



# **Fiscal 2014 Third Quarter Supplementary Information**

**February 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.

# Overview of Operating Results

Billion yen

	FY2013 Results		FY2014		Change			
	3Q	Full Year	3Q Results	Full Year Forecasts	3Q		Full Year	
<b>Net Sales</b>	<b>328.4</b>	<b>443.9</b>	<b>345.6</b>	<b>470.0</b>	<b>17.2</b>	<b>5%</b>	<b>26.0</b>	<b>8%</b>
<b>Operating Income</b>	<b>23.1</b>	<b>31.7</b>	<b>27.4</b>	<b>36.5</b>	<b>4.3</b>	<b>19%</b>	<b>4.7</b>	<b>17%</b>
<b>Ordinary Income</b>	<b>25.6</b>	<b>35.0</b>	<b>30.6</b>	<b>38.0</b>	<b>4.9</b>	<b>19%</b>	<b>2.9</b>	<b>9%</b>
<b>Net Income</b>	<b>16.9</b>	<b>23.3</b>	<b>20.4</b>	<b>25.0</b>	<b>3.4</b>	<b>20%</b>	<b>1.6</b>	<b>8%</b>

## Exchange rate and metal prices

	FY2013		FY2014			
	1~3Q average	Full Year average	Assumption for H2	1~3Q average	3Q average	January average
Exchange Rate: (¥/\$)	99.4	100.2	100.0	106.9	114.5	118.3
Copper: (\$/t)	7,126	7,104	6,500	6,800	6,621	5,816
Zinc: (\$/t)	1,870	1,909	2,000	2,206	2,235	2,111
Indium: (\$/kg)	596	624	600	685	672	586

# Trends in Major Products

Indexes (100 for Q1 of FY2013)

		FY2013				FY2014		
		1Q	2Q	3Q	4Q	1Q	2Q	3Q
<b>Environmental Management &amp; Recycling</b>	Intermediate waste processing volume in Japan	100	96	104	91	<b>101</b>	<b>86</b>	<b>101</b>
	Recycling materials collection volume (Kosaka)	100	102	108	109	<b>118</b>	<b>106</b>	<b>101</b>
	Waste processing amount in South East Asia	100	115	112	109	<b>137</b>	<b>130</b>	<b>120</b>
<b>Nonferrous Metals</b>	Silver production (Kosaka)	100	96	113	103	<b>94</b>	<b>93</b>	<b>109</b>
	Zinc production (Akita)	100	69	99	96	<b>103</b>	<b>67</b>	<b>93</b>
<b>Electronic Materials</b>	Compound semiconductor materials sales volume	100	109	99	111	<b>139</b>	<b>108</b>	<b>104</b>
	LED sales volume	100	88	78	90	<b>113</b>	<b>93</b>	<b>103</b>
	Silver powder sales volume	100	89	119	117	<b>121</b>	<b>110</b>	<b>96</b>
<b>Metal Processing</b>	Copper alloy strip products sales volume	100	99	105	103	<b>110</b>	<b>103</b>	<b>107</b>
<b>Heat Treatment</b>	Heat treatment processing volume	100	103	102	101	<b>112</b>	<b>109</b>	<b>110</b>

# Consolidated Income Statements

Million yen

	Previous Term (FY2013)			Current Term (FY2014)			Change		
	H1	3Q	Total	H1	3Q	Total	H1	3Q	Total
<b>Net Sales</b>	211,885	116,548	328,433	223,640	122,030	345,670	11,754	5,482	17,237
Cost of Sales	180,698	102,460	283,158	190,844	102,617	293,462	10,146	157	10,304
<b>Gross Profit</b>	31,187	14,087	45,275	32,795	19,412	52,208	1,608	5,324	6,932
Selling, General, and Administrative Expenses, R&D Expenses	14,831	7,320	22,151	15,983	8,763	24,747	1,152	1,443	2,595
<b>Operating Income</b>	16,356	6,767	23,124	16,812	10,649	27,461	455	3,881	4,336
Other Income	2,922	2,103	5,025	3,050	2,176	5,227	128	73	201
Interest and dividend income	( 366)	( 284)	( 651)	( 419)	( 323)	( 743)	( 52)	( 39)	( 92)
Equity in earnings of affiliates	( 930)	( 578)	( 1,508)	( 1,053)	( 415)	( 1,468)	( 123)	(△ 163)	(△ 40)
Other income	( 1,625)	( 1,240)	( 2,865)	( 1,577)	( 1,437)	( 3,015)	(△ 47)	( 196)	( 149)
Other Expenses	1,425	1,025	2,450	1,370	677	2,048	△ 55	△ 347	△ 402
Interest expenses	( 761)	( 363)	( 1,125)	( 588)	( 290)	( 879)	(△ 173)	(△ 73)	(△ 246)
Equity in losses of affiliates	( -)	( -)	( -)	( -)	( -)	( -)	( -)	( -)	( -)
Other expenses	( 663)	( 661)	( 1,324)	( 781)	( 387)	( 1,168)	( 118)	(△ 273)	(△ 155)
<b>Ordinary Income</b>	17,853	7,845	25,699	18,492	12,147	30,640	639	4,301	4,941
Extraordinary income	195	105	301	125	9	134	△ 70	△ 96	△ 166
Gain on sales of noncurrent assets	( 29)	( 10)	( 40)	( 17)	( 6)	( 23)	(△ 12)	(△ 4)	(△ 16)
Gain on sale of investment securities	( 55)	( -)	( 55)	( 87)	( -)	( 87)	( 31)	( -)	( 31)
Subsidy	( -)	( 91)	( 91)	( -)	( 4)	( 4)	( -)	(△ 86)	(△ 86)
Other	( 110)	( 4)	( 115)	( 20)	(△ 1)	( 19)	(△ 90)	(△ 5)	(△ 95)
Extraordinary loss	457	74	531	429	78	507	△ 27	3	△ 23
Loss on retirement of noncurrent assets	( 142)	( 70)	( 212)	( 130)	( 77)	( 208)	(△ 11)	( 7)	(△ 4)
Impairment loss	( 48)	( -)	( 48)	( 44)	( -)	( 44)	(△ 3)	( -)	(△ 3)
Loss on disaster	( 246)	( -)	( 246)	( 226)	(△ 11)	( 214)	(△ 20)	(△ 11)	(△ 32)
Other	( 19)	( 3)	( 23)	( 27)	( 12)	( 40)	( 7)	( 8)	( 16)
<b>Income Before Income Taxes and Minority Interests</b>	17,592	7,877	25,469	18,188	12,079	30,267	596	4,201	4,797
Income Taxes	5,688	2,636	8,325	5,999	3,639	9,638	310	1,002	1,313
Minority Interests in Income	169	21	190	△ 10	198	188	△ 179	176	△ 2
<b>Net Income</b>	11,733	5,219	16,953	12,199	8,241	20,440	465	3,021	3,487
<b>Depreciation</b>	7,684	4,105	11,789	7,275	3,741	11,017	△ 408	△ 363	△ 772

# Consolidated Results by Segment (3rd Quarter)

Billion Yen

	FY2013 H1 Results			FY2014 H1 Results			Change		
	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income
Environmental Management & Recycling	73.0	7.0	7.3	<b>75.8</b>	<b>5.0</b>	<b>6.0</b>	2.8	(2.0)	(1.2)
Nonferrous Metals	162.7	4.8	6.8	<b>174.6</b>	<b>8.7</b>	<b>10.9</b>	11.8	3.9	4.0
Electronic Materials	63.0	5.1	6.1	<b>61.6</b>	<b>6.7</b>	<b>7.4</b>	(1.3)	1.5	1.3
Metal Processing	60.4	3.9	4.1	<b>65.4</b>	<b>4.6</b>	<b>4.8</b>	4.9	0.6	0.7
Heat Treatment	17.6	1.4	1.4	<b>20.1</b>	<b>1.6</b>	<b>1.6</b>	2.5	0.1	0.1
Other/ Elimination	(48.5)	0.5	(0.2)	<b>(52.1)</b>	<b>0.6</b>	<b>(0.2)</b>	(3.5)	0.1	(0.0)
Total	328.4	23.1	25.6	<b>345.6</b>	<b>27.4</b>	<b>30.6</b>	17.2	4.3	4.9

# Factor Analysis of Ordinary Income

## (3rd Quarter)

Billion yen

FY2014 1st Three Quarters Results - FY2014 1st Three Quarters Results	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Other	Total
Effect of various measures, increase/ decrease in sales, etc.	(2.3)	1.2	1.6	0.6	0.2	0.1	1.4
Of the above, free metal income difference (volume difference)	—	0.8	—	—	—	—	0.8
Free metal income difference (price difference)	—	1.5	—	—	—	—	1.5
Conditions of raw material (changes in exchange rate and base conditions)	—	1.6	—	—	—	—	1.6
Difference between the market value and book value at sale, and between market value and valuation prices at end of period	—	(0.1)	—	—	—	—	(0.1)
Electricity charges, etc.	—	(1.0)	—	—	—	—	(1.0)
Depreciation	0.3	0.7	(0.0)	0.0	(0.0)	(0.0)	0.9
Increase/decrease in operating income	(2.0)	3.9	1.5	0.6	0.1	0.1	4.3
Effect of non-operating income/expenses	—	—	—	—	—	—	—
- Equity method income or loss	0.3	(0.1)	0.0	(0.0)	—	(0.2)	—
- Other	0.5	0.3	(0.3)	0.1	0.0	0.0	0.6
Increase/decrease in ordinary income	(1.2)	4.0	1.3	0.7	0.1	—	4.9

# Consolidated Balance Sheets

Million yen

Accounts	March 31, 2014	December 31, 2014	Change	Accounts	March 31, 2014	December 31, 2014	Change
<b>Assets</b>				<b>Liabilities</b>			
<b>Current Assets</b>	173,998	190,495	16,496	<b>Current Liabilities</b>	131,803	136,307	4,503
Cash and deposits	5,857	9,716	3,859	Notes and accounts payable-trade	34,502	30,069	(4,432)
Notes and accounts receivable-trade	71,838	73,365	1,527	Short-term loans payable	41,521	50,765	9,244
Inventories	77,773	91,092	13,319	Commercial papers	10,000	20,000	10,000
Deferred tax assets	4,713	4,310	(402)	Current portion of bonds	10,000		(10,000)
Other	13,893	12,090	(1,802)	Income taxes payable	7,630	2,766	(4,863)
Allowance for doubtful accounts	(77)	(81)	(3)	Ingot leasing liabilities	2,953	4,787	1,833
				Other	25,196	27,917	2,721
<b>Noncurrent Assets</b>	184,719	194,443	9,724	<b>Noncurrent Liabilities</b>	59,927	62,691	2,764
Property, plant and equipment	103,890	108,288	4,397	Bonds payable		10,000	10,000
Intangible assets	11,841	11,405	(435)	Long-term loans payable	38,142	27,805	(10,336)
Investment securities	61,612	67,332	5,720	Provision for retirement benefits	12,230	14,526	2,295
Deferred tax assets	3,527	3,629	102	Deferred tax liabilities	2,940	3,550	610
Other	3,988	3,921	(66)	Other	6,614	6,809	195
Allowance for doubtful accounts	(139)	(133)	6	<b>Total Liabilities</b>	<b>191,730</b>	<b>198,998</b>	7,268
				<b>Net Assets</b>			
				<b>Shareholders' Equity</b>	144,910	159,376	14,465
				Capital stock	36,437	36,437	
				Capital surplus	26,362	26,362	
				Retained earnings	87,806	102,275	14,468
				Treasury stock	(5,695)	(5,698)	(3)
				<b>Accumulated Other Comprehensive Income</b>	13,343	17,452	4,109
				Valuation difference on available-for-sale securities	10,947	14,021	3,074
				Deferred gains or losses on hedges	315	(587)	(902)
				Foreign currency translation adjustment	2,604	4,444	1,840
				Retirement benefit adjustment	(523)	(482)	40
				<b>Minority Interests</b>	8,733	9,111	378
				<b>Total Net Assets</b>	<b>166,987</b>	<b>185,940</b>	18,953
<b>Total Assets</b>	<b>358,717</b>	<b>384,939</b>	26,221	<b>Total Liabilities and Net Assets</b>	<b>358,717</b>	<b>384,939</b>	26,221
				Interest-bearing debt	99,663	108,571	8,907
				Cash and deposits	5,857	9,716	3,859
				Actual balance	93,806	98,855	5,048
				Equity ratio	44.1%	45.9%	1.8%
				ROA	9.9%	11.0%	1.1%

# Consolidated Statements of Cash Flows

	FY2013 1st Three Quarters Results	FY2014 1st Three Quarters Results	Change		FY2013 1st Three Quarters Results	FY2014 1st Three Quarters Results	Change
<b>I. Cash Flows from Operating Activities</b>				<b>II. Cash Flows from Investing Activities</b>			
Income before income taxes and minority interests	25,469	30,267	4,797	Acquisition of property, plant and equipment	(11,195)	(11,907)	(712)
Adjustments (non-cash)				Sale and acquisition of securities	(1,970)	(4,316)	(2,345)
Depreciation	12,162	11,655	(507)	Change in loans	(202)	143	345
Equity in (earnings) losses of affiliates	(1,508)	(1,468)	40	Proceeds from disposal and sale of noncurrent assets	55	39	(16)
Change of business, impairment loss	48	44	(3)	Other, net	542	(124)	(666)
(Gain) loss due to sale or disposal of securities, property, plant and equipment	118	(87)	(205)	<b>Net cash used in investing activities</b>	<b>(12,770)</b>	<b>(16,165)</b>	<b>(3,395)</b>
Loss on valuation of investment securities				<b>III. Cash Flows from Financing Activities</b>			
Increase in allowance for doubtful accounts	(900)	(1,238)	(337)	Change in borrowings and corporate bonds	7,230	8,614	1,384
Interest income and expenses and dividends	3,191	1,397	(1,793)	Purchases of treasury stock and issuance of common stock	(5)	396	402
Income taxes paid	(9,178)	(14,021)	(4,842)	Cash dividends paid	(3,753)	(4,652)	(899)
Other, net	(465)	2,906	3,372	Other, net	(252)	116	369
<b>Total for profit/loss items</b>	<b>28,937</b>	<b>29,457</b>	<b>519</b>	<b>Net cash used in financing activities</b>	<b>3,218</b>	<b>4,475</b>	<b>1,257</b>
Increase/decrease in assets/liabilities				Effect of Exchange Rate Changes on Cash and Cash Equivalents	288	406	118
Increase/decrease in trade receivable/payable	(6,337)	(5,971)	366	<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(776)</b>	<b>3,302</b>	<b>4,078</b>
Increase/decrease in inventories	(8,488)	(12,926)	(4,438)	Cash and Cash Equivalents of Newly Consolidated Subsidiaries	102	450	348
Other, net	(5,624)	4,026	9,651	Cash and Cash Equivalents at Beginning of Term	6,129	5,823	(306)
<b>Total for balance sheet items</b>	<b>(20,450)</b>	<b>(14,871)</b>	<b>5,578</b>	Cash and Cash Equivalents at End of Term	5,455	9,576	4,120
<b>Net cash provided by operating activities</b>	<b>8,487</b>	<b>14,585</b>	<b>6,098</b>				
				(For reference)			
<b>Free cash flow</b>	<b>(2,707)</b>	<b>2,677</b>	<b>5,385</b>	<b>Balance of interest-bearing debt</b>	<b>114,982</b>	<b>108,571</b>	<b>(6,410)</b>