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Consolidated Financial Results for the Three Months Ended June 30, 2022 [Japanese GAAP]

August 10, 2022

Company name: DOWA HOLDINGS CO., LTD.

Stock exchange listing: Tokyo

Code number: 5714

URL: <https://www.dowa.co.jp/>

Representative: SEKIGUCHI Akira

President and Representative Director

Contact: HOSONO Hiroyuki

Director and Corporate Strategy Dept. General Manager

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Scheduled date of filing quarterly securities report: August 10, 2022

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Three Months Ended June 30, 2022 (April 01, 2022 to June 30, 2022)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2022	209,933	1.0	19,320	(1.8)	23,285	(17.5)	13,063	(34.5)
June 30, 2021	207,920	80.2	19,678	299.2	28,222	736.7	19,946	-

(Note) Comprehensive income: Three months ended June 30, 2022: ¥ 24,665 million [(1.3)%]
Three months ended June 30, 2021: ¥ 24,987 million [-%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2022	219.55	-
June 30, 2021	335.22	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity to asset ratio
	Million yen	Million yen	%
As of June 30, 2022	660,321	340,590	49.7
March 31, 2022	657,283	328,574	47.7

(Reference) Equity: As of June 30, 2022: ¥ 328,116 million
As of March 31, 2022: ¥ 313,455 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	-	-	-	130.00	130.00
Fiscal year ending March 31, 2023	-				
Fiscal year ending March 31, 2023 (Forecast)		-	-	105.00	105.00

(Note) Revision to the forecast for dividends announced most recently: No

(Note) Breakdown of year-end dividends for the fiscal year ended March 31, 2022:

Ordinary dividends: ¥ 100.00 Special dividends: ¥ 30.00

(Note) Breakdown of year-end dividends for the fiscal year ending March 31, 2023(Forecast):

Ordinary dividends: ¥ 105.00

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023(April 01, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ended September 30, 2022	405,000	(4.3)	31,000	(18.4)	37,500	(21.0)	23,300	(28.5)	391.58
Full year	846,000	1.7	58,500	(8.3)	68,000	(10.6)	43,000	(15.7)	722.66

(Note) Revision to the financial results forecast announced most recently: Yes

For more details of the consolidated forecasts for the current fiscal year, please refer to the "Notice of Revisions of Financial Forecasts" announced today.

* Notes:

(1) Changes in significant subsidiaries during the three months ended June 30, 2022

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)

Exclusion: - (Company name:)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

June 30, 2022: 61,989,206 shares

March 31, 2022: 61,989,206 shares

2) Total number of treasury shares at the end of the period:

June 30, 2022: 2,486,825 shares

March 31, 2022: 2,486,779 shares

3) Average number of shares during the period:

Three months ended June 30, 2022: 59,502,416 shares

Three months ended June 30, 2021: 59,502,387 shares

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2022	As of June 30,2022
Assets		
Current assets		
Cash and deposits	36,847	32,713
Notes and accounts receivable - trade, and contract assets	99,013	92,360
Merchandise and finished goods	54,026	62,120
Work in process	8,693	10,322
Raw materials and supplies	167,290	162,234
Other	17,353	26,582
Allowance for doubtful accounts	(183)	(196)
Total current assets	383,041	386,138
Non-current assets		
Property, plant and equipment		
Buildings and structures	155,787	158,540
Accumulated depreciation	(85,933)	(87,895)
Buildings and structures, net	69,854	70,645
Machinery, equipment and vehicles	283,894	290,787
Accumulated depreciation	(235,688)	(239,440)
Machinery, equipment and vehicles, net	48,206	51,347
Land	27,890	28,356
Construction in progress	18,509	17,084
Other	20,110	20,693
Accumulated depreciation	(16,226)	(16,715)
Other, net	3,883	3,978
Total property, plant and equipment	168,344	171,412
Intangible assets		
Goodwill	3,156	3,079
Other	6,309	7,262
Total intangible assets	9,466	10,341
Investments and other assets		
Investment securities	79,705	77,178
Long-term loans receivable	3,500	3,790
Deferred tax assets	9,403	7,476
Other	3,915	4,078
Allowance for doubtful accounts	(93)	(93)
Total investments and other assets	96,431	92,429
Total non-current assets	274,241	274,183
Total assets	657,283	660,321

(Million yen)

	As of March 31,2022	As of June 30,2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	63,265	57,719
Short-term borrowings	27,916	27,098
Commercial papers	33,000	45,000
Income taxes payable	12,767	2,934
Accrued consumption taxes	4,249	2,472
Provisions		
Provision for bonuses	5,200	2,533
Provision for bonuses for directors (and other officers)	346	-
Total provisions	5,547	2,533
Borrowing precious metals	39,872	33,603
Other	41,648	47,712
Total current liabilities	228,267	219,073
Non-current liabilities		
Bonds payable	30,000	30,000
Long-term borrowings	40,708	39,942
Deferred tax liabilities	2,337	2,830
Provisions		
Provision for retirement benefits for directors (and other officers)	618	473
Other provisions	333	333
Total provisions	952	807
Retirement benefit liability	20,489	20,965
Other	5,952	6,111
Total non-current liabilities	100,441	100,657
Total liabilities	328,708	319,731
Net assets		
Shareholders' equity		
Share capital	36,437	36,437
Capital surplus	25,870	25,565
Retained earnings	246,360	251,603
Treasury shares	(5,064)	(5,064)
Total shareholders' equity	303,604	308,541
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,662	11,499
Deferred gains or losses on hedges	(5,547)	(567)
Foreign currency translation adjustment	3,788	8,700
Remeasurements of defined benefit plans	(52)	(57)
Total accumulated other comprehensive income	9,851	19,574
Non-controlling interests	15,119	12,473
Total net assets	328,574	340,590
Total liabilities and net assets	657,283	660,321

Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income (For the three months)

(Million yen)

	For the three months ended June 30,2021	For the three months ended June 30,2022
Net sales	207,920	209,933
Cost of sales	177,881	179,282
Gross profit	30,038	30,651
Selling, general and administrative expenses		
Freight and incidental costs	1,201	1,260
Sales commission	110	101
Remuneration for directors (and other officers)	329	338
Salaries and allowances	1,921	2,020
Welfare expenses	686	642
Provision for bonuses	853	710
Retirement benefit expenses	200	195
Provision for retirement benefits for directors (and other officers)	37	30
Rent expenses	309	354
Taxes and dues	458	571
Travel and transportation expenses	162	237
Depreciation	310	347
Development and research expenses	1,683	1,940
Amortization of goodwill	120	124
Other	1,974	2,456
Total selling, general and administrative expenses	10,360	11,331
Operating profit	19,678	19,320
Non-operating income		
Interest income	216	108
Dividend income	292	524
Share of profit of entities accounted for using equity method	7,738	1,093
Foreign exchange gains	-	736
Commission income	172	948
Royalty income	249	451
Onerous sample cost income	210	282
Other	366	428
Total non-operating income	9,246	4,574
Non-operating expenses		
Interest expenses	201	125
Foreign exchange losses	83	-
Environmental expenses	213	234
Other	205	248
Total non-operating expenses	703	608
Ordinary profit	28,222	23,285

(Million yen)

	For the three months ended June 30,2021	For the three months ended June 30,2022
Extraordinary income		
Insurance claim income	-	28
Gain on sale of non-current assets	17	4
Subsidy income	95	-
Other	7	-
Total extraordinary income	120	32
Extraordinary losses		
Loss on retirement of non-current assets	179	206
Other	62	38
Total extraordinary losses	242	244
Profit before income taxes	28,100	23,073
Income taxes	6,279	8,220
Profit	21,821	14,853
Profit attributable to non-controlling interests	1,874	1,789
Profit attributable to owners of parent	19,946	13,063

Quarterly Consolidated Statements of Comprehensive Income (For the three months)

(Million yen)

	For the three months ended June 30,2021	For the three months ended June 30,2022
Profit	21,821	14,853
Other comprehensive income		
Valuation difference on available-for-sale securities	170	(570)
Deferred gains or losses on hedges	1,678	4,985
Foreign currency translation adjustment	708	3,564
Remeasurements of defined benefit plans, net of tax	231	(6)
Share of other comprehensive income of entities accounted for using equity method	377	1,839
Total other comprehensive income	3,166	9,812
Comprehensive income	24,987	24,665
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	23,086	22,787
Comprehensive income attributable to non-controlling interests	1,901	1,877

Segment Information

Segment information by business type as of June 30, 2021 and 2022 is summarized as follows :

(Amounts of less than one million yen are rounded down.)

For the Three Months Ended June 30, 2021 (From April 01, 2021 to June 30, 2021)

(Million yen)

	Reporting Segments						Others	Total	Eliminations & Company- wide	Consolidated
	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Sub Total				
Net sales										
(1) Sales to external customers	19,922	112,771	42,841	26,407	5,879	207,822	98	207,920	-	207,920
(2) Intersegment sales or transfers	13,880	5,440	1,071	11	0	20,404	3,881	24,286	(24,286)	-
Total	33,803	118,211	43,912	26,419	5,880	228,226	3,980	232,206	(24,286)	207,920
Segment profit (note 2)	3,011	14,713	1,323	2,297	428	21,775	298	22,073	6,148	28,222

For the Three Months Ended June 30, 2022 (From April 01, 2022 to June 30, 2022)

(Million yen)

	Reporting Segments						Others	Total	Eliminations & Company- wide	Consolidated
	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Sub Total				
Net sales										
(1) Sales to external customers	21,034	108,763	43,867	29,475	6,262	209,404	529	209,933	-	209,933
(2) Intersegment sales or transfers	15,467	6,310	1,176	53	0	23,008	2,443	25,451	(25,451)	-
Total	36,501	115,074	45,043	29,529	6,263	232,412	2,972	235,385	(25,451)	209,933
Segment profit (loss) (note 2)	3,466	14,345	2,508	2,725	328	23,374	(69)	23,304	(19)	23,285

(Note 1) The classification of businesses for the segment information by business type is based on the classification adopted by the internal management system.

- (1) Environmental Management & Recycling : Waste treatment, controlled landfilling, soil remediation, metal recycling, household appliances recycling, automobile recycling, consulting on environmental matters, and logistics
- (2) Nonferrous Metals : Production and sale of gold, silver, copper, zinc alloy, lead, platinum, palladium, indium, gallium, germanium, tin, antimony, nickel, bismuth, tellurium, sulfuric acid, and other metals
- (3) Electronic Materials : Production and sale of high-purity gallium, indium, compound semiconductor wafers, LEDs, Silver powder, Copper powder, Silver oxide powder, Metal powder, Carrier powder, and Ferrite powder
- (4) Metal Processing : Production and sale of copper, brass, copper alloy strips, nickel alloy strips, reflow tin plated stripes, brass rods, forged brass products, electroplating, and metal-ceramics substrates
- (5) Heat Treatment : Heat treatment, Surface treatment, design, manufacture, marketing, and maintenance of industrial furnaces and ancillary equipment
- (6) Others : Plant construction, real estate rental business and others

(Note 2) Segment profit (loss) is based on ordinary profit.