

Consolidated Financial Summary for the Six Months
Ended September 30, 2020 (Unaudited)

(Japan Basis)



November 10, 2020

Company name: DOWA HOLDINGS CO., LTD. URL: <https://www.dowa.co.jp/>
Exchange: First Section of Tokyo Stock Exchange, First Section of Nagoya Stock Exchange,
 Fukuoka Stock Exchange, and Sapporo Securities Exchange
Stock code: 5714
Representative: SEKIGUCHI Akira, President and Representative Director

Scheduled date of filing quarterly securities report: November 12, 2020

Scheduled date of commencement of dividend payments: —

1. Consolidated business results for the six months ended September 30, 2020 (April 1, 2020 – September 30, 2020)

(Amounts less than one million yen, except for per share amounts, are omitted.)

(1) Consolidated financial results

(%: Change from the same period of the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
Six months ended September 30, 2020	252,479	9.4	12,619	13.9	9,328	(25.1)	1,616	(79.6)
Six months ended September 30, 2019	230,782	4.0	11,078	18.3	12,453	(3.1)	7,924	(10.9)

(Note) Comprehensive income: Six months ended September 30, 2020 286 million yen (97.0) % Six months ended September 30, 2019 9,525 million yen 112.7 %

	Net income per share		Net income per share (fully diluted)	
	Yen		Yen	
Six months ended September 30, 2020	27.31		—	
Six months ended September 30, 2019	133.89		—	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of Yen		Millions of Yen		%	
As of September 30, 2020	523,664		252,919		46.0	
As of March 31, 2020	512,495		258,241		48.4	

(Reference) Shareholders' equity: As of September 30, 2020 241,044 million yen As of March 31, 2020 248,047 million yen

2. Dividends

(Record date)	Annual Dividends				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
Fiscal year ended March 31, 2020	—	—	—	90.00	90.00
Fiscal year ending March 31, 2021	—	—	—	90.00	90.00
Fiscal year ending March 31, 2021 (forecast)	—	—	—	90.00	90.00

(Note) Revisions of expected dividends in the current period: Yes

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

3. Forecast consolidated results for the fiscal year ending March 31, 2021 (April 1, 2020 – March 31, 2021)

(%: Change from the same period of the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen	
Full year	563,600	16.2	31,300	20.6	29,000	0.0	12,000	(31.0)	202.76	

(Note) Revisions of estimated consolidated results in the current period: Yes

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

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets (Unaudited)

(Millions of Yen)

	As of end of previous fiscal year (March 31, 2020)	As of end of second quarter (September 30, 2020)
Assets		
Current assets		
Cash and deposits	31,730	38,394
Notes and accounts receivable - trade	75,130	62,348
Merchandise and finished goods	29,416	32,026
Work in process	5,679	6,821
Raw materials and supplies	80,207	100,331
Other	20,330	14,124
Allowance for doubtful accounts	(352)	(177)
Total current assets	242,143	253,869
Non-current assets		
Property, plant and equipment		
Buildings and structures	132,996	135,102
Accumulated depreciation	(75,975)	(77,762)
Buildings and structures, net	57,021	57,339
Machinery, equipment and vehicles	261,306	265,262
Accumulated depreciation	(218,562)	(221,839)
Machinery, equipment and vehicles, net	42,744	43,423
Land	27,883	27,897
Construction in progress	21,688	26,964
Other	18,829	19,355
Accumulated depreciation	(14,830)	(15,335)
Other, net	3,999	4,020
Total property, plant and equipment	153,336	159,643
Intangible assets		
Goodwill	4,037	3,793
Other	3,464	3,231
Total intangible assets	7,502	7,025
Investments and other assets		
Investment securities	65,031	60,235
Long-term loans receivable	33,628	32,862
Deferred tax assets	6,883	7,084
Other	4,070	3,042
Allowance for doubtful accounts	(100)	(98)
Total investments and other assets	109,513	103,126
Total non-current assets	270,352	269,795
Total assets	512,495	523,664

Note: Amounts less than one million yen are omitted.

(Millions of Yen)

	As of end of previous fiscal year (March 31, 2020)	As of end of second quarter (September 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	34,480	39,729
Short-term borrowings	40,105	46,759
Commercial papers	24,000	31,000
Income taxes payable	6,224	2,847
Accrued consumption taxes	3,425	1,712
Provisions		
Provision for bonuses	3,945	4,075
Provision for bonuses for directors (and other officers)	191	75
Total provisions	4,136	4,150
Other	44,413	56,408
Total current liabilities	156,786	182,607
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	49,981	40,870
Deferred tax liabilities	2,158	2,063
Provisions		
Provision for retirement benefits for directors (and other officers)	730	709
Other provisions	377	375
Total provisions	1,107	1,085
Retirement benefit liability	18,548	18,892
Other	5,673	5,225
Total non-current liabilities	97,467	88,137
Total liabilities	254,254	270,745
Net assets		
Shareholders' equity		
Share capital	36,437	36,437
Capital surplus	25,928	25,928
Retained earnings	184,927	181,082
Treasury shares	(5,711)	(5,711)
Total shareholders' equity	241,582	237,736
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,226	6,363
Deferred gains or losses on hedges	2,285	(653)
Foreign currency translation adjustment	(875)	(2,350)
Remeasurements of defined benefit plans	(172)	(51)
Total accumulated other comprehensive income	6,464	3,307
Non-controlling interests	10,194	11,874
Total net assets	258,241	252,919
Total liabilities and net assets	512,495	523,664

Note: Amounts less than one million yen are omitted.

(2) Consolidated Statements of Income (Unaudited)

(Millions of Yen)

	Six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)	Six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)
Net sales	230,782	252,479
Cost of sales	201,270	221,193
Gross profit	29,512	31,285
Selling, general and administrative expenses		
Freight and incidental costs	2,000	1,762
Sales commission	245	230
Remuneration for directors (and other officers)	724	700
Salaries and allowances	3,046	3,833
Welfare expenses	1,112	1,281
Provision for bonuses	834	1,091
Retirement benefit expenses	386	486
Provision for retirement benefits for directors (and other officers)	90	87
Rent expenses	481	588
Taxes and dues	691	780
Travel and transportation expenses	816	326
Depreciation	559	598
Development and research expenses	2,940	2,985
Amortization of goodwill	243	237
Other	4,261	3,676
Total selling, general and administrative expenses	18,433	18,666
Operating profit	11,078	12,619
Non-operating income		
Interest income	991	725
Dividend income	498	272
Share of profit of entities accounted for using equity method	5	—
Commission income	324	674
Royalty income	486	396
Onerous sample cost income	546	552
Other	431	755
Total non-operating income	3,284	3,376
Non-operating expenses		
Interest expenses	679	496
Foreign exchange losses	496	216
Share of loss of entities accounted for using equity method	—	5,112
Environmental expenses	317	431
Other	417	408
Total non-operating expenses	1,910	6,666
Ordinary profit	12,453	9,328

Note: Amounts less than one million yen are omitted.

	(Millions of Yen)	
	Six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)	Six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)
Extraordinary income		
Subsidy income	—	38
Insurance claim income	230	35
Gain on sales of non-current assets	105	21
Compensation income	—	17
Gain on sales of investment securities	38	—
Other	32	0
Total extraordinary income	408	111
Extraordinary losses		
Loss on retirement of non-current assets	368	564
Impairment loss	3	25
Other	45	72
Total extraordinary losses	417	662
Profit before income taxes	12,444	8,777
Income taxes	3,996	5,306
Profit	8,447	3,470
Profit attributable to non-controlling interests	523	1,854
Profit attributable to owners of parent	7,924	1,616

Note: Amounts less than one million yen are omitted.

(3) Consolidated Statement of Comprehensive Income (Unaudited)

(Millions of Yen)

	Six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)	Six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)
Profit	8,447	3,470
Other comprehensive income		
Valuation difference on available-for-sale securities	(929)	1,450
Deferred gains or losses on hedges	2,614	(2,939)
Foreign currency translation adjustment	(475)	(1,213)
Remeasurements of defined benefit plans, net of tax	90	111
Share of other comprehensive income of entities accounted for using equity method	(221)	(593)
Total other comprehensive income	1,078	(3,184)
Comprehensive income	9,525	286
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,008	(1,540)
Comprehensive income attributable to non-controlling interests	517	1,826

Note: Amounts less than one million yen are omitted.

(4) Consolidated Statements of Cash Flows (Unaudited)

(Millions of Yen)

	Six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)	Six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)
Cash flows from operating activities		
Profit before income taxes	12,444	8,777
Depreciation	9,055	9,193
Impairment loss	3	25
Amortization of goodwill	243	237
Increase (decrease) in allowance for doubtful accounts	(4)	(169)
Increase (decrease) in other provisions	(382)	4
Increase (decrease) in retirement benefit liability	444	364
Interest and dividend income	(1,490)	(998)
Interest expenses	679	496
Foreign exchange losses (gains)	326	219
Share of loss (profit) of entities accounted for using equity method	(5)	5,112
Loss (gain) on sales of non-current assets	(105)	(21)
Loss on retirement of non-current assets	368	564
Loss (gain) on sales of investment securities	(38)	—
Decrease (increase) in trade receivables	8,309	12,368
Decrease (increase) in inventories	3,935	(23,614)
Increase (decrease) in trade payables	(6,482)	5,345
Increase (decrease) in accrued consumption taxes	64	(1,712)
Other, net	(5,286)	14,554
Subtotal	22,078	30,749
Interest and dividends received	3,722	1,477
Interest paid	(669)	(591)
Income taxes (paid) refund	(3,237)	(8,281)
Net cash provided by (used in) operating activities	21,895	23,353

Note: Amounts less than one million yen are omitted.

(Millions of Yen)

	Six months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)	Six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)
Cash flows from investing activities		
Purchase of property, plant and equipment	(14,985)	(15,712)
Proceeds from sales of property, plant and equipment	450	295
Purchase of intangible assets	(317)	(125)
Purchase of investment securities	(4)	(3)
Proceeds from sales of investment securities	50	—
Purchase of shares of subsidiaries and associates	(936)	(88)
Subsidies received	111	114
Loan advances	(7,875)	(1,800)
Collection of loans receivable	1,929	384
Other, net	(219)	68
Net cash provided by (used in) investing activities	(21,796)	(16,867)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,695	2,057
Net increase (decrease) in commercial papers	(2,000)	7,000
Proceeds from long-term borrowings	5,416	—
Repayments of long-term borrowings	(4,332)	(3,820)
Proceeds from issuance of bonds	9,953	—
Repayments of lease obligations	(94)	(121)
Purchase of treasury shares	(0)	(0)
Dividends paid	(5,406)	(5,405)
Dividends paid to non-controlling interests	(146)	(146)
Net cash provided by (used in) financing activities	6,085	(436)
Effect of exchange rate change on cash and cash equivalents	124	(278)
Net increase (decrease) in cash and cash equivalents	6,308	5,772
Cash and cash equivalents at beginning of period	19,002	30,232
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	383	1,479
Cash and cash equivalents at end of period	25,694	37,483

Note: Amounts less than one million yen are omitted.

5. Segment Information

Segment information by business type as of September 30, 2019 and 2020 is summarized as follows :
(Amounts less than one million yen are omitted.)

For the year ended September 30, 2019 (From April 1, 2019 to September 30, 2019)

Millions of 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	32,726	99,188	42,614	41,468	14,023	230,020	762	230,782	—	230,782
(2) Intersegment	20,791	8,620	1,171	32	0	30,617	4,994	35,611	(35,611)	—
Total	53,517	107,808	43,785	41,501	14,024	260,637	5,756	266,394	(35,611)	230,782
Segment income (loss) (note 2)	3,192	4,682	1,226	2,514	559	12,175	330	12,506	(52)	12,453

For the year ended September 30, 2020 (From April 1, 2020 to September 30, 2020)

Millions of 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 income (loss) (note 2)	3,437	8,618	1,636	695	(751)	13,636	181	13,817	(4,488)	9,328

(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 income (loss) is based on ordinary income.