Financial Review

Financial Performance

Looking at the DOWA Group's businesses in fiscal 2020, the fiscal year ended March 31, 2021, sales of automobile-related products and services, which were affected by the spread of COVID-19, continued to follow a basic trend of recovery from the second quarter. In information and communication-related products, sales of products for 5G applications recorded higher sales, while sales of products related to new forms of energy remained firm. In environmental- and recycling-related services, orders for waste treatment were firm. Looking at the exchange rate and metals prices, in comparison with the previous fiscal year, the average exchange rate appreciation of the yen against the dollar, and the average prices of precious metals and base metals, such as zinc and copper, increased.

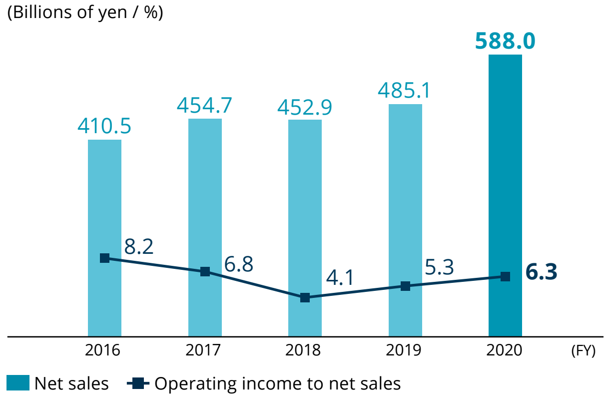
Amid these circumstances, the Group made steady progress with measures to raise corporate value under the basic policies put forth under its Midterm Plan 2020, which are "expand businesses in growth markets" and "increase competitiveness of existing businesses."

As a result, consolidated net sales increased 21.2%, to ¥588,003 million; consolidated operating income was up 44.3%, to ¥37,454 million; and consolidated ordinary income increased 28.3%, to ¥37,200 million. Total income taxes increased 35.3%, to ¥13,636 million, and net income attributable to owners of parent increased 25.5%, to ¥21,824 million.

The principal effects of COVID-19 on the Group's business performance in the consolidated fiscal year under review were as follows. Automobile-related products and services account for high percentages of sales in the Heat Treatment Business and the Metal Processing Business. Sales in these businesses declined significantly in the first quarter due to a worldwide decline in automobile production, but turned to recovery from the second quarter. In addition, looking at equity-method affiliates, business was affected by the temporary suspension of operations from mid-April to the end of May 2020 at the Los Gatos Mine of MINERAPLATAREAL, in Mexico. Also, Fujita Kanko Inc., which is not included in principal segments, was affected by a decline in guests at the lodges and hotels it operates.

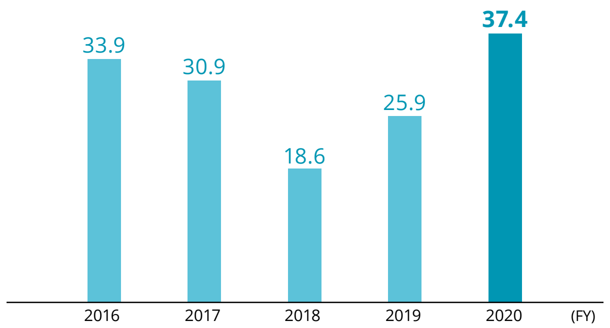
Net Sales / Operating Income to Net Sales

(Billions of yen / %)



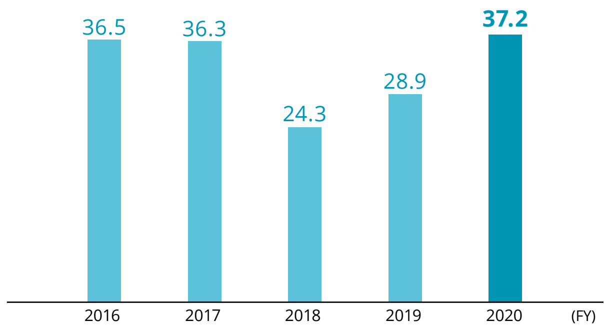
Operating Income

(Billions of yen)



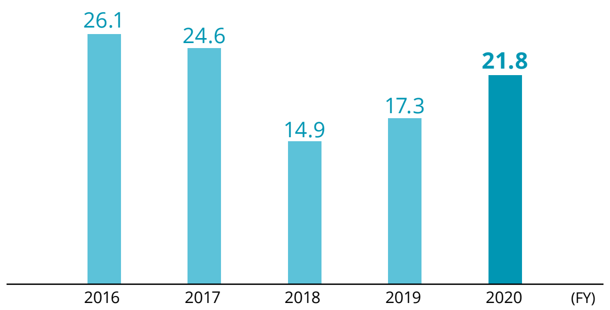
Ordinary Income

(Billions of yen)



Net Income Attributable to Owners of Parent

(Billions of yen)



Factor Analysis of Ordinary Income

(Billions of yen)

Results by Segment

(Billions of yen)

	FY2019 Results			FY2020 Results			YoY Changes		
	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income
Environmental Management & Recycling	112.1	7.2	6.9	117.6	8.4	8.6	5.4	1.2	1.7
Nonferrous Metals	227.2	10.0	12.2	282.0	20.3	25.9	54.7	10.3	13.7
Electronic Materials	98.2	1.0	2.4	151.2	2.4	3.6	53.0	1.4	1.2
Metal Processing	82.3	5.1	5.1	77.8	4.3	4.6	(4.5)	(0.7)	(0.5)
Heat Treatment	27.9	1.2	1.2	23.1	0.7	0.8	(4.8)	(0.4)	(0.4)
Others / Elimination	(62.8)	1.3	1.0	(63.9)	1.0	(6.5)	(1.0)	(0.3)	(7.5)
Total	485.1	25.9	28.9	588.0	37.4	37.2	102.8	11.4	8.2

Foreign-Exchange Rate and Metal Prices

	FY2019 Results*	FY2020 Results*
Exchange rate: (¥/$)	108.7	**106.1**
Copper: ($/t)	5,860	**6,879**
Zinc: ($/t)	2,405	**2,419**
Indium: ($/kg)	156	**166**

* Figures are the average for the full year.

Analysis of Financial Position

Assets

Total assets at the end of the fiscal year under review stood at ¥598,471 million, up ¥85,975 million compared with the end of the previous fiscal year. Total current assets were up ¥84,856 million, while total non-current assets increased ¥1,119 million.

The increase in current assets was due to such factors as a rise of ¥89,924 million in inventories, an expansion of ¥9,002 million in notes and accounts receivable – trade, and a decrease of ¥13,452 million in cash and deposits.

The increase in non-current assets is attributable to such factors as an increase of ¥7,231 million in property, plant and equipment; an increase of ¥937 million in other assets listed under intangible assets; a contraction of ¥5,825 million in long-term loans receivable; and a decrease of ¥1,214 million in other assets listed under investments and other assets.

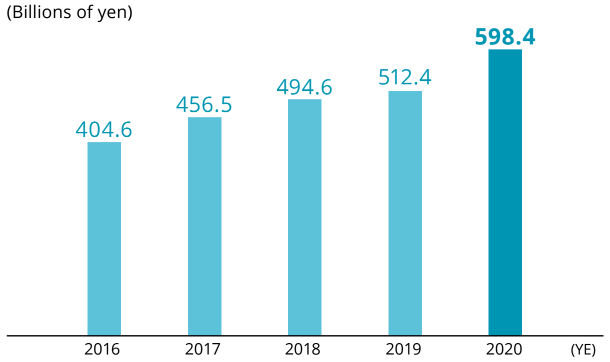
Liabilities

Total liabilities grew ¥67,501 million compared with the previous fiscal year-end. This was due to such factors as an increase of ¥24,809 million in borrowing precious metals, an increase of ¥20,857 million in notes and accounts payable–trade, an increase of ¥13,008 million in short-term borrowings, and an increase of ¥11,000 million in commercial paper.

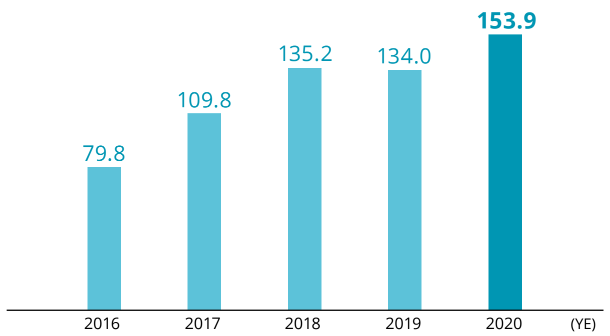
Equity

Looking at total equity, net income attributable to owners of parent amounted to ¥21,824 million, but payment of cash dividends, etc., resulted in an increase in shareholders' equity of ¥17,554 million. In addition, total accumulated other comprehensive income increased ¥102 million due to such factors as an expansion in valuation difference on available-for-sale securities, and total equity was ¥18,473 million higher than the balance as of the end of the previous fiscal year. As a result, the equity to asset ratio was 44.4%.

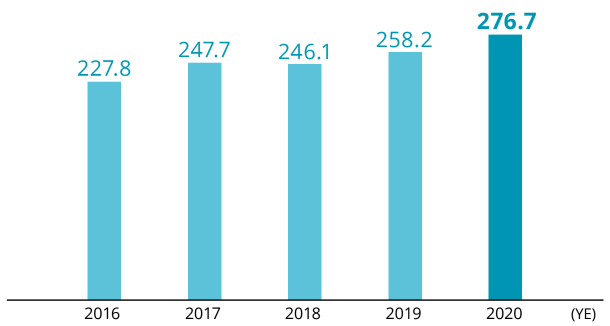
Total Assets
(Billions of yen)



Interest-Bearing Debt
(Billions of yen)



Total Equity
(Billions of yen)



Analysis of Cash Flows

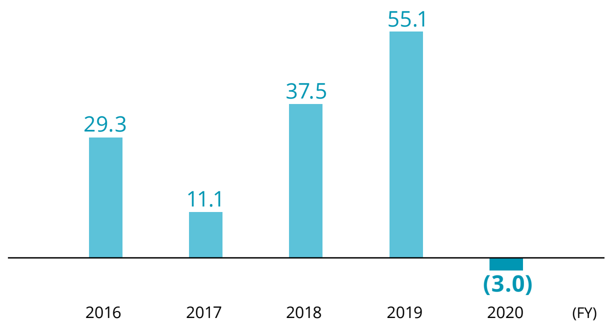
Consolidated cash and cash equivalents (hereinafter, "net cash") at the end of the consolidated fiscal year under review were down by ¥12,911 million compared with the previous fiscal year-end, to ¥17,320 million.

Net cash used in operating activities came to ¥3,088 million, compared with net cash provided by operating activities of ¥55,113 million in the previous fiscal year. This was due to such factors as income before income taxes of ¥38,860 million, a decrease in cash of ¥89,511 million due to an increase in inventories, an increase in cash of ¥24,809 million due to an increase in borrowing precious metals, and an increase in cash of ¥20,690 million due to an increase in trade payables.

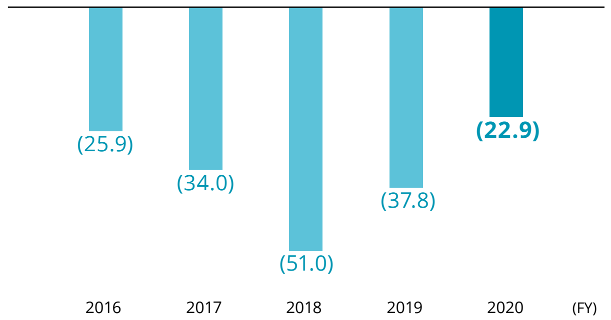
Net cash used in investing activities was ¥22,943 million, down ¥14,869 million compared with the previous fiscal year. This was due to such factors as capital expenditures of ¥35,022 million, primarily in the Environmental Management & Recycling Business, and proceeds from sale of shares of subsidiaries and associates of ¥7,754 million.

Net cash provided by financing activities was ¥11,585 million, compared with net cash used in financing activities of ¥6,569 million in the previous fiscal year. This was due to such factors as an increase in interest-bearing debt of ¥19,824 million and cash dividends paid of ¥7,962 million.

Cash Flows from Operating Activities
(Billions of yen)



Cash Flows from Investing Activities
(Billions of yen)

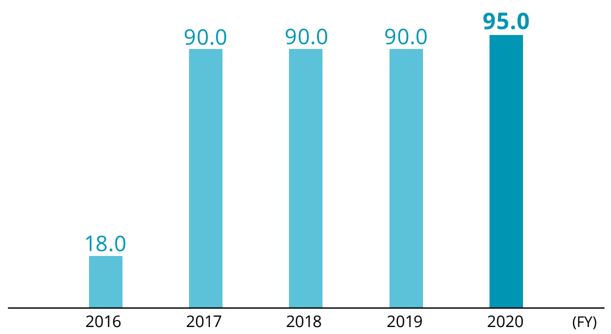


Basic Dividend Policy and Dividends Paid for the Fiscal Year under Review

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

Based on the above, with consideration for results, future demand for funds, etc., the annual dividend paid for the fiscal year under review was ¥95 per share, an increase of ¥5 per share from the previous fiscal year.

Cash Dividends
(Yen)



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

Consolidated Performance Trends

(Millions of yen)

For the years ended March 31	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020*1
									Midterm Plan 2020		
Financial Performance											
Net Sales	¥379,816	¥392,468	¥419,390	¥443,985	¥464,219	¥406,598	¥410,503	¥ 454,754	¥ 452,928	¥ 485,130	**¥ 588,003**
Cost of Sales	330,380	343,015	365,963	382,079	391,509	337,314	341,177	387,831	396,495	421,630	**512,155**
Selling, General and Administrative Expenses	26,511	27,443	28,863	30,111	33,616	34,216	35,335	35,975	37,761	37,544	**38,393**
Operating Income	22,924	22,009	24,564	31,794	39,094	35,067	33,990	30,948	18,671	25,955	**37,454**
Operating Income by Segment											
Environmental Management & Recycling (%)	12.22	20.34	26.37	29.86	18.80	18.01	19.50	16.06	30.46	27.76	**22.58**
Nonferrous Metals (%)	22.56	19.25	19.09	22.20	34.69	38.00	29.58	29.74	3.17	38.54	**54.31**
Electronic Materials (%)	31.16	24.95	23.58	21.12	22.55	22.89	19.36	18.17	11.66	4.09	**6.60**
Metal Processing (%)	23.66	20.59	19.89	16.96	14.85	14.01	20.49	23.54	33.74	19.71	**11.72**
Heat Treatment (%)	6.18	8.95	6.33	7.12	6.02	3.86	7.00	8.47	13.05	4.63	**1.97**
Others and Elimination (%)	4.21	5.92	4.74	2.74	3.09	3.24	4.06	4.01	7.92	5.27	**2.82**
Ordinary Income (Loss)	¥ 23,371	¥ 20,918	¥ 27,277	¥ 35,055	¥ 42,037	¥ 35,056	¥ 36,504	¥ 36,355	¥ 24,309	¥ 28,996	**¥ 37,200**
EBITDA*2	41,410	40,354	41,551	48,000	54,667	50,212	49,786	48,160	37,300	45,244	**57,505**
Net Income (Loss) Attributable to Owners of Parent	8,521	10,610	15,213	23,310	26,543	21,826	26,169	24,693	14,986	17,395	**21,824**
Capital Expenditures	17,820	15,910	18,422	16,549	17,247	22,936	26,526	24,608	24,087	37,723	**37,338**
Depreciation	18,486	18,344	16,987	16,205	15,572	15,145	15,796	17,212	18,628	19,288	**20,050**
R&D Expenses	4,266	4,623	4,604	4,651	5,320	5,594	5,670	5,380	5,888	6,076	**6,177**
Exchange Rate and Metal Prices											
Copper (Price Quoted, Average)	¥738,200	¥717,817	¥696,375	¥757,633	¥765,775	¥675,483	¥603,917	¥ 756,683	¥ 746,608	¥ 681,592	**¥ 769,500**
Zinc (Price Quoted, Average)	231,858	211,683	208,675	240,325	285,983	269,383	305,633	386,733	353,725	313,308	**309,400**
U.S. Dollar (Average)	85.72	79.08	83.10	100.24	109.93	120.14	108.38	110.85	110.91	108.74	**106.06**
Financial Position											
Equity	¥113,785	¥121,807	¥142,400	¥166,987	¥195,649	¥203,370	¥227,821	¥ 247,762	¥ 246,158	¥ 258,241	**¥ 276,715**
Non-Controlling Interests	6,942	7,999	8,807	8,733	8,528	8,449	8,518	8,946	8,944	10,194	**11,010**
Total Assets*3	340,161	319,665	349,787	358,717	379,193	364,420	404,604	456,530	494,683	512,495	**598,471**
Interest-Bearing Debt	138,119	117,670	107,138	99,663	86,668	81,135	79,883	109,827	135,241	134,086	**153,951**
Per Share*4 (Yen)											
Basic Net Income (Loss)	¥ 28.80	¥ 35.86	¥ 51.41	¥ 78.77	¥ 89.69	¥ 73.75	¥ 88.43	¥ 417.21	¥ 253.22	¥ 293.92	**¥ 368.45**
Fully Diluted Equity	361.18	384.55	451.41	534.75	632.30	658.66	741.06	4,035.06	4,008.03	4,191.09	**4,465.44**
Cash Dividends	10.00	10.00	12.00	15.00	18.00	18.00	18.00	90.00	90.00	90.00	**95.00**
Cash Flows											
Cash Flows from Operating Activities	¥ 23,955	¥ 31,499	¥ 34,970	¥ 30,189	¥ 38,345	¥ 45,751	¥ 29,389	¥ 11,125	¥ 37,555	¥ 55,113	**¥ (3,088)**
Cash Flows from Investing Activities	(19,257)	(19,491)	(19,354)	(18,689)	(20,321)	(23,486)	(25,954)	(34,010)	(51,025)	(37,812)	**(22,943)**
Cash Flows from Financing Activities	(15,070)	(24,134)	(14,982)	(12,341)	(16,905)	(11,159)	(7,155)	24,087	15,944	(6,569)	**11,585**
Free Cash Flow	4,698	12,007	15,615	11,499	18,024	22,265	3,434	(22,884)	(13,470)	17,301	**(26,032)**
Cash and Cash Equivalents at End of Year	16,741	4,788	6,129	5,823	8,044	18,902	15,126	16,472	19,002	30,232	**17,320**
Ratios											
Return on Assets*5 (%)	6.97	6.34	8.15	9.90	11.39	9.43	9.49	8.44	5.11	5.76	**6.70**
Return on Equity*6 (%)	8.01	9.62	12.30	15.97	15.37	11.43	12.64	10.78	6.30	7.17	**8.50**
Operating Income (Loss) to Net Sales (%)	6.04	5.61	5.86	7.16	8.42	8.62	8.28	6.81	4.12	5.35	**6.37**
Equity Ratio*7 (%)	31.41	35.60	38.19	44.12	49.35	53.49	54.20	52.31	47.95	48.40	**44.40**
Operating Income Growth (%)	67.31	(3.99)	11.60	29.43	22.96	(10.30)	(3.07)	(8.95)	(39.67)	39.01	**44.31**
Interest Coverage (Times)	10.55	11.52	14.82	21.41	34.23	39.04	43.12	55.47	20.71	21.69	**43.03**
Debt / Equity Ratio*7 (Times)	1.29	1.03	0.80	0.63	0.46	0.42	0.36	0.46	0.57	0.54	**0.58**
Debt / Capacity Ratio (Times)	1.90	1.83	1.37	1.28	1.06	1.00	0.83	1.05	1.29	1.26	**1.50**
Return on Invested Capital*7 (%)	3.48	4.58	6.32	9.04	9.70	7.91	8.75	7.08	4.02	4.55	**5.20**

*1 The years stated in the table above are ended March 31. Thus, "2020" refers to the fiscal year that ran from April 1, 2020 through March 31, 2021.
*2 EBITDA is calculated by adding operating income and depreciation.
*3 Changes put forth in the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, issued February 16, 2018) have been applied to the consolidated financial results for the fiscal year under review. These amendments have been retroactively applied to the consolidated financial results for fiscal 2017, and the amount of total assets has been adjusted accordingly.
*4 On October 1, 2017, the Company conducted a 5-for-1 reverse stock split.
*5 Ordinary income (loss) divided by the average of total assets at the start and end of the year.
*6 Net income (loss) attributable to owners of parent divided by the average of shareholders' equity (the amounts after deducting non-controlling interest amounts from equity amounts) at the start and end of the year.
*7 The ratios have been calculated using shareholders' equity (the amounts after deducting non-controlling interest amounts from equity amounts).

Consolidated Balance Sheet

DOWA HOLDINGS CO., LTD. and Its Consolidated Subsidiaries
For the years ended March 31, 2021 and 2020

Assets	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars (Note 1) 2021
Current Assets:			
Cash and time deposits (Notes 4, 7, and 15)	**¥ 18,277**	¥ 31,730	**$ 165,097**
Notes and accounts receivable: (Note 15)			
Trade	**83,015**	73,544	**749,850**
Nonconsolidated subsidiaries and associates	**1,398**	2,247	**12,632**
Others	**5,483**	6,255	**49,531**
Subtotal	**89,898**	82,047	**812,014**
Inventories: (Note 14)			
Merchandise and finished products	**44,908**	29,416	**405,643**
Work in process	**6,925**	5,679	**62,552**
Raw materials and supplies	**153,394**	80,207	**1,385,548**
Subtotal	**205,228**	115,303	**1,853,744**
Other current assets	**13,822**	13,413	**124,856**
Allowance for doubtful accounts	**(227)**	(352)	**(2,056)**
Total current assets	**326,999**	242,143	**2,953,656**
Property, Plant, and Equipment (Notes 6 and 7):			
Land	**27,776**	27,883	**250,894**
Buildings and structures	**142,800**	132,996	**1,289,859**
Machinery and equipment	**271,782**	261,306	**2,454,908**
Construction in progress	**21,147**	21,688	**191,020**
Others	**19,197**	18,829	**173,400**
Subtotal	**482,704**	462,704	**4,360,083**
Accumulated depreciation	**(322,136)**	(309,368)	**(2,909,736)**
Net property, plant, and equipment	**160,567**	153,336	**1,450,347**
Investments and Other Assets:			
Investments in securities (Notes 5, 7, and 15)	**26,865**	19,667	**242,667**
Investments in and advances to nonconsolidated subsidiaries and associates (Notes 5, 7, 15 and 19)	**65,820**	78,992	**594,527**
Deferred tax assets (Note 10)	**7,461**	6,883	**67,396**
Goodwill	**3,591**	4,037	**32,442**
Other assets	**7,258**	7,534	**65,560**
Allowance for doubtful accounts	**(93)**	(100)	**(845)**
Total investments and other assets	**110,903**	117,016	**1,001,750**
Total assets	**¥ 598,471**	¥ 512,495	**$ 5,405,753**

*1. The accompanying notes are an integral part of these consolidated financial statements.
2. ¥110.71 = U.S. $1, the rate of exchange on March 31, 2021.

Liabilities and Equity	Millions of yen 2021	Millions of yen 2020	Thousands of U.S. dollars (Note 1) 2021
Current Liabilities:			
Short-term borrowings (Notes 7 and 15)	**¥ 38,449**	¥ 33,454	**$ 347,300**
Commercial paper (Notes 7 and 15)	**35,000**	24,000	**316,141**
Current maturities of long-term debt (Notes 7 and 15)	**14,962**	6,838	**135,150**
Notes and accounts payable: (Note 15)			
Trade	**53,867**	33,697	**486,562**
Nonconsolidated subsidiaries and associates	**1,470**	783	**13,283**
Others	**9,299**	5,481	**83,998**
Subtotal	**64,637**	39,962	**583,844**
Accrued expenses	**7,484**	7,519	**67,608**
Accrued income taxes	**6,179**	6,224	**55,820**
Accrued bonuses	**4,244**	3,945	**38,340**
Accrued directors' bonuses	**212**	191	**1,923**
Borrowing precious metals	**38,180**	13,371	**344,873**
Other current liabilities	**17,541**	21,279	**158,447**
Total current liabilities	**226,894**	156,786	**2,049,449**
Long-term Liabilities:			
Long-term debt (Notes 7 and 15)	**67,257**	71,299	**607,509**
Liability for employees' retirement benefits (Note 13)	**19,546**	18,548	**176,558**
Retirement allowance for directors and Audit & Supervisory Board members	**739**	730	**6,680**
Deferred tax liabilities (Note 10)	**2,334**	2,158	**21,086**
Other long-term liabilities	**4,982**	4,731	**45,009**
Total long-term liabilities	**94,861**	97,467	**856,844**
Total liabilities	**321,755**	254,254	**2,906,293**
Contingent Liabilities (Note 8)			
Equity: (Note 9)			
Common stock:			
Authorized: 200,000 thousand shares in 2021 and 2020			
Issued: 61,989 thousand shares in 2021 and 2020	**36,437**	36,437	**329,124**
Capital surplus	**26,473**	25,928	**239,120**
Retained earnings	**201,290**	184,927	**1,818,179**
Treasury stock, at cost (2,486 thousand shares in 2021 and 2,804 thousand shares in 2020)	**(5,064)**	(5,711)	**(45,743)**
Accumulated Other Comprehensive Income:			
Unrealized gain (loss) on available-for-sale securities (Note 5)	**10,569**	5,226	**95,468**
Deferred gain (loss) on derivatives under hedge accounting (Note 16)	**(2,196)**	2,285	**(19,843)**
Foreign currency translation adjustments	**(1,643)**	(875)	**(14,843)**
Defined retirement benefit plans (Note 13)	**(161)**	(172)	**(1,460)**
Total	**265,704**	248,047	**2,400,003**
Noncontrolling interests	**11,010**	10,194	**99,457**
Total equity	**276,715**	258,241	**2,499,460**
Total liabilities and equity	**¥ 598,471**	¥ 512,495	**$ 5,405,753**

Consolidated Statement of Income

DOWA HOLDINGS CO., LTD. and Its Consolidated Subsidiaries
For the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Net Sales	**¥ 588,003**	¥485,130	**$ 5,311,207**
Cost of Sales (Notes 12 and 14)	**512,155**	421,630	**4,626,100**
Gross profit (loss)	**75,848**	63,499	**685,107**
Selling, General, and Administrative Expenses (Notes 11 and 13)	**38,393**	37,544	**346,791**
Operating income (loss)	**37,454**	25,955	**338,316**
Other Income (Expenses):			
Interest and dividend income	**1,733**	2,752	**15,661**
Interest expense	**(910)**	(1,323)	**(8,226)**
Gain (loss) on sales and disposals of property, plant and equipment, net	**(1,008)**	(676)	**(9,110)**
Foreign exchange gain (loss)	**1,133**	(986)	**10,240**
Share of profit (loss) of entities accounted for using equity method	**(4,815)**	605	**(43,499)**
Commission income	**998**	838	**9,019**
Royalty income	**1,036**	790	**9,363**
Gain (loss) on sales of investments in securities, net (Note 5)	**5,026**	1,555	**45,399**
Loss on devaluation of investments in securities	**(198)**	—	**(1,794)**
Environmental expenses	**(760)**	(535)	**(6,869)**
Loss on impairments (Note 6)	**(2,252)**	(1,181)	**(20,341)**
Loss from natural disaster	**—**	(107)	**—**
Other, net	**1,423**	1,075	**12,857**
Subtotal	**1,405**	2,806	**12,699**
Income (loss) before income taxes	**38,860**	28,762	**351,015**
Income Taxes: (Note 10)			
Current	**14,525**	9,857	**131,205**
Deferred	**(889)**	223	**(8,030)**
Total income taxes	**13,636**	10,081	**123,175**
Net Income (loss)	**25,224**	18,680	**227,840**
Net Income (Loss) Attributable to Noncontrolling Interests	**3,399**	1,284	**30,708**
Net income (loss) attributable to owners of the parent	**¥ 21,824**	¥ 17,395	**$ 197,132**

	Yen		U.S. dollars (Note 1)
Per Share: (Note 18)			
Basic net income	**¥ 368.45**	¥ 293.92	**$ 3.32**
Cash dividends	**95.00**	90.00	**0.85**

*1. The accompanying notes are an integral part of these consolidated financial statements.
2. ¥110.71= U.S. $1, the rate of exchange on March 31, 2021.

Consolidated Statement of Comprehensive Income

DOWA HOLDINGS CO., LTD. and Its Consolidated Subsidiaries
For the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Net Income (loss)	**¥ 25,224**	¥ 18,680	**$ 227,840**
Other comprehensive income: (Note 17)			
Unrealized gain (loss) on available-for-sale securities	**5,807**	(5,127)	**52,455**
Deferred gain (loss) on derivatives under hedge accounting	**(4,179)**	5,069	**(37,756)**
Foreign currency translation adjustments	**(102)**	(880)	**(923)**
Defined retirement benefit plans	**(89)**	169	**(808)**
Share of other comprehensive income in affiliates	**(1,366)**	396	**(12,344)**
Total other comprehensive income	**68**	(372)	**621**
Comprehensive income	**¥ 25,293**	¥ 18,307	**$ 228,462**
Total comprehensive income attributable to:			
Owners of the parent	**¥ 21,927**	¥ 17,042	**$ 198,058**
Noncontrolling interests	**3,366**	1,265	**30,403**

*1. The accompanying notes are an integral part of these consolidated financial statements.
2. ¥110.71= U.S. $1, the rate of exchange on March 31, 2021.

Consolidated Statement of Changes in Equity

DOWA HOLDINGS CO., LTD. and Its Consolidated Subsidiaries
For the years ended March 31, 2021 and 2020

	Thousands	Millions of yen			
		Shareholders' Equity			
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost
Balance, April 1, 2019	59,184	¥ 36,437	¥ 26,044	¥ 173,624	¥ (5,710)
Cash dividends paid	–	–	–	(5,409)	–
Net Income (loss) attributable to owners of the parent	–	–	–	17,395	–
Purchases of treasury stock	(0)	–	–	–	(1)
Change of scope of consolidation	–	–	–	(683)	–
Change in the parent's ownership interest due to transactions with noncontrolling interests	–	–	(115)	–	–
Net changes of items other than shareholders' equity	–	–	–	–	–
Balance, March 31, 2020	59,184	¥ 36,437	¥ 25,928	¥ 184,927	¥ (5,711)
Cash dividends paid	–	–	–	(5,409)	–
Net Income (loss) attributable to owners of the parent	–	–	–	21,824	–
Purchases of treasury stock	(0)	–	–	–	(1)
Disposal of treasury stock	318	–	544	–	648
Change of scope of consolidation	–	–	–	(51)	–
Net changes of items other than shareholders' equity	–	–	–	–	–
Balance, March 31, 2021	59,502	¥ 36,437	¥ 26,473	¥ 201,290	¥ (5,064)

	Thousands	Thousands of U.S. dollars (Note 1)			
		Shareholders' Equity			
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock, at Cost
Balance, April 1, 2020	59,184	$ 329,124	$ 234,205	$ 1,670,375	$ (51,587)
Cash dividends paid	–	–	–	(48,858)	–
Net Income (loss) attributable to owners of the parent	–	–	–	197,132	–
Purchases of treasury stock	(0)	–	–	–	(13)
Disposal of treasury stock	318	–	4,915	–	5,856
Change of scope of consolidation	–	–	–	(469)	–
Net changes of items other than shareholders' equity	–	–	–	–	–
Balance, March 31, 2021	59,502	$ 329,124	$ 239,120	$ 1,818,179	$ (45,743)

*1. The accompanying notes are an integral part of these consolidated financial statements.
2. ¥110.71= U.S. $1, the rate of exchange on March 31, 2021.

	Millions of yen						
	Accumulated Other Comprehensive Income						
	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Non-controlling Interests	Total Equity
Balance, April 1, 2019	¥ 9,992	¥ (2,787)	¥ (27)	¥ (360)	¥ 237,214	¥ 8,944	¥ 246,158
Cash dividends paid	–	–	–	–	(5,409)	–	(5,409)
Net Income (loss) attributable to owners of the parent	–	–	–	–	17,395	–	17,395
Purchases of treasury stock	–	–	–	–	(1)	–	(1)
Change of scope of consolidation	–	–	–	–	(683)	–	(683)
Change in the parent's ownership interest due to transactions with noncontrolling interests	–	–	–	–	(115)	–	(115)
Net changes of items other than shareholders' equity	(4,766)	5,072	(848)	187	(353)	1,249	896
Balance, March 31, 2020	¥ 5,226	¥ 2,285	¥ (875)	¥ (172)	¥ 248,047	¥10,194	¥ 258,241
Cash dividends paid	–	–	–	–	(5,409)	–	(5,409)
Net Income (loss) attributable to owners of the parent	–	–	–	–	21,824	–	21,824
Purchases of treasury stock	–	–	–	–	(1)	–	(1)
Disposal of treasury stock	–	–	–	–	1,192	–	1,192
Change of scope of consolidation	–	–	–	–	(51)	–	(51)
Net changes of items other than shareholders' equity	5,342	(4,482)	(767)	10	102	816	919
Balance, March 31, 2021	¥ 10,569	¥ (2,196)	¥ (1,643)	¥ (161)	¥ 265,704	¥11,010	¥ 276,715

	Thousands of U.S. dollars (Note 1)						
	Accumulated Other Comprehensive Income						
	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Non-controlling Interests	Total Equity
Balance, April 1, 2020	$ 47,211	$ 20,646	$ (7,907)	$ (1,555)	$ 2,240,512	$ 92,079	$ 2,332,592
Cash dividends paid	–	–	–	–	(48,858)	–	(48,858)
Net Income (loss) attributable to owners of the parent	–	–	–	–	197,132	–	197,132
Purchases of treasury stock	–	–	–	–	(13)	–	(13)
Disposal of treasury stock	–	–	–	–	10,771	–	10,771
Change of scope of consolidation	–	–	–	–	(469)	–	(469)
Net changes of items other than shareholders' equity	48,257	(40,489)	(6,936)	95	926	7,377	8,304
Balance, March 31, 2021	$ 95,468	$ (19,843)	$(14,843)	$ (1,460)	$ 2,400,003	$ 99,457	$ 2,499,460

Consolidated Statement of Cash Flows

DOWA HOLDINGS CO., LTD. and Its Consolidated Subsidiaries
For the years ended March 31, 2021 and 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Cash Flows from Operating Activities			
Income (loss) before income taxes	**¥ 38,860**	¥ 28,762	**$ 351,015**
Adjustments for:			
Income taxes (paid) refund	**(14,496)**	(5,443)	**(130,938)**
Depreciation and amortization	**20,526**	19,774	**185,403**
Loss (gain) on sales and disposals of property, plant, and equipment, net	**1,008**	676	**9,110**
Share of (profit) loss of entities accounted for using the equity method	**4,815**	(605)	**43,499**
Loss (gain) on sales of investment securities, net (Note 5)	**(5,026)**	(1,555)	**(45,399)**
Loss on impairments (Note 6)	**2,252**	1,181	**20,341**
Changes in assets and liabilities			
Decrease (increase) in notes and accounts receivable	**(9,152)**	8,553	**(82,674)**
Decrease (increase) in inventories	**(89,511)**	4,361	**(808,519)**
Increase (decrease) in notes and accounts payable	**20,690**	(8,383)	**186,885**
Increase (decrease) in allowance for doubtful accounts	**(120)**	207	**(1,086)**
Increase (decrease) in net defined benefit liability	**879**	624	**7,948**
Decrease (increase) in interest and dividend receivables	**1,236**	3,362	**11,169**
Increase (decrease) in interest payable	**(97)**	(24)	**(884)**
Increase (decrease) in borrowing precious metals	**24,809**	649	**224,097**
Other, net	**235**	2,973	**2,131**
Net cash provided by (used in) operating activities	**(3,088)**	55,113	**(27,899)**
Cash Flows from Investing Activities:			
Acquisition of property, plant, and equipment	**(33,487)**	(35,241)	**(302,476)**
Proceeds from sales of property, plant, and equipment	**565**	605	**5,107**
Acquisition of intangible fixed assets	**(1,535)**	(885)	**(13,867)**
Acquisition of investments in securities	**(6)**	(8)	**(54)**
Proceeds from sales of investments in securities (Note 5)	**966**	2,557	**8,726**
Acquisition of investments in subsidiaries and associates	**(700)**	(4,705)	**(6,323)**
Proceeds from sales of shares of subsidiaries and associates (Note 5)	**7,754**	—	**70,040**
Payments for loans	**(4,086)**	(8,120)	**(36,911)**
Proceeds from collection of loans	**7,334**	2,134	**66,245**
Proceeds from subsidies	**687**	6,484	**6,210**
Other, net	**(435)**	(633)	**(3,936)**
Net cash provided by (used in) investing activities	**(22,943)**	(37,812)	**(207,238)**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term loans payable	**5,440**	4,661	**49,142**
Net increase (decrease) in commercial papers	**11,000**	(5,000)	**99,358**
Proceeds from long-term debt	**10,180**	9,840	**91,960**
Repayment of long-term debt	**(6,797)**	(10,262)	**(61,398)**
Proceeds from issuance of bonds	**—**	9,953	**—**
Redemption of bonds	**—**	(10,000)	**—**
Cash dividends paid	**(5,407)**	(5,408)	**(48,845)**
Dividends paid to non-controlling interests	**(2,554)**	(168)	**(23,073)**
Repayment of lease obligations	**(275)**	(183)	**(2,484)**
Purchases of treasury stock	**(1)**	(1)	**(13)**
Other, net	**—**	0	**—**
Net cash provided by (used in) financing activities	**11,585**	(6,569)	**104,647**
Foreign Currency Translation Adjustment on Cash and Cash Equivalents	**55**	114	**505**
Net Increase (Decrease) in Cash and Cash Equivalents	**(14,390)**	10,846	**(129,984)**
Cash and Cash Equivalents of Newly Consolidated Subsidiaries	**1,479**	383	**13,359**
Cash and Cash Equivalents at Beginning of Year	**30,232**	19,002	**273,074**
Cash and Cash Equivalents at End of Year (Note 4)	**¥ 17,320**	¥ 30,232	**$ 156,450**

*1. The accompanying notes are an integral part of these consolidated financial statements.
2. ¥ 110.71 = U.S. $1, the rate of exchange on March 31, 2021.

Notes to Consolidated Financial Statements

DOWA HOLDINGS CO., LTD. and Its Consolidated Subsidiaries
For the years ended March 31, 2021 and 2020

1. Basis of Presentation of the Consolidated Financial Statements

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

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2020 consolidated financial statements to conform to the classifications used in 2021.

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 ¥110.71 to U.S. $1, the approximate rate of exchange at March 31, 2021. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

(1) Consolidation

The consolidated financial statements as of March 31, 2021, include the accounts of the Company and its 87 (82 in 2020) significant subsidiaries (together, the "Group").

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

Investments in 18 (18 in 2020) associated companies are accounted for by the equity method.

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

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

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

(a) Changes in Consolidated Subsidiaries and Associates

(2021)

The consolidated financial statements for the year ended March 31, 2021 (fiscal 2021), now include DOWA METALTECH MEXICO, S.A.de C.V. , DOWA HD Europe GmbH, and 3 other companies which were nonconsolidated subsidiaries in the consolidated financial statements for the year ended March 31, 2020, because they were not material subsidiaries.

(2020)

The consolidated financial statements for the year ended March 31, 2020 (fiscal 2020), now include Dowali Precision Co., Ltd. and DOWA THERMOTECH MEXICO, S.A. DE C.V. which were nonconsolidated subsidiaries in the consolidated financial statements for the year ended March 31, 2019, because they were not material subsidiaries. Furthermore, DOWA ECO-SYSTEM SINGAPORE PTE. LTD. and TECHNOCHEM ENVIRONMENTAL COMPLEX PTE. LTD., which were previously classified as consolidated subsidiaries, have been extinguished and removed as consolidated subsidiaries as a result of an absorption-type merger with MODERN ASIA ENVIRONMENTAL HOLDINGS PTE. LTD., which remains as a consolidated subsidiary.

(b) Accounting Period of Foreign Subsidiaries

In preparing the consolidated financial statements for the year ended March 31, 2021, the Company used financial statements with an account closing date of December 31, 2020, for 22 foreign subsidiaries, including PT. Prasadha Pamunah Limbah Industri.; Dowa Environmental Management Co., Ltd.; Dowa Advanced Materials (Shanghai) Co., Ltd.; and other companies and used financial statements with an account closing date of February 28, 2021, for DOWA INTERNATIONAL CORPORATION. Material transactions that occurred between January 1, 2021, and March 31, 2021, were adjusted in the consolidated financial statements, as necessary.

The fiscal year-end for GOLDEN DOWA ECO-SYSTEM MYANMAR CO., LTD. is September 30. Therefore, provisional financial statements closing procedures were conducted on March 31, 2021.

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

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

(2) Cash Equivalents

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

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

(3) Investment Securities

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

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

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

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

(4) Inventories

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

(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 mainly computed by the declining-balance method based on the estimated useful lives of the respective assets.

The Company and domestic consolidated subsidiaries have computed the depreciation for buildings (excluding leasehold improvements and building improvements) acquired on or after April 1, 1998, as well as for building improvements and structures acquired on or after April 1, 2016, by the straight-line method.

Depreciation of the landfill is computed using the production method, while the straight-line method is applied to all property, plant and equipment of consolidated foreign subsidiaries.

Property and equipment are carried at cost, less gains deferred on government subsidies of certain assets.

(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) Leases

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

(8) Research and Development

Research and development costs are charged to income as incurred.

(9) Allowance for Doubtful Accounts

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

(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 the year-end.

(12) Retirement and Pension Plans

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

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

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

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

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

(15) Construction Contracts

In December 2007, the ASBJ issued ASBJ Statement No. 15, “Accounting Standard for Construction Contracts,” and ASBJ Guidance No. 18, “Guidance on Accounting Standard for Construction Contracts.” Under this accounting standard, construction revenue and construction costs should be 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 is deemed to be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that the total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts.

(16) Accounting Treatment for Consumption Tax

All transactions are recorded net of consumption tax.

(17) Income Taxes

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

(18) Consolidated Tax Return

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

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

The Company adopted the group tax sharing system established under the “Act on Partial Revision of the Income Tax Act, etc.” (Act No. 8 of 2020), as well as the revision of the non-consolidated taxation system. However, domestic consolidated companies have not yet adopted the provisions of Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, issued on February 16, 2018), in accordance with the treatment under Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No. 39, issued on March 31, 2020). Therefore, the amounts of deferred tax assets and deferred tax liabilities are calculated based on the provisions of the Income Tax Act prior to the revision.

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

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

(21) Derivatives and Hedging Activities

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

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

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

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

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

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

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

(22) Per Share Information

Basic net income per share is based on the weighted-average number of shares of common stock of the Company issued and outstanding during the respective year.

(23) New Accounting Pronouncements

(a) Revenue Recognition

On March 31, 2020, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and on March 26, 2021 ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition." The core principle of the standard and guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should recognize revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The accounting standard and guidance are effective for annual periods beginning on or after April 1, 2021.

The Company expects to apply the accounting standard and guidance for annual periods beginning on or after April 1, 2021. The total amount affected by applying the accounting standard and guidance will be reflected in net assets at the beginning of the next consolidated fiscal year, and the balance of retained earnings at that time is expected to decrease by ¥233 million (U.S. $2,109 thousand).

(b) Fair Value Measurement

On July 4, 2019, the ASBJ issued ASBJ Statement No. 30, "Accounting Standard for Fair Value Measurement", ASBJ Guidance No. 31, "Implementation Guidance on Accounting Standard for Fair Value Measurement", ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories", and ASBJ Statement No. 10, "Accounting Standard for Financial Instruments". Also, on March 31, 2020, the ASBJ issued ASBJ Guidance No. 19, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments".

"Accounting Standard for Fair Value Measurement" and "Implementation Guidance on Accounting Standard for Fair Value Measurement" (hereinafter, collectively referred to as "Accounting Standard and Guidance for Fair Value Measurement") were developed to increase comparability with international accounting standards and had been established to provide guidance for matters related to fair value measurement methods. "Accounting Standard and Guidance for Fair Value Measurement" is applied to the fair value of the items below.

i) Financial instruments highlighted under "Accounting Standard for Financial Instruments"
ii) Inventory assets held for trading purposes highlighted under "Accounting Standard for Measurement of Inventories"

In addition, "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" has been revised, and discloser items, including the fair value of financial instruments by level, have been established.

These accounting standards are effective for annual periods beginning on or after April 1, 2021.

The Company anticipates to apply these accounting standards for annual periods beginning on or after April 1, 2021. The effects on the consolidated financial statements will be minor.

3. Significant Accounting Estimate

Investments and loans receivable in Los Gatos Mine in Mexico

DOWA Metals & Mining Co., Ltd., an operating company in the Group's Nonferrous Metals Business, owns 30% of shares issued by the operating companies who operate the Los Gatos Mine in Mexico. As of the end of the consolidated fiscal year, the book value of the investments to these operating companies were ¥5,687 million (U.S. $51,370 thousands) recorded in the account of "Investments in and advances to nonconsolidated subsidiaries and associates", and the book value of the loans receivable to these operating companies were ¥24,664 million (U.S. $222,783 thousands) recorded in the same accounts.

The Group assesses the amount of these investments and loans receivable by comparing the amount of enterprise value, based on the total amount of future cash flows expected to be earned by the Los Gatos mine with the book value. The total amount of future cash flows is calculated using a complex calculation model, taking into account of elements such as the metal concentrate grade, the forecast of the market prices of the metals, the foreign exchange rates, the operational costs, and the discount rate. The metal concentrate grade is estimated based on the results of feasibility studies and the results of the actual mining and exploration activities. The forecast of the market prices of the metals and foreign exchange rates are calculated based on forecasts estimated by several external specialists. Operational costs are estimated based on the actual operational costs taking into account of the effects as a result of the feasible improvement measures and the changes in the external environments. The discount rate is determined based on the nature of the business.

If there are certain changes in the elements for the Group's estimation and the total amount of future cash flows falls below the book value, it could result in the Group's consideration that it could not be recoverable and as such it will impact the consolidated financial statements.

4. Consolidated Statement of Cash Flows

(1) Cash and cash equivalents

Cash and cash equivalents at March 31, 2021 and 2020, consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Cash and time deposits	**¥ 18,277**	¥ 31,730	**$ 165,097**
Time deposits with deposit terms of over three months	**(957)**	(1,498)	**(8,647)**
Cash and cash equivalents	**¥ 17,320**	¥ 30,232	**$ 156,450**

(2) Non-cash investing and financing activity

The increase (decrease) in assets related to investment at March 31, 2021 and 2020, consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Increase in investment in securities	**¥ 3,436**	¥ 5,496	**$ 31,040**
Decrease in long-term loans receivable	**3,433**	5,498	**31,017**

5. Investment

Investment securities as of March 31, 2021 and 2020, consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Investments in securities			
Available-for-sale securities with market quotations	**¥ 24,192**	¥ 16,969	**$ 218,520**
Unlisted securities	**2,673**	2,698	**24,147**
Subtotal	**26,865**	19,667	**242,667**
Investments in and advances to nonconsolidated subsidiaries and associates			
Investments in securities	**38,017**	45,364	**343,399**
Long-term loans receivable	**27,802**	33,628	**251,128**
Subtotal	**65,820**	78,992	**594,527**
Total	**¥ 92,685**	¥ 98,660	**$ 837,195**

(Note) Certain reclassifications have been made in the 2020 to conform to the classifications used in 2021.

The net unrealized gains on the available-for-sale securities with market quotations as of March 31, 2021 and 2020, were ¥14,590 million (U.S. $131,791 thousand) and ¥6,616 million, respectively.

The information for available-for-sale securities which were sold during the years ended March 31, 2021 and 2020, is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Proceeds from sales	**¥8,720**	¥2,557	**$ 78,767**
Gain on sales	**5,029**	1,556	**45,432**
Loss on sales	**3**	0	**33**

6. Long-lived Assets

(2021)

The Group reviewed its long-lived assets for impairment as of March 31, 2021. As a result, the Group recognized an impairment loss of ¥2,252 million (U.S. $20,341 thousand) included in other expenses related to the building and machinery asset group for the heat treatment processing business in Mexico, the electroplating business in Mexico, the smelting business in Kosaka Town, the waste treatment business in Thailand, and the idle asset group due to significant decreases in fair value. The carrying amount of the relevant assets were written down to the recoverable amount for the year ended March 31, 2021.

(2020)

The Group reviewed its long-lived assets for impairment as of March 31, 2020. As a result, the Group recognized an impairment loss of ¥1,181 million included in other expenses related to the building and machinery asset group for the heat treatment processing business in Mexico, the waste treatment business in Singapore, the chemical production facilities in Honjo City, the waste treatment business in Thailand, the brass alloy rods production facilities in Asahi City, the platinum group metals smelting business in the United States, the soil remediation business in Chiyoda Ward (due to significant decreases of business profitability), and the idle asset group due to significant decreases in fair value. The carrying amount of the relevant assets were written down to the recoverable amount for the year ended March 31, 2020.

7. Short-term Borrowings and Long-term Debt

Short-term borrowings from banks and other financial institutions were represented by short-term borrowings bearing interest at 0.23% to 6.10% (an approximate average rate of 0.60%) per annum at March 31, 2021, and 0.23 % to 7.50% (an approximate average rate of 0.76%) per annum at March 31, 2020.

Commercial paper was represented by commercial paper bearing interest at an approximate average rate of -0.050% per annum at March 31, 2021, and an approximate average rate of 0.008% per annum at March 31, 2020.

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

At March 31, 2021 and 2020, long-term debt consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
0.00% to 7.85% loans, principally from banks and due between 2021 and 2033:			
Collateralized	**¥ 401**	¥ 458	**$ 3,623**
Unsecured	**60,101**	56,174	**542,870**
0.14% straight bonds due 2023	**10,000**	10,000	**90,326**
0.11% straight bonds due 2024	**10,000**	10,000	**90,326**
Lease obligations	**1,717**	1,506	**15,513**
Total	**82,219**	78,138	**742,659**
Long-term debt, bonds, and lease obligations (due within one year)	**14,962**	6,838	**135,150**
Long-term debt (due after one year)	**¥ 67,257**	¥ 71,299	**$ 607,509**

At March 31, 2021 and 2020, the following assets were pledged as collateral for short-term borrowings and the long-term debt of the Group, and as a deposit of deferred payment of import consumption tax.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Cash and time deposits	**¥ 4**	¥ 4	**$ 36**
Property, plant, and equipment, less accumulated depreciation, and land	**236**	238	**2,135**
Investments in and advances to affiliates	**7,637**	13,014	**68,988**
Investments in securities	**8,748**	3,247	**79,022**
Total	**¥ 16,626**	¥ 16,504	**$ 150,182**

Annual maturities of long-term debt as of March 31, 2021, for the next five years and thereafter were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
2021	**¥ 14,962**	**$ 135,150**
2022	**12,358**	**111,628**
2023	**16,818**	**151,919**
2024	**20,788**	**187,778**
2025 and thereafter	**17,291**	**156,183**
Total	**¥ 82,219**	**$ 742,659**

8. Contingent Liabilities

At March 31, 2021 and 2020, the Group guaranteed loans incurred by nonconsolidated subsidiaries and associates in the amount of ¥303 million (U.S. $2,739 thousand) and ¥176 million, respectively.

9. Equity

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

(a) Dividends

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

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

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

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

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

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

(c) Treasury stock and treasury stock acquisition rights

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

10. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 31.3% for each of the years ended March 31, 2021 and 2020.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2021 and 2020, are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	2021
Deferred tax assets			
Reserve for employees' retirement benefits	¥ 5,908	¥ 5,711	$ 53,365
Unrealized earnings	2,832	2,672	25,581
Loss on impairments of property, plant and equipment	2,274	1,826	20,543
Loss on devaluation of investment securities	1,387	2,017	12,530
Accrued bonus	1,306	1,216	11,798
Loss on devaluation of inventories	1,120	1,288	10,125
Deferred losses on derivatives under hedge accounting	835	19	7,549
Foreign tax credit(*2)	805	7	7,279
Bad debt loss	696	696	6,291
Accrued enterprise tax	593	470	5,358
Consolidated subsidiaries' deficit	583	777	5,273
Reserve for directors' and Audit & Supervisory Board members' retirement benefits	231	228	2,091
Loss on disposal of property, plant and equipment	204	220	1,845
Excess depreciation	156	136	1,415
Allowance for doubtful accounts	23	78	212
Unrealized loss on available-for-sale securities	0	10	0
Others(*2)	3,374	3,446	30,484
Total	22,335	20,824	201,747
Less valuation allowance for tax loss carryforwards(*3)	(475)	(685)	(4,296)
Less valuation allowance for temporary differences	(7,098)	(7,287)	(64,115)
Total valuation allowance(*1)	(7,573)	(7,972)	(68,411)
Total deferred tax assets	14,761	12,852	133,335
Deferred tax liabilities			
Unrealized gain on available-for-sale securities	(4,367)	(2,219)	(39,450)
Unrealized gain on land	(732)	(732)	(6,612)
Reserve for overseas investment loss	(52)	(52)	(476)
Enterprise tax receivable	(11)	(6)	(104)
Deferred gain on derivatives under hedge accounting	—	(1,014)	—
Others	(4,470)	(4,101)	(40,380)
Total deferred tax liabilities	(9,634)	(8,126)	(87,025)
Net deferred tax assets	¥ 5,126	¥ 4,725	$ 46,310

(*1) The amount of valuation allowance has decreased by ¥398 million (U.S. $3,599 thousand). The main reason for this decrease is the recognition of a valuation allowance of ¥673 million (U.S. $6,079 thousand) for foreign tax credit and a valuation allowance of ¥426 million (U.S. $3,855 thousand) for loss on impairment of property, plant and equipment, in addition to the fact that consolidated subsidiaries no longer recognize the valuation allowance of ¥649 million (U.S. $5,866 thousand) for valuation loss on devaluation of investment securities or the valuation allowance of ¥696 million (U.S. $6,291 thousand) for bad debt loss.

(*2) Certain reclassifications have been made in the 2020 to conform to the classifications used in 2021.

(*3) The expiration of tax loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2021 and 2020, were as follows:

Millions of yen

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

Thousands of U.S. Dollars

March 31, 2021	1 year or less	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	Total
Deferred tax assets relating to tax loss carryforwards (a)	958	551	63	142	179	3,376	5,273
Less valuation allowances for tax loss carryforwards	(383)	(550)	(63)	(140)	(179)	(2,979)	(4,296)
Net deferred tax assets relating to tax loss carryforwards	575	1	0	2	0	397	(b)976

Millions of yen

March 31, 2020	1 year or less	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	Total
Deferred tax assets relating to tax loss carryforwards (a)	213	117	60	7	33	343	777
Less valuation allowances for tax loss carryforwards	(161)	(110)	(60)	(7)	(27)	(317)	(685)
Net deferred tax assets relating to tax loss carryforwards	52	7	—	—	6	26	(b)92

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

(b) Out of tax loss carryforward as of March 31, 2021 and 2020 of ¥583 million (U.S. $5,273 thousand) and ¥777 million were calculated using the statutory tax rate. Deferred tax assets of ¥108 million (U.S. $976 thousand) and ¥92 million were recognized, because utilization of such assets are supported by probable future taxable net income.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2021 with the corresponding figures for 2020, is as follows:

	2021	2020
Normal effective statutory tax rate	**31.3 %**	31.3 %
Tax credits	**(1.8)**	(1.6)
Nontaxable items, including dividend income	**(0.1)**	(0.2)
Equity in earnings of affiliates	**3.7**	(0.9)
Retained earnings of affiliated companies	**0.4**	1.0
Nondeductible items, including entertainment expenses	**0.4**	0.5
Valuation allowance	**0.3**	3.0
Inhabitants'tax	**0.3**	0.4
Foreign source taxes	**0.2**	0.7
Others	**0.3**	0.9
Actual effective tax rate	**35.1 %**	35.1 %

11. Research and Development Costs

Research and development costs charged to income were ¥5,781 million (U.S. $52,225 thousand) and ¥5,554 million for the years ended March 31, 2021 and 2020, respectively.

12. Leases

The minimum rental commitments under noncancelable operating leases due at March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Operating leases (lessee)			
Within one year	**¥ 193**	¥ 268	**$ 1,746**
Over one year	**314**	515	**2,838**
Total	**¥ 507**	¥ 784	**$ 4,585**

13. Retirement and Pension Plans

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

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

Defined benefit plans excluding plans applying the simplified method

(1) The changes in defined benefit obligations relating to defined benefit plans in the consolidated fiscal years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Balance at beginning of year	**¥ 11,952**	¥ 11,483	**$ 107,965**
Service cost	**1,004**	923	**9,069**
Interest expense	**45**	38	**408**
Actuarial (gains) losses	**232**	(41)	**2,098**
Benefits paid	**(416)**	(459)	**(3,760)**
Past service cost	**(32)**	–	**(294)**
Other	**(74)**	8	**(669)**
Balance at end of year	**¥ 12,711**	¥ 11,952	**$ 114,818**

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Funded defined benefit obligation	**¥ –**	¥ –	**$ –**
Plan assets	**–**	–	**–**
	–	–	**–**
Unfunded defined benefit obligation	**12,711**	11,952	**114,818**
Net liability arising from defined benefit obligation	**¥ 12,711**	¥ 11,952	**$ 114,818**

(3) The components of net periodic benefit costs for the years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Service cost	**¥ 1,004**	¥ 923	**$ 9,069**
Interest expense	**45**	38	**408**
Recognized actuarial (gains) losses	**158**	179	**1,427**
Net periodic benefit costs	**¥ 1,207**	¥ 1,141	**$ 10,906**

(4) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Past service cost	**¥ 32**	¥ —	**$ 294**
Actuarial (gains) losses	**(60)**	225	**(548)**
Total	**¥ (28)**	¥225	**$ (254)**

(5) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Unrecognized past service cost	**¥ (32)**	¥ —	**$ (294)**
Unrecognized actuarial (gains) losses	**178**	117	**1,609**
Total	**¥ 145**	¥117	**$ 1,314**

(6) Matters concerning the assumptions for the main actuarial calculations related to defined benefit plans as of March 31, 2021 and 2020, were as follows:

	2021	2020
Discount rate	**0.08 %**	0.08 %

The Company used the index of salary increases by age at March 31, 2021 and 2020, as the expected rate of future salary increases.

Defined benefit plans applying the simplified method

(7) The changes in defined benefit obligations related to defined benefit plans to which the simplified method is applied in the consolidated fiscal years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Balance at beginning of year	**¥ 6,595**	¥ 6,483	**$ 59,573**
Retirement benefit expenses	**720**	757	**6,504**
Benefits paid	**(467)**	(640)	**(4,219)**
Other	**(13)**	(4)	**(118)**
Balance at end of year	**¥ 6,835**	¥ 6,595	**$ 61,740**

(8) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets that apply the simplified method as of March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Funded defined benefit obligation	**¥ —**	¥ —	**$ —**
Plan assets	**—**	—	**—**
	—	—	**—**
Unfunded defined benefit obligation	**6,835**	6,595	**61,740**
Net liability arising from defined benefit obligation	**¥ 6,835**	¥ 6,595	**$ 61,740**

(9) The retirement benefit costs related to defined benefit plans calculated by the simplified method in the consolidated fiscal years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Retirement benefit costs calculated by the simplified method	**¥720**	¥757	**$ 6,504**

Defined contribution plans

(10) The required contributions to defined contribution plans of the Company and its consolidated subsidiaries in the consolidated fiscal years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Required contributions to defined contribution plans	**¥554**	¥552	**$ 5,009**

14. 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, 2021 and 2020:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Cost of sales	**¥ 1,345**	¥ 2,965	**$ 12,157**

15. Financial Instruments

(1) Status of Financial Instruments

(a) Policy for financial instruments

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

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

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

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

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

Listed securities, which are among the equity instruments in investments in securities, are exposed to the risk of market price fluctuations. The Group has a system to periodically monitor and assess the fair values of listed securities, 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 fluctuation risk. In order to mitigate these risks, the Group uses multiple financial institutions and staggers the redemption dates of loans. With regard to a portion of long-term debt, the Group uses interest rate swaps as hedging instruments to avoid fluctuation risks of interest rates. The Group periodically compiles cash flow plans and performance and the status of financing is reported at the management meeting monthly.

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

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

(c) Supplementary explanation to fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. Such techniques include variable factors, and the results of valuation may differ depending on prerequisites. The contract or notional amounts of derivatives which are shown in Note 16. Derivatives do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

(2) Fair Value of Financial Instruments

The table below shows the amounts of financial instruments recorded in the consolidated balance sheet and their fair values. Financial instruments whose fair values are not readily determinable are not included (refer to (b) below).

	Millions of yen			Thousands of U.S. dollars (Note 1)		
As of March 31, 2021	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
(1) Cash and time deposits	**¥ 18,277**	**¥ 18,277**	**¥ —**	**$ 165,097**	**$ 165,097**	**$ —**
(2) Notes and accounts receivable (*1)	**84,132**	**84,132**	**—**	**759,939**	**759,939**	**—**
(3) Investments in securities (*2)	**33,249**	**31,484**	**(1,764)**	**300,332**	**284,390**	**(15,942)**
(4) Long-term loans receivable(*2)	**27,802**	**30,537**	**2,734**	**251,128**	**275,829**	**24,700**
Total	**¥ 163,463**	**¥ 164,432**	**¥ 969**	**$ 1,476,498**	**$ 1,485,257**	**$ 8,758**
(1) Notes and accounts payable (*3)	**55,337**	**55,337**	**—**	**499,845**	**499,845**	**—**
(2) Short-term borrowings	**38,449**	**38,449**	**—**	**347,300**	**347,300**	**—**
(3) Commercial paper	**35,000**	**35,000**	**—**	**316,141**	**316,141**	**—**
(4) Long-term debt (including repayments due within one year) (*4)	**80,502**	**80,635**	**132**	**727,146**	**728,347**	**1,201**
Total	**¥ 209,289**	**¥ 209,422**	**¥ 132**	**$ 1,890,433**	**$ 1,891,634**	**$ 1,201**
Derivatives (*5)	**¥ (4,822)**	**¥ (4,822)**	**¥ —**	**$ (43,556)**	**$ (43,556)**	**$ —**

	Millions of yen		
As of March 31, 2020	Carrying amount	Fair value	Difference
(1) Cash and time deposits	¥ 31,730	¥ 31,730	¥ —
(2) Notes and accounts receivable (*1)	75,130	75,130	—
(3) Investments in securities (*2)	32,402	23,282	(9,120)
(4) Long-term loans receivable(*2)	33,628	32,670	(958)
Total	¥ 172,892	¥ 162,813	¥(10,078)
(1) Notes and accounts payable (*3)	34,480	34,480	—
(2) Short-term borrowings	33,454	33,454	—
(3) Commercial paper	24,000	24,000	—
(4) Long-term debt (including repayments due within one year) (*4)	76,632	77,225	592
Total	¥ 168,567	¥ 169,159	¥ 592
Derivatives (*5)	¥ 4,231	¥ 4,231	¥ —

(*1) Assets (2): Notes and accounts receivable as of March 31, 2021 and 2020, stated above, are obtained by subtracting advances paid of ¥403 million (U.S. $3,645 thousand) and ¥1,068 million, respectively, accounts receivable other of ¥5,136 million (U.S. $46,395 thousand) and ¥5,656 million, respectively, and loans of ¥239 million (U.S. $2,159 thousand) and ¥212 million, respectively, from the amount of notes and accounts receivable of ¥89,898 million (U.S. $812,014 thousand) and ¥82,047 million, respectively, presented in the consolidated balance sheet.

(*2) Assets (3)(4): At March 31, 2021 and 2020, the difference between the sum of (3) investments in securities ¥33,249 million (U.S. $300,332 thousand) and ¥32,402 million, respectively, and (4) long-term loans receivable of ¥27,802 million (U.S. $251,128 thousand) and ¥33,628 million, respectively, and the sum of investments in securities of ¥26,865 million (U.S. $242,667 thousand) and ¥19,667 million, respectively, and investments in and advances to nonconsolidated subsidiaries and associates of ¥65,820 million (U.S. $594,527 thousand) and ¥78,992 million, respectively, presented in the consolidated balance sheet is financial instruments whose fair values are not readily determinable of ¥31,633million (U.S. $285,734 thousand) and ¥32,628million, respectively.

(*3) Liabilities (1): Notes and accounts payable as of March 31, 2021 and 2020, stated above are obtained by subtracting accounts payable other of ¥8,730 million (U.S. $78,861 thousand) and ¥4,998 million, respectively, and deposits received of ¥570 million (U.S. $5,153 thousand) and ¥485 million, respectively, from notes and accounts payable of ¥64,637 million (U.S. $583,844 thousand) and ¥39,962 million, respectively, presented in the consolidated balance sheet.

(*4) Liabilities (4): Long-term debt as of March 31, 2021 and 2020, stated above, is obtained by subtracting lease obligations of ¥1,717 million (U.S. $15,513 thousand) and ¥1,506 million, respectively, from the sum of current maturities of long-term debt of ¥14,962 million (U.S. $135,150 thousand) and ¥6,838 million, respectively, and long-term debt of ¥67,257 million (U.S. $607,509 thousand) and ¥71,299 million, respectively, 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.

(3) Investments in securities

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

(4) Long-term loans receivable

The fair value of long-term loans receivable is determined by discounting the amount of the total principal and interest at the interest rate assumed when similar new loans are made.

Liabilities

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

The fair value of these accounts approximates their book value because of their short maturities.

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

The fair value of long-term debt is determined by discounting the future cash flows related to the debt at the Group's assumed corporate borrowing rate for loans from banks and the market price for bonds. Long-term debt with variable interest rates qualifies for special treatment under hedge accounting (refer to Note 16. 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 16. Derivatives.

(b) Financial instruments whose fair values are not readily determinable

	Millions of yen		Thousands of U.S. dollars (Note 1)
Classification	**2021**	2020	**2021**
Unlisted securities and others (carrying amount)	**¥31,633**	¥32,628	**$ 285,734**

These financial instruments are not included in Assets (3) Investments in securities, as they have no quoted market prices and their fair values are not readily determinable.

(c) Maturity analysis for financial assets with contractual maturities

	Millions of yen			
As of March 31, 2021	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and time deposits	**¥ 2,041**	**¥ —**	**¥ —**	**¥—**
Notes and accounts receivable	**84,132**	**—**	**—**	**—**
Long-term loans receivable	**—**	**17,617**	**10,185**	**—**
Total	**¥ 86,174**	**¥ 17,617**	**¥ 10,185**	**¥—**

	Thousands of U.S. dollars (Note 1)			
As of March 31, 2021	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and time deposits	**$ 18,443**	**$ —**	**$ —**	**$—**
Notes and accounts receivable	**759,939**	**—**	**—**	**—**
Long-term loans receivable	**—**	**159,132**	**91,997**	**—**
Total	**$ 778,383**	**$ 159,132**	**$ 91,997**	**$—**

	Millions of yen			
As of March 31, 2020	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
Cash and time deposits	¥ 2,898	¥ —	¥ —	¥—
Notes and accounts receivable	75,130	—	—	—
Long-term loans receivable	—	20,384	13,244	—
Total	¥ 78,029	¥ 20,384	¥ 13,244	¥—

(d) Maturity analysis for long-term debt

See Note 7. Short-term Borrowings and Long-term Debt

16. Derivatives

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

Currency-related transactions (2021)

	Millions of yen				Thousands of U.S. dollars (Note 1)			
Type	Contract amount	Over 1 year	Fair value	Unrealized gains/losses	Contract amount	Over 1 year	Fair value	Unrealized gains/losses
Forward Exchange Contract Transactions								
Selling								
U. S. dollars	**¥ 31,650**	**¥—**	**¥ (1,543)**	**¥ (1,543)**	**$ 285,884**	**$—**	**$ (13,944)**	**$ (13,944)**
Thai baht	**1,379**	**—**	**(42)**	**(42)**	**12,456**	**—**	**(385)**	**(385)**
Total	**¥ —**	**¥—**	**¥ —**	**¥ (1,586)**	**$ —**	**$—**	**$ —**	**$ (14,329)**

Commodity-related transactions (2021)

	Millions of yen				Thousands of U.S. dollars (Note 1)			
Type	Contract amount	Over 1 year	Fair value	Unrealized gains/losses	Contract amount	Over 1 year	Fair value	Unrealized gains/losses
Nonferrous Metal Forward Contracts								
Selling								
Gold	**¥ 1,364**	**¥—**	**¥ 12**	**¥ 12**	**$ 12,320**	**$—**	**$ 109**	**$ 109**
Silver	**4,571**	**—**	**124**	**124**	**41,291**	**—**	**1,121**	**1,121**
Zinc	**348**	**—**	**(9)**	**(9)**	**3,147**	**—**	**(89)**	**(89)**
Copper	**4,169**	**—**	**(469)**	**(469)**	**37,661**	**—**	**(4,243)**	**(4,243)**
Lead	**0**	**—**	**(0)**	**(0)**	**4**	**—**	**(0)**	**(0)**
Nickel	**212**	**—**	**9**	**9**	**1,922**	**—**	**85**	**85**
Palladium	**1,790**	**—**	**(338)**	**(338)**	**16,171**	**—**	**(3,059)**	**(3,059)**
Total	**¥ —**	**¥—**	**¥ —**	**¥ (672)**	**$ —**	**$—**	**$ —**	**$ (6,076)**

Currency-related transactions (2020)

	Millions of yen			
Type	Contract amount	Over 1 year	Fair value	Unrealized gains/losses
Forward Exchange Contract Transactions				
Selling				
U. S. dollars	¥ 17,112	¥—	¥ (146)	¥ (146)
Thai baht	1,080	—	58	58
Total	¥ —	¥—	¥ —	¥ (88)

Commodity-related transactions (2020)

	Millions of yen			
Type	Contract amount	Over 1 year	Fair value	Unrealized gains/losses
Nonferrous Metal Forward Contracts				
Selling				
Gold	¥ 1,708	¥—	¥ (27)	¥ (27)
Silver	2,487	—	449	449
Zinc	755	—	104	104
Copper	3,462	—	448	448
Lead	4	—	0	0
Nickel	164	—	17	17
Palladium	1,384	—	(91)	(91)
Total	¥ —	¥—	¥ —	¥ 901

(Note) Fair value was calculated using quotations obtained from the commodity futures market and the exchange futures market as of March 31, 2021 and 2020.

(2) Derivative Transactions to which Hedge Accounting is Applied

Currency-related transactions (2021)

Treatment	Type	Hedged item	Millions of yen: Contract amount	Millions of yen: Over 1 year	Millions of yen: Fair value	Thousands of U.S. dollars (Note 1): Contract amount	Thousands of U.S. dollars (Note 1): Over 1 year	Thousands of U.S. dollars (Note 1): Fair value
Standard treatment	Forward exchange contract transactions	Accounts receivable						
	Selling							
	U. S. dollars		¥ 18,837	¥―	¥ (831)	$ 170,152	$―	$ (7,512)
	Thai baht		1,009	―	(8)	9,117	―	(80)
Currency swaps under designated hedge accounting	Forward exchange contract transactions	Accounts receivable						
	Selling							
	U. S. dollars		¥ 2,140	¥―	(*1)	$ 19,335	$―	(*1)
	Thai baht		948	―	(*1)	8,570	―	(*1)
Total			¥ ―	¥―	¥ ―	$ ―	$―	$ ―

Interest-related transactions (2021)

Treatment	Type	Hedged item	Millions of yen: Contract amount	Millions of yen: Over 1 year	Millions of yen: Fair value	Thousands of U.S. dollars (Note 1): Contract amount	Thousands of U.S. dollars (Note 1): Over 1 year	Thousands of U.S. dollars (Note 1): Fair value
Interest rate swaps under special accounting treatment	Interest rate swaps	Long-term debt						
	Fixed rate payment, Floating rate receipt		¥ ―	¥ ―	―	$ ―	$ ―	―
Total			¥ ―	¥ ―	¥ ―	$ ―	$ ―	$ ―

Commodity-related transactions (2021)

Treatment	Type	Hedged item	Millions of yen: Contract amount	Millions of yen: Over 1 year	Millions of yen: Fair value	Thousands of U.S. dollars (Note 1): Contract amount	Thousands of U.S. dollars (Note 1): Over 1 year	Thousands of U.S. dollars (Note 1): Fair value
Standard treatment	Nonferrous Metal Forward Contracts	Inventory						
	Selling							
	Gold		¥ 9,049	¥ ―	¥ 170	$ 81,743	$ ―	$ 1,539
	Silver		5,087	―	140	45,952	―	1,264
	Zinc		9,066	―	(390)	81,893	―	(3,523)
	Copper		10,612	―	(1,672)	95,854	―	(15,109)
	Lead		85	―	(1)	767	―	(10)
	Buying							
	Silver		¥ 18	¥ ―	¥ (0)	$ 168	$ ―	$ (8)
	Zinc		1,772	11	32	16,007	107	290
Total			¥ ―	¥ ―	¥ ―	$ ―	$ ―	$ ―

Currency-related transactions (2020)

Treatment	Type	Hedged item	Millions of yen: Contract amount	Millions of yen: Over 1 year	Millions of yen: Fair value
Standard treatment	Forward exchange contract transactions	Accounts receivable			
	Selling				
	U. S. dollars		¥ 12,573	¥―	¥ (162)
	Thai baht		348	―	5
Currency swaps under designated hedge accounting	Forward exchange contract transactions	Accounts receivable			
	Selling				
	U. S. dollars		¥ 1,854	¥―	(*1)
	Thai baht		519	―	(*1)
Total			¥ ―	¥―	¥ ―

Interest-related transactions (2020)

Treatment	Type	Hedged item	Millions of yen: Contract amount	Millions of yen: Over 1 year	Millions of yen: Fair value
Interest rate swaps under special accounting treatment	Interest rate swaps	Long-term debt			
	Fixed rate payment, Floating rate receipt		¥ 964	¥ 464	(*2)
Total			¥ ―	¥ ―	¥ ―

Commodity-related transactions (2020)

Treatment	Type	Hedged item	Millions of yen: Contract amount	Millions of yen: Over 1 year	Millions of yen: Fair value
Standard treatment	Nonferrous Metal Forward Contracts	Inventory			
	Selling				
	Gold		¥ 4,981	¥ ―	¥ (143)
	Silver		3,129	―	516
	Zinc		13,566	―	1,757
	Copper		9,968	―	1,578
	Lead		157	―	7
	Buying				
	Silver		¥ 567	¥ ―	¥ (72)
	Zinc		820	6	(63)
	Copper		55	―	(3)
Total			¥ ―	¥ ―	¥ ―

(Note) Fair value was calculated using quotations obtained from the commodity futures market and the exchange futures market as of March 31, 2021 and 2020.

(*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.

17. Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2021 and 2020, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2021	2020	**2021**
Unrealized gain (loss) on available-for-sale securities:			
Gain (loss) arising during the year	**¥ 8,133**	¥ (4,974)	**$ 73,467**
Reclassification adjustments to profit or loss	**(167)**	(1,507)	**(1,516)**
Amount before income tax effect	**7,965**	(6,481)	**71,951**
Income tax effect	**(2,158)**	1,354	**(19,495)**
Total	**¥ 5,807**	¥ (5,127)	**$ 52,455**
Deferred gain (loss) on derivatives under hedge accounting:			
Gain (loss) arising during the year	**¥ (13,921)**	¥ 7,961	**$ (125,746)**
Reclassification adjustments to profit or loss	**7,907**	(794)	**71,426**
Adjustment for cost of asset acquisition	**—**	48	**—**
Amount before income tax effect	**(6,013)**	7,215	**(54,319)**
Income tax effect	**1,833**	(2,145)	**16,563**
Total	**¥ (4,179)**	¥ 5,069	**$ (37,756)**
Foreign currency translation adjustments:			
Adjustments arising during the year	**¥ (153)**	¥ (880)	**$ (1,384)**
Reclassification adjustments to profit or loss	**50**	—	**460**
Amount before income tax effect	**(102)**	(880)	**(923)**
Income tax effect	**—**	—	**—**
Total	**¥ (102)**	¥ (880)	**$ (923)**
Defined retirement benefit plan:			
Adjustments arising during the year	**¥ (199)**	¥ 41	**$ (1,797)**
Reclassification adjustments to profit or loss	**170**	184	**1,543**
Amount before income tax effect	**(28)**	225	**(254)**
Income tax effect	**(61)**	(56)	**(554)**
Total	**¥ (89)**	¥ 169	**$ (808)**
Share of other comprehensive income in associates:			
Gain (loss) arising during the year	**¥ (1,353)**	¥ 522	**$ (12,224)**
Reclassification adjustments to profit or loss	**(13)**	(126)	**(120)**
Total	**¥ (1,366)**	¥ 396	**$ (12,344)**
Total other comprehensive income	**¥ 68**	¥ (372)	**$ 621**

18. Subsequent Event

The following appropriation of retained earnings at March 31, 2021, was approved at the Board of Directors'meeting held on May 18, 2021:

	Millions of yen	Thousands of U.S. dollars (Note 1)
Year-end cash dividends, ¥95 (U.S. $0.85) per share	**¥ 5,709**	**$ 51,572**

19. Segment Information

(1) Outline of reportable segments

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

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

Each segment's businesses are as follows:

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

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

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

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

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

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

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

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

Segment information as of March 31, 2021 and 2020, are summarized as follows:

Millions of yen

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

Thousands of U.S. dollars (Note 1)

2021	Reportable segment						Others (*1)	Total	Reconciliations (*2)	Consolidated
	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Total				
Net sales										
Outside customers	$ 626,440	$ 2,420,747	$ 1,332,213	$ 702,731	$ 207,997	$ 5,290,129	$ 21,077	$ 5,311,207	$ —	$ 5,311,207
Intersegment	435,849	127,029	33,878	186	1,374	598,318	96,826	695,145	(695,145)	—
Total	$1,062,290	$ 2,547,777	$ 1,366,091	$ 702,917	$ 209,372	$ 5,888,448	$ 117,904	$ 6,006,353	$ (695,145)	$ 5,311,207
Segment income (*3)	$ 78,295	$ 234,309	$ 33,415	$ 41,892	$ 7,413	$ 395,326	$ 6,999	$ 402,325	$ (66,307)	$ 336,018
Segment assets	1,126,038	2,588,328	696,222	752,180	397,414	5,560,184	101,750	5,661,935	(256,181)	5,405,753
Other items:										
Depreciation	52,567	40,381	26,820	29,698	24,156	173,625	2,407	176,032	5,072	181,105
Amortization of goodwill	3,149	—	—	—	1,148	4,297	—	4,297	—	4,297
Investment in affiliates accounted for by the equity method	30,435	149,555	4,789	3,531	—	188,311	—	188,311	82,893	271,205
Increase in property, plant, and equipment and intangible fixed assets	$ 163,757	$ 48,680	$ 53,411	$ 32,920	$ 14,480	$ 313,251	$ 9,509	$ 322,760	$ 14,499	$ 337,260

Millions of yen

2020	Reportable segment						Others (*1)	Total	Reconciliations (*2)	Consolidated
	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Total				
Net sales										
Outside customers	¥ 67,548	¥ 209,955	¥ 95,551	¥ 82,300	¥ 27,992	¥ 483,346	¥ 1,783	¥ 485,130	¥ —	¥ 485,130
Intersegment	44,573	17,335	2,674	48	3	64,635	10,272	74,907	(74,907)	—
Total	¥ 112,121	¥ 227,290	¥ 98,226	¥ 82,348	¥ 27,995	¥ 547,982	¥ 12,055	¥ 560,037	¥(74,907)	¥ 485,130
Segment income (*3)	¥ 6,905	¥ 12,204	¥ 2,403	¥ 5,199	¥ 1,256	¥ 27,969	¥ 825	¥ 28,794	¥ 202	¥ 28,996
Segment assets	121,889	208,915	64,324	77,905	45,717	518,752	10,024	528,777	(16,281)	512,495
Other items:										
Depreciation	5,493	4,216	3,162	3,064	2,535	18,473	241	18,714	574	19,288
Amortization of goodwill	348	—	—	—	136	485	—	485	—	485
Investment in affiliates accounted for by the equity method	3,278	15,510	427	387	—	19,604	—	19,604	15,553	35,157
Increase in property, plant, and equipment and intangible fixed assets	¥ 16,987	¥ 6,915	¥ 2,844	¥ 5,464	¥ 4,339	¥ 36,551	¥ 384	¥ 36,935	¥ 788	¥ 37,723

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

(*2) Reconciliations for the fiscal years ended March 31, 2021 and 2020, were as follows:

(1) The reconciliations to segment income of ¥7,340 million (U.S. $66,307 thousand) and ¥202 million include non-operating income and expenses not allocated to any reportable segment (dividends, Share of profit (loss) of entities accounted for using equity method, interest expense, etc.) of ¥6,895 million (U.S. $62,281 thousand) and ¥269 million, respectively, and eliminations for intersegment unrealized earning of ¥353 million (U.S. $3,192 thousand) and ¥39 million, respectively.

(2) The reconciliations to segment assets of ¥28,361 million (U.S. $256,181 thousand) and ¥16,281 million include corporate assets of ¥17,880 million (U.S. $161,504 thousand) and ¥62,182 million that are not allocated to any reportable segment, respectively, and intersegment eliminations of ¥46,241 million (U.S. $417,685 thousand) and ¥78,464 million, respectively. The main components of corporate assets are surplus working capital (cash and deposits), long-term investments (investments in securities), and assets of administrative department.

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

Related Information

1. Information by product and service (2021)

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

2. Information by geographic region (2021)

(1) Net sales

Millions of yen

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

Thousands of U.S. dollars (Note 1)

Japan	North and Central America	Europe	China	Asia (excluding Japan and China)	Other	Total
$3,426,930	**$ 43,663**	**$ 280,736**	**$ 1,153,664**	**$ 401,412**	**$ 4,800**	**$5,311,207**

(2) Net property, plant, and equipment

Millions of yen

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

Thousands of U.S. dollars (Note 1)

Japan	North and Central America	Europe	China	Asia (excluding Japan and China)	Other	Total
$1,188,399	**$ 25,460**	**$ 461**	**$ 18,748**	**$ 217,276**	**$ —**	**$1,450,347**

3. Information by major customer (2021)

Name of corporate customer	Net sales (Note 1)	Name of involved segment
TANAKA KIKINZOKU KOGYO K.K.	**¥80,708 million (U.S. $729,007 thousand)**	**Mainly the Nonferrous Metals segment**
SUMISHO MATERIALS CORPORATION	**¥61,103 million (U.S. $551,923 thousand)**	**Mainly the Nonferrous Metals segment**

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

Millions of yen

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

Thousands of U.S. dollars (Note 1)

	Reportable segment									
2021	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Total	Others	Total	Eliminations	Consolidated
Impairment losses on fixed assets	**$3,063**	**$4,198**	**$ —**	**$6,013**	**$6,833**	**$20,108**	**$—**	**$20,108**	**$ 233**	**$20,341**

5. Amortization of goodwill and unamortized balance of goodwill by reportable segment (2021)

Millions of yen

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

Thousands of U.S. dollars (Note 1)

	Reportable segment									
2021	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Total	Others	Total	Eliminations	Consolidated
Unamortized balance at fiscal year end	**$ 25,199**	**$ —**	**$—**	**$—**	**$ 7,243**	**$ 32,442**	**$—**	**$32,442**	**$—**	**$ 32,442**

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

1. Information by product and service (2020)

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

2. Information by geographic region (2020)

(1) Net sales

Millions of yen

Japan	North and Central America	Europe	China	Asia (excluding Japan and China)	Other	Total
¥342,346	¥4,955	¥25,831	¥69,547	¥41,745	¥ 703	¥485,130

(2) Net property, plant, and equipment

Millions of yen

Japan	North and Central America	Europe	China	Asia (excluding Japan and China)	Other	Total
¥126,505	¥3,055	¥ 89	¥ 2,234	¥21,451	¥—	¥153,336

3. Information by major customer (2020)

Name of corporate customer	Net sales	Name of involved segment
TANAKA KIKINZOKU KOGYO K.K.	¥65,403 million	Mainly the Nonferrous Metals segment

4. Information on impairment losses on fixed assets by reportable segment (2020)

Millions of yen

	Reportable segment									
2020	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Total	Others	Total	Eliminations	Consolidated
Impairment losses on fixed assets	¥ 457	¥60	¥187	¥ 111	¥ 362	¥ 1,179	¥—	¥1,179	¥ 2	¥1,181

5. Amortization of goodwill and unamortized balance of goodwill by reportable segment (2020)

Millions of yen

	Reportable segment									
2020	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Total	Others	Total	Eliminations	Consolidated
Unamortized balance at fiscal year end	¥3,138	¥ —	¥—	¥—	¥ 899	¥4,037	¥—	¥4,037	¥—	¥4,037

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

20. Related Party Disclosures

Transactions with related parties

2021

Type	Company	Address	Capital or contribution to capital	Contents of business	Ratio of voting rights ownership	Relationship with related parties	Content	Transaction amount	Account items	Balance at the end of the period
Affiliate	MINERA PLATA REAL, S. DE R.L. DE C.V.	LOMAS DE CHAPUL TEPEC 11000, MEXICO, D.F.	$174,102 thousand	Smelting	30.0% indirectly	Fund loan	Fund loan	**¥260 million ($2,354 thousand)**	Long-term loan	**¥3,155 million ($28,502 thousand)**
							Fund collection	**¥1,123 million ($10,146 thousand)**	–	–
							Underwriting of capital increase	**¥260 million ($2,354 thousand)**	–	–
							Interest on loans	**¥632 million ($5,714 thousand)**	–	–
Affiliate	OPERACIONES SAN JOSÉ DE PLATA, S. DE R.L. DE C.V.	LOMAS DE CHAPUL TEPEC 11000, MEXICO, D.F.	$97,265 thousand	Smelting	30.0% indirectly	Fund loan	Fund loan	**¥3,173 million ($28,662 thousand)**	Long-term loan	**¥21,508 million ($194,280 thousand)**
							Fund collection	**¥8,795 million ($79,442 thousand)**	–	–
							Underwriting of capital increase	**¥3,427 million ($30,958 thousand)**	–	–
							Interest on loans	**¥355 million ($3,207 thousand)**	–	–

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

(Note) ¥110.71= U.S. $1, the rate of exchange on March 31, 2021.

2020

Type	Company	Address	Capital or contribution to capital	Contents of business	Ratio of voting rights ownership	Relationship with related parties	Content	Transaction amount	Account items	Balance at the end of the period
Affiliate	MINERA PLATA REAL, S. DE R.L. DE C.V.	LOMAS DE CHAPUL TEPEC 11000, MEXICO, D.F.	$174,102 thousand	Smelting	48.5% indirectly	Fund loan	Long-term fund loan	¥1,418 million	Long-term loan	¥3,972 million
							Long-term fund collection	¥534 million	–	–
							Underwriting of capital increase	¥541 million	–	–
							Interest on loans	¥178 million	–	–
Affiliate	OPERACIONES SAN JOSÉ DE PLATA, S. DE R.L. DE C.V.	LOMAS DE CHAPUL TEPEC 11000, MEXICO, D.F.	$63,802 thousand	Smelting	48.5% indirectly	Fund loan	Long-term fund loan	¥7,048 million	Long-term loan	¥26,802 million
							Long-term fund collection	¥6,582 million	–	–
							Underwriting of capital increase	¥4,955 million	–	–
							Interest on loans	¥1,241 million	–	–

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

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of DOWA HOLDINGS CO., LTD. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Basis for Opinion

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

Key Audit Matters

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

Valuation of investments and loans receivable in the Los Gatos Mine in Mexico

Key Audit Matter Description

As stated in Note 3. "Significant Accounting Estimates" to the consolidated financial statements, DOWA Metals & Mining Co., Ltd., an operating company in the Group's Nonferrous Metals business, owns 30.0% of investments and loans issued by MINERA PLATA REAL, S. DE R. L. DE C. V. and OPERACIONES SAN JOSE DE PLATA, S. DE R. L. DE C. V. ("MPRs"), which are the operating companies of the Los Gatos Mine in the State of Chihuahua, Mexico ("the Los Gatos Mine") that produces silver, zinc, and lead. As of March 31, 2021, the Group had investments to MPRs totaling 5,687 million yen and long-term loans receivable to MPRs totaling 24,664 million yen. Moreover, the total amount of both accounts was 30,351 million yen. As of March 31, 2021, the investment was recorded in "Investments in securities" under the accounts of Investments in and advances to nonconsolidated subsidiaries and associates which amounted to 38,017 million yen as disclosed in Note 5. The long-term loans receivable was recorded in "long-term loans receivable" under the same account which amounted to 27,802 million yen as disclosed in Note 5. The ratio of the amount of these accounts to the amount of total assets was 5.0%.

The valuation of these investments and loans receivable are influenced mainly by the total amount of future cash flows expected to be gained from the Los Gatos Mine. The future cash flows are calculated using a complex calculation model, considering elements such as the metal concentrate grade, the forecast of the market prices of the metals and operational costs, and discount rates.

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

How the Key Audit Matter Was Addressed in the Audit

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

- We obtained sufficient understanding on the Group's controls over the valuation of investments and loans receivable in the Los Gatos Mine and tested the design and operating effectiveness of such controls.
- We communicated with the component auditors of MPRs and confirmed whether any material matters exist such as indications of impairment in long-lived assets relating to Los Gatos Mine that would significantly impact the valuation of the Group's investments and loans receivable.
- With the assistance of our valuation specialists, we evaluated the reasonableness of the calculation model for the future cash flows and the discount rates.
- Among the various elements for the Group's estimation regarding the future cash flows, we evaluated the reasonableness of the Group's assumptions on the forecasts of the market prices of metals by comparing them with future forecast data of market participants that we obtained independently. We also evaluated the reasonableness of the Group's estimations regarding the metal concentrate grade and operating costs by comparing them with actual performance results.
- Based on our understanding on the various elements for the Group's estimation regarding the future cash flows, we calculated the amount of the future cash flows and evaluated the reasonableness of the Group's estimation by comparing our estimate amount with the estimated amount used in the Group's judgments concerning the valuation of investments and loans receivable.

• We tested the valuation of the investments and loans receivable by comparing the amount of enterprise value, based on the total amount of future cash flows expected to be earned by the Los Gatos Mine with the book value of the investments and loans receivable.

Hedge accounting for derivative transactions

Key Audit Matter Description

As stated in Note 16. "Derivatives" to the consolidated financial statements, the Group entered into nonferrous metal forward contracts (both of transactions in which hedge accounting is not applied and in which hedge accounting is applied) which amounted to 46,357 million yen in selling and 1,790 million yen in buying as of March 31, 2021. Furthermore, the Group entered into foreign exchange forward contracts (both of transactions to which hedge accounting is not applied and those to which hedge accounting is applied) which amount to 52,628 million yen in selling of U.S. dollars and 3,337 million yen in selling of Thai Baht. The Group recorded these losses on derivatives, which were qualified for hedge accounting, in Deferred loss on derivatives under hedge accounting account on the balance sheet, which totaled 2,196 million yen, net of tax effects.

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

As stated in Notes 2.(21) "Summary of Significant Accounting Policies—Derivatives and Hedging Activities" and 15. "Financial Instruments" to the consolidated financial statements, the Group tests if the derivatives are in compliance with the Group's risk management policies as the pre-testing before entering into hedging transactions. Also, the Group determines the hedging instruments, hedged items, and the methods of assessing hedge effectiveness as part of their pre-testing. Furthermore, the Group compares the cumulative gain or loss on the hedging instrument with the cumulative change in fair value of the hedged items, and assesses the hedging relationship between them at the monthly meeting to monitor the hedging transactions ("hedge meeting") as part of their post-testing, which is the period from the start of their hedge to the time of the effectiveness assessment.

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

How the Key Audit Matter Was Addressed in the Audit

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

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

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

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

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

• Based on our audit procedures results related to the Group's pre-testing and post-testing, we evaluated whether the Group recorded the account of deferred gain or loss on derivatives under hedge accounting in net assets for derivatives which were qualified for hedge accounting, taking into account of tax effects.

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

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

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

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

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

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

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

• Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

June 24, 2021