

DOWA

Fiscal 2014 Business Result

May 12, 2015

DOWA HOLDINGS CO.,LTD.

* Forward-looking statements made in this document, such as business forecasts, are based on the information available at this time and on certain premises that the Company assumes to be reasonable. Actual performance may differ materially from such forecasts due to a variety of factors.

1. Overview of Fiscal 2014 Operating Results and Forecasts for Fiscal 2015

Highlights of Income Statements

■ Consolidated Income Statements

Billion yen

	FY2013 Results			FY2014 Results			Change					
	H1	H2	Full Year	H1	H2	Full Year	H1		H2		Full Year	
Net Sales	211.8	232.0	443.9	223.6	240.5	464.2	11.7	6%	8.4	4%	20.2	5%
Operating Income	16.3	15.4	31.7	16.8	22.2	39.0	0.4	3%	6.8	44%	7.2	23%
Non-operating Income/Expenses	1.4	1.7	3.2	1.6	1.2	2.9	0.1	-	(0.5)	-	(0.3)	-
Ordinary Income	17.8	17.2	35.0	18.4	23.5	42.0	0.6	4%	6.3	37%	6.9	20%
Extraordinary Income/Loss	(0.2)	(1.8)	(2.0)	(0.3)	0.0	(0.2)	0.0	-	1.8	-	1.8	-
Net Income	11.7	11.5	23.3	12.1	14.3	26.5	0.4	4%	2.7	24%	3.2	14%

- For the fiscal year ended March 31, 2015(FY2014), both sales and income surged year on year.

All the segments, excluding the Environmental Management & Recycling segment, achieved income growth. The positive effect of the weakening yen on earnings emerged mainly in the Nonferrous Metals segment. Global demand for automotive products and smartphone remained buoyant.

- The income figure was also higher than the forecast level announced on May 8, 2014.

	Forecasts	Results	Change
Net Sales	470.0	464.2	△ 5.8
Operating Income	36.5	39.0	2.5
Ordinary Income	38.0	42.0	4.0
Net Income	25.0	26.5	1.5

Business Environment

■ Market situation

- Environmental Management & Recycling-related market: Industrial waste emissions remained flat in Japan while they grew overseas, mainly in Asia. Meanwhile, the circumstances surrounding collection competition are intensifying.
- Automotive-related market: Domestic production was down year on year due to the fall in demand that followed the last-minute surge before the consumption tax hike. While varying from region to region, overseas production was bullish, supported by strong sales in North America.
- Electronic Materials and Semiconductor-related market: While the computer market stayed weak, TV demand hit bottom. Demand for smartphone and demand in the new energy sector continue to grow.

■ Metal prices and foreign exchange rates

- Metal prices: Following the strong dollar and concern about demand slowdown, prices of copper and precious metals dropped. Meanwhile, the price of zinc stayed strong.
- Foreign exchange rates: The yen continued its plunge to the 120 JPY/USD range in the second half amid financial relaxation and other measures.

	FY2013 Average			FY2014 Average		
	H1	H2	Full Year	H1	H2	Full Year
Exchange Rate: (¥/\$)	98.9	101.6	100.2	103.0	116.8	109.9
Copper: (\$/t)	7,112	7,095	7,104	6,890	6,218	6,554
Zinc: (\$/t)	1,850	1,969	1,910	2,192	2,158	2,175
Indium: (\$/kg)	565	683	624	692	608	650

Trends in Major Products

Indexes (100 for Q1 of FY2012)

		FY2013				FY2014			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Environmental Management & Recycling	Intermediate waste processing volume in Japan	100	96	104	91	101	86	101	97
	Recycling materials collection volume (Kosaka)	100	102	108	109	118	106	101	76
	Waste processing amount in South East Asia	100	115	112	109	137	130	120	131
Nonferrous Metals	Silver production (Kosaka)	100	96	113	103	94	93	109	104
	Zinc production (Akita)	100	69	99	96	103	67	93	99
Electronic Materials	Compound semiconductor materials sales volume	100	109	99	111	139	108	104	120
	LED sales volume	100	88	78	90	113	93	103	110
	Silver power sales volume	100	89	119	117	121	110	96	101
Metal Processing	Copper alloy strip products sales volume	100	99	105	103	110	103	107	102
Heat Treatment	Heat treatment processing volume	100	101	101	104	105	109	110	109

Year-on-Year Comparison by Segment

Billion yen

	FY2013 Results			FY2014 Results			Change			Details of Changes to Operating Income
	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	
Environmental Management & Recycling	101.4	9.4	9.8	103.8	7.3	8.2	2.4	(2.1)	(1.5)	<ul style="list-style-type: none"> - Income declined due to the decrease in the volume of low-contaminated PCB waste treated. - Income declined following the end of a spot project in the preceding fiscal year.
Nonferrous Metals	217.6	7.0	9.3	238.5	13.5	15.4	20.9	6.5	6.0	<ul style="list-style-type: none"> - Copper and zinc smelter operations remained steady. - The treatment of PGM materials in stock sped up. - Income grew with the yen depreciation and a turnaround in raw material conditions. - Costs rose due to rising electricity charges.
Electronic Materials	83.2	6.7	7.8	73.6	8.8	9.6	(9.5)	2.0	1.8	<ul style="list-style-type: none"> - Sales of LEDs, silver powder and others to growth markets expanded.
Metal Processing	82.2	5.3	5.6	87.6	5.8	6.1	5.4	0.4	0.5	<ul style="list-style-type: none"> - Demand for automotive terminals, connector materials and plating was firm. - There was growth in metal-ceramic substrates for industrial machinery.
Heat Treatment	24.6	2.2	2.1	27.3	2.3	2.2	2.7	0.0	0.1	<ul style="list-style-type: none"> - Overseas: There was an increase in heat treatment and industrial furnace sales following market expansion. - Japan: Income slid after a decrease in automobile production and cost increases.
Other/ Elimination	(65.1)	0.8	0.2	(66.8)	1.2	0.3	(1.7)	0.3	0.0	
Total	443.9	31.7	35.0	464.2	39.0	42.0	20.2	7.2	6.9	

Factor Analysis of Ordinary Income

Billion yen

FY2013 – FY2014	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Other	Total
Effect of various measures, increase/decrease in sales, etc.	(2.4)	2.2	2.0	0.3	0.2	0.4	2.7
Of the above, free metal income difference (volume difference)	–	1.4	–	–	–	–	1.4
Free metal income difference (price difference)	–	1.8	–	–	–	–	1.8
Conditions of raw material (changes in exchange rate and base conditions)	–	2.9	–	–	–	–	2.9
Difference between the market value and book value at sale, and between market value and valuation prices at end of period	–	(0.2)	–	–	–	–	(0.2)
Electricity charges, etc.	–	(1.1)	–	–	–	–	(1.1)
Depreciation	0.2	1.0	0.1	0.1	(0.1)	(0.0)	1.2
Increase/decrease in operating income	(2.1)	6.5	2.0	0.4	0.0	0.3	7.2
Effect of non-operating income/expenses							
- Equity method income or loss	0.1	(0.7)	0.0	(0.0)	–	(0.1)	(0.6)
- Other	0.4	0.2	(0.3)	0.1	0.0	(0.2)	0.3
Increase/decrease in ordinary income	(1.5)	6.0	1.8	0.5	0.1	0.0	6.9

Financial Highlights (1)

■ Consolidated Balance Sheets

Billion yen

	March 31, 2014	March 31, 2015	Change		March 31, 2014	March 31, 2015	Change
Current Assets	173.9	180.2	6.2	Current Liabilities	131.8	118.8	(12.9)
				Noncurrent Liabilities	59.9	64.7	4.7
Noncurrent Assets	184.7	198.9	14.2	Equity	158.2	187.1	28.8
				Minority Interests	8.7	8.5	(0.2)
Total Assets	358.7	379.1	20.4	Total Liabilities and Net Assets	358.7	379.1	20.4

- Total assets increased 20.4 billion yen with the establishment of overseas locations, investments in exploration and growth in investments following a market value hike.
- As part of the liabilities, interest-bearing debt contracted from 99.6 billion yen in the preceding fiscal year to 86.6 billion yen.
- After debt repayment and an increase in surplus, the equity ratio rose from 44.1% in the preceding fiscal year to 49.3%.

Financial Highlights (2)

■ Consolidated Statements of Cash Flows

Billion yen

	FY2013	FY2014	Change
Cash Flows from Operating Activities	30.1	38.3	8.1
Income before income taxes and minority interest	32.9	41.8	8.8
Depreciation	16.7	16.0	(0.6)
Income taxes paid	(9.1)	(13.8)	(4.7)
Other, net	(10.3)	(5.6)	4.6
Cash Flows from Investing Activities	(18.6)	(20.3)	(1.6)
Acquisition of property, plant and equipment	(16.3)	(16.8)	(0.5)
Other investments	(2.3)	(3.4)	(1.1)
Cash Flows from Financing Activities	(12.3)	(16.9)	(4.5)
Total	(0.8)	1.1	1.9

(Ref.) Consolidated Income Statements

Million yen

	FY2013			FY2014			Change		
	H1	H2	Full Year	H1	H2	Full Year	H1	H2	Full Year
Net Sales	211,885	232,099	443,985	223,640	240,579	464,219	11,754	8,479	20,234
Cost of Sales	180,698	201,381	382,079	190,844	200,664	391,509	10,146	△ 716	9,429
Gross Profit	31,187	30,718	61,905	32,795	39,914	72,710	1,608	9,196	10,804
Selling, General, and Administrative Expenses, R&D Expenses	14,831	15,280	30,111	15,983	17,632	33,616	1,152	2,352	3,505
Operating Income	16,356	15,438	31,794	16,812	22,282	39,094	455	6,844	7,299
Other Income	2,922	3,814	6,736	3,050	3,082	6,133	128	△ 731	△ 603
Interest and dividend income	(366)	(332)	(699)	(419)	(396)	(816)	(52)	(64)	(117)
Equity in earnings of affiliates	(930)	(1,741)	(2,672)	(1,053)	(919)	(1,973)	(123)	(△ 822)	(△ 698)
Other income	(1,625)	(1,739)	(3,364)	(1,577)	(1,765)	(3,343)	(△ 47)	(25)	(△ 21)
Other Expenses	1,425	2,049	3,475	1,370	1,820	3,190	△ 55	△ 229	△ 285
Interest expenses	(761)	(755)	(1,517)	(588)	(577)	(1,165)	(△ 173)	(△ 178)	(△ 351)
Equity in losses of affiliates	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Other expenses	(663)	(1,294)	(1,957)	(781)	(1,242)	(2,024)	(118)	(△ 51)	(66)
Ordinary Income	17,853	17,202	35,055	18,492	23,544	42,037	639	6,342	6,981
Extraordinary income	195	294	490	125	4,224	4,349	△ 70	3,929	3,858
Gain on sales of noncurrent assets	(29)	(45)	(74)	(17)	(4,098)	(4,115)	(△ 12)	(4,053)	(4,041)
Gain on sale of investment securities	(55)	(-)	(55)	(87)	(55)	(142)	(31)	(55)	(87)
Compensation income	(-)	(104)	(104)	(-)	(35)	(35)	(-)	(△ 69)	(△ 69)
Other	(110)	(144)	(255)	(20)	(34)	(55)	(△ 90)	(△ 110)	(△ 200)
Extraordinary loss	457	2,100	2,557	429	4,141	4,570	△ 27	2,041	2,013
Loss on valuation of investment securities	(-)	(-)	(-)	(-)	(1,853)	(1,853)	(-)	(1,853)	(1,853)
Loss on disposal of noncurrent assets	(-)	(1,457)	(1,457)	(-)	(967)	(967)	(-)	(△ 490)	(△ 490)
Impairment loss	(48)	(3)	(52)	(44)	(491)	(536)	(△ 3)	(487)	(483)
Loss on disaster	(246)	(-)	(246)	(226)	(411)	(637)	(△ 20)	(411)	(390)
Loss on retirement of noncurrent assets	(142)	(255)	(397)	(130)	(287)	(418)	(△ 11)	(32)	(20)
Other	(19)	(383)	(402)	(27)	(130)	(157)	(7)	(△ 252)	(△ 244)
Income Before Income Taxes and Minority Interests	17,592	15,397	32,989	18,188	23,672	41,816	596	8,275	8,871
Income Taxes	5,688	3,855	9,544	5,999	9,114	15,113	310	5,258	5,568
Minority Interests in Income	169	△ 35	134	△ 10	168	158	△ 179	203	24
Net Income	11,733	11,576	23,310	12,199	14,344	26,543	465	2,768	3,233
Depreciation	7,684	8,521	16,205	7,275	8,296	15,572	△ 408	△ 224	△ 633

(Ref.) Consolidated Balance Sheet

Million yen

Accounts	March 31, 2014	March 31, 2015	Change	Accounts	March 31, 2014	March 31, 2015	Change
Assets				Liabilities			
Current Assets	173,998	180,215	6,216	Current Liabilities	131,803	118,817	(12,985)
Cash and deposits	5,857	8,517	2,659	Notes and accounts payable-trade	34,502	31,041	(3,460)
Notes and accounts receivable-trade	71,838	73,126	1,288	Short-term loans payable	41,521	30,459	(11,061)
Inventories	77,773	81,597	3,824	Commercial papers	10,000	18,000	8,000
Deferred tax assets	4,713	5,248	535	Current portion of bonds	10,000		(10,000)
Other	13,893	11,888	(2,004)	Income taxes payable	7,630	8,623	993
Allowance for doubtful accounts	(77)	(163)	(86)	Metal leasing liabilities	2,953	4,910	1,957
				Other	25,196	25,782	585
Noncurrent Assets	184,719	198,978	14,259	Noncurrent Liabilities	59,927	64,725	4,798
Property, plant and equipment	103,890	107,675	3,785	Bonds payable		10,000	10,000
Intangible assets	11,841	10,990	(851)	Long-term loans payable	38,142	28,208	(9,933)
Investment securities	61,612	70,764	9,152	Provision for retirement benefits	12,230	14,508	2,277
Deferred tax assets	3,527	3,372	(154)	Deferred tax liabilities	2,940	4,420	1,479
Other	3,988	6,310	2,322	Other	6,614	7,588	974
Allowance for doubtful accounts	(139)	(134)	5	Total Liabilities	191,730	183,543	(8,187)
				Net Assets			
				Shareholders' Equity	144,910	165,731	20,820
				Capital stock	36,437	36,437	
				Capital surplus	26,362	26,362	
				Retained earnings	87,806	108,630	20,824
				Treasury stock	(5,695)	(5,699)	(3)
				Accumulated Other Comprehensive Income	13,343	21,390	8,047
				Valuation difference on available-for-sale securities	10,947	15,801	4,854
				Deferred gains or losses on hedges	315	(197)	(513)
				Foreign currency translation adjustment	2,604	6,167	3,563
				Retirement benefit adjustment	(523)	(381)	142
				Minority Interests	8,733	8,528	(205)
				Total Net Assets	166,987	195,649	28,662
Total Assets	358,717	379,193	20,475	Total Liabilities and Net Assets	358,717	379,193	20,475
				Interest-bearing debt	99,663	86,668	(12,995)
				Cash and deposits	5,857	8,517	2,659
				Actual balance	93,806	78,151	(15,654)
				Equity ratio	44.1%	49.3%	5.2%
				ROA	9.9%	11.4%	1.5%

(Ref.) Consolidated Statements of Cash Flows

Million yen

	FY2013	FY2014	Change		FY2013	FY2014	Change
I. Cash Flows from Operating Activities				II. Cash Flows from Investing Activities			
Income before income taxes and minority interests	32,989	41,816	8,826	Acquisition of property, plant and equipment	(16,330)	(16,838)	(507)
Adjustments (non-cash)				Sale and acquisition of securities	(2,271)	(6,022)	(3,750)
Depreciation	16,725	16,075	(650)	Change in loans	(651)	(448)	202
Equity in (earnings) losses of affiliates	(2,672)	(1,973)	698	Proceeds from disposal and sale of noncurrent assets	95	4,861	4,765
Change of business, impairment loss	52	536	483	Other, net	468	(1,873)	(2,341)
(Gain) loss due to sale or disposal of securities, property, plant and equipment	1,728	(2,861)	(4,589)	Net cash used in investing activities	(18,689)	(20,321)	(1,631)
Loss on valuation of investment securities		1,853	1,853	III. Cash Flows from Financing Activities			
Increase in allowance for doubtful accounts	418	299	(118)	Change in borrowings and corporate bonds	(8,264)	(12,805)	(4,540)
Interest income and expenses and dividends	3,265	1,517	(1,747)	Purchases of treasury stock and issuance of common stock	(6)	(3)	3
Income taxes paid	(9,133)	(13,846)	(4,713)	Cash dividends paid	(3,754)	(4,653)	(899)
Other, net	(87)	1,150	1,237	Other, net	(315)	556	871
Total for profit/loss items	43,286	44,567	1,280	Net cash used in financing activities	(12,341)	(16,905)	(4,564)
Increase/decrease in assets/liabilities				Effect of Exchange Rate Changes on Cash and Cash Equivalents	433	855	421
Increase/decrease in trade receivable/payable	(7,796)	(4,542)	3,254	Net Increase (Decrease) in Cash and Cash Equivalents	(408)	1,973	2,381
Increase/decrease in inventories	3,020	(3,338)	(6,358)	Cash and Cash Equivalents of Newly Consolidated Subsidiaries	102	247	145
Other, net	(8,322)	1,658	9,981	Cash and Cash Equivalents at Beginning of Term	6,129	5,823	(306)
Total for balance sheet items	(13,097)	(6,221)	6,876	Cash and Cash Equivalents at End of Term	5,823	8,044	2,221
Net cash provided by operating activities	30,189	38,345	8,156				
				(For reference)			
Free cash flow	13,858	21,507	7,649	Balance of interest-bearing debt	99,663	86,668	(12,995)

(Ref.) Quarterly Business Results by Segment

Billion yen

	FY2014 Results											
	1Q			2Q			3Q			4Q		
	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income
Environmental Management & Recycling	23.8	1.5	1.6	25.6	1.6	2.1	26.4	1.9	2.3	28.0	2.3	2.2
Nonferrous Metals	55.7	3.3	4.2	55.0	1.3	1.5	63.9	4.1	5.2	63.9	4.8	4.5
Electronic Materials	20.2	2.3	2.4	21.0	2.2	2.4	20.4	2.2	2.6	12.0	2.1	2.2
Metal Processing	21.1	1.4	1.5	21.5	1.5	1.6	22.8	1.7	1.7	22.2	1.2	1.3
Heat Treatment	6.3	0.4	0.4	7.1	0.7	0.7	6.7	0.5	0.5	7.2	0.7	0.6
Other/ Elimination	(17.6)	0.1	(0.1)	(16.2)	0.2	0.0	(18.3)	0.3	(0.1)	(14.7)	0.6	0.5
Total	109.6	9.3	10.1	114.0	7.5	8.3	122.0	10.6	12.2	118.6	11.6	11.4

Forecasts for Fiscal 2015 (1)

Billion yen

	FY2014 Results	FY2015 Forecasts	Change
Net Sales	464.2	445.0	(19.2)
Operating Income	39.0	42.5	3.4
Ordinary Income	42.0	42.5	0.4
Net Income	26.5	27.0	0.4

* The Electronic Materials segment, particularly silver powder, will be chiefly responsible for the sales decline. Sales volume is expected to rise, but transactions will be partly shifted to contracted processing not containing silver metal prices. The cost of sales will shrink by the same amount.

* The impacts of the cost of and investment in exploration projects on income at different stages

	FY2014 Results	FY2015 Forecasts	Change
Operating Income	(0.8)	(0.5)	0.2
Ordinary Income	(0.8)	(2.2)	(1.4)
Net Income	(2.0)	(3.6)	(1.6)

Forecasts for Fiscal 2015 (2)

■ Market Outlook

➤ **Environmental Management & Recycling-related market:**

There will be no major changes in the domestic business environment. In overseas, the market is expected to grow in line with the economic growth and environmental regulations of each countries.

➤ **Automotive-related market:**

Domestic production will stay nearly unchanged from the level reached in the preceding fiscal year. Overseas production will surge in North America, India and elsewhere even though growth will slow.

➤ **Electronic Materials and Semiconductor-related market:**

While computer demand will continue to slide, demand for LCD TVs will rally and smartphone will expand. A continued demand hike is anticipated in the sector for new energy.

Fiscal 2015 Assumptions and Sensitivities (full year)

Sensitivity (Operating Income/Year)			Million yen
	Assumptions	Fluctuation	Sensitivity
¥/\$	115.0 ¥/\$	±¥1 /\$	380
Copper	6,000 \$/t	±100 \$/t	40
Zinc	2,200 \$/t	±100 \$/t	500
Indium	500 \$/kg	±100 \$/kg	600

*Sensitivity is based on assumptions that the Company assumes to be reasonable at the time of publication. Actual effects may differ materially due to a variety of factors.

Exchange rate and metal prices

	FY2014 Average		FY2015 Assumptions		(Ref.) April 2015
	H1	Full Year	H1	Full Year	
Exchange rate: (¥/\$)	103.0	109.9	115.0	115.0	119.6
Copper: (\$/t)	6,890	6,554	6,000	6,000	6,028
Zinc: (\$/t)	2,192	2,175	2,200	2,200	2,207
Indium: (\$/kg)	692	650	500	500	516

Year-on-Year Comparison by Segment

Billion yen

	FY2014 Results			FY2015 Forecasts			Change		
	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income
Environmental Management & Recycling	103.8	7.3	8.2	106.0	8.2	8.5	2.1	0.8	0.2
Nonferrous Metals	238.5	13.5	15.4	240.0	13.6	13.5	1.4	0.0	(1.9)
Electronic Materials	73.6	8.8	9.6	49.0	8.9	9.6	(24.6)	0.0	(0.0)
Metal Processing	87.6	5.8	6.1	91.0	7.1	7.2	3.3	1.2	1.0
Heat Treatment	27.3	2.3	2.2	28.5	3.1	3.0	1.1	0.7	0.7
Other/ Elimination	(66.8)	1.2	0.3	(69.5)	1.6	0.7	(2.6)	0.3	0.3
Total	464.2	39.0	42.0	445.0	42.5	42.5	(19.2)	3.4	0.4

* The decrease in net sales in Electronic Materials for fiscal 2015 was due partly to a partial shift of silver powder transactions to contracted processing not involving silver metal prices.

Investment

Billion yen

	FY2012 Results			FY2013 Results			FY2014 Results			FY2015 Forecasts		
	Capital and stock investment	R&D investment	Total	Capital and stock investment	R&D investment	Total	Capital and stock investment	R&D investment	Total	Capital and stock investment	R&D investment	Total
Environmental Management & Recycling	5.8	0.4	6.2	5.6	0.4	6.0	10.2	0.3	10.6	8.0	0.3	8.3
Nonferrous Metals	2.8	0.6	3.5	3.0	0.9	3.9	2.4	2.7	5.1	4.0	4.2	8.2
Electronic Materials	3.6	2.8	6.5	3.1	2.6	5.8	2.2	2.6	4.8	3.0	3.2	6.2
Metal Processing	1.9	0.4	2.3	2.8	0.4	3.3	2.1	0.5	2.7	6.0	0.6	6.6
Heat Treatment	4.0	0.3	4.3	2.1	0.3	2.4	4.3	0.3	4.6	4.0	0.3	4.3
Companywide, Other	1.7	0.0	1.6	2.0	0.0	1.9	0.4	(0.1)	0.3	2.0	0.0	2.0
Total	20.1	4.6	24.7	18.8	4.6	23.5	21.8	6.5	28.4	27.0	8.9	35.9

(Ref.) Depreciation Expenses

	FY2012 Results	FY2013 Results	FY2014 Results	FY2015 Forecasts
Environmental Management & Recycling	4.7	4.7	4.6	5.0
Nonferrous Metals	5.0	4.3	3.4	3.0
Electronic Materials	2.7	2.6	2.5	2.6
Metal Processing	2.2	2.2	2.2	2.3
Heat Treatment	1.7	1.7	1.8	1.9
Companywide, Other	0.4	0.4	0.9	1.0
Total	16.9	16.2	15.5	16.1

Major investments for fiscal 2014

- Environmental Management & Recycling:
New construction of waste treatment facilities in Myanmar
- Nonferrous Metals: Mine development in Mexico
- Heat Treatment:
Expansion of facilities in Indonesia and India

2. Challenges in Our Business and Focus for the Futures

Environmental Management & Recycling

Outlook for FY2015 (YoY Comparison)

◆ Waste treatment

Net Sales: 110% for H1 and 100% for H2
(Waste emissions will remain steady as the economy will rally at a moderate pace.)

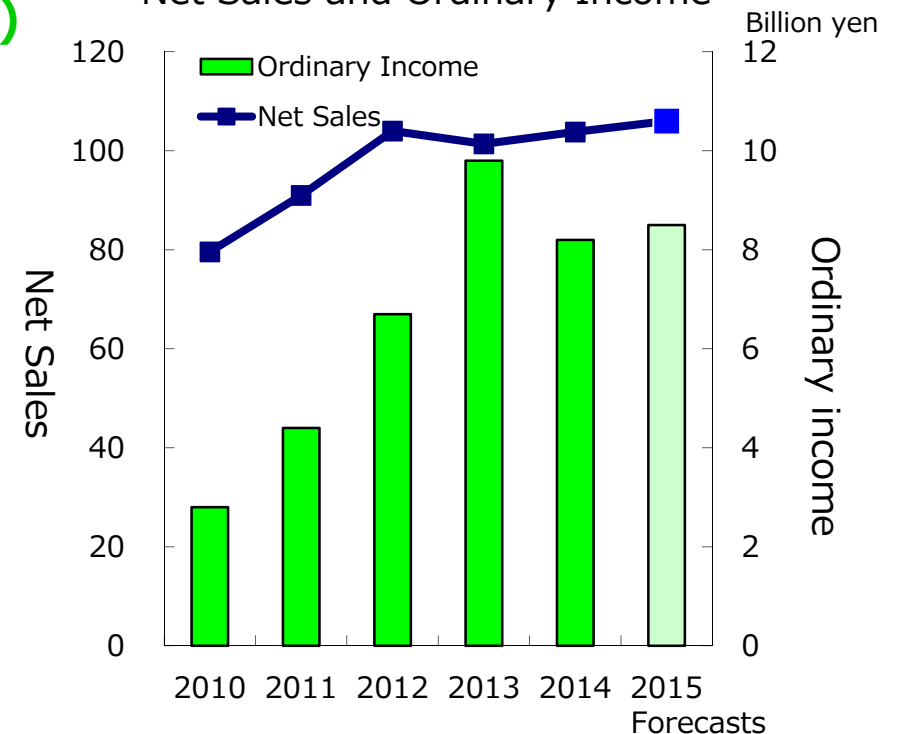
◆ Soil remediation

Net Sales: 115% for H1 and 110% for H2
(More orders will be received as public investments and the real estate market gain momentum.)

◆ Recycling

Net Sales: 100% for H1 and 100% for H2
(There will be a slight fall in domestic emissions and a rise in collections from Asia.)

Net Sales and Ordinary Income



Future actions

- **Waste treatment**
 - Strengthening actions to treat dioxins and other hazardous wastes
 - Enhancing the network for the collection of low-contaminated PCB waste and improving treatment efficiency to increase treatment volume
- **Soil remediation**
 - Launching a facility to remediate naturally contaminated soil generated from road construction and other public works
- **Recycling**
 - Collecting more recycling materials using the Singaporean and other overseas locations
- **Southeast Asia**
 - Strengthening the logistics system, including increasing the number of transportation bases ready for increased collection
 - Continuing efforts to construct controlled landfills at new locations

Enhancing Infrastructure for Domestic Business

■ Increasing the treatment of low-contaminated PCB waste

- Expanding the collection network to capture new customer bases
- Advancing pre-treatment of equipment and taking measures to increase input and improve treatment efficiency

=> Eco-System Sanyo plans to increase the treatment quantity by 40% year on year for FY2015

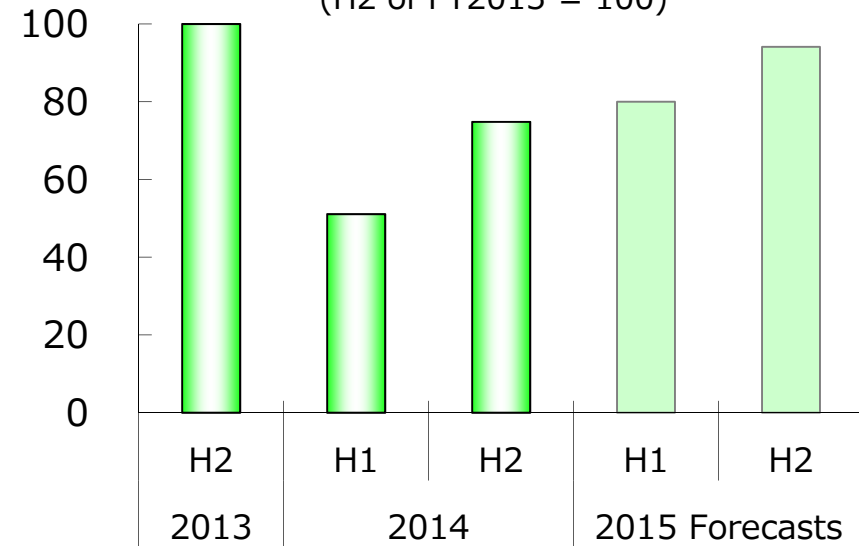
- The new equipment for Eco-System Akita will be completed in 2015 and is expected to start operation in 2016

■ Step up actions for naturally contaminated soil

- A large amount of soil naturally contaminated with heavy metals will be generated from the construction of expressways and rail networks.

=> Eco-System Hanaoka has built a low-cost treatment facility in FY2014 and will inaugurate it in FY2015.

Treatment volume of low-contaminated PCB waste (H2 of FY2013 = 100)



Construction of PCB waste treatment facility at Eco-System Akita



Nonferrous Metals

Outlook for FY2015 (YoY Comparison)

◆ Copper

Sales volume: 100% for H1 and 100% for H2
(A slightly fall in sales for domestic construction, et

◆ PGM

Collection volume of raw materials:
110% for H1 and 125% for H2
(Growth in collections in North America, Europe an elsewhere outside Japan)

◆ Zinc

Sales volume: 110% for H1 and 110% for H2
(Slight contraction of domestic demand for automc and other applications)

Future actions

■ Precious metals and copper

- Kosaka Smelting & Refining: Increasing the capacity to recover tin and other byproduct metals
- Boosting revenue by improving conditions to purchase copper concentrates

■ PGM

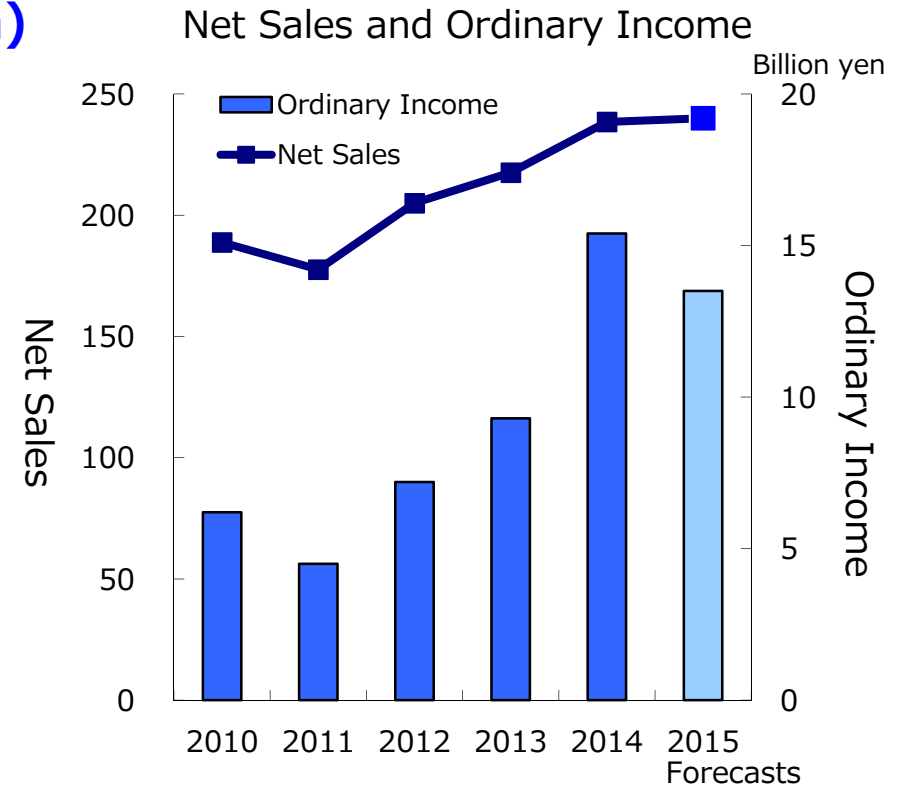
- Advancing the system for overseas collection and starting facility expansion at Nippon PGM

■ Zinc

- Akita Zinc: Strengthening equipment to increase zinc production
- Factories in Thailand: Increasing production of zinc-processed products and expanding sales in Southeast Asia

■ Resources

- Advancing mine development projects in Palmer in the United States and Los Gatos in Mexico



Strengthening the foundation for the Smelting & Refining Business

■ Participation in the Los Gatos project

- A feasibility study on progress (roadway construction, trial mining, etc.)
- => Investing USD50 million in surveys for 2014-2016
- => Acquiring a 30% interest in Minera Plata Real (MPR) and the right to receive all the zinc concentrates produced
- Transition to the development stage expected in 2017 or later

Endeavoring to raise the ratio of production from mines under ownership in addition to the Tizapa mine and the Palmer project



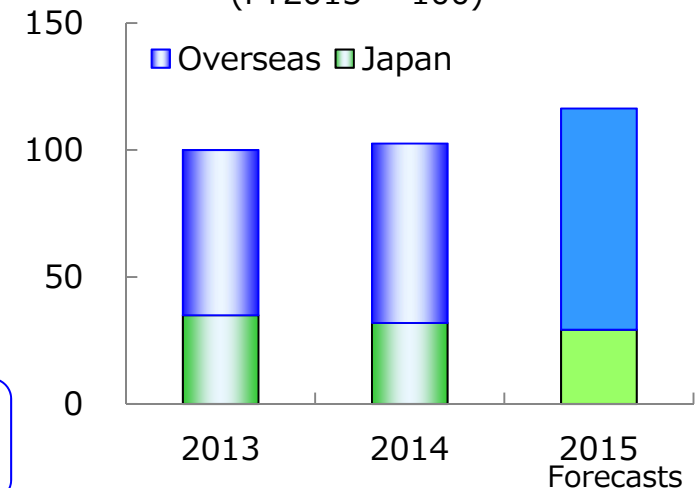
■ Enlargement of the platinum group metals (PGM) business

The generation of used catalysts will continue increasing mainly outside Japan.

- Proactive collection through the addition of sales personnel and expanding sales areas
- Enhancing Nippon PGM's equipment, which will start full operation in FY2017

Strengthening the system for collections and increasing treatment capacity to enlarge the PGM business

Collection volume of used catalysts
(FY2013 = 100)



Electronic Materials

Outlook for FY2015 (YoY Comparison)

◆ Semiconductors

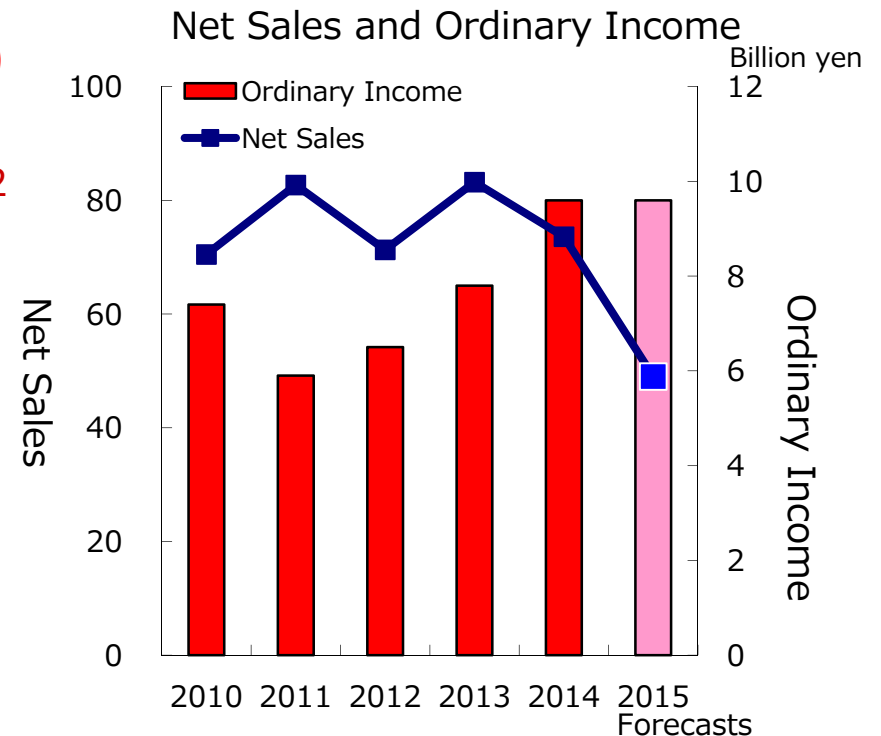
Sales volume of LEDs: 100% for H1 and 100% for H2
(Demand for sensor LEDs will remain nearly flat)

◆ Electronic materials

Sales volume of silver powder:
100% for H1 and 135% for H2
(Bullish demand for electrode material applications)

◆ Magnetic materials

Net Sales for recording materials:
100% for H1 and 105% for H2
(Healthy demand for data tape applications for archives)



* The sales drop for fiscal 2015 is due partly to a partial shift in silver powder transactions to contracted processing not involving silver metal prices.

Future actions

- **Semiconductors** - Boosting productivity of high output LEDs for proximity sensors and sensors for medical use
 - Improving the system for the production of nitride semiconductors and promoting sales to new users
- **Electronic materials** - Increasing the productivity of silver powder and broadening the array of products by developing new conductive materials
- **Magnetic materials** - Increasing the production capacity of next-generation recording materials for data tape for archives
- **New development** - Improving the characteristics of deep ultraviolet LEDs and advancing efforts to develop silver nano-powder and alloy powders for electrode materials

Enlarging the semiconductor business

■ Sensor LEDs

- Sensor LEDs are in brisk demand for medical equipment applications and smartphone applications. There is a mounting need for sensors with lower power consumption and smaller sizes.

=> Endeavoring to invent higher-output LED chips and lower-profile LED chips

The sales volume for FY2015 is expected to stay at the level equivalent to that of the preceding fiscal year.

- Expanding the array of products to cover a wider wavelength range and advancing efforts to develop products for new applications

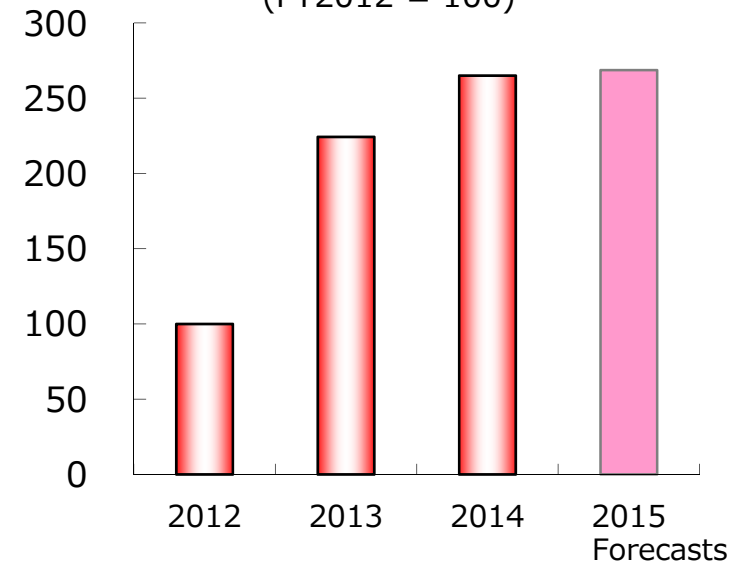
■ The status of new products

- Nitride semiconductors for power semiconductors
Continuing work towards expanding sales to new users and developing a production system

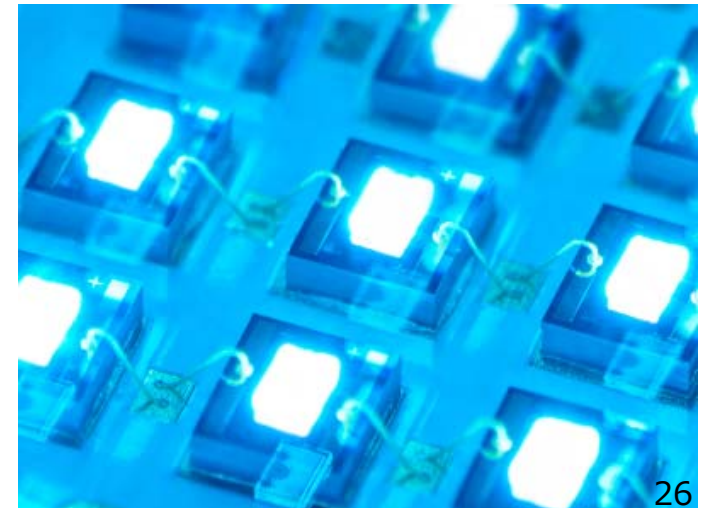
- Deep ultraviolet LEDs for sterilization equipment

Continuing work towards improving the output, service life and other characteristics

Sales volume of LEDs
(FY2012 = 100)



External view of deep ultraviolet LED



Metal Processing

Outlook for FY2015 (YoY Comparison)

◆ Copper rolled products

Sales volume: 100% for H1 and 105% for H2
(Strong production chiefly outside Japan for automobiles and healthy demand for computers and smartphones)

◆ Electroplating

Processing sales: 100% for H1 and 105% for H2
(Strong production chiefly outside Japan for automobiles)

◆ Metal-ceramic substrates

Net Sales: 110% for H1 and 115% for H2
(Brisk demand for industrial machinery and expansions for rail transportation)

Future actions

■ Copper rolled products

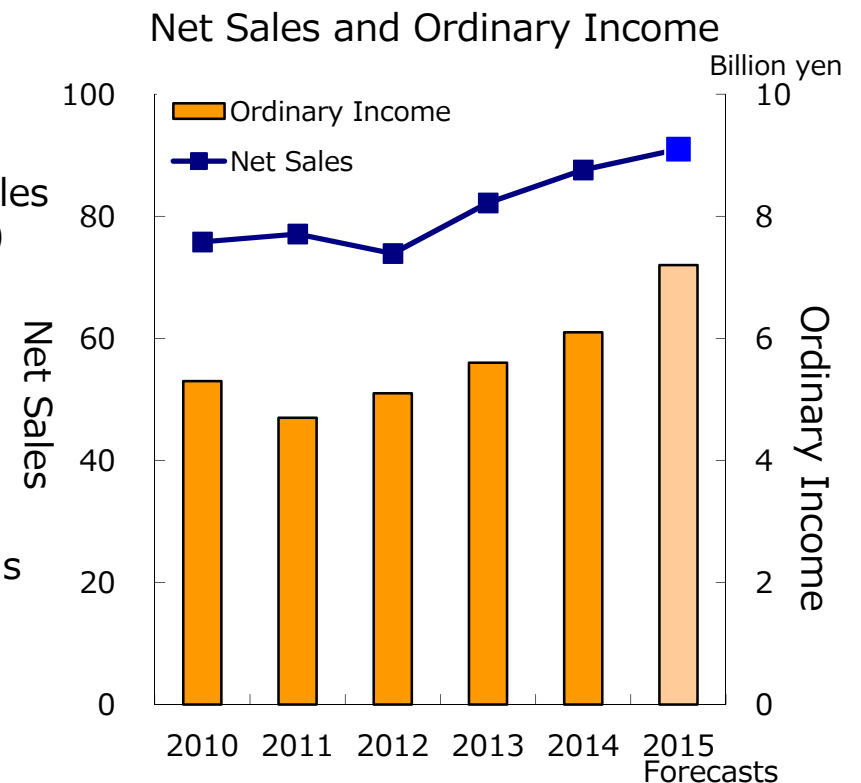
- Development and promotion of high performance copper alloys for hybrid vehicles and smartphones
- Working to improve equipment at DOWA Metal and DOWA Metanix
- Launching a joint venture for production operations in Taiwan with a local business

■ Electroplating

- Expanding the variety of items by enhancing equipment in Thailand and expanding sales to the Asia
- Putting high-hardness plating for high voltage terminals in HV and others into mass production

■ Metal-ceramic substrates

- Establishing a system to increase the production of metal-ceramic substrates for rail transport and industrial machinery and to promote sales of such products
- Developing and mass producing new products with enhanced heat radiation and reliability



Business Expansion in Asia

- Steady demand for automotive and information and communication devices
- Users continue to increase local production and material procurement in Asia

■ Copper rolled products business

- Launching a processing plant in Taiwan, which the Group recently entered
- Increasing processing at Chinese and Thai bases to expand sales in the Asian market



Aiming to achieve business expansion in Asia in addition to bolstering production capacity in domestic locations

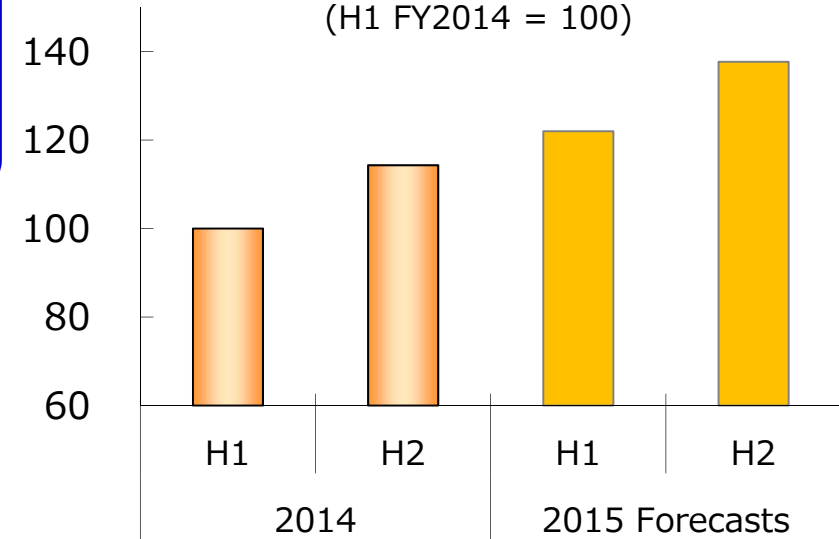
■ Electroplating business

- Attaining mass production and further increasing production capacity at the new plating line for automobiles in Thailand, launched the previous fiscal year

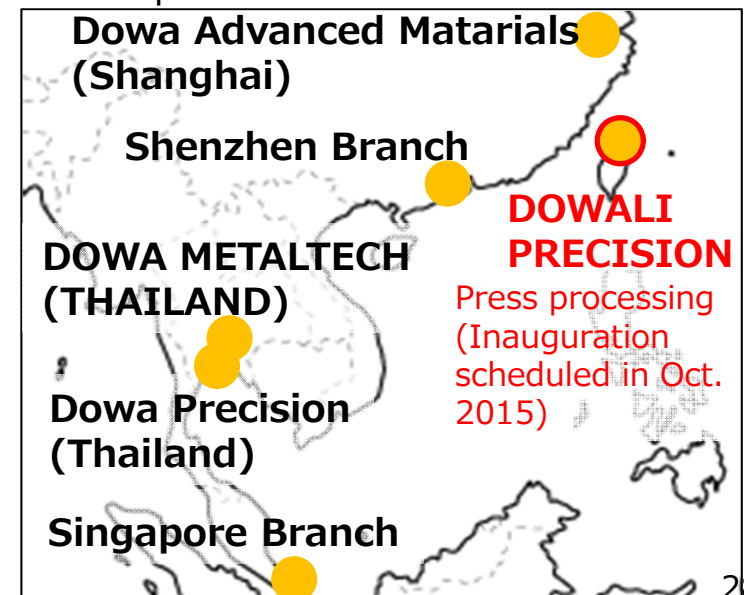


Working to expand sales to Southeast Asia with potential for solid demand growth

Sales volume of copper rolled products in Asia
(H1 FY2014 = 100)



Expansion of footholds in Asia



Heat Treatment

Outlook for FY2014 (YoY Comparison)

◆ Industrial furnaces

Net Sales: 85% for H1 and 105% for H2

◆ Heat Treatment

Net Sales: 105% for H1 and 110% for H2

(Buoyant demand for automotive applications chiefly in overseas markets and strong exports for construction machinery)

Future actions

■ Overseas business

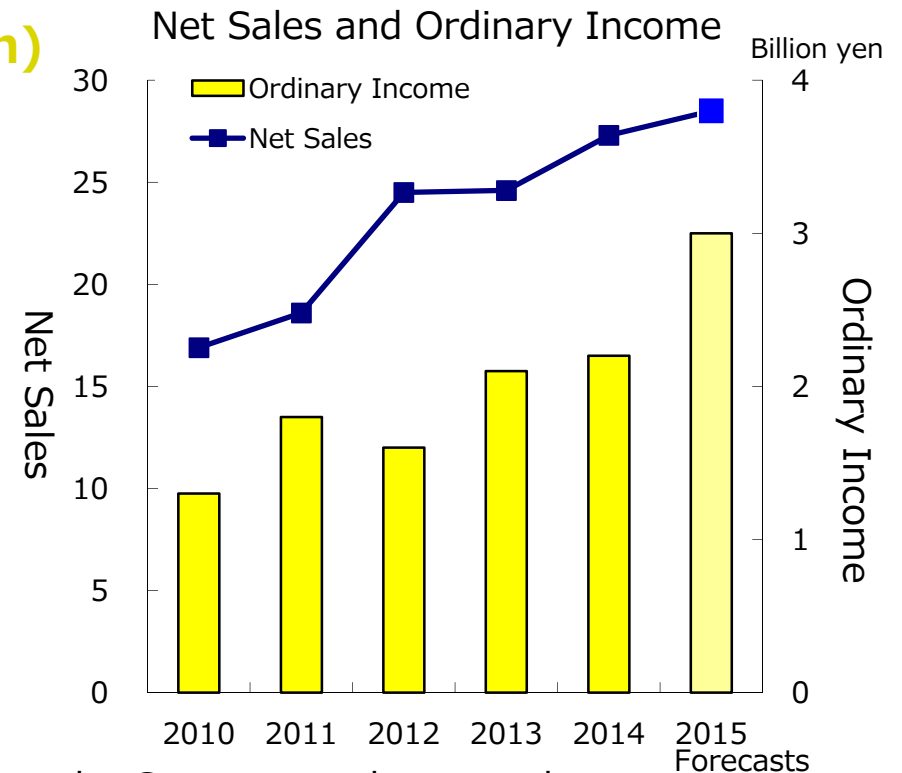
- Launching a maintenance business in Mexico, a market the Group recently entered
- Enlarging the heat treatment business in Asia, for example by inaugurating the expanded equipment in Indonesia and the enriching processing in India

■ Domestic business

- Integrating bases for industrial furnace design and production bases and strengthening the maintenance locations
- Acquiring more new orders for heat treatment processing and strengthening the production system

■ R&D

- Introducing small-sized heat treatment equipment with cost competitiveness and developing and introducing new surface treatment



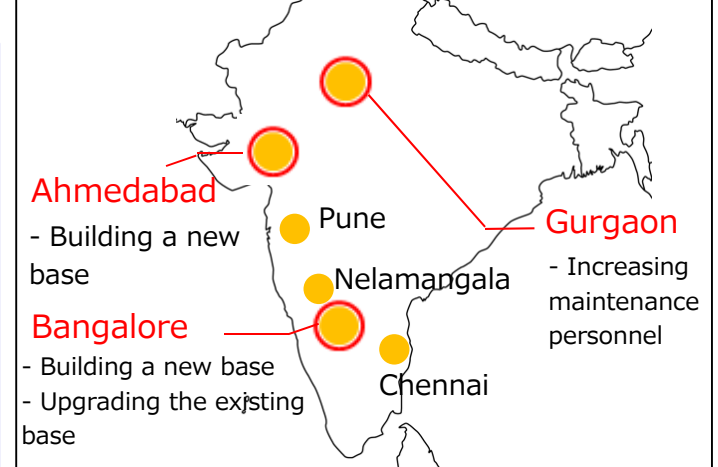
Business Expansion in Overseas Growth Areas

India

- Bangalore: Building a new heat treatment plant and increasing the production capacity of the existing heat treatment facility
- Ahmedabad: Building a new heat treatment plant
- Expanding the furnace production lineup and strengthening the maintenance business

Winning more orders from Europe- and US-based automotive component manufacturers

Reinforcement at locations in India



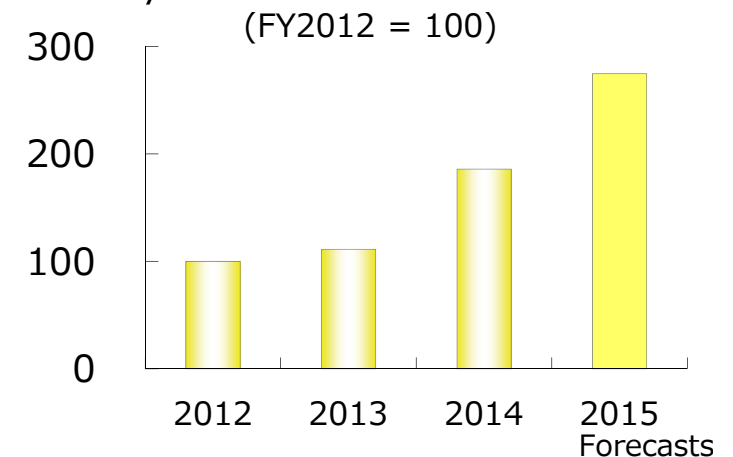
Mexico

- Starting the maintenance business in Mexico to win more orders in collaboration with North American bases

Southeast Asia

- Indonesia: Establishing a facility for increased production and securing more new orders
- Indonesia & Thailand: Enhancing the maintenance business

Ordinary Income at overseas locations



Constructing and expanding business infrastructure in India, Mexico, Indonesia and other areas with growth potential

Changes in Ordinary Income and Net Income

Billion yen

