginning of annual periods beginning on or after April 1, 2014 or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Group applied the revised accounting standard and guidance for retirement benefits for (d) and (e) above, effective March 31, 2014. As a result, reserve for employees' retirement benefits of ¥12,230 million (U.S.\$ 118,833 thousand) was recorded as of March 31, 2014, and accumulated other comprehensive income for the year ended March 31, 2014, decreased by ¥ 523 million (U.S.\$ 5,088 thousand).

(13) Reserve for Directors' and Audit & Supervisory Board Members' Retirement Benefits

Some of the Company's subsidiaries also provide for the liability for directors' and audit & supervisory board members' severance indemnities in an amount determined by the Company's internal regulations for such severance indemnities.

(14) 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 other long-term liabilities in the consolidated balance sheet.

(15) Construction Contracts

The construction revenue and construction costs are recognized by the percentage-of-completion method if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied.

(16) Foreign Currency Translations

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net profit or loss for the period.

Assets and liabilities, and revenues and expenses of foreign subsidiaries are converted into Japanese yen at the spot exchange rates prevailing on the balance sheet date of the foreign subsidiaries in question, and translation differences are included as minority interests and foreign currency translation adjustments in equity.

Notes to Consolidated Financial Statements

(17) Derivatives and Hedging Activities

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

Foreign exchange forward contracts, interest rate swaps, and nonferrous metal forward contracts are utilized by the Group to reduce foreign currency exchange, interest, and nonferrous metal rate risks. 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; and
- 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.

The 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.

The 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 or income.

(18) Accounting Treatment for Consumption Tax

All transactions are recorded net of consumption tax.

(19) Application of the Consolidated Taxation System

The Group applies the Consolidated Taxation System.

(20) Net Income per Share

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.

(21) New Accounting Pronouncements

Accounting Standard for Retirement Benefits- On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) Treatment in the balance sheet

Under the current requirements, actuarial differences and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial differences and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) Treatment in the statement of income and the statement of comprehensive income

The revised accounting standard does not change how to recognize actuarial differences and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial differences and past service costs that arose in the current period and have not yet been recognized in profit or loss shall be included in other comprehensive income and actuarial differences and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c) Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases

The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Group applied the revised accounting standard for (a) and (b) above effective March 31, 2014, and expects to apply (c) above from April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard for (c) above in future applicable periods.

3. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Cash and time deposits	¥5,857	¥6,163	\$56,915
Time deposits with deposit terms of over three months	(34)	(34)	(332)
Cash and cash equivalents	¥5,823	¥6,129	\$56,583

4. Investments

Investments at March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Investments in and advances to nonconsolidated subsidiaries and affiliates	¥34,066	¥31,121	\$331,003
Available-for-sale securities with market quotations	26,481	23,662	257,299
Unlisted securities	1,942	1,891	18,874
Total	¥62,490	¥56,675	\$607,177

Notes to Consolidated Financial Statements

The net unrealized gains on the available-for-sale securities with market quotations as of March 31, 2014 and 2013, were ¥14,763 million (U.S. \$143,445 thousand) and ¥9,868 million, respectively.

Available-for-sale securities that the Group sold during the years ended March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Proceeds from sales	¥106	—	\$1,029
Gain on sales	62	—	607
Loss on sales	—	—	—

5. Long - lived Assets

The Group reviewed its long-lived assets for impairment as of the years ended March 31, 2014 and 2013, and, as a result, recognized a loss on impairment of ¥52 million (U.S. \$509 thousand) and ¥122 million, respectively, as other expenses for idle assets, due to a decline of market value.

6. 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 0.48% to 10.30% (an approximate average rate of 0.99%) per annum at March 31, 2014, and 0.52% to 10.30% (an approximate average rate of 0.84 %) per annum at March 31, 2013, respectively.

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

At March 31, 2014 and 2013, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
0.50% to 11.10% loans, principally from banks and due between 2014 and 2028:			
Collateralized	¥22,704	¥27,329	\$220,605
Unsecured	31,109	41,788	302,272
Commercial paper	10,000	—	97,162
1.01% straight bonds due 2014	10,000	10,000	97,162
Lease obligations	878	1,105	8,539
Total	74,693	80,223	725,744
Long-term debt, bonds, commercial paper and lease obligations (due within one year)	36,022	24,913	350,001
Long-term debt, bonds, and lease obligations (due after one year)	¥38,671	¥55,310	\$375,742

At March 31, 2014 and 2013, the following assets were pledged as collateral for short-term borrowings and the long-term debt of the Group:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Property, plant, and equipment, less accumulated depreciation	¥256	¥237	\$2,496
Investments in and advances to affiliates	2,395	5,086	23,276
Investments in securities	4,222	4,356	41,022
Total	¥6,874	¥9,680	\$66,796

Annual maturities of long-term debt as of March 31, 2014, for the next five years and thereafter were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
2015	¥36,022	\$350,001
2016	15,689	152,446
2017	10,739	104,348
2018	6,615	64,279
2019 and thereafter	5,626	54,668
Total	¥74,693	\$725,744

7. Contingent Liabilities

At March 31, 2014, the Group guaranteed loans incurred by nonconsolidated subsidiaries and affiliates in the amount of ¥5,377 million (U.S. \$52,244 thousand).

The Company sold notes and accounts receivable amounts to a finance company. As part of the finance agreement, under certain circumstances, the Company has the obligation to repurchase these amounts. At March 31, 2014, in connection with this structured finance agreement and the maximum repurchase commitment, the Company's exposure was ¥470 million (U.S. \$4,568 thousand).

8. Equity

Japanese companies are subject to the Corporate Law 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. For companies that meet certain criteria, such as:

(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 is prescribed as one year rather than the two years of normal 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.

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 equity 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 under certain conditions upon resolution of the shareholders.

Notes to Consolidated Financial Statements

(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, which were previously presented as a liability, are now 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.

9. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' tax, and enterprise tax, which in the aggregate resulted in a normal statutory tax rate of approximately 37.0% for 2014 and 2013.

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 tax laws to the temporary differences.

At March 31, 2014 and 2013, the significant components of deferred tax assets and liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Deferred tax assets			
Consolidated subsidiaries' deficit	¥6,194	¥7,039	\$60,189
Reserve for employees' retirement benefits	4,161	3,805	40,431
Unrealized earnings	2,753	2,491	26,751
Loss on devaluation of investment securities	1,905	2,101	18,512
Loss on impairments of property, plant, and equipment	1,334	1,330	12,968
Loss on devaluation of inventories	1,212	1,330	11,777
Accrued bonus	1,178	1,129	11,451
Accrued enterprise tax	445	471	4,324
Loss on disposal of property, plant, and equipment	417	628	4,055
Reserve for directors' and audit & supervisory board members' retirement benefits	208	214	2,024
Excess depreciation	128	329	1,252
Allowance for doubtful accounts	53	62	519
Unrealized gains on available-for-sale securities	5	6	51
Deferred losses on derivatives under hedge accounting	0	11	8
Others	3,337	2,729	32,432
Total	23,337	23,682	226,752
Valuation allowance	(11,425)	(13,882)	(111,010)
Deferred tax assets	11,912	9,799	115,742
Deferred tax liabilities			
Unrealized gains on available-for-sale securities	(4,514)	(3,681)	(43,864)
Unrealized gains on land	(818)	(818)	(7,953)
Deferred gains on derivatives under hedge accounting	(166)	(88)	(1,620)
Special depreciation reserve	(15)	(16)	(146)
Others	(1,097)	(900)	(10,630)
Deferred tax liabilities	(6,612)	(5,505)	(64,251)
Net deferred tax assets	¥5,299	¥4,293	\$51,491

The components of net deferred tax assets (liabilities) at March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Deferred tax assets, current	¥4,713	¥3,287	\$45,793
Deferred tax assets, noncurrent	3,527	3,976	34,269
Deferred tax liabilities, noncurrent	(2,940)	(2,969)	(28,571)

For the years ended March 31, 2014 and 2013, the reconciliation of the statutory tax rate to the effective income tax rate was as follows:

	2014	2013
Statutory tax rate	37.0%	37.0%
Valuation allowance	(6.6)	2.6
Equity in earnings of affiliates	(2.8)	(4.5)
Tax credits	(1.4)	(1.9)
Nontaxable items, including dividend income	(0.3)	(0.4)
Difference of tax rate on special corporate tax for reconstruction	0.7	—
Nondeductible items, including entertainment expenses	0.7	0.9
Inhabitants' tax	0.3	0.4
Others	1.2	0.3
Effective income tax rate	28.9%	34.4%

(Note) New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014, from approximately 37% to 35%. The effect of this change was to decrease deferred tax assets in the consolidated balance sheet as of March 31, 2014, by ¥220 million (U.S.\$2,145 thousand), to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥230 million (U.S.\$2,237 thousand), and to increase deferred gains on derivatives under hedge accounting in the consolidated balance sheet as of March 31, 2014, by ¥9 million (U.S.\$92 thousand).

10. Research and Development Expenses

Research and development expenses for the years ended March 31, 2014 and 2013, were ¥4,078 million (U.S. \$39,623 thousand) and ¥4,298 million, respectively.

Notes to Consolidated Financial Statements

11. Leases

As discussed in Note 2. (8), the Group accounts for leases, which existed at March 31, 2008, and do not transfer ownership of the leased property to the lessee as operating lease transactions.

Pro forma information of such leases existing at March 31, 2008, such as acquisition cost, accumulated depreciation, obligations under finance leases, and depreciation expense, on an "as if capitalized" basis for the years ended March 31, 2014 and 2013, is as follows:

	Millions of yen						Thousands of U.S. dollars (Note 1)		
	2014			2013			2014		
	Machinery and equipment	Others	Total	Machinery and equipment	Others	Total	Machinery and equipment	Others	Total
Acquisition cost	¥240	¥114	¥355	¥240	¥114	¥355	\$2,338	\$1,112	\$3,450
Accumulated depreciation	232	109	342	224	96	320	2,260	1,062	3,323
Net book value	¥8	¥5	¥13	¥16	¥18	¥34	\$78	\$49	\$127

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Lease rental expenses for the year	¥21	¥98	\$211
Depreciation expense	21	98	211

The amounts of outstanding future lease payments under finance leases due at March 31, 2014 and 2013, including the portion of interest thereon, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Future lease payments			
Within one year	¥13	¥21	\$127
Over one year	—	13	—
Total	¥13	¥34	\$127

The amounts of outstanding future leases payable and receivable payments under noncancelable operating leases due at March 31, 2014 and 2013, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Operating leases (lessee)			
Within one year	¥110	¥107	\$1,076
Over one year	605	436	5,881
Total	¥716	¥543	\$6,957

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Operating leases (lessor)			
Within one year	¥35	¥35	\$340
Over one year	56	83	547
Total	¥91	¥118	\$888

12. Employees' Retirement Benefit Plan

The Company and its consolidated subsidiaries have adopted lump-sum benefit plans as their defined benefit pension plans. In addition, the Company and certain consolidated subsidiaries have adopted contributory defined benefit pension plans. Meanwhile, 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.

Year Ended March 31, 2014

The changes in defined benefit obligations relating to defined benefit plans in the consolidated fiscal year ended March 31, 2014, are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Balance at beginning of year	¥6,327	\$61,478
Service cost	433	4,209
Interest expense	104	1,018
Actuarial difference	55	542
Benefit paid	(269)	(2,622)
Other	26	256
Balance at end of year	¥6,677	\$64,882

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

	Millions of yen	Thousands of U.S. dollars (Note 1)
Funded defined benefit obligation	¥—	\$—
Plan assets	—	—
	—	—
Unfunded defined benefit obligation	6,677	64,882
Net liability arising from defined benefit obligation	¥6,677	\$64,882

The components of net periodic benefit costs for the year ended March 31, 2014, are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Service cost	¥433	\$4,209
Interest expense	104	1,018
Recognized actuarial differences	202	1,965
Other	4	41
Net periodic benefit costs	¥744	\$7,235

Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2014 is as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Unrecognized actuarial difference	¥628	\$6,106
Total	¥628	\$6,106

Notes to Consolidated Financial Statements

Matters concerning the assumptions to the main actuarial calculations related to defined benefit plans as of March 31, 2014, are as follows:

Discount rate	1.54%
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(Note) Excluding plans applying the simplified method

The changes in defined benefit obligations related to defined benefit plans to which the simplified method is applied in the consolidated fiscal year ended March 31, 2014, are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Balance at beginning of year	¥5,492	\$53,370
Retirement benefit expenses	527	5,125
Benefit paid	(438)	(4,257)
Other	(29)	(287)
Balance at end of year	¥5,552	\$53,951

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, 2014 are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Funded defined benefit obligation	¥—	\$—
Plan assets	—	—
Unfunded defined benefit obligation	5,552	53,951
Net liability arising from defined benefit obligation	¥5,552	\$53,951

The retirement benefit costs related to defined benefit plans calculated by the simplified method in the consolidated fiscal year ended March 31, 2014, are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Retirement benefit costs calculated by simplified method	¥554	\$5,383

The required contributions to defined contribution plans of the Company and its consolidated subsidiaries in the consolidated fiscal year ended March 31, 2014, are as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Main contributions to main defined contribution plans	¥444	\$4,314

Year Ended March 31, 2013

The reserves for employees' retirement benefits for the year ended March 31, 2013, are analyzed as follows:

	Millions of yen
Projected benefit obligations	¥(12,162)
Plan assets	341
Unfunded retirement obligations	(11,820)
Unrecognized actuarial differences	829
Reserves for employees' retirement benefits	¥(10,990)

Net pension expenses related to retirement benefits for the year ended March 31, 2013, are as follows:

	Millions of yen
Service cost	¥997
Interest cost	101
Amortization of actuarial differences	171
Contributions to defined contribution pension plans	408
Other pension expenses	49
Net pension expenses	¥1,727

Assumptions used in the calculation of the above information were as follows:

Discount rate	Principally 1.54%
Method of attributing the projected benefits to periods of service	Straight-line basis
Recognition period of actuarial differences	Mainly five years

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, 2014 and 2013:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Cost of sales	¥1,279	¥1,077	\$12,433

14. Financial Instruments

(1) Status of Financial Instruments

(a) Policy on 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 the 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.

Notes to Consolidated Financial Statements

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

Notes and accounts receivable, 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 risks of market price fluctuations. The Group has a system to periodically monitor and assess the fair values of listed securities, although 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 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 its 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 rates.

Monthly meetings are held regarding derivative transactions, with 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. The 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. Such techniques include variable factors and the results of valuation may differ depending on prerequisites. The contracted amounts related to derivatives, mentioned in 15. Derivatives, in and of themselves should not be considered indicative of the market risks associated with the derivatives.

(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 as of March 31, 2014 and 2013, as well as their differences between the balance sheet amounts and the fair values. Financial instruments whose fair value is deemed extremely difficult to assess are not included (refer to (b) below).

As of March 31, 2014	Millions of yen			Thousands of U.S. dollars (Note 1)		
	Carrying amount	Fair value	Unrealized gains (losses)	Carrying amount	Fair value	Unrealized gains (losses)
(1) Cash and time deposits	¥5,857	¥5,857	¥—	\$56,915	\$56,915	\$—
(2) Notes and accounts receivable (*1)	71,838	71,838	—	698,001	698,001	—
(3) Investments in securities (*2)	41,767	39,005	(2,762)	405,821	378,983	(26,837)
Total assets	¥119,463	¥116,701	¥(2,762)	\$1,160,738	\$1,133,900	\$(26,837)
(1) Notes and accounts payable (*3)	34,502	34,502	—	335,232	335,232	—
(2) Commercial paper	10,000	10,000	—	97,162	97,162	—
(3) Short-term borrowings	25,848	25,848	—	251,154	251,154	—
(4) Long-term debt (including repayments due within one year) (*4)	63,814	64,810	995	620,041	629,718	9,676
Total liabilities	¥134,165	¥135,161	¥995	\$1,303,592	\$1,313,268	\$9,676
Derivatives (*5)	¥(547)	¥(547)	¥—	\$(5,321)	\$(5,321)	\$—

As of March 31, 2013	Millions of yen		
	Carrying amount	Fair value	Unrealized gains (losses)
(1) Cash and time deposits	¥6,163	¥6,163	¥—
(2) Notes and accounts receivable (*1)	71,829	71,829	—
(3) Investments in securities (*2)	38,384	39,274	889
Total assets	¥116,377	¥117,267	¥889
(1) Notes and accounts payable (*3)	42,403	42,403	—
(2) Short-term borrowings	28,020	28,020	—
(3) Long-term debt (including repayments due within one year) (*4)	79,117	80,085	967
Total liabilities	¥149,541	¥150,508	¥967
Derivatives (*5)	¥ (887)	¥ (887)	¥—

(*1) Assets (2): Notes and accounts receivable as of March 31, 2014 and 2013, stated above are obtained by subtracting advances paid of ¥520 million (U.S. \$5,053 thousand) and ¥262 million, accounts receivable—other of ¥ 7,591 million (U.S. \$73,758 thousand) and ¥3,442 million, and loans of ¥466 million (U.S. \$4,532 thousand) and ¥517 million from the amount of notes and accounts receivable of ¥80,416 million (U.S. \$781,346 thousand) and ¥76,051 million, presented in the consolidated balance sheet.

(*2) Assets (3): Investments in securities as of March 31, 2014 and 2013, stated above are obtained by subtracting financial instruments whose fair values are deemed extremely difficult to assess of ¥19,845 million (U.S. \$192,822 thousand) and ¥17,802 million and long-term loans of ¥878 million (U.S. \$8,533 thousand) and ¥488 million from the sum of investments in securities of ¥28,423 million (U.S. \$276,174 thousand) and ¥25,553 million, and investments in and advances to nonconsolidated subsidiaries and affiliates of ¥34,066 million (U.S. \$331,003 thousand) and ¥31,121 million presented in the consolidated balance sheet.

(*3) Liabilities (1): Notes and accounts payable as of March 31, 2014 and 2013, stated above are obtained by subtracting accounts payable—other of ¥3,711 million (U.S. \$36,062 thousand) and ¥6,610 million and deposits received of ¥541 million (U.S. \$5,265 thousand) and ¥541 million from notes and accounts payable of ¥38,755 million (U.S. \$376,561 thousand) and ¥49,555 million presented in the consolidated balance sheet.

(*4) Liabilities (3): Long-term debt as of March 31, 2014 and 2013, stated above is obtained by subtracting lease obligations of ¥878 million (U.S. \$8,539 thousand) and ¥1,105 million from the sum of current maturities of long-term debt of ¥26,022 million (U.S. \$252,838 thousand) and ¥24,913 million and long-term debt of ¥38,671 million (U.S. \$375,742 thousand) and ¥55,310 million presented in the consolidated balance sheet.

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

(a) Fair value measurement of financial instruments and matters regarding securities and derivatives

Assets

(1) Cash and time deposits and (2) Notes and accounts receivable

The fair value of these accounts approximates their book value because of their short maturities. Thus, the book value is used as fair value.

(3) Investments in securities

The fair value of equity instruments is measured by market prices from stock exchanges.

Liabilities

(1) Notes and accounts payable, (2) Commercial paper, and (3) Short-term borrowings

The fair value of these accounts approximates their book value because of their short maturities. Thus, the book value is used as fair value.

(4) Long-term debt (including repayment due within one year)

The fair value of this account is calculated by discounting the total of interest and principal by an interest rate assuming new borrowings of similar amounts are taken out. Long-term debt with variable interest rates qualifies for special treatment under hedge accounting (refer to Note 15. Derivatives). The fair value of these accounts is calculated by discounting the total of interest and principal, including the relevant interest rate swap, by an interest rate reasonably estimated assuming similar borrowings are taken out.

Derivatives

Refer to Note 15. Derivatives.

Notes to Consolidated Financial Statements

(b) Financial instruments whose fair value is deemed extremely difficult to measure

Classification	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Unlisted securities and others (carrying amount)	¥19,845	¥17,802	\$192,822

These financial instruments are not included in Assets (3) Investments in securities, as they have no quoted market prices and it is deemed extremely difficult to measure their fair values.

(c) Maturity analysis for financial assets with contractual maturities

As of March 31, 2014	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and time deposits	¥41	¥—	¥—	¥—
Notes and accounts receivable	71,838	—	—	—
Total	¥71,879	¥—	¥—	¥—

As of March 31, 2014	Thousands of U.S. dollars (Note 1)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and time deposits	\$404	\$—	\$—	\$—
Notes and accounts receivable	698,001	—	—	—
Total	\$698,405	\$—	\$—	\$—

As of March 31, 2013	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and time deposits	¥41	¥—	¥—	¥—
Notes and accounts receivable	71,829	—	—	—
Total	¥71,870	¥—	¥—	¥—

(d) Maturity analysis for long-term debt

See Note 6. Short-term Borrowings and Long-term Debt

15. Derivatives

The Group had the following derivative contracts outstanding at March 31, 2014 and 2013:

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

Currency-related transactions (2014)

Transactions not conducted on the open market

Type	Millions of yen				Thousands of U.S. dollars (Note 1)			
	Contract amount	Over one year	Fair value	Unrealized gains/losses	Contract amount	Over one year	Fair value	Unrealized gains/losses
Forward Exchange Contract Transactions								
Selling								
U.S.\$	¥8,287	¥—	¥15	¥15	\$80,520	\$—	\$145	\$145
Thai Baht	239	—	(7)	(7)	2,323	—	(70)	(70)
Buying								
U.S.\$	381	—	3	3	3,709	—	30	30
Total	¥—	¥—	¥—	¥10	\$—	\$—	\$—	\$105

Commodity-related transactions (2014)

Transactions not conducted on the open market

Type	Millions of yen				Thousands of U.S. dollars (Note 1)			
	Contract amount	Over one year	Fair value	Unrealized gains/losses	Contract amount	Over one year	Fair value	Unrealized gains/losses
Nonferrous Metal								
Forward Contracts								
Selling								
Gold	¥2,007	¥—	¥47	¥47	\$19,506	\$—	\$457	\$457
Silver	3,103	—	60	60	30,149	—	592	592
Zinc	402	—	6	6	3,907	—	60	60
Copper	11,062	—	592	592	107,485	—	5,753	5,753
Nickel	50	—	(6)	(6)	494	—	(60)	(60)
Buying								
Copper	9,697	—	(613)	(613)	94,219	—	(5,961)	(5,961)
Total	¥—	¥—	¥—	¥86	\$—	\$—	\$—	\$841

Currency-related transactions (2013)

Transactions not conducted on the open market

Type	Millions of yen			
	Contract amount	Over one year	Fair value	Unrealized gains/losses
Forward Exchange				
Contract Transactions				
Selling				
U.S.\$	¥19,902	¥—	¥(419)	¥(419)
Buying				
U.S.\$	75	—	(0)	(0)
Total	¥—	¥—	¥—	¥(419)

Commodity-related transactions (2013)

Transactions not conducted on the open market

Type	Millions of yen			
	Contract amount	Over one year	Fair value	Unrealized gains/losses
Nonferrous Metal				
Forward Contracts				
Selling				
Gold	¥1,358	¥—	¥(4)	¥(4)
Silver	2,749	—	86	86
Zinc	247	—	12	12
Copper	12,814	—	(178)	(178)
Buying				
Zinc	1,150	—	(59)	(59)
Copper	15,981	—	(559)	(559)
Total	¥—	¥—	¥—	¥(703)

(Note) Fair value was calculated by quotations obtained from the commodity futures market and the exchange futures market as of March 31, 2014 and 2013.

Notes to Consolidated Financial Statements

(2) Derivative Transactions to which Hedge Accounting is Applied

Currency-related transactions (2014)

Transactions not conducted on the open market

Treatment	Type	Hedged item	Millions of yen			Thousands of U.S. dollars (Note 1)		
			Contract amount	Over one year	Fair value	Contract amount	Over one year	Fair value
Standard treatment	Forward exchange contract transactions	Accounts receivable						
	Selling U.S.\$		¥658	¥—	¥(1)	\$6,397	\$—	\$(10)
Currency swaps under designated hedge accounting	Forward exchange contract transactions	Accounts receivable						
	Selling U.S.\$		¥1,688	—	(*1)	\$16,409	—	(*1)
	Euro		16	—	(*1)	156	—	(*1)
	Thai Baht		864	—	(*1)	8,402	—	(*1)
Total			¥—	¥—	¥—	\$—	\$—	\$—

Interest-related transactions (2014)

Transactions not conducted on the open market

Treatment	Type	Hedged item	Millions of yen			Thousands of U.S. dollars (Note 1)		
			Contract amount	Over one year	Fair value	Contract amount	Over one year	Fair value
Interest rate swaps under special accounting treatment	Interest rate swaps	Long-term debt						
	Fixed rate payment, Floating rate receipt		¥24,919	¥23,885	(*2)	\$242,126	\$232,080	(*2)
Total			¥—	¥—	¥—	\$—	\$—	\$—

Commodity-related transactions (2014)

Transactions not conducted on the open market

Treatment	Type	Hedged item	Millions of yen			Thousands of U.S. dollars (Note 1)		
			Contract amount	Over one year	Fair value	Contract amount	Over one year	Fair value
Standard treatment	Nonferrous Metal Forward Contracts	Inventory						
	Selling							
	Gold		¥6,368	¥—	¥(100)	\$61,875	\$—	\$(979)
	Silver		7,923	—	203	\$76,990	—	1,975
	Zinc		6,854	—	53	66,597	—	522
	Copper		9,855	—	392	95,758	—	3,814
	Lead		21	—	0	205	—	1
	Buying							
	Silver		608	—	(33)	5,915	—	(330)
	Zinc		436	—	(0)	4,244	—	(7)
	Copper		4,227	—	(63)	41,077	—	(612)
Total			¥—	¥—	¥—	\$—	\$—	\$—

Currency-related transactions (2013)

Transactions not conducted on the open market

Treatment	Type	Hedged item	Millions of yen		
			Contract amount	Over one year	Fair value
Standard treatment	Forward exchange contract transactions Selling U.S.\$	Accounts receivable	¥977	¥—	¥(19)
Currency swaps under designated hedge accounting	Forward exchange contract transactions Selling U.S.\$ Thai Baht	Accounts receivable	¥1,233 945	— —	(*1) (*1)
Total			¥—	¥—	¥—

Interest-related transactions (2013)

Transactions not conducted on the open market

Treatment	Type	Hedged item	Millions of yen		
			Contract amount	Over one year	Fair value
Interest rate swaps under special accounting treatment	Interest rate swaps Fixed rate payment, Floating rate receipt	Long-term debt	¥31,476	¥28,039	(*2)
Total			¥—	¥—	¥—

Commodity-related transactions (2013)

Transactions not conducted on the open market

Treatment	Type	Hedged item	Millions of yen		
			Contract amount	Over one year	Fair value
Standard treatment	Nonferrous Metal Forward Contracts Selling Gold Silver Zinc Copper Lead Buying Silver Zinc Copper	Inventory	¥3,438 6,504 3,107 2,095 45 866 609 3,425	¥— — — — — — — —	¥(74) 214 148 53 1 (26) (22) (39)
Total			¥—	¥—	¥—

(Note) Fair value was calculated by quotations obtained from the commodity futures market and the exchange futures market as of March 31, 2014 and 2013.

(*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.

(*2) The fair values of interest rate swaps under special accounting treatment are included in the fair values of long-term debt because they are accounted for as an integral part of long-term debt, which are hedged items.

Notes to Consolidated Financial Statements

The components of other comprehensive income for the years ended March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Unrealized gains (losses) on available-for-sale securities:			
Gain arising during the year	¥2,362	¥3,361	\$22,956
Reclassification adjustments to profit or loss	(17)	2,552	(171)
Amount before income tax effect	2,345	5,913	22,785
Income tax effect	(833)	(1,491)	(8,103)
Total	¥1,511	¥4,421	\$14,681
Deferred gains (losses) on derivatives under hedge accounting:			
Loss arising during the year	¥(5)	¥(2,029)	\$(49)
Reclassification adjustments to profit or loss	271	2,486	2,634
Adjustment for cost of asset acquired	—	—	—
Amount before income tax effect	266	456	2,585
Income tax effect	(88)	(142)	(864)
Total	¥177	¥314	\$1,720
Foreign currency translation adjustments:			
Adjustments arising during the year	¥2,274	¥1,731	\$22,098
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	2,274	1,731	22,098
Income tax effect	—	—	—
Total	¥2,274	¥1,731	\$22,098
Share of other comprehensive income in associates:			
Gain arising during the year	¥2,368	¥989	\$23,014
Reclassification adjustments to profit or loss	(522)	56	(5,075)
Total	¥1,846	¥1,046	\$17,939
Total other comprehensive income	¥5,808	¥7,514	\$56,440

17. Subsequent Event

The following appropriation of retained earnings at March 31, 2014, was approved at the Board of Directors' meeting held on May 20, 2014:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Year-end cash dividends, ¥15 (U.S. \$0.1) per share	¥4,507	\$43,799

18. Segment Information

(1) Outline of reporting segments

The Company's reporting segments are the components of the Company 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 Company conducts waste treatment, soil remediation, resource recycling, logistics, and other operations.

In the Nonferrous Metals segment, the Company 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 Company produces and sells high-purity rare metals, various compound semiconductor wafers, light-emitting diodes, conductive materials for electronic components, battery materials, metal powders, carrier powders, ferrite powders, and other materials.

In the Metal Processing segment, the Company 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 Company 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 and loss, assets and liabilities, and other amounts by reporting segment

The accounting treatment and methods for the reporting 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 for each reporting segment is presented on an operating income basis.

Intersegment sales and transfers are measured based on prices that reflect actual market conditions.

Notes to Consolidated Financial Statements

Segment information as of March 31, 2014 and 2013, is summarized as follows:

Millions of yen

2014	Reporting segment									Reconciliations (*2)	Consolidated
	Environmen- tal Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Total	Others (*1)	Total			
Net sales											
Outside customers	¥64,484	¥188,648	¥81,400	¥82,191	¥24,635	¥441,359	¥2,625	¥443,985	¥—	¥443,985	
Intersegment	36,944	28,965	1,846	12	0	67,769	7,416	75,186	(75,186)	—	
Total	¥101,429	¥217,614	¥83,246	¥82,204	¥24,635	¥509,129	¥10,042	¥519,171	¥(75,186)	¥443,985	
Segment income (*3)	¥9,493	¥7,058	¥6,715	¥5,392	¥2,262	¥30,924	¥195	¥31,120	¥674	¥31,794	
Segment assets	76,966	132,065	44,894	53,326	34,365	341,617	6,259	347,877	10,840	358,717	
Other items											
Depreciation	4,786	4,369	2,618	2,297	1,702	15,774	185	15,960	245	16,205	
Amortization of goodwill	381	—	—	—	137	519	—	519	—	519	
Investment in equity-method affiliates	2,230	10,101	202	945	—	13,480	—	13,480	15,408	28,888	
Increase in property, plant, and equipment and intangible fixed assets	¥5,653	¥1,666	¥3,171	¥2,714	¥1,924	¥15,131	¥329	¥15,460	¥1,089	¥16,549	

Thousands of U.S. dollars (Note 1)

2014	Reporting segment									Reconciliations (*2)	Consolidated
	Environmen- tal Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Total	Others (*1)	Total			
Net sales											
Outside customers	\$626,546	\$1,832,963	\$790,906	\$798,596	\$239,362	\$4,288,376	\$25,509	\$4,313,885	\$—	\$4,313,885	
Intersegment	358,967	281,441	17,936	122	1	658,469	72,063	730,533	(730,533)	—	
Total	\$985,514	\$2,114,405	\$808,842	\$798,719	\$239,363	\$4,946,845	\$97,573	\$5,044,418	\$ (730,533)	\$4,313,885	
Segment income (*3)	\$92,245	\$68,586	\$65,253	\$52,397	\$21,987	\$300,470	\$1,904	\$302,374	\$6,551	\$308,925	
Segment assets	747,825	1,283,185	436,203	518,134	333,906	3,319,255	60,821	3,380,076	105,329	3,485,405	
Other items											
Depreciation	46,511	42,459	25,438	22,319	16,545	153,273	1,800	155,073	2,388	157,461	
Amortization of goodwill	3,706	—	—	—	1,340	5,046	—	5,046	—	5,046	
Investment in equity-method affiliates	21,674	98,145	1,969	9,190	—	130,981	—	130,981	149,711	280,692	
Increase in property, plant, and equipment and intangible fixed assets	\$54,934	\$16,192	\$30,817	\$26,373	\$18,703	\$147,021	\$3,197	\$150,218	\$10,584	\$160,803	

Millions of yen											
2013	Reporting segment						Total	Others (*1)	Total	Reconcili- ations (*2)	Consolidated
	Environmen- tal Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Total					
Net sales											
Outside customers	¥66,784	¥182,345	¥69,455	73,959	¥24,579	¥417,124	¥2,266	¥419,390	¥-	¥419,390	
Intersegment	37,239	22,743	1,929	16	0	61,929	7,589	69,519	(69,519)	-	
Total	¥104,024	¥205,089	¥71,384	¥73,975	¥24,580	¥479,053	¥9,856	¥488,910	¥ (69,519)	¥419,390	
Segment income (*3)	¥6,476	¥4,689	¥5,792	¥4,885	¥1,555	¥23,399	¥228	¥23,627	¥936	¥24,564	
Segment assets	72,288	130,780	46,315	49,209	32,409	331,004	6,016	337,020	12,767	349,787	
Other items											
Depreciation	4,735	5,014	2,790	2,202	1,791	16,534	182	16,717	270	16,987	
Amortization of goodwill	392	-	-	-	125	517	-	517	-	517	
Investment in equity-method affiliates	2,056	9,777	201	872	-	12,908	-	12,908	14,843	27,751	
Increase in property, plant, and equipment and intangible fixed assets	¥5,743	¥2,527	¥3,643	¥1,959	¥2,756	¥16,630	¥138	¥16,769	¥1,653	¥18,422	

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

(*2) Reconciliations for the fiscal years ended March 31, 2014 and 2013 were as follows:

- (1) The reconciliations of ¥674 million (U.S. \$6,551 thousand) and ¥936 million to segment income include intersegment eliminations of ¥700 million (U.S. \$6,803 thousand) and ¥822 million, respectively, and reconciliations for intersegment unrealized losses of ¥25 million (U.S. \$252 thousand) and unrealized earnings of ¥113 million, respectively.
- (2) The reconciliations to segment assets of ¥10,840 million (U.S. \$105,329 thousand) and ¥12,767 million include corporate assets of ¥54,833 million (U.S. \$533,264 thousand) and ¥53,947 million that are not allocated to any reporting segment, respectively, and intersegment eliminations of ¥44,043 million (U.S. \$427,935 thousand) and ¥41,180 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 departments.

(*3) Segment income is reconciled with operating income on the consolidated statement of income.

Notes to Consolidated Financial Statements

1. Information by product and service (2014)

The Company has omitted disclosure here because equivalent information appears in the segment information.

2. Information by geographic region (2014)

(1) Net sales

Millions of yen						
Japan	North America	Europe	China	Asia (excluding Japan and China)	Other	Total
¥367,248	¥6,688	¥1,680	¥10,341	¥57,993	¥33	¥443,985

Thousands of U.S. dollars (Note 1)						
Japan	North America	Europe	China	Asia (excluding Japan and China)	Other	Total
\$3,568,290	\$64,983	\$16,327	\$100,484	\$563,479	\$320	\$4,313,885

(2) Total property, plant, and equipment

Millions of yen						
Japan	North America	Europe	China	Asia (excluding Japan and China)	Other	Total
¥88,708	¥1,510	¥370	¥3,289	¥10,012	¥—	¥103,890

Thousands of U.S. dollars (Note 1)						
Japan	North America	Europe	China	Asia (excluding Japan and China)	Other	Total
\$861,916	\$14,672	\$3,598	\$31,958	\$97,283	\$—	\$1,009,429

3. Information by major customer (2014)

Name of corporate customer	Net sales (Note 1)	Name of involved segment
TANAKA KIKINZOKU KOGYO K.K.	¥60,678 million (U.S. \$589,571 thousand)	Mainly the Nonferrous Metals segment

4. Information on impairment losses on fixed assets by reporting segment (2014)

Millions of yen										
2014	Reporting segment									
	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Total	Others	Total	Eliminations	Consolidated
Impairment losses on fixed assets	¥—	¥3	¥—	¥28	¥—	¥32	¥—	¥32	¥20	¥52

Thousands of U.S. dollars (Note 1)										
2014	Reporting segment									
	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Total	Others	Total	Eliminations	Consolidated
Impairment losses on fixed assets	\$—	\$35	\$—	\$277	\$—	\$313	\$—	\$313	\$195	\$509

5. Amortization of goodwill and unamortized balance of goodwill by reporting segment (2014)

Millions of yen										
2014	Reporting segment									
	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Total	Others	Total	Eliminations	Consolidated
Unamortized balance at fiscal year end	¥5,269	¥—	¥—	¥—	¥1,728	¥6,997	¥—	¥6,997	¥—	¥6,997

Thousands of U.S. dollars (Note 1)										
2014	Reporting segment									
	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Total	Others	Total	Eliminations	Consolidated
Unamortized balance at fiscal year end	\$51,202	\$—	\$—	\$—	\$16,790	\$67,993	\$—	\$67,993	\$—	\$67,993

1. Information by product and service (2013)

The Company has omitted disclosure here because equivalent information appears in the segment information.

2. Information by geographic region (2013)

(1) Net sales

Millions of yen						
Japan	North America	Europe	China	Asia (excluding Japan and China)	Other	Total
¥346,287	¥6,277	¥1,092	¥16,709	¥48,997	¥25	¥419,390

(2) Total property, plant, and equipment

Millions of yen						
Japan	North America	Europe	China	Asia (excluding Japan and China)	Other	Total
¥91,523	¥1,053	¥—	¥2,752	¥8,317	¥—	¥103,647

3. Information by major customer (2013)

Name of corporate customer	Net sales	Name of involved segment
TANAKA KIKINZOKU KOGYO K.K.	¥62,190 million	Mainly the Nonferrous Metals segment

4. Information on impairment losses on fixed assets by reporting segment (2013)

Millions of yen										
Reporting segment										
	Environmen- tal Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Total	Others	Total	Eliminations	Consolidated
2013										
Impairment losses on fixed assets	¥—	¥64	¥—	¥25	¥—	¥89	¥—	¥89	¥32	¥122

5. Amortization of goodwill and unamortized balance of goodwill by reporting segment (2013)

Millions of yen										
Reporting segment										
	Environmen- tal Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Total	Others	Total	Eliminations	Consolidated
2013										
Unamortized balance at fiscal year end	¥5,612	¥—	¥—	¥—	¥1,713	¥7,325	¥—	¥7,325	¥—	¥7,325

(Note) The Company has omitted disclosure of amortization of goodwill because equivalent information appears in the segment information.

Report of Independent Auditors

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Dowa Holdings Co., Ltd.:

We have audited the accompanying consolidated balance sheet of Dowa Holdings Co., Ltd. and its consolidated subsidiaries as of March 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Dowa Holdings Co., Ltd. and its consolidated subsidiaries as of March 31, 2014, and the consolidated results of their operations and their 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.

Deloitte Touche Tohmatsu LLC

June 25, 2014

Member of
Deloitte Touche Tohmatsu Limited

Global Network

As of March 31, 2014

Overseas Subsidiaries and Offices

For details, refer to the list of Group Companies at http://www.dowa.co.jp/en/about_dowa/group.html

North America and Central America

U.S.A.

- 1 NIPPON PGM AMERICA, INC.
- 2 DOWA THT AMERICA, INC.
- 3 DOWA INTERNATIONAL CORPORATION
- 4 DOWA INTERNATIONAL CORPORATION San Jose Branch

Canada

- 5 Dowa Metals & Mining Co., Ltd. Vancouver Office
- 6 Cariboo Copper Corporation

Mexico

- 7 Dowa Metals & Mining Co., Ltd. Mexico Office
- 8 MINERA TIZAPA, S.A. DE C.V.

Europe

Germany

- 9 DOWA HD Europe GmbH

Czech Republic

- 10 Nippon PGM Europe s.r.o.

Asia

Singapore

- 11 Technochem Environmental Complex Pte. Ltd. (TEC)
- 12 DOWA ECO-SYSTEM SINGAPORE PTE. LTD.
- 13 Dowa Metaltech Co., Ltd. Singapore Branch

Indonesia

- 14 PT. Prasadha Pamunah Limbah Industri (PPLi)
- 15 PT. DOWA THERMOTECH INDONESIA
- 16 PT. DOWA THERMOTECH FURNACES

Taiwan

- 17 Dowa Eco-System Co., Ltd. Taiwan Office

India

- 18 HIGHTEMP FURNACES Ltd.

China

- 19 Dowa Environmental Management Co., Ltd.
- 20 Dowa Environmental Engineering (Suzhou) Co., Ltd.
- 21 Tianjin Dowa Green Angel Summit Recycling Co., Ltd.
- 22 Jiangxi Dowa Environmental Management Co., Ltd.
- 23 Dowa Advanced Materials (Shanghai) Co., Ltd.
- 24 Kunshan Dowa Thermo Furnace Co., Ltd.
- 25 Dowa Holdings (Shanghai) Co., Ltd.
- 26 Dowa Holdings (Shanghai) Co., Ltd. Shenzhen Branch

Thailand

- 27 Eastern Seaboard Environmental Complex Co., Ltd. (ESBEC)
- 28 Bangpoo Environmental Complex Ltd. (BPEC)
- 29 Waste Management Siam Ltd. (WMS)
- 30 DOWA Metals & Mining (Thailand) Co., Ltd.
- 31 DOWA METALTECH (THAILAND) CO., LTD.
- 32 Dowa Precision (Thailand) Co., Ltd.
- 33 DOWA Thermotech (Thailand) Co., Ltd.
- 34 DOWA HOLDINGS (THAILAND) CO., LTD.



Subsidiaries and Affiliates

As of March 31, 2014

Name 74 Consolidated Subsidiaries and 14 Affiliates Accounted for by the Equity Method	Issued Share Capital (Millions of Yen)	Percentage Owned Directly or Indirectly by the Company (%) ^{*1}	Principal Business
Environmental Management & Recycling			
Dowa Eco-System Co., Ltd.	1,000	100	Waste treatment, soil remediation, and recycling
Eco-System Hanaoka Co., Ltd.	300	100	Soil remediation and waste treatment
Eco-System Recycling Co., Ltd.	300	100	Recovery of precious and nonferrous metals
Act-B Recycling Co., Ltd.	200	60	Recovery of discarded household appliances, personal computers, and other items
Eco-Recycle Co., Ltd.	150	67	Recovery of discarded household appliances, personal computers, and other items
Green Fill Kosaka Co., Ltd.	100	100	Waste treatment
Eco-System Okayama Co., Ltd.	100	100	Industrial waste treatment; recovery of ferrous and nonferrous metals
Eco-System Sanyo Co., Ltd.	100	100	Waste treatment and resources recycling
E&E Solutions Inc.	100	100	Comprehensive technological consulting in environmental management and energy
Geotechnos Co., Ltd.	100	100	Soil surveys and remediation projects, environmental consulting, etc.
Okayama Koyu Co., Ltd.	100	100	Industrial waste intermediate treatment, sales of recycled oil, real-estate leasing
Auto Recycle Akita Co., Ltd.	100	70	Recovery, scraping, and recycling of used cars
Biodiesel Okayama Co., Ltd.	99	100	Manufacturing of biodiesel
Eco-System Chiba Co., Ltd.	90	100	Industrial waste treatment
Meltec Co., Ltd.	90	100	Treatment and resource recycling of waste
Eco-System Akita Co., Ltd.	50	100	Waste treatment and resources recycling
Eco-System Kosaka Co., Ltd.	50	100	Industrial waste treatment; recovery of ferrous and nonferrous metals
Eco-System Japan Co., Ltd.	30	100	Operation of waste and resources recycling; collection and transportation of industrial waste
Dowa-Tsuun Co., Ltd.	20	100	Vehicle transportation, forwarding, and warehousing
Dowa Environmental Management Co., Ltd.	USD 13.2 ^{*4}	90	Treatment and recycling of industrial waste, recycling of discarded household appliances and electronic devices
Tianjin Dowa Green Angel Summit Recycling Co., Ltd.	CNY 78.5 ^{*10}	50	Recycling of discarded household appliances and electronic devices
Jiangxi Dowa Environmental Management Co., Ltd.	CNY 30.0 ^{*10}	90	Recycling of discarded household appliances and electronic devices
Modern Asia Environmental Holdings, Inc.	USD 16.4 ^{*4}	100	Holdings company
Eastern Seaboard Environmental Complex Co., Ltd.	THB 100.0 ^{*5}	100	Final treatment of harmless waste
Bangpoo Environmental Complex Ltd.	THB 80.0 ^{*5}	100	Incineration of harmless waste
Technochem Environmental Complex Pte. Ltd.	SGD 3.5 ^{*6}	100	Incineration of harmful waste
PT. Prasadha Pamunah Limbah Industri	IDR 49,578.2 ^{*7}	95	Final treatment of harmful and harmless waste
DOWA ECO-SYSTEM SINGAPORE PTE. LTD.	SGD 3.0 ^{*6}	100	Treatment and recycling of industrial waste
Nonferrous Metals			
Dowa Metals & Mining Co., Ltd.	1,000	100	Manufacturing and sales of nonferrous, precious, and rare metals
Akita Zinc Co., Ltd.	5,000	86	Refining of zinc; manufacturing of sulfuric acid
Kosaka Smelting & Refining Co., Ltd.	4,700	100	Smelting and refining of copper and lead; recovery of precious metals
Akita Zinc Solutions Co., Ltd.	375	85	Processing of zinc alloy, zinc wire, and other products
Nippon PGM Co., Ltd.	300	60	Recovery of platinum group metals from disposable catalysts
Zinc Excel Co., Ltd.	200	85	Sales of zinc, cadmium, zinc alloy, zinc wire, and other products
Akita Zinc Recycling Co., Ltd.	100	100	Recovery of zinc from iron and steel dust, and other byproducts; outsourcing of zinc secondaries processing
Akita Recycle & Finepack Co., Ltd.	40	100	Pretreatment of nonferrous, processing, and sales of agricultural packaging materials
Akita Rare Metals Co., Ltd.	20	100	Recovery of indium and other products
Dowa Metals & Mining Alaska Ltd.	USD 3.9 ^{*4}	100	Nonferrous metal resource mining
NIPPON PGM AMERICA, INC.	USD 1.0 ^{*4}	51	Spent catalyst shredding and sampling
Nippon PGM Europe s.r.o.	CZK 22.8 ^{*12}	51	Spent catalyst shredding and sampling
Electronic Materials			
Dowa Electronics Materials Co., Ltd.	1,000	100	Manufacturing and sales of semiconductors, and functional and magnetic materials
Dowa Hightech Co., Ltd. (Chemical)	450	100	Manufacturing of metal compounds, chemical and other products
Dowa Semiconductor Akita Co., Ltd.	300	100	Manufacturing of high-purity metal materials, compound semiconductor wafers and light-emitting diodes
Dowa IP Creation Co., Ltd.	300	70	Manufacturing of iron and carrier powders
Dowa F-Tec Co., Ltd.	300	100	Manufacturing of ferrite powders
Dowa Electronics Materials Okayama Co., Ltd.	100	100	Manufacturing of metal powders, copper powders, and other materials

Name 74 Consolidated Subsidiaries and 14 Affiliates Accounted for by the Equity Method	Issued Share Capital (Millions of Yen)	Percentage Owned Directly or Indirectly by the Company (%) ^{*1}	Principal Business
Metal Processing			
Dowa Metaltech Co., Ltd.	1,000	100	Metal processing and metal plating
Dowa Hightech Co., Ltd. (Electroplating)	450	100	Metal plating
Dowa Metanix Co., Ltd.	400	90	Manufacturing and sales of mainly nickel alloys, copper alloys, and electronics parts
Dowa Metal Co., Ltd.	400	100	Manufacturing of copper strip and other products
Hoei Shoji Co., Ltd.	110	100	Processing and sales of copper strip, aluminum, and other products
Dowa Power Device Co., Ltd.	100	100	Metal-ceramic substrates manufacturing
New Nippon Brass Co., Ltd.	100	100	Manufacturing and sales of brass bars and forged products
Dowa Advanced Materials Shanghai Co., Ltd.	USD 2.5 ^{*4}	100	Processing and sales of copper strip products
DOWA METALTEC (THAILAND) CO., LTD.	THB 475 ^{*5}	100	Processing and sales of copper strip products
Heat Treatment			
Dowa Thermotech Co., Ltd.	1,000	100	Heat treatment processing
Dowa Thermoengineering Co., Ltd.	100	100	Design, manufacturing, maintenance, and improvement of heat treatment equipment, heat treatment processing, surface processing, surface improvement
CEMM Co., Ltd.	55	100	Heat treatment processing and surface processing
Tonetsu Kosan Co., Ltd.	30	100	Heat treatment processing, maintenance, and improvement of heat treatment equipment
DOWA THT AMERICA, INC.	USD 5.0 ^{*4}	100	Heat treatment processing, surface treatment, maintenance of heat treatment equipment
DOWA Thermotech (Thailand) Co., Ltd.	THB 270 ^{*5}	100	Heat treatment processing, surface treatment, maintenance of heat treatment equipment
HIGHTEMP FURNACES Ltd.	INR 60 ^{*11}	85	Design, manufacturing, maintenance, and improvement of heat treatment equipment, heat treatment processing, surface processing, processing of machine component
Kunshan Dowa Thermo Furnace Co., Ltd.	CNY 80.5 ^{*10}	70	Design, manufacturing, maintenance, and improvement of heat treatment equipment, heat treatment processing, surface processing
Others			
Dowa Techno Engineering Co., Ltd.	400	100	Plant construction
Dowa Kohsan Co., Ltd.	305	100	Outsourcing and management of golf courses and real estate, brokerage
Dowa Management Service Co., Ltd.	100	100	Outsourcing of general indirect business services
Akita Kouei Co., Ltd.	95	100	Construction of machinery and electronics, maintenance of plants
Yowa Kouei Co., Ltd.	20	100	Civil engineering and construction projects
Dowa Technology Co., Ltd.	10	100	Technological development support; outsourcing of analysis and evaluation services
Dowa Techno-Research Co., Ltd.	10	100	Environmental measurement
Five other companies	—	—	—
Affiliates Accounted for by the Equity Method			
Kowa Seiko Co., Ltd.	1,000	50	Industrial waste treatment, recovery of ferrous and nonferrous materials
Akagi Kouyu Co., Ltd.	99	20	Waste treatment
Okayama Rinko Co., Ltd.	98	33	Warehousing; other business activities
Cariboo Copper Corporation	CAD 91.0 ^{*8}	25	Mining and sales of products from mines
Onahama Smelting & Refining Co., Ltd.	7,000	32	Copper smelting and refining, general and industrial waste treatment
Acids Co., Ltd.	150	50	Sale of sulfuric acid and others
MINERA TIZAPA, S.A. DE C.V. ^{*3}	MXN 21.1 ^{*3 *9}	39	Nonferrous metal resource mining
EXPLORACIONES Y DESARROLLOS MINEROS TIZAPA, S.A. DE C.V.	MXN 0.7 ^{*3 *9}	39	Nonferrous metal resource mining
Kyoto Elex Co., Ltd.	80	50	Manufacturing and sales of pastes
Dowa Olin Metal Corporation	480	50	Manufacturing, marketing, and sales of special copper alloy strips
Japan Copper Casting Co., Ltd.	200	30	Various types of copper production
Fujita Kanko Inc. ^{*2}	12,081	32	Lodging and hotel management; real estate agent
Nippon AN-FO Manufacturing Co., Ltd.	91	29	Production and marketing of industrial explosives
Tokuyama-Dowa Power Materials Co., Ltd.	250	35	Ceramic substrates manufacturing

* 1. The figures for the percentage owned by the Company include indirect ownership by the Company.

* 2. The shares of this company are listed on the Tokyo Stock Exchange.

* 3. Common stock includes revaluation adjustments under inflation accounting.

* 4. USD: Millions of U.S. Dollars

* 5. THB: Millions of Thai Baht

* 6. SGD: Millions of Singapore Dollars

* 7. IDR: Millions of Indonesia Rupiah

* 8. CAD: Millions of Canadian Dollars

* 9. MXN: Millions of Mexican Pesos

* 10. CNY: Millions of Chinese Yuan

* 11. INR: Millions of India Rupiah

* 12. CZK: Millions of Czech Koruna

Corporate History

As of March 31, 2014

1884	<ul style="list-style-type: none"> The Japanese government sells the Kosaka mine to Fujita Gumi, which was established by Dowa's founder, Denzaburo Fujita.
1898	<ul style="list-style-type: none"> Fujita Gumi begins using a dry-refining method for refining kuroko (complex sulfide ores) at the Kosaka mine.
1899	<ul style="list-style-type: none"> Fujita Gumi begins land drainage and reclamation work in Kojima Bay, Okayama Prefecture.
1902	<ul style="list-style-type: none"> Fujita Gumi begins using a revolutionary method for processing kuroko, thereby restoring the commercial viability of the Kosaka mine.
1912	<ul style="list-style-type: none"> Production of electrolytic zinc is begun at the Kosaka mine.
1915	<ul style="list-style-type: none"> Fujita Gumi acquires the Hanaoka mine.
1916	<ul style="list-style-type: none"> Fujita Gumi acquires the Yanahara mine.
1919	<ul style="list-style-type: none"> Fujita Gumi establishes the Toyosaki Plant (currently Dowa Metal Co., Ltd.)
1937	<ul style="list-style-type: none"> Fujita Gumi and Fujita Mining Co., Ltd. merge to create Fujita Gumi Co., Ltd.
1945	<ul style="list-style-type: none"> Corporate name is changed to Dowa Mining Co., Ltd.
1953	<ul style="list-style-type: none"> Okayama Works is established.
1957	<ul style="list-style-type: none"> Dowa Mining absorbs Fujita Kogyo Co., Ltd.
1967	<ul style="list-style-type: none"> Kosaka Plant is completely equipped with flash furnaces.
1971	<ul style="list-style-type: none"> Akita Zinc Co., Ltd. is established.
1976	<ul style="list-style-type: none"> Kosaka Plant begins producing indium.
1986	<ul style="list-style-type: none"> Hanaoka and Kosaka mining operations are transferred from the parent company to two newly established subsidiaries—Hanaoka Mining Co., Ltd. and Uchinotai Mining Co., Ltd., respectively.
1989	<ul style="list-style-type: none"> New York-based DOWA INTERNATIONAL CORPORATION is established. Kosaka Plant is separated from the parent company in the form of a subsidiary—Kosaka Smelting & Refining Co., Ltd.
1991	<ul style="list-style-type: none"> Dowa Mining absorbs Tokyo Heat Treating Co., Ltd.
1992	<ul style="list-style-type: none"> Mexico-based MINERA TIZAPA, S.A. DE C.V. is established. Shiojiri Works (currently Dowa Power Device Co., Ltd.) is completed.
1994	<ul style="list-style-type: none"> MINERA TIZAPA, S.A. DE C.V. starts operations.
1997	<ul style="list-style-type: none"> DOWA THT AMERICA, Inc. is established.
1998	<ul style="list-style-type: none"> Okayama Clean Works (currently Eco-System Sanyo Co., Ltd.) starts operation of new incinerator for industrial waste.
1999	<ul style="list-style-type: none"> Eco-Recycle Co., Ltd. is established.
2000	<ul style="list-style-type: none"> Dowa acquires Nippon Purle Limited (currently Eco-System Chiba Co., Ltd.).
2001	<ul style="list-style-type: none"> Dowa acquires E&E Solutions Inc. Recycle Systems Japan Co., Ltd. (currently Eco-System Recycling Co., Ltd.) is made a subsidiary.
2002	<ul style="list-style-type: none"> Shanghai office is established in China. Akita Zinc Solutions Co., Ltd. is established. Dowa Advanced Materials (Shanghai) Co., Ltd. is established in China.
2003	<ul style="list-style-type: none"> Zinc Excel Co., Ltd. and Acids Co., Ltd. are established. Dowa Environmental Management Co., Ltd. is established in China.
2004	<ul style="list-style-type: none"> Dowa Techno-Research Co., Ltd. is established. Landfill site "Green Fill Kosaka" starts operations.
2006	<ul style="list-style-type: none"> Dowa acquires Act-B Recycling Co., Ltd. Dowa relocates Head Office to Akihabara, Tokyo. Dowa acquires CEMM Co., Ltd. Dowa adopts a holding company system. <ul style="list-style-type: none"> Dowa Mining changes its name to Dowa Holdings Co., Ltd. Dowa Mining's five business divisions are spun off to become core operating companies. DOWA METALTECH (THAILAND) CO., LTD. is established in Thailand.
2007	<ul style="list-style-type: none"> Tokuyama-Dowa Power Materials Co., Ltd. is established. DOWA Thermotech (Thailand) Co., Ltd. is established in Thailand. Dowa Eco-System Co., Ltd. Taiwan office is established. Auto Recycle Akita Co., Ltd. is established. Dowa acquires Yamaha Metanix Corporation (now Dowa Metanix Co., Ltd.) and Yamaha-Olin Metal Corporation (now Dowa Olin Metal Corporation). DOWA HD Europe GmbH is established in Germany.
2008	<ul style="list-style-type: none"> Akita Zinc Recycling Co., Ltd. is established. Commercial operations start at new smelting facility of Kosaka Smelting & Refining Co., Ltd.
2009	<ul style="list-style-type: none"> Dowa acquires Modern Asia Environmental Holdings, Inc. (MAEH) Construction completed of new incinerator at Eco-System Chiba Co., Ltd. Dowa acquires Meltec Co., Ltd.
2010	<ul style="list-style-type: none"> Tianjin Dowa Green Angel Summit Recycling Co., Ltd. is established in China. Kunshan Dowa Thermo Furnace Co., Ltd. is established in China. Nippon PGM Europe s.r.o. is established in the Czech Republic. Dowa Environmental Engineering (Suzhou) Co., Ltd. is established in China.
2011	<ul style="list-style-type: none"> Jiangxi Dowa Environmental Management Co., Ltd. is established in China. Dowa Holdings (Shanghai) Co., Ltd. is established in China. Dowa acquires controlling interest in HIGHTEMP FURNACES Ltd.
2012	<ul style="list-style-type: none"> Metal recycling plant begins operations at DOWA ECO-SYSTEM SINGAPORE PTE. LTD., Singapore. DOWA Metals & Mining (Thailand) Co., Ltd. is established in Thailand. PT. DOWA THERMOTECH INDONESIA is established in Indonesia.
2013	<ul style="list-style-type: none"> DOWA HOLDINGS (THAILAND) CO., LTD. is established in Thailand.

Corporate Data

As of March 31, 2014

The data indicated below is for Dowa Holdings Co., Ltd.

Founded

September 18, 1884

Incorporated

March 11, 1937

Authorized Shares

1,000,000,000 shares

Shares Issued

309,946,031 shares

Common Stock

¥36,437 million

Stock Listing

Common stock is listed on the Tokyo, Nagoya and Fukuoka stock exchanges and the Sapporo Securities Exchange.

Number of Shareholders

12,533

Principal Shareholders

	Percentage of Outstanding Shares (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	8.93
Japan Trustee Services Bank, Ltd. (Trust Account)	8.76
Fujita Kanko Inc.	4.79
JFE Steel Corporation	3.74
National Mutual Insurance Federation of Agricultural Cooperatives	3.06
Mizuho Corporate Bank, Ltd.	2.46
Resona Bank, Ltd.	2.43
The Nomura Trust and Banking Co., Ltd. (Investment Accounts)	1.77
THE CHASE MANHATTAN BANK, N. A. LONDON SECS LENDING OMNIBUS ACCOUNT	1.66
Nippon Life Insurance Company	1.63

* 1. The Company holds 9,424,000 shares of treasury stock.

2. Shareholding ratios are calculated after deducting treasury stock from outstanding shares.

The data indicated below is for Dowa Holdings Co., Ltd. and its consolidated subsidiaries.

Main Businesses

Environmental Management & Recycling, Nonferrous Metals, Electronic Materials, Metal Processing and Heat Treatment

Employees

Approximately 5,700 people

Major Domestic Operations

- **Domestic Works**
Akita, Iwate, Tochigi, Gunma, Saitama, Chiba, Tokyo, Nagano, Shizuoka, Aichi, Shiga, Okayama, Kumamoto
- **Domestic Branches**
Tokyo, Chiba, Shizuoka, Aichi, Osaka, Okayama, Fukuoka

• Laboratories & Development Groups

- Environmental Management & Recycling
Environmental Protection Laboratory (Akita, Tokyo)
- Nonferrous Metals
Metallurgical Laboratory (Akita)
- Electronic Materials
Semiconductor Materials Laboratory (Akita)
Electronics Materials Laboratory (Saitama)
Advanced Fine Materials Laboratory (Okayama)
- Metal Processing
Technology Center (Saitama, Shizuoka)
- Heat Treatment
GRD Center (Aichi),
Technical Solution & Research Center (Aichi)

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