



Fiscal 2015 First Half Supplementary Information

November 6, 2015

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.

Highlights of Income Statements

■ Consolidated Income Statements

Billion yen

	FY2014 Results		FY2015		Change			
	H1	Full Year	H1 Results	Full Year Forecasts	H1		Full Year	
Net Sales	223.6	464.2	208.2	418.0	*(15.3)	-7%	*(46.2)	-10%
Operating Income	16.8	39.0	20.2	38.5	3.4	20%	(0.5)	-2%
Ordinary Income	18.4	42.0	20.6	38.5	2.1	11%	(3.5)	-8%
Net Income	12.1	26.5	12.0	22.5	(0.1)	-1%	(4.0)	-15%

*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.

- Operating income increased 20% year on year in the first half of FY2015.
- Income increased overall as a result of the expansion of treatment of low-contaminated PCB waste in the Environmental Management & Recycling segment, the sales expansion of products for smartphones and new forms of energy in the Electronic Materials segment and the effect of the weaker yen in the Nonferrous Metals segment.

On the other hand, income declined in the Metal Processing segment and the Heat Treatment segment mainly because of the effect of automobile production adjustment in Japan and Asia.

Business Environment

■ Market situation

- Environmental Management & Recycling-related market: Industrial waste emissions remained flat in Japan, the volume of oil drilling sludge declined in Southeast Asia.
- Automotive-related market: Domestic production continued to decline year on year. Production remained relatively firm in North America and India, although production in Asia generally declined year on year.
- Electronic Materials and Semiconductor-related market: The markets for personal computers and TVs continued to be weak, demand for products related to smartphones and new forms of energy steadily increased.

■ Metal prices and foreign exchange rates

- Metal prices: Generally, a downward trend continued against the backdrop of concerns about declining demand and the stronger dollar.
- Foreign exchange rates: The yen stayed at the 120JPY/USD level, weaker than in the same period of the previous fiscal year.

	FY2014 Average			FY2015		
	H1	H2	Full Year	H1 average	Assumption for H2	Assumption for Full Year
Exchange Rate: (¥/\$)	103.0	116.8	109.9	121.8	120.0	120.9
Copper: (\$/t)	6,890	6,218	6,554	5,653	5,000	5,326
Zinc: (\$/t)	2,192	2,158	2,175	2,019	1,800	1,910
Indium: (\$/kg)	692	608	650	369	300	334

Trends in Major Products

Indexes (100 for Q1 of FY2014)

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

Year-on-Year Comparison by Segment

Billion Yen

	FY2014 H1 Results			FY2015 H1 Results			Change			Details of Changes to Operating Income
	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	
Environmental Management & Recycling	49.4	3.1	3.7	49.7	3.2	3.0	0.2	0.1	(0.6)	<ul style="list-style-type: none"> - Increase in the volume of low-contaminated PCB waste - Decline in income in recycling due to a fall in the volume of waste home electrical appliances and a fall in precious metal prices
Nonferrous Metals	110.7	4.6	5.7	110.4	8.6	9.4	(0.3)	3.9	3.7	<ul style="list-style-type: none"> - Smelter operations remained steady. - There was an income leverage effect due to the weaker yen. - Decline in costs due to falling electricity charges
Electronic Materials	41.2	4.5	4.8	25.1	4.7	4.9	(16.1)	0.2	0.0	- Firm sales of LEDs and silver powder
Metal Processing	42.6	2.9	3.1	40.3	2.6	2.7	(2.3)	(0.3)	(0.3)	<ul style="list-style-type: none"> - Decline in sales of automotive terminals and connector materials affected by automobile production adjustment in Japan and Asia. - Fall in sales of meta-ceramic substrates used in industrial machinery
Heat Treatment	13.4	1.1	1.1	12.4	0.6	0.5	(0.9)	(0.5)	(0.6)	- Decline in sales of industrial furnaces mainly due to delay in projects overseas
Other/ Elimination	(33.8)	0.3	(0.1)	(29.7)	0.3	(0.1)	4.1	0.0	0.0	
Total	223.6	16.8	18.4	208.2	20.2	20.6	(15.3)	3.4	2.1	

Factor Analysis of Ordinary Income

Billion yen

FY2014 H1 – FY2015 H1	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Other	Total
Effect of various measures, increase/decrease in sales, etc.	0.4	0.5	0.1	(0.4)	(0.5)	0.0	0.1
Of the above, free metal income difference (volume difference)	–	0.5	–	–	–	–	0.5
Free metal income difference (price difference)	–	(0.2)	–	–	–	–	(0.2)
Conditions of raw material (changes in exchange rate and base conditions)	–	1.8	–	–	–	–	1.8
Difference between the market value and book value at sale, and between market value and valuation prices at end of period	–	1.1	–	–	–	–	1.1
Electricity charges, etc.	–	0.3	–	–	–	–	0.3
Depreciation	(0.3)	0.3	0.1	0.1	(0.1)	0.0	0.1
Increase/decrease in operating income	0.1	3.9	0.2	(0.3)	(0.5)	0.0	3.4
Effect of non-operating income/expenses							
- Equity method income or loss	(0.2)	(0.0)	(0.0)	(0.0)	–	(0.3)	(0.7)
- Other	(0.5)	(0.2)	(0.2)	(0.0)	(0.1)	0.3	(0.5)
Increase/decrease in ordinary income	(0.6)	3.7	0.0	(0.3)	(0.6)	0.0	2.1

Financial Highlights (1)

■ Consolidated Balance Sheets

Billion yen

	March 31, 2015	Sep. 30, 2015	Change		March 31, 2015	Sep. 30, 2015	Change
Current Assets	180.2	187.2	6.9	Current Liabilities	118.8	121.0	2.2
				Noncurrent Liabilities	64.7	64.6	(0.1)
Noncurrent Assets	198.9	200.3	1.3	Non-Controlling Interests	8.5	8.8	0.2
				Equity	187.1	193.1	6.0
Total Assets	379.1	387.5	8.3	Total Liabilities and Net Assets	379.1	387.5	8.3

- Total assets increased, reflecting a temporally increase in the amount of unprocessed ore in the Nonferrous Metals segment.
- Interest-bearing debt rose from 86.6 billion yen in the previous fiscal year to 104.5 billion yen. This increase was largely due to an payment for the unprocessed ore, funds to pay taxes and the payment of dividends.
- The equity ratio rose to 49.8%, due to an increase in retained earnings.

Financial Highlights (2)

■ Consolidated Statements of Cash Flows

Billion Yen

	FY2014 H1	FY2015 H1	Change
Cash Flows from Operating Activities	5.0	(0.0)	(5.0)
Income before income taxes and minority interest	18.1	18.4	0.2
Depreciation	7.5	7.5	0.0
Income taxes paid	(9.2)	(10.5)	(1.2)
Other, net	(11.4)	(15.4)	(4.0)
Cash Flows from Investing Activities	(8.0)	(11.6)	(3.5)
Acquisition of property, plant and equipment	(8.1)	(9.1)	(0.9)
Other investments	0.0	(2.5)	(2.6)
Cash Flows from Financing Activities	4.2	12.0	7.8
Total	1.2	0.4	(0.7)

(Ref.) Consolidated Income Statements

Million yen

	Previous Term (FY2014)			Current Term (FY2015)			Change		
	1Q	2Q	H1	1Q	2Q	H1	1Q	2Q	H1
Net Sales	109,671	113,969	223,640	107,806	100,466	208,272	△ 1,865	△ 13,502	△ 15,368
Cost of Sales	92,268	98,576	190,844	87,721	83,300	171,021	△ 4,547	△ 15,276	△ 19,823
Gross Profit	17,403	15,392	32,795	20,084	17,166	37,251	2,681	1,773	4,455
Selling, General, and Administrative Expenses, R&D Expenses	8,004	7,979	15,983	8,508	8,491	17,000	504	512	1,016
Operating Income	9,398	7,413	16,812	11,576	8,674	20,251	2,177	1,261	3,439
Other Income	1,515	1,535	3,050	1,067	856	1,923	△ 447	△ 679	△ 1,127
Interest and dividend income	(370)	(49)	(419)	(428)	(57)	(486)	(58)	(8)	(66)
Equity in earnings of affiliates	(486)	(566)	(1,053)	(-)	(316)	(316)	(△ 486)	(△ 250)	(△ 736)
Other income	(658)	(919)	(1,577)	(639)	(481)	(1,120)	(△ 19)	(△ 438)	(△ 457)
Other Expenses	729	640	1,370	643	923	1,567	△ 86	283	197
Interest expenses	(297)	(291)	(588)	(209)	(248)	(458)	(△ 87)	(△ 42)	(△ 130)
Equity in losses of affiliates	(-)	(-)	(-)	(155)	(△ 155)	(-)	(155)	(△ 155)	(-)
Other expenses	(432)	(348)	(781)	(278)	(830)	(1,109)	(△ 154)	(481)	(327)
Ordinary Income	10,183	8,308	18,492	12,000	8,607	20,607	1,816	298	2,114
Extraordinary income	20	104	125	37	151	189	16	47	63
Gain on sales of noncurrent assets	(10)	(6)	(17)	(32)	(5)	(38)	(21)	(△ 1)	(20)
Gain on sale of investment securities	(-)	(87)	(87)	(-)	(79)	(79)	(-)	(△ 7)	(△ 7)
Compensation income	(3)	(-)	(3)	(-)	(-)	(-)	(△ 3)	(-)	(△ 3)
Insurance income	(-)	(-)	(-)	(-)	(48)	(48)	(-)	(48)	(48)
Other	(6)	(10)	(17)	(4)	(18)	(23)	(△ 2)	(8)	(5)
Extraordinary loss	45	383	429	1,715	623	2,339	1,669	239	1,909
Loss on retirement of noncurrent assets	(25)	(105)	(130)	(63)	(188)	(252)	(37)	(83)	(121)
Loss on valuation of investment securities	(-)	(-)	(-)	(1,624)	(55)	(1,680)	(1,624)	(55)	(1,680)
Impairment loss	(-)	(44)	(44)	(-)	(45)	(45)	(-)	(-)	(-)
Loss on disaster	(-)	(226)	(226)	(27)	(3)	(30)	(27)	(△ 222)	(△ 195)
Other	(20)	(7)	(27)	(-)	(330)	(330)	(△ 20)	(322)	(302)
Income Before Income Taxes	10,158	8,029	18,188	10,321	8,136	18,457	162	106	268
Total income Taxes	3,038	2,960	5,999	3,829	2,387	6,217	791	△ 573	218
Profit attributable to non-controlling interests	89	△ 99	△ 10	288	△ 109	178	199	△ 10	189
Profit attributable to owners of patent	7,030	5,168	12,199	6,203	5,857	12,061	△ 827	689	△ 138
Depreciation	3,543	3,732	7,684	3,571	3,696	7,268	28	△ 35	△ 416

(Ref.) Consolidated Balance Sheet

Million yen

Accounts	March 31, 2015	September 30, 2015	Change	Accounts	March 31, 2015	September 30, 2015	Change
Assets				Liabilities			
Current Assets	180,215	187,205	6,990	Current Liabilities	118,817	121,018	2,200
Cash and deposits	8,517	8,805	288	Notes and accounts payable-trade	31,041	27,932	(3,109)
Notes and accounts receivable-trade	73,126	66,578	(6,548)	Short-term loans payable	30,459	42,142	11,682
Inventories	81,597	90,257	8,659	Commercial papers	18,000	25,000	7,000
Deferred tax assets	5,248	3,610	(1,638)	Current portion of bonds			
Other	11,888	18,093	6,204	Income taxes payable	8,623	3,019	(5,603)
Allowance for doubtful accounts	(163)	(138)	25	Ingot leasing liabilities	4,910	2,242	(2,667)
				Other	25,782	20,681	(5,100)
Noncurrent Assets	198,978	200,377	1,398	Noncurrent Liabilities	64,725	64,600	(124)
Property, plant and equipment	107,675	110,349	2,673	Bonds payable	10,000	10,000	
Intangible assets	10,990	10,638	(351)	Long-term loans payable	28,208	27,381	(827)
Investment securities	70,764	70,274	(489)	Net defined benefit liability	14,508	14,931	423
Deferred tax assets	3,372	3,256	(115)	Deferred tax liabilities	4,420	4,372	(47)
Other	6,310	5,987	(323)	Other	7,588	7,915	326
Allowance for doubtful accounts	(134)	(129)	4	Total Liabilities	183,543	185,619	2,075
				Net Assets			
				Shareholders' Equity	165,731	172,446	6,715
				Capital stock	36,437	36,437	
				Capital surplus	26,362	26,426	64
				Retained earnings	108,630	115,282	6,652
				Treasury stock	(5,699)	(5,700)	(1)
				Accumulated Other Comprehensive Income	21,390	20,707	(683)
				Valuation difference on available-for-sale securities	15,801	14,871	(929)
				Deferred gains or losses on hedges	(197)	1,137	1,335
				Foreign currency translation adjustment	6,167	5,003	(1,164)
				Retirement benefit adjustment	(381)	(306)	75
				Non-controlling interests	8,528	8,810	281
				Total Net Assets	195,649	201,963	6,313
Total Assets	379,193	387,583	8,389	Total Liabilities and Net Assets	379,193	387,583	8,389
				Interest-bearing debt	86,668	104,523	17,855
				Cash and deposits	8,517	8,805	288
				Actual balance	78,151	95,718	17,567
				Equity ratio	49.3%	49.8%	0.5%
				ROA	11.4%	10.8%	-0.6%

(Ref.) Consolidated Statements of Cash Flows

Million yen

	FY2014 H1	FY2015 H1	Change		FY2014 H1	FY2015 H1	Change
I. Cash Flows from Operating Activities				II. Cash Flows from Investing Activities			
Income before income taxes and minority interests	18,188	18,457	268	Acquisition of property, plant and equipment	(8,155)	(9,142)	(986)
Adjustments (non-cash)				Sale and acquisition of securities	8	(1,369)	(1,378)
Depreciation	7,521	7,567	46	Change in loans	131	(295)	(426)
Equity in (earnings) losses of affiliates	(1,053)	(316)	736	Proceeds from disposal and sale of noncurrent assets	39	64	24
Change of business, impairment loss	44	45	0	Other, net	(103)	(927)	(824)
(Gain) loss due to sale or disposal of securities, property, plant and equipment	26	134	107	Net cash used in investing activities	(8,078)	(11,670)	(3,591)
Loss on valuation of investment securities		1,680	1,680	III. Cash Flows from Financing Activities			
Increase in allowance for doubtful accounts	166	297	130	Change in borrowings and corporate bonds	8,615	17,569	8,954
Interest income and expenses and dividends	67	30	(36)	Purchases of treasury stock and issuance of common stock	(2)	(1)	0
Income taxes paid	(9,265)	(10,550)	(1,284)	Cash dividends paid	(4,649)	(5,548)	(898)
Other, net	2,017	(709)	(2,726)	Other, net	313	76	(236)
Total for profit/loss items	17,713	16,636	(1,076)	Net cash used in financing activities	4,276	12,096	7,820
Increase/decrease in assets/liabilities				Effect of Exchange Rate Changes on Cash and Cash Equivalents	(53)	(114)	(60)
Increase/decrease in trade receivable/payable	(3,331)	3,782	7,113	Net Increase (Decrease) in Cash and Cash Equivalents	1,148	298	(850)
Increase/decrease in inventories	(15,241)	(8,421)	6,819	Cash and Cash Equivalents of Newly Consolidated Subsidiaries	450		(450)
Other, net	5,863	(12,011)	(17,875)	Cash and Cash Equivalents at Beginning of Term	5,823	8,044	2,221
Total for balance sheet items	(12,709)	(16,650)	(3,941)	Cash and Cash Equivalents at End of Term	7,422	8,342	920
Net cash provided by operating activities	5,004	(13)	(5,017)				
				(For reference)			
Free cash flow	(3,074)	(11,684)	(8,609)	Balance of interest-bearing debt	108,297	104,523	(3,773)

Forecasts for Fiscal 2015

Billion Yen

	FY2014 (A)	FY2015 Forecasts			Changes (C - A)
		Previous (B)	Revised (C)	Changes (C - B)	
Net Sales	464.2	445.0	418.0	△ 27.0	△ 46.2
Operating Income	39.0	42.5	38.5	△ 4.0	△ 0.5
Ordinary Income	42.0	42.5	38.5	△ 4.0	△ 3.5
Net Income	26.5	27.0	22.5	△ 4.5	△ 4.0

The revised forecasts operating income is at 38.5 billion, reflecting the generally decline of metal prices and uncertain demand prospects that backed by a slowdown in economy growth in China, Southeast Asia and others.

Fiscal 2015 Assumptions and Sensitivities (H2)

Sensitivity (Operating Income / year) Million yen

	Assumptions	Fluctuation	Sensitivity
¥/\$	120.0 ¥/\$	±¥1/\$	150
Copper	5,000 \$/t	±100 \$/t	15
Zinc	1,800 \$/t	±100 \$/t	200
Indium	300 \$/kg	±100 \$/kg	300

*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 Average		FY2015			(Ref.) Nearest
	H1	Full Year	Assumption for H1	H1 average	Assumption for H2	October average
Exchange Rate: (¥/\$)	103.0	109.9	115.0	121.8	120.0	120.1
Copper: (\$/t)	6,890	6,554	6,000	5,653	5,000	5,223
Zinc: (\$/t)	2,192	2,175	2,200	2,019	1,800	1,728
Indium: (\$/kg)	692	650	500	369	300	240

FY2015 Forecasts Comparison by Segment

Billion yen

	FY2015 Previous Forecasts			FY2015 Revised Forecasts			Change		
	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income
Environmental Management & Recycling	106.0	8.2	8.5	100.0	7.0	7.0	(5.3)	(1.1)	(1.5)
Nonferrous Metals	240.0	13.6	13.5	220.0	14.3	14.1	(19.6)	0.3	0.0
Electronic Materials	49.0	8.9	9.6	48.0	8.5	9.0	(0.9)	(0.3)	(0.6)
Metal Processing	91.0	7.1	7.2	81.0	5.1	5.5	(9.3)	(1.9)	(1.6)
Heat Treatment	28.5	3.1	3.0	26.0	2.1	2.0	(2.1)	(0.9)	(0.9)
Other/ Elimination	(69.5)	1.6	0.7	(57.0)	1.5	0.9	10.4	(0.3)	0.2
Total	445.0	42.5	42.5	418.0	38.5	38.5	(27.0)	(4.5)	(4.5)

Year on Year Comparison by Segment

Billion yen

	FY2014 results			FY2015 Revised Forecasts			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	100.0	7.0	7.0	(3.8)	(0.3)	(1.2)
Nonferrous Metals	238.5	13.5	15.4	220.0	14.3	14.1	(18.5)	0.7	(1.3)
Electronic Materials	73.6	8.8	9.6	48.0	8.5	9.0	(25.6)	(0.3)	(0.6)
Metal Processing	87.6	5.8	6.1	81.0	5.1	5.5	(6.6)	(0.7)	(0.6)
Heat Treatment	27.3	2.3	2.2	26.0	2.1	2.0	(1.3)	(0.2)	(0.2)
Other/ Elimination	(66.8)	1.2	0.3	(57.0)	1.5	0.9	9.8	0.2	0.5
Total	464.2	39.0	42.0	418.0	38.5	38.5	(46.2)	(0.5)	(3.5)

Investment

Billion yen

	FY2013 Results			FY2014 Results			FY2015 H1 Results			FY2015 Forecasts		
	Capital and stock investment	R&D investment	Total	Capital and stock investment	R&D investment	Total	Capital and stock investment	R&D investment	Total	Capital and stock investment	R&D investment	Total
Environmental Management & Recycling	5.6	0.4	6.0	10.2	0.3	10.6	4.4	0.1	4.5	8.0	0.3	8.3
Nonferrous Metals	3.0	0.9	3.9	2.4	2.7	5.1	2.6	2.6	5.3	4.0	4.2	8.2
Electronic Materials	3.1	2.6	5.8	2.2	2.6	4.8	1.5	1.4	3.0	3.0	3.2	6.2
Metal Processing	2.8	0.4	3.3	2.1	0.5	2.7	2.0	0.2	2.3	6.0	0.6	6.6
Heat Treatment	2.1	0.3	2.4	4.3	0.3	4.6	1.3	0.2	1.6	4.0	0.3	4.3
Companywide, Other	2.0	0.0	1.9	0.4	△ 0.1	0.3	0.1	0.0	0.1	2.0	0.0	2.0
Total	18.8	4.6	23.5	21.8	6.5	28.4	12.2	4.7	17.0	27.0	8.9	35.9

(Ref.) Depreciation Expenses

	FY2013 Results	FY2014 Results	FY2015 H1 Results	FY2015 Forecasts
Environmental Management & Recycling	4.7	4.6	2.0	5.0
Nonferrous Metals	4.3	3.4	1.6	3.0
Electronic Materials	2.6	2.5	1.2	2.6
Metal Processing	2.2	2.2	1.0	2.3
Heat Treatment	1.7	1.8	0.8	1.9
Companywide, Other	0.4	0.9	0.4	1.0
Total	16.2	15.5	7.2	16.1

Changes in ordinary income and net income

