



Fiscal 2015 Third Quarter Supplementary Information

February 5, 2016

DOWA HOLDINGS CO.,LTD.

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

Overview of Operating Results

■ Consolidated Income Statements

Billion yen

	FY2014 Results		FY2015		Change			
	3Q	Full Year	3Q Results	Full Year Forecasts	H1		Full Year	
Net Sales	345.6	464.2	310.6	410.0	*(35.0)	-10%	*(54.2)	-12%
Operating Income	27.4	39.0	28.1	35.5	0.6	2%	(3.5)	-9%
Ordinary Income	30.6	42.0	28.2	35.0	(2.4)	-8%	(7.0)	-17%
Net Income	20.4	26.5	16.9	21.0	(3.4)	-17%	(5.5)	-21%

*The decline in net sales was due to the effect of shifting part of transactions of silver power to contracted processing not containing silver metal prices.

■ Exchange Rate and Metal Prices

	FY2014		FY2015			
	1Q-3Q average	Full Year average	1Q-3Q average	3Q average	Assumption for 4Q	H2 average
Exchange Rate: (¥/\$)	106.9	109.9	121.7	121.5	120.0	120.8
Copper: (\$/t)	6,800	6,554	5,397	4,887	4,500	4,693
Zinc: (\$/t)	2,206	2,175	1,883	1,611	1,500	1,555
Indium: (\$/kg)	685	650	324	236	230	233

Trends in Major Products

Indexes (100 for Q1 of FY2014)

		FY2014				FY2015		
		1Q	2Q	3Q	4Q	1Q	2Q	3Q
Environmental Management & Recycling	Intermediate waste processing volume in Japan	100	86	100	96	104	96	100
	Recycling materials collection volume (Kosaka)	100	90	86	65	81	76	81
	Waste processing amount in South East Asia	100	95	88	96	82	91	75
Nonferrous Metals	Copper production (Kosaka, Onahama)	100	97	87	101	101	96	84
	Zinc production (Akita)	100	65	91	97	96	71	99
Electronic Materials	LED sales volume	100	82	91	97	96	104	74
	Silver powder sales volume	100	91	79	83	101	103	115
Metal Processing	Copper alloy strip products sales volume	100	94	98	93	93	91	96
Heat Treatment	Heat treatment processing volume	100	104	104	103	102	104	106

Consolidated Results by Segment (3rd Quarter)

Billion Yen

	FY2014 3Q Results			FY2015 3Q Results			Change		
	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income
Environmental Management & Recycling	75.8	5.0	6.0	73.2	4.4	3.9	(2.6)	(0.6)	(2.1)
Nonferrous Metals	174.6	8.7	10.9	166.2	11.3	12.1	(8.4)	2.5	1.2
Electronic Materials	61.6	6.7	7.4	37.1	6.8	7.1	(24.5)	0.1	(0.2)
Metal Processing	65.4	4.6	4.8	59.4	3.9	4.0	(5.9)	(0.6)	(0.8)
Heat Treatment	20.1	1.6	1.6	18.1	0.8	0.7	(1.9)	(0.7)	(0.8)
Other/ Elimination	(52.1)	0.6	(0.2)	(43.7)	0.6	0.1	8.3	0.0	0.4
Total	345.6	27.4	30.6	310.6	28.1	28.2	(35.0)	0.6	(2.4)

Factor Analysis of Ordinary Income (3rd Quarter)

Billion yen

FY2014 3Q – FY2015 3Q	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Other	Total
Effect of various measures, increase/decrease in sales, etc.	(0.4)	(0.1)	(0.1)	(0.7)	(0.7)	0.0	(1.8)
Of the above, free metal income difference (volume difference)	–	0.1	–	–	–	–	0.1
Free metal income difference (price difference)	–	(1.6)	–	–	–	–	(1.6)
Conditions of raw material (changes in exchange rate and base conditions)	–	2.4	–	–	–	–	2.4
Difference between the market value and book value at sale, and between market value and valuation prices at end of period	–	0.7	–	–	–	–	0.7
Electricity charges, etc.	–	0.7	–	–	–	–	0.7
Depreciation	(0.3)	0.4	0.2	0.1	(0.1)	0.0	0.2
Increase/decrease in operating income	(0.6)	2.5	0.1	(0.6)	(0.7)	0.0	0.6
Effect of non-operating income/expenses							
- Equity method income or loss	(0.3)	(1.3)	(0.0)	(0.0)	–	(0.1)	(1.8)
- Other	(1.2)	0.0	(0.4)	(0.1)	(0.1)	0.5	(1.1)
Increase/decrease in ordinary income	(2.1)	1.2	(0.2)	(0.8)	(0.8)	0.4	(2.4)

(Ref.) Consolidated Income Statements

	Million yen								
	Previous Term (FY2014)			Current Term (FY2015)			Change		
	H1	3Q	Total	H1	3Q	Total	H1	3Q	Total
Net Sales	223,640	122,030	345,670	208,272	102,353	310,626	△ 15,368	△ 19,676	△ 35,044
Cost of Sales	190,844	102,617	293,462	171,021	85,842	256,863	△ 19,823	△ 16,775	△ 36,598
Gross Profit	32,795	19,412	52,208	37,251	16,510	53,762	4,455	△ 2,901	1,554
Selling, General, and Administrative Expenses, R&D Expenses	15,983	8,763	24,747	17,000	8,648	25,648	1,016	△ 114	901
Operating Income	16,812	10,649	27,461	20,251	7,862	28,113	3,439	△ 2,786	652
Other Income	3,050	2,176	5,227	1,923	842	2,766	△ 1,127	△ 1,334	△ 2,461
Interest and dividend income	(419)	(323)	(743)	(486)	(385)	(871)	(66)	(61)	(128)
Equity in earnings of affiliates	(1,053)	(415)	(1,468)	(316)	(△ 316)	(-)	(△ 736)	(△ 731)	(△ 1,468)
Other income	(1,577)	(1,437)	(3,015)	(1,120)	(773)	(1,894)	(△ 457)	(△ 663)	(△ 1,121)
Other Expenses	1,370	677	2,048	1,567	1,080	2,647	197	402	599
Interest expenses	(588)	(290)	(879)	(458)	(229)	(687)	(△ 130)	(△ 61)	(△ 191)
Equity in losses of affiliates	(-)	(-)	(-)	(-)	(418)	(418)	(-)	(418)	(418)
Other expenses	(781)	(387)	(1,168)	(1,109)	(432)	(1,541)	(327)	(45)	(372)
Ordinary Income	18,492	12,147	30,640	20,607	7,624	28,232	2,114	△ 4,523	△ 2,408
Extraordinary income	125	9	134	189	204	393	63	195	259
Gain on sales of noncurrent assets	(17)	(6)	(23)	(38)	(△ 21)	(16)	(20)	(△ 27)	(△ 7)
Gain on sale of investment securities	(87)	(-)	(87)	(79)	(-)	(79)	(△ 7)	(-)	(△ 7)
Insurance income	(-)	(-)	(-)	(48)	(△ 2)	(45)	(48)	(△ 2)	(45)
Other	(20)	(3)	(23)	(23)	(229)	(252)	(2)	(226)	(228)
Extraordinary loss	429	78	507	2,339	195	2,534	1,909	117	2,026
Loss on retirement of noncurrent assets	(130)	(77)	(208)	(252)	(219)	(471)	(121)	(141)	(262)
Loss on valuation of investment securities	(-)	(-)	(-)	(1,680)	(△ 2)	(1,678)	(1,680)	(△ 2)	(1,678)
Impairment loss	(44)	(-)	(44)	(45)	(-)	(45)	(-)	(-)	(-)
Loss on disaster	(226)	(△ 11)	(214)	(30)	(△ 14)	(16)	(△ 195)	(△ 2)	(△ 197)
Other	(27)	(12)	(40)	(330)	(△ 7)	(323)	(302)	(△ 19)	(282)
Income Before Income Taxes	18,188	12,079	30,267	18,457	7,634	26,091	268	△ 4,445	△ 4,176
Total income Taxes	5,999	3,639	9,638	6,217	2,785	9,003	218	△ 853	△ 635
Profit attributable to non-controlling interests	△ 10	198	188	178	△ 77	101	189	△ 276	△ 86
Profit attributable to owners of patent	12,199	8,241	20,440	12,061	4,926	16,987	△ 138	△ 3,315	△ 3,453
Depreciation	7,275	3,741	11,017	7,268	3,888	11,156	△ 7	146	139

(Ref.) Consolidated Balance Sheets

Million yen

Accounts	March 31, 2015	December 31, 2015	Change	Accounts	March 31, 2015	December 31, 2015	Change
Assets				Liabilities			
Current Assets	180,215	175,918	(4,296)	Current Liabilities	118,817	110,002	(8,815)
Cash and deposits	8,517	9,505	987	Notes and accounts payable-trade	31,041	26,059	(4,982)
Notes and accounts receivable-trade	73,126	64,517	(8,609)	Short-term loans payable	30,459	38,519	8,059
Inventories	81,597	79,277	(2,319)	Commercial papers	18,000	24,000	6,000
Deferred tax assets	5,248	2,917	(2,331)	Current portion of bonds			
Other	11,888	19,831	7,942	Income taxes payable	8,623	2,083	(6,539)
Allowance for doubtful accounts	(163)	(129)	34	Ingot leasing liabilities	4,910	592	(4,318)
				Other	25,782	18,748	(7,034)
Noncurrent Assets	198,978	202,421	3,443	Noncurrent Liabilities	64,725	62,739	(1,986)
Property, plant and equipment	107,675	111,722	4,047	Bonds payable	10,000	10,000	
Intangible assets	10,990	10,451	(538)	Long-term loans payable	28,208	25,112	(3,096)
Investment securities	70,764	71,238	474	Net defined benefit liability	14,508	15,042	533
Deferred tax assets	3,372	3,240	(131)	Deferred tax liabilities	4,420	4,592	172
Other	6,310	5,897	(412)	Other	7,588	7,992	403
Allowance for doubtful accounts	(134)	(129)	4	Total Liabilities	183,543	172,742	(10,801)
				Net Assets			
				Shareholders' Equity	165,731	177,372	11,640
				Capital stock	36,437	36,437	
				Capital surplus	26,362	26,426	64
				Retained earnings	108,630	120,208	11,578
				Treasury stock	(5,699)	(5,700)	(1)
				Accumulated Other Comprehensive Income	21,390	19,535	(1,854)
				Valuation difference on available-for-sale securities	15,801	15,307	(494)
				Deferred gains or losses on hedges	(197)	500	698
				Foreign currency translation adjustment	6,167	3,996	(2,171)
				Retirement benefit adjustment	(381)	(268)	112
				Non-controlling interests	8,528	8,690	162
				Total Net Assets	195,649	205,598	9,948
Total Assets	379,193	378,340	(852)	Total Liabilities and Net Assets	379,193	378,340	(852)
				Interest-bearing debt	86,668	97,631	10,963
				Equity ratio	49.3%	52.0%	2.7%
				ROA	11.4%	9.9%	-1.5%

(Ref.) Consolidated Statements of Cash Flows

Million yen

	FY2014 3Q	FY2015 3Q	Change		FY2014 3Q	FY2015 3Q	Change
I. Cash Flows from Operating Activities				II. Cash Flows from Investing Activities			
Income before income taxes and minority interests	30,267	26,091	(4,176)	Acquisition of property, plant and equipment	(11,907)	(16,200)	(4,292)
Adjustments (non-cash)				Sale and acquisition of securities	(4,316)	(3,424)	891
Depreciation	11,655	11,582	(72)	Change in loans	143	(296)	(440)
Equity in (earnings) losses of affiliates	(1,468)	418	1,886	Proceeds from disposal and sale of noncurrent assets	39	108	69
Change of business, impairment loss	44	45	0	Other, net	(124)	(834)	(710)
(Gain) loss due to sale or disposal of securities, property, plant and equipment	(87)	375	462	Net cash used in investing activities	(16,165)	(20,648)	(4,482)
Loss on valuation of investment securities		1,678	1,678	III. Cash Flows from Financing Activities			
Increase in allowance for doubtful accounts	(1,238)	(1,134)	103	Change in borrowings and corporate bonds	8,614	11,164	2,549
Interest income and expenses and dividends	1,397	57	(1,340)	Purchases of treasury stock and issuance of common stock	396	318	(78)
Income taxes paid	(14,021)	(16,146)	(2,125)	Cash dividends paid	(4,652)	(5,555)	(903)
Other, net	2,906	(589)	(3,495)	Other, net	116	(358)	(474)
Total for profit/loss items	29,457	22,379	(7,077)	Net cash used in financing activities	4,475	5,568	1,092
Increase/decrease in assets/liabilities				Effect of Exchange Rate Changes on Cash and Cash Equivalents	406	(81)	(488)
Increase/decrease in trade receivable/payable	(5,971)	3,837	9,808	Net Increase (Decrease) in Cash and Cash Equivalents	3,302	997	(2,304)
Increase/decrease in inventories	(12,926)	2,493	15,420	Cash and Cash Equivalents of Newly Consolidated Subsidiaries	450		(450)
Other, net	4,026	(12,550)	(16,577)	Cash and Cash Equivalents at Beginning of Term	5,823	8,044	2,221
Total for balance sheet items	(14,871)	(6,220)	8,651	Cash and Cash Equivalents at End of Term	9,576	9,042	(533)
Net cash provided by operating activities	14,585	16,159	1,573				
Free cash flow	(1,580)	(4,489)	(2,908)	(For reference)			
				Balance of interest-bearing debt	108,571	97,631	(10,939)

Forecasts for Fiscal 2015

Billion Yen

	FY2014 results (A)	FY2015 Forecasts			Changes (C - A)
		Previous (Nov. 6, 2015) (B)	Revised (Feb. 5, 2016) (C)	Changes (C - B)	
Net Sales	464.2	418.0	410.0	(8.0)	(54.2)
Operating Income	39.0	38.5	35.5	(3.0)	(3.5)
Ordinary Income	42.0	38.5	35.0	(3.5)	(7.0)
Net Income	26.5	22.5	21.0	(1.5)	(5.5)

Taking into consideration additional downward pressure on overall metal prices and the decline in demand for applications in multifunctional portable devices and others due to weakening economic growth in China, Southeast Asia and elsewhere, the Group has revised down its business forecasts announced on November 6, 2015 and expects full-year operating income to be 35.5 billion.

Fiscal 2015 Assumptions and Sensitivities

Sensitivity (Operating Income / 4Q)			Million yen
	Assumptions	Fluctuation	Sensitivity
¥/\$	120.0 ¥/\$	±¥1/\$	75
Copper	4,500 \$/t	±100 \$/t	7.5
Zinc	1,500 \$/t	±100 \$/t	100
Indium	230 \$/kg	±100 \$/kg	150

*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.

■ Exchange rate and metal prices

	FY2014		FY2015			(ref.)
	1Q - 3Q average	Full Year	1Q - 3Q average	Assumption for 4Q	Assumption for Full year	January average
Exchange Rate: (¥/\$)	106.9	109.9	121.7	120.0	121.3	118.3
Copper: (\$/t)	6,800	6,554	5,397	4,500	5,173	4,463
Zinc: (\$/t)	2,206	2,175	1,883	1,500	1,787	1,512
Indium: (\$/kg)	685	650	324	230	301	230

FY2015 Forecasts Comparison by Segment

Billion yen

	FY2015 Previous Forecasts (Nov. 6, 2015)			FY2015 Revised Forecasts (Feb. 5, 2016)			Change		
	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income
Environmental Management & Recycling	100.0	7.0	7.0	98.0	6.5	6.0	(2.0)	(0.5)	(1.0)
Nonferrous Metals	220.0	14.3	14.1	216.0	13.3	13.1	(4.0)	(1.0)	(1.0)
Electronic Materials	48.0	8.5	9.0	46.0	8.0	8.3	(2.0)	(0.5)	(0.7)
Metal Processing	81.0	5.1	5.5	79.0	5.0	5.3	(2.0)	(0.1)	(0.2)
Heat Treatment	26.0	2.1	2.0	25.0	1.7	1.7	(1.0)	(0.4)	(0.3)
Other/ Elimination	(57.0)	1.5	0.9	(54.0)	1.0	0.6	3.0	(0.5)	(0.3)
Total	418.0	38.5	38.5	410.0	35.5	35.0	(8.0)	(3.0)	(3.5)

Year on Year Comparison by Segment

Billion yen

	FY2014 results			FY2015 Revised Forecasts (Feb. 5, 2016)			Change		
	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income
Environmental Management & Recycling	103.8	7.3	8.2	98.0	6.5	6.0	(5.8)	(0.8)	(2.2)
Nonferrous Metals	238.5	13.5	15.4	216.0	13.3	13.1	(22.5)	(0.2)	(2.3)
Electronic Materials	73.6	8.8	9.6	46.0	8.0	8.3	(27.6)	(0.8)	(1.3)
Metal Processing	87.6	5.8	6.1	79.0	5.0	5.3	(8.6)	(0.8)	(0.8)
Heat Treatment	27.3	2.3	2.2	25.0	1.7	1.7	(2.3)	(0.6)	(0.5)
Other/ Elimination	(66.8)	1.2	0.3	(54.0)	1.0	0.6	12.8	(0.2)	0.2
Total	464.2	39.0	42.0	410.0	35.5	35.0	(54.2)	(3.5)	(7.0)