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Consolidated Financial Results for the Nine Months Ended December 31, 2021 [Japanese GAAP]

February 14, 2022

Company name: DOWA HOLDINGS CO., LTD.
Stock exchange listing: Tokyo, Nagoya, Sapporo, Fukuoka
Code number: 5714

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

Representative: SEKIGUCHI Akira

President and Representative Director

Contact: HOSONO Hiroyuki

Executive Officer and Corporate Strategy Dept. General Manager

Phone: 03-6847-1106

Scheduled date of filing quarterly securities report: February 14, 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 Nine Months Ended December 31, 2021 (April 01, 2021 to December 31, 2021)

(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	%
Nine months ended December 31, 2021	611,932	51.6	52,271	120.2	64,494	197.2	44,103	420.5
December 31, 2020	403,593	14.4	23,735	34.8	21,698	6.2	8,473	(37.2)

(Note) Comprehensive income: Nine months ended December 31, 2021: ¥ 51,505 million [436.6%]
Nine months ended December 31, 2020: ¥ 9,598 million [(38.8)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2021	741.21	-
December 31, 2020	143.17	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity to asset ratio
	Million yen	Million yen	%
As of December 31, 2021	626,385	319,887	48.9
March 31, 2021	598,471	276,715	44.4

(Reference) Equity: As of December 31, 2021: ¥ 306,202 million
As of March 31, 2021: ¥ 265,704 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, 2021	-	-	-	95.00	95.00
Fiscal year ending March 31, 2022	-	-	-		
Fiscal year ending March 31, 2022 (Forecast)				130.00	130.00

(Note) Revision to the forecast for dividends announced most recently: Yes

(Note) Breakdown of year-end dividends for the fiscal year ended March 31, 2021:

Ordinary dividends: ¥ 95.00

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

Ordinary dividends: ¥ 100.00 Special dividends: ¥ 30.00

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022(April 01, 2021 to March 31, 2022)

(% 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
Full year	840,000	42.9	61,000	62.9	72,500	94.9	46,500	113.1	781.48

(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 and Dividends Forecasts" announced today.

* Notes:

(1) Changes in significant subsidiaries during the nine months ended December 31, 2021

(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: Yes

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):

December 31, 2021: 61,989,206 shares

March 31, 2021: 61,989,206 shares

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

December 31, 2021: 2,486,673 shares

March 31, 2021: 2,486,815 shares

3) Average number of shares during the period:

Nine months ended December 31, 2021: 59,502,454 shares

Nine months ended December 31, 2020: 59,184,299 shares

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2021	As of December 31,2021
Assets		
Current assets		
Cash and deposits	18,277	29,611
Notes and accounts receivable - trade	84,132	-
Notes and accounts receivable - trade, and contract assets	-	96,187
Merchandise and finished goods	44,908	57,813
Work in process	6,925	10,699
Raw materials and supplies	153,394	145,000
Other	19,588	20,656
Allowance for doubtful accounts	(227)	(240)
Total current assets	326,999	359,728
Non-current assets		
Property, plant and equipment		
Buildings and structures	142,800	154,137
Accumulated depreciation	(80,712)	(84,378)
Buildings and structures, net	62,087	69,758
Machinery, equipment and vehicles	271,782	281,590
Accumulated depreciation	(226,021)	(234,774)
Machinery, equipment and vehicles, net	45,760	46,816
Land	27,776	27,758
Construction in progress	21,147	17,073
Other	19,197	19,798
Accumulated depreciation	(15,402)	(15,858)
Other, net	3,794	3,939
Total property, plant and equipment	160,567	165,346
Intangible assets		
Goodwill	3,591	3,243
Other	4,402	5,349
Total intangible assets	7,994	8,592
Investments and other assets		
Investment securities	64,883	78,840
Long-term loans receivable	27,802	3,225
Deferred tax assets	7,461	6,992
Other	2,855	3,751
Allowance for doubtful accounts	(93)	(93)
Total investments and other assets	102,909	92,717
Total non-current assets	271,471	266,657
Total assets	598,471	626,385

(Million yen)

	As of March 31,2021	As of December 31,2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	55,337	45,782
Short-term borrowings	53,114	29,073
Commercial papers	35,000	40,000
Income taxes payable	6,179	8,512
Accrued consumption taxes	3,094	2,931
Provisions		
Provision for bonuses	4,244	2,478
Provision for bonuses for directors (and other officers)	212	172
Total provisions	4,457	2,651
Borrowing precious metals	38,180	31,646
Other	31,529	41,927
Total current liabilities	226,894	202,526
Non-current liabilities		
Bonds payable	20,000	30,000
Long-term borrowings	45,837	43,911
Deferred tax liabilities	2,334	2,443
Provisions		
Provision for retirement benefits for directors (and other officers)	739	612
Other provisions	361	358
Total provisions	1,101	971
Retirement benefit liability	19,546	20,061
Other	6,041	6,584
Total non-current liabilities	94,861	103,971
Total liabilities	321,755	306,497
Net assets		
Shareholders' equity		
Share capital	36,437	36,437
Capital surplus	26,473	26,010
Retained earnings	201,290	239,451
Treasury shares	(5,064)	(5,064)
Total shareholders' equity	259,136	296,835
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,569	11,039
Deferred gains or losses on hedges	(2,196)	(2,676)
Foreign currency translation adjustment	(1,643)	951
Remeasurements of defined benefit plans	(161)	50
Total accumulated other comprehensive income	6,567	9,366
Non-controlling interests	11,010	13,685
Total net assets	276,715	319,887
Total liabilities and net assets	598,471	626,385

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

(Million yen)

	For the nine months ended December 31,2020	For the nine months ended December 31,2021
Net sales	403,593	611,932
Cost of sales	351,723	528,567
Gross profit	51,870	83,365
Selling, general and administrative expenses		
Freight and incidental costs	2,826	3,641
Sales commission	344	330
Remuneration for directors (and other officers)	1,040	1,024
Salaries and allowances	6,769	7,195
Welfare expenses	1,915	2,014
Provision for bonuses	560	587
Retirement benefit expenses	713	596
Provision for retirement benefits for directors (and other officers)	129	99
Rent expenses	891	957
Taxes and dues	1,145	1,241
Travel and transportation expenses	508	519
Depreciation	924	959
Development and research expenses	4,501	5,385
Amortization of goodwill	356	382
Other	5,507	6,157
Total selling, general and administrative expenses	28,135	31,093
Operating profit	23,735	52,271
Non-operating income		
Interest income	996	361
Dividend income	462	700
Share of profit of entities accounted for using equity method	-	9,149
Foreign exchange gains	-	393
Commission income	943	172
Royalty income	1,031	1,615
Onerous sample cost income	790	652
Other	1,026	1,186
Total non-operating income	5,251	14,231
Non-operating expenses		
Interest expenses	699	533
Foreign exchange losses	190	-
Share of loss of entities accounted for using equity method	5,091	-
Environmental expenses	672	695
Other	632	780
Total non-operating expenses	7,287	2,008
Ordinary profit	21,698	64,494

(Million yen)

	For the nine months ended December 31,2020	For the nine months ended December 31,2021
Extraordinary income		
Gain on sale of investment securities	-	1,275
Cancellation fee income	-	1,269
Subsidy income	51	161
Gain on sale of non-current assets	86	32
Insurance claim income	42	-
Compensation income	17	-
Other	0	25
Total extraordinary income	197	2,765
Extraordinary losses		
Loss on retirement of non-current assets	883	678
Loss on disaster	0	96
Impairment losses	25	6
Loss on valuation of investment securities	198	-
Other	86	22
Total extraordinary losses	1,194	803
Profit before income taxes	20,701	66,456
Income taxes	9,261	17,794
Profit	11,440	48,662
Profit attributable to non-controlling interests	2,966	4,558
Profit attributable to owners of parent	8,473	44,103

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

(Million yen)

	For the nine months ended December 31,2020	For the nine months ended December 31,2021
Profit	11,440	48,662
Other comprehensive income		
Valuation difference on available-for-sale securities	3,320	470
Deferred gains or losses on hedges	(2,740)	(363)
Foreign currency translation adjustment	(1,742)	1,493
Remeasurements of defined benefit plans, net of tax	169	239
Share of other comprehensive income of entities accounted for using equity method	(848)	1,002
Total other comprehensive income	(1,842)	2,843
Comprehensive income	9,598	51,505
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,692	46,902
Comprehensive income attributable to non-controlling interests	2,905	4,602

Segment Information

Segment information by business type as of December 31, 2020 and 2021 is summarized as follows :

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

For the Fiscal Year Ended December 31, 2020 (From April 01, 2020 to December 31, 2020)

(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) Outside customers	49,218	183,451	100,943	53,140	15,452	402,207	1,386	403,593	-	403,593
(2) Intersegment	36,434	9,908	2,668	18	121	49,151	7,585	56,737	(56,737)	-
Total	85,652	193,360	103,612	53,159	15,574	451,358	8,971	460,330	(56,737)	403,593
Segment profit (loss) (note 2)	5,850	15,944	2,615	2,862	(239)	27,034	338	27,372	(5,674)	21,698

For the Fiscal Year Ended December 31, 2021 (From April 01, 2021 to December 31, 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) Outside customers	61,336	313,582	133,437	82,429	19,499	610,285	1,646	611,932	-	611,932
(2) Intersegment	37,893	15,907	2,917	51	2	56,772	8,307	65,080	(65,080)	-
Total	99,229	329,489	136,355	82,481	19,502	667,058	9,954	677,012	(65,080)	611,932
Segment profit (note 2)	10,832	35,955	5,210	5,645	1,856	59,500	371	59,871	4,622	64,494

(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.