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Consolidated Financial Results for the Six Months Ended September 30, 2021 [Japanese GAAP]

November 12, 2021

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: November 12, 2021

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 Six Months Ended September 30, 2021 (April 01, 2021 to September 30, 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	%
Six months ended September 30, 2021	423,263	67.6	37,969	200.9	47,456	408.7	32,597	-
September 30, 2020	252,479	9.4	12,619	13.9	9,328	(25.1)	1,616	(79.6)

(Note) Comprehensive income: Six months ended September 30, 2021: ¥ 41,800 million [-%]
Six months ended September 30, 2020: ¥ 286 million [(97.0)%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2021	547.84		-	
September 30, 2020	27.31		-	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity to asset ratio	
	Million yen		Million yen		%	
As of September 30, 2021	619,593		310,174		48.1	
March 31, 2021	598,471		276,715		44.4	

(Reference) Equity: As of September 30, 2021: ¥ 297,825 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)			-	95.00	95.00

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

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	70,000	88.2	44,000	101.6	739.47

(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 Differences Between First Half Consolidated Financial Forecasts and Actual Results, and Revisions of Full Year Consolidated Financial Forecasts" announced today.

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 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):

September 30, 2021: 61,989,206 shares

March 31, 2021: 61,989,206 shares

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

September 30, 2021: 2,486,596 shares

March 31, 2021: 2,486,815 shares

3) Average number of shares during the period:

Six months ended September 30, 2021: 59,502,412 shares

Six months ended September 30, 2020: 59,184,362 shares

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31,2021	As of September 30,2021
Assets		
Current assets		
Cash and deposits	18,277	33,611
Notes and accounts receivable - trade	84,132	-
Notes and accounts receivable - trade, and contract assets	-	88,254
Merchandise and finished goods	44,908	50,575
Work in process	6,925	10,087
Raw materials and supplies	153,394	150,157
Other	19,588	20,744
Allowance for doubtful accounts	(227)	(239)
Total current assets	326,999	353,191
Non-current assets		
Property, plant and equipment		
Buildings and structures	142,800	152,247
Accumulated depreciation	(80,712)	(83,248)
Buildings and structures, net	62,087	68,999
Machinery, equipment and vehicles	271,782	279,673
Accumulated depreciation	(226,021)	(231,382)
Machinery, equipment and vehicles, net	45,760	48,290
Land	27,776	27,832
Construction in progress	21,147	15,754
Other	19,197	19,667
Accumulated depreciation	(15,402)	(15,704)
Other, net	3,794	3,963
Total property, plant and equipment	160,567	164,841
Intangible assets		
Goodwill	3,591	3,345
Other	4,402	4,833
Total intangible assets	7,994	8,179
Investments and other assets		
Investment securities	64,883	81,829
Long-term loans receivable	27,802	3,129
Deferred tax assets	7,461	5,542
Other	2,855	2,974
Allowance for doubtful accounts	(93)	(93)
Total investments and other assets	102,909	93,382
Total non-current assets	271,471	266,402
Total assets	598,471	619,593

(Million yen)

	As of March 31,2021	As of September 30,2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	55,337	46,961
Short-term borrowings	53,114	38,073
Commercial papers	35,000	45,000
Income taxes payable	6,179	7,620
Accrued consumption taxes	3,094	2,263
Provisions		
Provision for bonuses	4,244	4,461
Provision for bonuses for directors (and other officers)	212	87
Total provisions	4,457	4,548
Borrowing precious metals	38,180	23,944
Other	31,529	34,618
Total current liabilities	226,894	203,030
Non-current liabilities		
Bonds payable	20,000	30,000
Long-term borrowings	45,837	46,189
Deferred tax liabilities	2,334	2,784
Provisions		
Provision for retirement benefits for directors (and other officers)	739	582
Other provisions	361	359
Total provisions	1,101	941
Retirement benefit liability	19,546	19,830
Other	6,041	6,642
Total non-current liabilities	94,861	106,388
Total liabilities	321,755	309,419
Net assets		
Shareholders' equity		
Share capital	36,437	36,437
Capital surplus	26,473	26,109
Retained earnings	201,290	227,945
Treasury shares	(5,064)	(5,063)
Total shareholders' equity	259,136	285,428
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10,569	12,904
Deferred gains or losses on hedges	(2,196)	(374)
Foreign currency translation adjustment	(1,643)	(181)
Remeasurements of defined benefit plans	(161)	47
Total accumulated other comprehensive income	6,567	12,396
Non-controlling interests	11,010	12,349
Total net assets	276,715	310,174
Total liabilities and net assets	598,471	619,593

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

(Million yen)

	For the six months ended September 30,2020	For the six months ended September 30,2021
Net sales	252,479	423,263
Cost of sales	221,193	364,748
Gross profit	31,285	58,514
Selling, general and administrative expenses		
Freight and incidental costs	1,762	2,356
Sales commission	230	220
Remuneration for directors (and other officers)	700	675
Salaries and allowances	3,833	3,809
Welfare expenses	1,281	1,363
Provision for bonuses	1,091	1,496
Retirement benefit expenses	486	395
Provision for retirement benefits for directors (and other officers)	87	68
Rent expenses	588	629
Taxes and dues	780	845
Travel and transportation expenses	326	336
Depreciation	598	633
Development and research expenses	2,985	3,380
Amortization of goodwill	237	260
Other	3,676	4,072
Total selling, general and administrative expenses	18,666	20,545
Operating profit	12,619	37,969
Non-operating income		
Interest income	725	306
Dividend income	272	314
Share of profit of entities accounted for using equity method	-	8,317
Foreign exchange gains	-	128
Commission income	674	172
Royalty income	396	431
Onerous sample cost income	552	423
Other	755	792
Total non-operating income	3,376	10,888
Non-operating expenses		
Interest expenses	496	398
Foreign exchange losses	216	-
Share of loss of entities accounted for using equity method	5,112	-
Environmental expenses	431	463
Other	408	538
Total non-operating expenses	6,666	1,400
Ordinary profit	9,328	47,456

(Million yen)

	For the six months ended September 30,2020	For the six months ended September 30,2021
Extraordinary income		
Cancellation fee income	-	1,269
Subsidy income	38	118
Gain on sale of non-current assets	21	20
Insurance claim income	35	-
Compensation income	17	-
Other	0	9
Total extraordinary income	111	1,418
Extraordinary losses		
Loss on retirement of non-current assets	564	419
Loss on disaster	0	89
Impairment losses	25	6
Other	71	39
Total extraordinary losses	662	555
Profit before income taxes	8,777	48,319
Income taxes	5,306	12,376
Profit	3,470	35,943
Profit attributable to non-controlling interests	1,854	3,345
Profit attributable to owners of parent	1,616	32,597

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

(Million yen)

	For the six months ended September 30,2020	For the six months ended September 30,2021
Profit	3,470	35,943
Other comprehensive income		
Valuation difference on available-for-sale securities	1,450	2,457
Deferred gains or losses on hedges	(2,939)	2,059
Foreign currency translation adjustment	(1,213)	558
Remeasurements of defined benefit plans, net of tax	111	238
Share of other comprehensive income of entities accounted for using equity method	(593)	543
Total other comprehensive income	(3,184)	5,857
Comprehensive income	286	41,800
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,540)	38,427
Comprehensive income attributable to non-controlling interests	1,826	3,373

Quarterly Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30,2020	For the six months ended September 30,2021
Cash flows from operating activities		
Profit before income taxes	8,777	48,319
Depreciation	9,193	10,622
Impairment losses	25	6
Amortization of goodwill	237	260
Increase (decrease) in allowance for doubtful accounts	(169)	3
Increase (decrease) in other provisions	4	(66)
Increase (decrease) in retirement benefit liability	364	262
Interest and dividend income	(998)	(621)
Interest expenses	496	398
Foreign exchange losses (gains)	219	365
Share of loss (profit) of entities accounted for using equity method	5,112	(8,317)
Loss (gain) on sale of non-current assets	(21)	(20)
Loss on retirement of non-current assets	564	419
Decrease (increase) in trade receivables	12,368	(5,599)
Decrease (increase) in inventories	(23,614)	(3,736)
Increase (decrease) in trade payables	5,345	(8,880)
Increase (decrease) in accrued consumption taxes	(1,712)	(833)
Decrease (increase) in borrowing precious metals	13,198	(14,236)
Other, net	1,355	6,051
Subtotal	30,749	24,397
Interest and dividends received	1,477	2,570
Interest paid	(591)	(429)
Income taxes refund (paid)	(8,281)	(10,774)
Net cash provided by (used in) operating activities	23,353	15,764
Cash flows from investing activities		
Purchase of property, plant and equipment	(15,712)	(15,101)
Proceeds from sale of property, plant and equipment	295	231
Purchase of intangible assets	(125)	(575)
Purchase of investment securities	(3)	(5)
Purchase of shares of subsidiaries and associates	(88)	(81)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	13
Subsidies received	114	639
Loan advances	(1,800)	(278)
Proceeds from collection of loans receivable	384	18,142
Other, net	68	5
Net cash provided by (used in) investing activities	(16,867)	2,991

(Million yen)

	For the six months ended September 30,2020	For the six months ended September 30,2021
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,057	(10,435)
Net increase (decrease) in commercial papers	7,000	10,000
Proceeds from long-term borrowings	-	26,100
Repayments of long-term borrowings	(3,820)	(30,896)
Proceeds from issuance of bonds	-	9,953
Repayments of lease obligations	(121)	(171)
Purchase of treasury shares	(0)	(0)
Dividends paid	(5,405)	(5,705)
Dividends paid to non-controlling interests	(146)	(2,426)
Net cash provided by (used in) financing activities	(436)	(3,581)
Effect of exchange rate change on cash and cash equivalents	(278)	84
Net increase (decrease) in cash and cash equivalents	5,772	15,258
Cash and cash equivalents at beginning of period	30,232	17,320
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	1,479	-
Cash and cash equivalents at end of period	37,483	32,578

Segment Information

Segment information by business type as of September 30, 2020 and 2021 is summarized as follows :

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

For the Fiscal Year Ended September 30, 2020 (From April 01, 2020 to September 30, 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	32,184	118,135	60,572	31,061	9,596	251,550	928	252,479	—	252,479
(2) Intersegment	24,395	5,890	1,786	17	110	32,199	4,773	36,973	(36,973)	—
Total	56,580	124,025	62,359	31,078	9,706	283,750	5,702	289,453	(36,973)	252,479
Segment profit (loss) (note 2)	3,437	8,618	1,636	695	(751)	13,636	181	13,817	(4,488)	9,328

For the Fiscal Year Ended September 30, 2021 (From April 01, 2021 to September 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) Outside customers	40,354	221,521	94,170	53,689	12,441	422,177	1,085	423,263	—	423,263
(2) Intersegment	25,742	10,339	1,993	26	1	38,102	5,868	43,970	(43,970)	—
Total	66,097	231,860	96,163	53,715	12,442	460,279	6,954	467,233	(43,970)	423,263
Segment profit (loss) (note 2)	6,536	27,131	3,683	3,925	1,118	42,394	329	42,724	4,732	47,456

(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.