



# **Fiscal 2014 First Quarter Supplementary Information**

**August 8, 2014**

**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		FY2014		Change			
	1st Quarter Results	Full Year Results	1st Quarter Results	Full Year Forecasts	1st Quarter		Full Year	
Net Sales	108.6	443.9	109.6	470.0	1.0	1%	26.1	6%
Operating Income	9.1	31.7	9.3	36.5	0.2	2%	4.8	15%
Ordinary Income	10.7	35.0	10.1	38.0	(0.5)	(6%)	3.0	9%
Net Income	7.5	23.3	7.0	25.0	(0.5)	(7%)	1.7	7%

## Exchange rate and metal prices

	FY2013		FY2014		
	1Q Average	Full Year Average	1Q Average	Full Year Assumption	July Average
Exchange rate: (¥/\$)	98.8	100.2	102.2	100.0	101.7
Copper: (\$/t)	7,146	7,104	6,787	6,500	7,105
Zinc: (\$/t)	1,840	1,910	2,073	2,000	2,311
Indium: (\$/kg)	516	624	706	600	677

# Trends in Major Products

Indexes (100 for Q1 of FY 2013)

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

# Consolidated Income Statements

Million yen

	FY2013 Q1	FY2014 Q1	Change
<b>Net Sales</b>	108,658	109,671	1,013
Cost of Sales	92,071	92,268	197
<b>Gross Profit</b>	16,587	17,403	816
Selling, General, and Administrative Expenses, R&D Expenses	7,434	8,004	570
<b>Operating Income</b>	9,152	9,398	245
Other Income	2,305	1,515	△ 790
(Interest and dividend income)	( 327)	( 370)	( 42)
(Equity in earnings of affiliates)	( 810)	( 486)	( △ 323)
(Other income)	( 1,167)	( 658)	( △ 509)
Other Expenses	683	729	46
(Interest expenses paid)	( 395)	( 297)	( △ 98)
(Equity in losses of affiliates)	( 0)	( 0)	( 0)
(Other expenses)	( 287)	( 432)	( 144)
<b>Ordinary Income</b>	10,775	10,183	△ 591
Extraordinary Profits	65	20	△ 45
(Gain on sale of property, plant and equipment)	( 22)	( 10)	( △ 12)
(Gain on sale of investment securities)	( 11)	( 0)	( △ 11)
(Insurance)	( 21)	( 4)	( △ 16)
(Subsidy)	( 0)	( 3)	( 3)
(Other profits)	( 9)	( 1)	( △ 7)
Extraordinary Losses	48	45	△ 2
(Loss on retirement of noncurrent assets)	( 42)	( 25)	( △ 16)
(Loss on disposal of noncurrent assets)	( 0)	( 0)	( 0)
(Loss on valuation of investment securities)	( 0)	( 0)	( 0)
(Impairment loss )	( 0)	( 0)	( 0)
(Business structure improvement expenses)	( 1)	( 0)	( △ 1)
(Loss on disaster)	( 1)	( 0)	( △ 1)
(Other)	( 3)	( 20)	( 17)
<b>Income Before Income Taxes and Minority Interests</b>	10,792	10,158	△ 633
Income Taxes	3,101	3,038	△ 62
Minority Interests in Income	143	89	△ 54
<b>Net Income</b>	7,548	7,030	△ 517
<b>Depreciation</b>	3,732	3,543	△ 189

# Consolidated Results by Segment (1st Quarter)

Billion yen

	FY2013 Q1 Results			FY2014 Q1 Results			Change		
	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income
Environmental Management & Recycling	24.6	2.2	2.3	<b>23.8</b>	<b>1.5</b>	<b>1.6</b>	(0.8)	(0.6)	(0.7)
Nonferrous Metals	53.3	3.2	4.0	<b>55.7</b>	<b>3.3</b>	<b>4.2</b>	2.4	0.1	0.2
Electronic Materials	22.2	1.5	2.0	<b>20.2</b>	<b>2.3</b>	<b>2.4</b>	(2.0)	0.7	0.3
Metal Processing	20.0	1.5	1.6	<b>21.1</b>	<b>1.4</b>	<b>1.5</b>	1.0	(0.0)	(0.0)
Heat Treatment	5.5	0.4	0.4	<b>6.3</b>	<b>0.4</b>	<b>0.4</b>	0.7	(0.0)	(0.0)
Other/ Elimination	(17.2)	0.0	0.1	<b>(17.6)</b>	<b>0.1</b>	<b>(0.1)</b>	(0.3)	0.0	(0.2)
Total	108.6	9.1	10.7	<b>109.6</b>	<b>9.3</b>	<b>10.1</b>	1.0	0.2	(0.5)

# Factor Analysis of Ordinary Income (1st Quarter)

Billion yen

FY2014 1Q Results – FY2013 1Q Results	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Other	Total
Effect of various measures, increase/ decrease in sales, etc.	(7.2)	3.1	6.9	(0.1)	(0.0)	2.1	4.0
Of the above, free metal income difference (volume difference)	–	1.0	–	–	–	–	1.0
Free metal income difference (price difference)	–	4.0	–	–	–	–	4.0
Conditions of raw material (changes in exchange rate and base conditions)	–	3.0	–	–	–	–	3.0
Difference between the market value and book value at sale, and between market value and valuation prices at end of period	–	(5.0)	–	–	–	–	(5.0)
Other special factors	–	(7.0)	–	–	–	–	(7.0)
Depreciation	0.5	2.7	0.6	(0.3)	(0.2)	(1.3)	2.0
Increase/decrease in operating income	(6.0)	1.0	7.0	–	–	–	2.0
Effect of non-operating income/expenses							
- Equity method income or loss	0.9	(1.5)	0.0	(0.1)	–	(2.5)	(3.0)
- Other	(1.4)	2.4	(4.2)	(0.3)	(0.5)	(1.2)	(5.0)
Increase/decrease in ordinary income	(7.0)	2.0	3.0	–	–	(2.0)	(5.0)

# Consolidated Balance Sheets

Million yen

Accounts	March 31, 2014	June 30, 2014	Change	Accounts	March 31, 2014	June 30, 2014	Change
<b>Assets</b>				<b>Liabilities</b>			
<b>Current Assets</b>	173,998	175,143	1,145	<b>Current Liabilities</b>	131,803	133,140	1,337
Cash and deposits	5,857	7,469	1,612	Notes and accounts payable-trade	34,502	31,198	(3,303)
Notes and accounts receivable-trade	71,838	70,257	(1,580)	Short-term loans payable	41,521	42,741	1,220
Inventories	77,773	81,936	4,162	Commercial papers	10,000	20,000	10,000
Deferred tax assets	4,713	4,136	(576)	Current portion of bonds	10,000	10,000	-
Other	13,893	11,411	(2,482)	Income taxes payable	7,630	1,606	(6,023)
Allowance for doubtful accounts	(77)	(66)	10	Ingot leasing liabilities	2,953	1,313	(1,639)
				Other	25,196	26,280	1,083
<b>Noncurrent Assets</b>	184,719	184,383	(336)	<b>Noncurrent Liabilities</b>	59,927	59,333	(593)
Property, plant and equipment	103,890	105,209	1,318	Bonds payable	-	-	-
Intangible assets	11,841	11,557	(283)	Long-term loans payable	38,142	35,749	(2,392)
Investment securities	61,612	60,198	(1,413)	Provision for retirement benefits	12,230	14,185	1,954
Deferred tax assets	3,527	3,606	79	Deferred tax liabilities	2,940	2,815	(124)
Other	3,988	3,951	(36)	Other	6,614	6,583	(30)
Allowance for doubtful accounts	(139)	(139)	-	<b>Total Liabilities</b>	<b>191,730</b>	<b>192,474</b>	743
				<b>Net Assets</b>			
				<b>Shareholders' Equity</b>	144,910	145,769	858
				Capital stock	36,437	36,437	-
				Capital surplus	26,362	26,362	-
				Retained earnings	87,806	88,665	858
				Treasury stock	(5,695)	(5,695)	-
				<b>Accumulated Other Comprehensive Income</b>	13,343	12,652	(690)
				Valuation difference on available-for-sale securities	10,947	11,848	901
				Deferred gains or losses on hedges	315	(536)	(851)
				Foreign currency translation adjustment	2,604	1,822	(781)
				Retirement benefit adjustment	(523)	(482)	40
				<b>Minority Interests</b>	8,733	8,630	(102)
				<b>Total Net Assets</b>	<b>166,987</b>	<b>167,052</b>	65
<b>Total Assets</b>	<b>358,717</b>	<b>359,527</b>	809	<b>Total Liabilities and Net Assets</b>	<b>358,717</b>	<b>359,527</b>	809
				Interest-bearing debt	99,663	108,491	8,827
				Cash and deposits	5,857	7,469	1,612
				Actual balance	93,806	101,022	7,215
				Equity ratio	44.1%	44.1%	△ 0.1%
				ROA	9.9%	11.3%	1.4%

# Consolidated Statements of Cash Flows

Million yen

	FY2013 1Q Results	FY2014 1Q Results	Change		FY2013 1Q Results	FY2014 1Q 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	10,792	10,158	(633)	Acquisition of property, plant and equipment	(3,382)	(2,691)	691
Adjustments (non-cash)				Sale and acquisition of securities	(256)	(1)	255
Depreciation	3,864	3,664	(200)	Change in loans	39	81	42
Equity in (earnings) losses of affiliates	(810)	(486)	323	Proceeds from disposal and sale of noncurrent assets	25	28	3
Change of business, impairment loss (Gain) loss due to sale or disposal of securities, property, plant and equipment	19	14	(4)	Other, net	23	(60)	(83)
Loss on valuation of investment securities	(11)	-	11	<b>Net cash used in investing activities</b>	<b>(3,551)</b>	<b>(2,643)</b>	<b>908</b>
Increase in allowance for doubtful accounts	(1,640)	(1,688)	(47)	<b>III. Cash Flows from Financing Activities</b>			
Interest income and expenses and dividends	2,305	53	(2,252)	Change in borrowings and corporate bonds	12,041	8,931	(3,109)
Income taxes paid	(5,914)	(8,972)	(3,058)	Purchases of treasury stock and issuance of common stock	(1)	-	1
Other, net	(717)	321	1,039	Cash dividends paid	(3,646)	(4,559)	(913)
<b>Total for profit/loss items</b>	<b>7,888</b>	<b>3,064</b>	<b>(4,823)</b>	Other, net	(98)	(77)	20
<b>Increase/decrease in assets/liabilities</b>				<b>Net cash used in financing activities</b>	<b>8,295</b>	<b>4,294</b>	<b>(4,001)</b>
Increase/decrease in trade receivable/payable	(9,601)	(1,882)	7,718	Effect of Exchange Rate Changes on Cash and Cash Equivalents	96	(159)	(255)
Increase/decrease in inventories	4,695	(4,078)	(8,773)	<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(1,654)</b>	<b>1,286</b>	<b>2,941</b>
Other, net	(9,477)	2,690	12,168	Cash and Cash Equivalents of Newly Consolidated Subsidiaries	102	450	348
<b>Total for balance sheet items</b>	<b>(14,383)</b>	<b>(3,269)</b>	<b>11,113</b>	Cash and Cash Equivalents at Beginning of Term	6,129	5,823	(306)
<b>Net cash provided by operating activities</b>	<b>(6,495)</b>	<b>(205)</b>	<b>6,289</b>	Cash and Cash Equivalents at End of Term	4,577	7,560	2,983
Free cash flow	(9,877)	(2,896)	6,980	(For reference)			
				Balance of interest-bearing debt	119,607	108,491	(11,115)