

Fiscal 2019 Supplementary Information

May 26, 2020

DOWA HOLDINGS CO.,LTD.

Operating Results

■ Consolidated Income Statements

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

	FY2018			FY2019			Changes		
	1H	2H	Full Year	1H	2H	Full Year	1H	2H	Full Year
Net Sales	221.8	231.1	452.9	230.7	254.3	485.1	8.9	23.2	32.2
Operating Income	9.3	9.3	18.6	11.0	14.8	25.9	1.7	5.5	7.2
Ordinary Income	12.8	11.4	24.3	12.4	16.5	28.9	(0.3)	5.0	4.6
Profit attributable to owners of parent	8.8	6.0	14.9	7.9	9.4	17.3	(0.9)	3.3	2.4

- ✓ The Company recorded an increase in both sales and profit year on year.
- ✓ The Environmental Management & Recycling segment showed strong performance. In addition, the Nonferrous Metals segment recorded an increase in profit thanks to improved purchasing conditions for smelting raw materials and increased prices and volumes of platinum-group metals(PGMs), such as palladium and rhodium.

■ Exchange Rate and Metal Prices

	FY2018			FY2019		
	1H averages	2H averages	Full Year averages	1H averages	2H averages	Full Year averages
Exchange Rate: (¥/\$)	110.3	111.6	110.9	108.6	108.8	108.7
Copper: (\$/t)	6,487	6,194	6,341	5,956	5,763	5,860
Zinc: (\$/t)	2,824	2,667	2,746	2,554	2,256	2,405
Indium: (\$/kg)	286	222	254	164	149	156

Business Environment (FY2019 4Q)

➤ Waste Treatment and Recycling

The volume of incineration and melting/recycling increased in the domestic waste treatment business.

Sales from waste treatment declined in Indonesia and Thailand in Southeast Asia. Treatment volume increased for the recycling of consumer electronics.

➤ Automobile

Demand remained sluggish due to a global decline in the number of vehicles produced.

➤ New Forms of Energy and Electronic Components

New forms of energy: Demand for new energies continued to recover in China.

Electronic components: Demand for smartphones partially recovered.

➤ Metal Prices and Foreign Exchange Rate

Metal prices of gold and PGMs increased as uncertainties grew globally, while those for base metals such as zinc and copper continued to drop.

With respect to foreign exchange rates, there was a slight appreciation of the yen toward the end of the year.

Trends in Major Products

Indexes (100 for Q1 of FY2018)

		FY2018				FY2019			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Environmental Management & Recycling	Waste treatment volume in Japan	100	83	91	85	100	89	94	90
	Recycling materials collection volume (for Kosaka smelting & refining)	100	98	88	82	80	84	85	81
	Net sales of waste treatment in the South East Asia Business	100	101	96	98	96	93	94	105
Nonferrous Metals	Copper production volume (Total of Kosaka and Onahama)	100	80	79	95	91	85	82	101
	Zinc production volume	100	73	101	95	102	70	95	91
Electronics Materials	LED sales volume	100	80	66	48	51	63	54	57
	Silver powder sales volume	100	91	100	88	103	119	127	131
Metal Processing	Copper alloy strips sales volume	100	100	107	100	93	95	96	89
Heat Treatment	Net sales in the Heat Treatment Processing Business	100	100	104	94	93	95	97	92
	Net sales in the Industrial Furnaces Business	100	156	176	207	134	156	137	147

Year-on-Year Comparison by Segment

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

	FY2018 Results			FY2019 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	104.4	5.6	6.2	112.1	7.2	6.9	7.6	1.5	0.6	- Increase in the treatment volume of waste incineration and melting/recycling - Increase in profit in the recycling business
Nonferrous Metals	221.6	0.5	4.6	227.2	10.0	12.2	5.6	9.4	7.5	- Rises in prices for gold and PGMs - Favorable changes in the purchasing conditions for raw materials - Rise in the collection volume of PGMs
Electronics Materials	64.9	2.1	3.1	98.2	1.0	2.4	33.2	(1.1)	(0.7)	- Decline in sales of LEDs for smartphones - Increase in sales of silver powder for solar panels
Metal Processing	92.0	6.2	6.4	82.3	5.1	5.1	(9.7)	(1.1)	(1.2)	- Decline in sales of copper alloys for automobiles and smartphones - Increase in depreciation expenses
Heat Treatment	29.7	2.4	2.5	27.9	1.2	1.2	(1.7)	(1.2)	(1.3)	- Decrease in demand for the heat treatment of automobile components - Increase in depreciation expenses
Other/ Elimination	(59.9)	1.4	1.2	(62.8)	1.3	1.0	(2.8)	(0.1)	(0.2)	
Total	452.9	18.6	24.3	485.1	25.9	28.9	32.2	7.2	4.6	

Factor Analysis of Ordinary Income

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

FY2019 – FY2018	Environmental Management & Recycling	Nonferrous Metals	Electronics Materials	Metal Processing	Heat Treatment	Other	Total
Effect of various initiatives, increase/ decrease in sales, etc.	1.6	3.9	(0.9)	(0.9)	(1.0)	(0.1)	2.6
Of the above, free metal income difference (difference in volume)	—	2.4	—	—	—	—	2.4
Free metal income difference (difference in metal prices)	—	2.2	—	—	—	—	2.2
Difference in foreign currency-based income due to exchange rate	—	△ 0.4	△ 0.1	—	—	—	△ 0.5
Purchasing conditions of raw material (difference in base conditions)	—	1.9	—	—	—	—	1.9
Difference between the market value and book value at sale, and between market value and valuation prices at end of period	—	1.9	—	—	—	—	1.9
Electricity charges, etc.	—	(0.1)	—	—	—	—	(0.1)
Depreciation in manufacturing cost	(0.1)	(0.0)	(0.1)	(0.3)	(0.2)	(0.0)	(0.7)
Increase/decrease in operating income	1.5	9.4	(1.1)	(1.1)	(1.2)	(0.1)	7.2
Effect of non-operating income/expenses							
- Equity method income or loss	(0.2)	(1.4)	0.0	(0.0)	—	(0.3)	(1.8)
- Other	(0.7)	(0.4)	0.4	(0.1)	(0.1)	0.2	(0.7)
Increase/decrease in ordinary income	0.6	7.5	(0.7)	(1.2)	(1.3)	(0.2)	4.6

Changes From Latest Forecasts by Segment

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

	FY2019 Latest Forecasts			FY2019 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	112.3	6.0	6.2	112.1	7.2	6.9	(0.1)	1.2	0.7	<ul style="list-style-type: none"> - Acquisition of orders for soil remediation projects - Increase in precious metal prices
Nonferrous Metals	218.9	8.6	12.4	227.2	10.0	12.2	8.3	1.4	(0.1)	<ul style="list-style-type: none"> - Rises in prices for gold and PGMs - Decline in zinc prices - Deterioration of equity method profit
Electronics Materials	90.8	1.0	2.3	98.2	1.0	2.4	7.4	0.0	0.1	<ul style="list-style-type: none"> - Increase in sales of silver powder for solar panels
Metal Processing	87.2	5.1	5.3	82.3	5.1	5.1	(4.8)	0.0	(0.1)	<ul style="list-style-type: none"> - Decline in sales of copper alloys for automobiles - Increase in sales of metal substrates
Heat Treatment	29.8	2.5	2.5	27.9	1.2	1.2	(1.8)	(1.2)	(1.2)	<ul style="list-style-type: none"> - Decrease in demand for the heat treatment of automobile components - Fall in maintenance demand
Other/ Elimination	(59.0)	1.3	1.3	(62.8)	1.3	1.0	(3.8)	0.0	(0.2)	
Total	480.0	24.5	30.0	485.1	25.9	28.9	5.1	1.4	(1.0)	

Consolidated Balance Sheets

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

	Mar. 31, 2019	Mar. 31, 2020	Changes		Mar. 31, 2019	Mar. 31, 2020	Changes
Current Assets	238.0	242.1	4.1	Current Liabilities	163.4	156.7	(6.6)
				Noncurrent Liabilities	85.0	97.4	12.4
Noncurrent Assets	256.6	270.3	13.6	Non-Controlling Interests	237.2	248.0	10.8
				Equity	8.9	10.1	1.2
Total Assets	494.6	512.4	17.8	Total Liabilities and Net Assets	494.6	512.4	17.8
				Interest-bearing debt	135.2	134.0	(1.1)
				Equity ratio (%)	48.0	48.4	0.4
				ROA(%)	5.1	5.8	0.7

- ✓ Total assets increased 17.8 billion yen from the end of the previous year, mainly reflecting an increase in noncurrent assets attributable to investments for growth.
- ✓ The ROA increased 0.7 percentage point from the end of the previous year due to an increase in ordinary income.

Consolidated Statements of Cash Flows

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

	FY2018	FY2019	Changes
Cash Flows from Operating Activities	37.5	55.1	17.5
Profit before income taxes	23.4	28.7	5.2
Depreciation and amortization	19.1	19.7	0.6
Income taxes (paid) refund	(7.9)	(5.4)	2.4
Inventories	(13.4)	4.3	17.8
Other, net	16.2	7.6	(8.6)
Cash Flows from Investing Activities	(51.0)	(37.8)	13.2
Acquisition of property, plant and equipment	(23.6)	(36.1)	(12.4)
Other investments	(27.3)	(1.6)	25.6
Cash Flows from Financing Activities	15.9	(6.5)	(22.5)
Total	2.4	10.7	8.2

Investments

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

	FY2016			FY2017			FY2018			FY2019		
	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	5.7	0.3	6.0	8.2	0.4	8.6	6.6	0.3	7.0	20.6	0.3	21.0
Nonferrous Metals	9.0	2.0	11.1	12.3	1.2	13.6	26.4	1.3	27.7	7.4	0.9	8.3
Electronics Materials	3.7	3.2	7.0	4.6	3.4	8.1	3.8	3.9	7.7	2.8	4.3	7.2
Metal Processing	4.0	0.5	4.5	3.6	0.5	4.2	5.9	0.7	6.7	6.2	0.6	6.8
Heat Treatment	5.3	0.4	5.7	4.9	0.3	5.3	5.4	0.2	5.6	4.3	0.1	4.5
Companywide, Other	2.4	0.0	2.3	0.8	0.0	0.9	1.0	(0.1)	0.8	1.1	(0.1)	1.0
Total	30.2	6.6	36.9	34.8	6.1	40.9	49.3	6.3	55.7	42.6	6.3	49.0

(Ref.) Depreciation Expenses

	FY2016	FY2017	FY2018	FY2019
Environmental Management & Recycling	4.5	4.3	5.3	5.4
Nonferrous Metals	3.8	4.6	4.1	4.2
Electronics Materials	2.3	2.7	2.8	3.1
Metal Processing	2.0	2.4	2.7	3.0
Heat Treatment	1.9	2.0	2.3	2.5
Companywide, Other	0.9	1.0	1.1	0.8
Total	15.7	17.2	18.6	19.2

Major investments in FY2019

Environmental Management & Recycling:

Non-combustible waste recycling facility

Nonferrous Metals:

The facilities that remove impurities contained in raw materials

Metal Processing:

Manufacturing facilities of Copper rolled products

FY2020 Forecasts

The spread of the Novel coronavirus has started to affect the Group's business performance, and uncertainty is growing at the present in regard to demand.

In this situation, it is difficult to reasonably calculate financial results for the upcoming months. Therefore, the Company has decided not to forecast financial results and dividends for FY2020 at this time.

It will disclose its forecasts for financial results and dividends promptly, if such disclosure can be made.

Ref. Historical Data

■ Consolidated financial data

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

		FY2017					FY2018					FY2019				
		1Q	2Q	3Q	4Q	Full year	1Q	2Q	3Q	4Q	Full year	1Q	2Q	3Q	4Q	Full year
Total	Net Sales	110.1	109.1	119.3	116.1	454.7	115.1	106.6	114.5	116.5	452.9	116.2	114.5	121.9	132.3	485.1
	Operating Income	8.2	6.4	8.6	7.6	30.9	6.9	2.4	3.4	5.8	18.6	6.8	4.1	6.5	8.3	25.9
	Ordinary Income	9.0	8.1	10.4	8.6	36.3	8.5	4.2	4.0	7.3	24.3	7.6	4.7	7.9	8.5	28.9
	Profit attributable to owners of parent	6.1	5.5	7.4	5.4	24.6	6.0	2.8	1.7	4.2	14.9	4.8	3.0	5.5	3.9	17.3
Environmental Management & Recycling	Net Sales	24.3	23.9	25.1	25.8	99.3	26.3	24.8	25.2	27.8	104.4	25.8	27.6	28.2	30.3	112.1
	Operating Income	1.6	0.9	1.3	1.0	4.9	1.7	1.0	1.6	1.2	5.6	1.8	1.5	1.6	2.1	7.2
	Ordinary Income	1.7	1.2	1.6	1.1	5.7	1.9	1.3	1.6	1.3	6.2	1.5	1.5	1.8	1.8	6.9
Nonferrous Metals	Net Sales	50.1	52.2	58.2	57.2	217.9	58.7	50.6	54.8	57.5	221.6	58.1	49.7	56.8	62.6	227.2
	Operating Income	2.9	1.4	2.8	2.0	9.2	1.6	(1.4)	(1.6)	2.0	0.5	2.7	0.6	2.6	3.9	10.0
	Ordinary Income	3.8	2.6	3.5	2.9	13.0	2.8	(0.1)	(1.1)	3.1	4.6	3.5	1.1	3.5	3.9	12.2
Electronics Materials	Net Sales	23.2	17.7	20.6	16.0	77.7	17.7	15.5	17.0	14.6	64.9	19.3	24.4	26.9	27.5	98.2
	Operating Income	1.4	1.5	1.4	1.0	5.6	1.1	0.4	0.3	0.2	2.1	0.2	0.3	0.2	0.1	1.0
	Ordinary Income	1.5	1.7	1.6	1.1	6.1	1.3	0.7	0.4	0.4	3.1	0.5	0.6	0.6	0.5	2.4
Metal Processing	Net Sales	21.0	21.1	24.5	23.8	90.6	23.0	22.9	23.3	22.6	92.0	21.1	20.3	20.3	20.4	82.3
	Operating Income	1.5	1.6	2.0	2.0	7.2	1.6	1.4	1.9	1.2	6.2	1.5	0.9	1.2	1.4	5.1
	Ordinary Income	1.6	1.7	2.0	2.0	7.5	1.7	1.4	1.9	1.2	6.4	1.5	0.9	1.2	1.4	5.1
Heat Treatment	Net Sales	5.9	7.0	6.9	8.3	28.2	6.3	7.2	7.9	8.0	29.7	6.7	7.2	6.9	7.0	27.9
	Operating Income	0.3	0.7	0.6	0.9	2.6	0.4	0.7	0.7	0.4	2.4	0.2	0.3	0.3	0.2	1.2
	Ordinary Income	0.2	0.7	0.6	0.8	2.5	0.5	0.7	0.8	0.4	2.5	0.2	0.3	0.3	0.3	1.2
Other/ Elimination	Net Sales	(14.5)	(13.0)	(16.2)	(15.3)	(59.1)	(17.1)	(14.5)	(13.9)	(14.2)	(59.9)	(15.0)	(14.8)	(17.4)	(15.5)	(62.8)
	Operating Income	0.3	0.1	0.3	0.5	1.2	0.2	0.1	0.3	0.6	1.4	0.2	0.2	0.3	0.5	1.3
	Ordinary Income	0.0	0.0	0.8	0.5	1.3	0.1	0.0	0.3	0.7	1.2	0.1	0.1	0.3	0.4	1.0

■ Exchange Rate and Metal Prices

	FY2017 (average)					FY2018 (average)					FY2019 (average)				
	1Q	2Q	3Q	4Q	Full year	1Q	2Q	3Q	4Q	Full year	1Q	2Q	3Q	4Q	Full year
Exchange Rate: (¥/\$)	111.1	111.0	113.0	108.3	110.9	109.1	111.5	112.9	110.2	110.9	109.9	107.4	108.8	108.9	108.7
Copper: (\$/t)	5,663	6,347	6,808	6,959	6,444	6,872	6,103	6,168	6,220	6,341	6,114	5,798	5,888	5,638	5,860
Zinc: (\$/t)	2,598	2,962	3,234	3,422	3,054	3,114	2,534	2,630	2,704	2,746	2,763	2,345	2,384	2,128	2,405
Indium: (\$/kg)	186	182	239	298	226	307	266	233	210	254	173	155	150	148	156

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.