

# **Fiscal 2020 First Half Supplementary Information**

**November 10, 2020**

**DOWA HOLDINGS CO.,LTD.**

# Operating Results

## ■ Consolidated Income Statements

Billion yen (Amounts less than 100 million yen are omitted.)

	FY2019		FY2020		Changes			
	H1 Results	Full Year Results	H1 Results	Full Year Forecasts	H1		Full Year	
Net Sales	230.7	485.1	252.4	563.6	21.6	9%	78.4	16%
Operating Income	11.0	25.9	12.6	31.3	1.5	14%	5.3	21%
Ordinary Income	12.4	28.9	9.3	29.0	(3.1)	(25%)	0.0	0%
Profit attributable to owners of parent	7.9	17.3	1.6	12.0	(6.3)	(80%)	(5.3)	(31%)

## ■ Exchange Rate and Metal Prices

	FY2019			FY2020		
	1Q averages	2Q averages	H1 averages	1Q averages	2Q averages	H1 averages
Exchange Rate: (¥/\$)	109.9	107.4	108.6	107.6	106.2	106.9
Copper: (\$/t)	6,114	5,798	5,956	5,341	6,521	5,931
Zinc: (\$/t)	2,763	2,345	2,554	1,959	2,340	2,150
Indium: (\$/kg)	173	155	164	146	148	147

# Business Environment (FY2020 2Q)

## ➤ Waste treatment- and recycling-related business

Orders for industrial waste and recycling materials were at the year-ago level.

In Southeast Asia, net sales decreased from the year-ago level.

## ➤ Automobile-related market

Sales, which had been declining due to the spread of the COVID-19, began to recover in the second quarter.

## ➤ New forms of energy- and electronic components-related business

New forms of energy: The sales volume increased, mainly reflecting higher sales to China.

Electronic components: Sales of components for the Fifth Generation Mobile

Communications (5G) remained firm.

## ➤ Exchange rates and Metal prices

Exchange rates remained at the level of 106 yen for the dollar.

Gold and silver prices continued to rise and prices for zinc and copper turned upward.

# Trends in Major Products

Indexes (100 for Q1 of FY2019)

		FY2019				FY2020	
		1Q	2Q	3Q	4Q	1Q	2Q
<b>Environmental Management &amp; Recycling</b>	Waste treatment volume in Japan	100	89	94	90	92	88
	Recycling materials collection volume (for Kosaka smelting & refining)	100	106	107	101	107	100
	Net sales of waste treatment in the South East Asia Business	100	97	98	110	102	86
<b>Nonferrous Metals</b>	Copper production volume (Total of Kosaka and Onahama)	100	94	90	110	100	90
	Zinc production volume	100	69	93	90	89	64
<b>Electronics Materials</b>	LED sales volume	100	122	106	110	124	130
	Silver powder sales volume	100	116	123	127	107	122
<b>Metal Processing</b>	Copper alloy strips sales volume	100	103	104	96	71	82
<b>Heat Treatment</b>	Net sales in the Heat Treatment Processing Business	100	102	104	99	56	85
	Net sales in the Industrial Furnaces Business	100	117	102	110	64	83

# Year-on-Year Comparison by Segment (FY2020 H1)

Billion yen (Amounts less than 100 million yen are omitted.)

	FY2019 H1 Results			FY2020 H1 Results			Changes			Details of Changes to Ordinary Income
	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	
Environmental Management & Recycling	53.5	3.4	3.1	56.5	3.6	3.4	3.0	0.2	0.2	<ul style="list-style-type: none"> <li>• Rise in unit prices for the waste treatment</li> <li>• Increase in the recycling volume of consumer electronics</li> <li>• Decrease in orders in Southeast Asia</li> </ul>
Nonferrous Metals	107.8	3.4	4.6	124.0	7.7	8.6	16.2	4.3	3.9	<ul style="list-style-type: none"> <li>• Rise in precious metal prices</li> <li>• Improvement of purchase conditions for raw materials</li> <li>• Increase in the volume of PGM recovered</li> </ul>
Electronics Materials	43.7	0.6	1.2	62.3	0.9	1.6	18.5	0.3	0.4	<ul style="list-style-type: none"> <li>• Growth in sales of LEDs and silver powder</li> <li>• Decline in sales of magnetic powder</li> </ul>
Metal Processing	41.5	2.4	2.5	31.0	0.5	0.6	(10.4)	(1.8)	(1.8)	<ul style="list-style-type: none"> <li>• Fall in demand for automobile-related products and services</li> </ul>
Heat Treatment	14.0	0.6	0.5	9.7	(0.7)	(0.7)	(4.3)	(1.3)	(1.3)	<ul style="list-style-type: none"> <li>• Fall in demand for automobile-related products and services</li> </ul>
Other/ Elimination	(29.8)	0.4	0.2	(31.2)	0.3	(4.3)	(1.4)	(0.1)	(4.5)	<ul style="list-style-type: none"> <li>• Deterioration of the business performance of equity method affiliates</li> </ul>
Total	230.7	11.0	12.4	252.4	12.6	9.3	21.6	1.5	(3.1)	

# Factor Analysis of Ordinary Income

Billion yen (Amounts less than 100 million yen are omitted.)

FY2020 H1 – FY2019 H1	Environmental Management & Recycling	Nonferrous Metals	Electronics Materials	Metal Processing	Heat Treatment	Other	Total
Effect of various initiatives, increase/decrease in sales, etc.	0.2	0.5	0.1	(1.8)	(1.2)	(0.1)	(2.4)
Of the above, free metal income difference (difference in volume)	—	0.8	—	—	—	—	0.8
Free metal income difference (difference in metal prices)	—	3.0	—	—	—	—	3.0
Difference in foreign currency-based income due to exchange rate	—	(0.3)	0.0	—	—	—	(0.3)
Purchasing conditions of raw material (difference in base conditions)	—	1.3	—	—	—	—	1.3
Difference between the market value and book value at sale, and between market value and valuation prices at end of period	—	(0.4)	—	—	—	—	(0.4)
Electricity charges, etc.	—	0.4	—	—	—	—	0.4
Depreciation in manufacturing cost	0.1	(0.3)	0.2	(0.0)	(0.1)	(0.0)	(0.1)
Increase/decrease in operating income	0.2	4.3	0.3	(1.8)	(1.3)	(0.1)	1.5
Effect of non-operating income/expenses							
- Equity method income or loss	0.1	(1.0)	(0.0)	0.0	—	(4.2)	(5.1)
- Other	(0.1)	0.6	0.1	0.0	(0.0)	(0.2)	0.4
Increase/decrease in ordinary income	0.2	3.9	0.4	(1.8)	(1.3)	(4.5)	(3.1)

# Changes From Forecasts on Aug 7 by Segment (FY2020 H1)

Billion yen (Amounts less than 100 million yen are omitted.)

	FY2020 H1 Forecasts on Aug 7			FY2020 H1 Results			Changes			Details of Changes to Ordinary Income
	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	
Environmental Management & Recycling	55.3	3.0	3.1	56.5	3.6	3.4	1.2	0.6	0.3	<ul style="list-style-type: none"> <li>• Rise in unit prices for the waste treatment</li> <li>• Increase in the recycling volume of consumer electronics</li> </ul>
Nonferrous Metals	110.9	3.5	4.2	124.0	7.7	8.6	13.1	4.2	4.4	<ul style="list-style-type: none"> <li>• Rise in precious metal prices</li> <li>• Increase in the volume of PGM recovered</li> </ul>
Electronics Materials	51.0	0.9	1.6	62.3	0.9	1.6	11.3	0.0	0.0	<ul style="list-style-type: none"> <li>• Growth in sales of silver powder</li> <li>• Decline in sales of magnetic powder</li> </ul>
Metal Processing	29.9	(0.5)	(0.4)	31.0	0.5	0.6	1.1	1.0	1.0	<ul style="list-style-type: none"> <li>• Recovery of demand for automobile-related products and services</li> </ul>
Heat Treatment	9.8	(0.8)	(0.9)	9.7	(0.7)	(0.7)	(0.0)	0.0	0.1	
Other/ Elimination	(29.4)	0.5	(4.2)	(31.2)	0.3	(4.3)	(1.8)	(0.1)	(0.1)	
Total	227.5	6.6	3.4	252.4	12.6	9.3	24.9	6.0	5.9	

# Consolidated Balance Sheets

Billion yen (Amounts less than 100 million yen are omitted.)

	Mar. 31, 2020	Sep. 30, 2020	Changes		Mar. 31, 2020	Sep. 30, 2020	Changes
Current Assets	242.1	253.8	11.7	Current Liabilities	156.7	182.6	25.8
				Noncurrent Liabilities	97.4	88.1	(9.3)
Noncurrent Assets	270.3	269.7	(0.5)	Equity	248.0	241.0	(7.0)
				Non-Controlling Interests	10.1	11.8	1.6
Total Assets	512.4	523.6	11.1	Total Liabilities and Net Assets	512.4	523.6	11.1
				Interest-bearing debt	134.0	138.6	4.5
				Equity ratio (%)	48.4	46.0	(2.4)

- ✓ Total assets at the end of the second quarter increased 11.1 billion yen from the end of the previous fiscal year, to 523.6 billion yen, reflecting an increase in current assets mainly due to the higher level of inventories as the result of a rise in metal prices.
- ✓ Interest-bearing debt at the end of the second quarter increased to 138.6 billion yen mainly because the Company accumulated cash and deposits to secure liquidity on hand.



# Consolidated Statements of Cash Flows

Billion yen (Amounts less than 100 million yen are omitted.)

	FY2019 H1	FY2020 H1	Changes
<b>Cash Flows from Operating Activities</b>	<b>21.8</b>	<b>23.3</b>	<b>1.4</b>
Profit before income taxes	12.4	8.7	(3.6)
Depreciation and amortization	9.2	9.4	0.1
Income taxes (paid) refund	(3.2)	(8.2)	(5.0)
Inventories	3.9	(23.6)	(27.5)
Other, net	(0.5)	37.0	37.5
<b>Cash Flows from Investing Activities</b>	<b>(21.7)</b>	<b>(16.8)</b>	<b>4.9</b>
Acquisition of property, plant and equipment	(15.1)	(16.0)	(0.8)
Other investments	(6.6)	(0.8)	5.8
<b>Cash Flows from Financing Activities</b>	<b>6.0</b>	<b>(0.4)</b>	<b>(6.5)</b>
<b>Total</b>	<b>6.1</b>	<b>6.0</b>	<b>(0.1)</b>

# FY2020 Full-year Forecasts

Billion yen (Amounts less than 100 million yen are omitted.)

	FY2019 Results	FY2020 Forecasts	Changes	
Net Sales	485.1	563.6	78.4	16%
Operating Income	25.9	31.3	5.3	21%
Ordinary Income	28.9	29.0	0.0	0%
Profit attributable to owners of parent	17.3	12.0	(5.3)	(31%)

- ✓ With respect to full-year consolidated forecasts for fiscal 2020 that had been left undecided, the Company completed calculations as indicated above based on the first half results as well as information and predictions currently available, among other factors.

# Year-on-Year Comparison by Segment (Full year)

Billion yen (Amounts less than 100 million yen are omitted.)

	FY2019 Results			FY2020 Forecasts			Changes		
	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income
Environmental Management & Recycling	112.1	7.2	6.9	116.1	7.5	7.1	3.9	0.2	0.1
Nonferrous Metals	227.2	10.0	12.2	263.6	16.8	20.9	36.3	6.7	8.6
Electronics Materials	98.2	1.0	2.4	153.3	2.2	3.2	55.0	1.1	0.7
Metal Processing	82.3	5.1	5.1	75.5	3.2	3.6	(6.8)	(1.9)	(1.5)
Heat Treatment	27.9	1.2	1.2	24.8	0.7	0.6	(3.1)	(0.5)	(0.6)
Other/ Elimination	(62.8)	1.3	1.0	(69.6)	0.9	(6.3)	(6.8)	(0.4)	(7.4)
Total	485.1	25.9	28.9	563.6	31.3	29.0	78.4	5.3	0.0

# Year-on-Year Comparison by Segment (H2)

Billion yen (Amounts less than 100 million yen are omitted.)

	FY2019 H2 Results			FY2020 H2 Forecasts			Changes		
	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income
Environmental Management & Recycling	58.6	3.7	3.7	59.5	3.8	3.6	0.9	0.0	(0.0)
Nonferrous Metals	119.4	6.5	7.5	139.5	9.0	12.2	20.0	2.4	4.7
Electronics Materials	54.4	0.3	1.1	90.9	1.2	1.5	36.5	0.8	0.3
Metal Processing	40.8	2.6	2.6	44.4	2.6	2.9	3.5	(0.0)	0.2
Heat Treatment	13.9	0.6	0.6	15.0	1.4	1.3	1.1	0.8	0.6
Other/ Elimination	(32.9)	0.8	0.7	(38.4)	0.5	(2.0)	(5.4)	(0.2)	(2.8)
Total	254.3	14.8	16.5	311.1	18.6	19.6	56.7	3.8	3.1

# Comparison with H1 Results by Segment (H2)

Billion yen (Amounts less than 100 million yen are omitted.)

	FY2020 H1 Results			FY2020 H2 Forecasts			Changes			Details of Changes to Ordinary Income
	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	
Environmental Management & Recycling	56.5	3.6	3.4	59.5	3.8	3.6	2.9	0.1	0.2	
Nonferrous Metals	124.0	7.7	8.6	139.5	9.0	12.2	15.5	1.3	3.6	<ul style="list-style-type: none"> <li>• Rise in metal prices</li> <li>• Decrease in the volume of PGM recovered</li> <li>• Improvement of the business performance of overseas zinc mines</li> </ul>
Electronics Materials	62.3	0.9	1.6	90.9	1.2	1.5	28.5	0.2	(0.0)	
Metal Processing	31.0	0.5	0.6	44.4	2.6	2.9	13.3	2.0	2.2	• Recovery of demand for automobile-related products and services
Heat Treatment	9.7	(0.7)	(0.7)	15.0	1.4	1.3	5.3	2.1	2.1	• Recovery of demand for automobile-related products and services
Other/ Elimination	(31.2)	0.3	(4.3)	(38.4)	0.5	(2.0)	(7.1)	0.2	2.2	• Improvement of the business performance of equity method affiliates
Total	252.4	12.6	9.3	311.1	18.6	19.6	58.6	6.0	10.3	

# Assumptions and Sensitivities (FY2020 H2)

## Sensitivity (Operating Income / H2)

Million yen

	Assumptions	Fluctuation	Sensitivity
Exchange rate	105.0 ¥/\$	±1 ¥/\$	<b>260</b>
Copper	6,500 \$/t	±100 \$/t	<b>22</b>
Zinc	2,400 \$/t	±100 \$/t	<b>240</b>
Indium	160 \$/kg	±10 \$/kg	<b>30</b>

\* Exchange rate sensitivity; Nonferrous Metals 230 million yen and Electronics Materials 30 million yen.

## Exchange Rate and Metal Prices

	FY2019			FY2020				(Ref.)
	H1 averages	H2 averages	Full year averages	Assumptions for H1	H1 averages	Assumptions for H2	Full year averages	Oct. 2020 averages
Exchange rate: (¥/\$)	108.6	108.8	108.7	107.3	106.9	105.0	106.0	105.3
Copper: (\$/t)	5,956	5,763	5,860	5,821	5,931	6,500	6,216	6,703
Zinc: (\$/t)	2,554	2,256	2,405	2,030	2,150	2,400	2,275	2,442
Indium: (\$/kg)	164	149	156	143	147	160	154	171

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.

# Investments

Billion yen (Amounts less than 100 million yen are omitted.)

	FY2017			FY2018			FY2019			FY2020 H1 Results			FY2020 Full-year		
	Capital investment & loan	R&D investment	Total	Capital investment & loan	R&D investment	Total	Capital investment & loan	R&D investment	Total	Capital investment & loan	R&D investment	Total	Capital investment & loan	R&D investment	Total
Environmental Management & Recycling	8.2	0.4	8.6	6.6	0.3	7.0	20.6	0.3	21.0	8.2	0.2	8.4	13.8	0.4	14.2
Nonferrous Metals	12.3	1.2	13.6	26.4	1.3	27.7	7.4	0.9	8.3	4.0	0.2	4.2	7.6	0.6	8.3
Electronics Materials	4.6	3.4	8.1	3.8	3.9	7.7	2.8	4.3	7.2	2.1	2.0	4.1	5.7	4.2	10.0
Metal Processing	3.6	0.5	4.2	5.9	0.7	6.7	6.2	0.6	6.8	2.2	0.3	2.5	3.9	0.7	4.6
Heat Treatment	4.9	0.3	5.3	5.4	0.2	5.6	4.3	0.1	4.5	0.8	0.1	0.9	1.3	0.2	1.6
Companywide, Other	0.8	0.0	0.9	1.0	(0.1)	0.8	1.1	(0.1)	1.0	0.5	0.0	0.6	2.5	(0.1)	2.4
Total	34.8	6.1	40.9	49.3	6.3	55.7	42.6	6.3	49.0	18.0	2.9	21.0	35.1	6.2	41.4

## (Ref.) Depreciation Expenses

	FY2017	FY2018	FY2019	FY2020 H1	FY2020 Full-year
Environmental Management & Recycling	4.3	5.3	5.4	2.6	6.0
Nonferrous Metals	4.6	4.1	4.2	2.1	4.6
Electronics Materials	2.7	2.8	3.1	1.2	2.9
Metal Processing	2.4	2.7	3.0	1.4	3.2
Heat Treatment	2.0	2.3	2.5	1.3	2.6
Companywide, Other	1.0	1.1	0.8	0.3	0.7
Total	17.2	18.6	19.2	9.1	20.3

## Major investments in FY2020

Environmental Management & Recycling:

Construction of landfill sites (Japan)

Nonferrous Metals:

Enhancement of impurity removal capability

Electronics Materials:

Construction of manufacturing facilities of near infrared LED

Metal Processing:

Expansion of manufacturing facilities of copper rolled products

Heat Treatment:

Expansion of heat treatment and processing facilities

# Ref. Historical Data

## ■ Consolidated financial data

Billion yen (Amounts less than 100 million yen are omitted.)

		FY2018					FY2019					FY2020				
		1Q	2Q	3Q	4Q	Full year	1Q	2Q	3Q	4Q	Full year	1Q	2Q	3Q	4Q	Full year
Total	Net Sales	115.1	106.6	114.5	116.5	452.9	116.2	114.5	121.9	132.3	485.1	115.4	137.0	-	-	-
	Operating Income	6.9	2.4	3.4	5.8	18.6	6.8	4.1	6.5	8.3	25.9	4.9	7.6	-	-	-
	Ordinary Income	8.5	4.2	4.0	7.3	24.3	7.6	4.7	7.9	8.5	28.9	3.3	5.9	-	-	-
	Profit attributable to owners of parent	6.0	2.8	1.7	4.2	14.9	4.8	3.0	5.5	3.9	17.3	0.1	1.4	-	-	-
Environmental Management & Recycling	Net Sales	26.3	24.8	25.2	27.8	104.4	25.8	27.6	28.2	30.3	112.1	27.7	28.7	-	-	-
	Operating Income	1.7	1.0	1.6	1.2	5.6	1.8	1.5	1.6	2.1	7.2	1.8	1.8	-	-	-
	Ordinary Income	1.9	1.3	1.6	1.3	6.2	1.5	1.5	1.8	1.8	6.9	2.1	1.2	-	-	-
Nonferrous Metals	Net Sales	58.7	50.6	54.8	57.5	221.6	58.1	49.7	56.8	62.6	227.2	60.4	63.5	-	-	-
	Operating Income	1.6	(1.4)	(1.6)	2.0	0.5	2.7	0.6	2.6	3.9	10.0	3.4	4.2	-	-	-
	Ordinary Income	2.8	(0.1)	(1.1)	3.1	4.6	3.5	1.1	3.5	3.9	12.2	3.3	5.2	-	-	-
Electronics Materials	Net Sales	17.7	15.5	17.0	14.6	64.9	19.3	24.4	26.9	27.5	98.2	23.8	38.5	-	-	-
	Operating Income	1.1	0.4	0.3	0.2	2.1	0.2	0.3	0.2	0.1	1.0	0.6	0.2	-	-	-
	Ordinary Income	1.3	0.7	0.4	0.4	3.1	0.5	0.6	0.6	0.5	2.4	1.0	0.6	-	-	-
Metal Processing	Net Sales	23.0	22.9	23.3	22.6	92.0	21.1	20.3	20.3	20.4	82.3	14.9	16.1	-	-	-
	Operating Income	1.6	1.4	1.9	1.2	6.2	1.5	0.9	1.2	1.4	5.1	(0.4)	1.0	-	-	-
	Ordinary Income	1.7	1.4	1.9	1.2	6.4	1.5	0.9	1.2	1.4	5.1	(0.3)	1.0	-	-	-
Heat Treatment	Net Sales	6.3	7.2	7.9	8.0	29.7	6.7	7.2	6.9	7.0	27.9	3.9	5.7	-	-	-
	Operating Income	0.4	0.7	0.7	0.4	2.4	0.2	0.3	0.3	0.2	1.2	(0.9)	0.2	-	-	-
	Ordinary Income	0.5	0.7	0.8	0.4	2.5	0.2	0.3	0.3	0.3	1.2	(1.0)	0.3	-	-	-
Other/ Elimination	Net Sales	(17.1)	(14.5)	(13.9)	(14.2)	(59.9)	(15.0)	(14.8)	(17.4)	(15.5)	(62.8)	(15.5)	(15.6)	-	-	-
	Operating Income	0.2	0.1	0.3	0.6	1.4	0.2	0.2	0.3	0.5	1.3	0.2	0.0	-	-	-
	Ordinary Income	0.1	0.0	0.3	0.7	1.2	0.1	0.1	0.3	0.4	1.0	(1.7)	(2.5)	-	-	-

## ■ Exchange rate and Metal prices

	FY2018 (average)					FY2019 (average)					FY2020 (average)				
	1Q	2Q	3Q	4Q	Full year	1Q	2Q	3Q	4Q	Full year	1Q	2Q	3Q	4Q	Full year
Exchange Rate: (¥/\$)	109.1	111.5	112.9	110.2	110.9	109.9	107.4	108.8	108.9	108.7	107.6	106.2	-	-	-
Copper: (\$/t)	6,872	6,103	6,168	6,220	6,341	6,114	5,798	5,888	5,638	5,860	5,341	6,521	-	-	-
Zinc: (\$/t)	3,114	2,534	2,630	2,704	2,746	2,763	2,345	2,384	2,128	2,405	1,959	2,340	-	-	-
Indium: (\$/kg)	307	266	233	210	254	173	155	150	148	156	146	148	-	-	-



# DOWA

\* Forward-looking statements made in this document, such as business forecast, 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.