

Fiscal 2018 Third Quarter Supplementary Information

February 8, 2019

DOWA HOLDINGS CO.,LTD.

Overview of Operating Results

■ Consolidated Income Statements

Billion yen

	FY2017 Results		FY2018 ※		Change	
	3Q	Full Year	3Q Results	Full Year Forecasts	3Q	Full Year
Net Sales	338.6	454.7	336.3	450.0	(2.2) (1%)	(4.7) (1%)
Operating Income	23.2	30.9	12.7	20.0	(10.5) (45%)	(10.9) (35%)
Ordinary Income	27.7	36.3	16.9	25.0	(10.7) (39%)	(11.3) (31%)
Profit attributable to owners of parent	19.2	24.6	10.6	16.5	(8.5) (44%)	(8.1) (33%)

※ Full year forecasts for FY2018 announced on Oct. 29 last year were revised.

Exchange Rate and Metal Prices

	FY2017				FY2018			
	1Q-3Q average	3Q average	4Q average	Full Year average	1Q-3Q average	3Q average	4Q assumption	Full Year average
Exchange Rate: (¥/\$)	111.7	113.0	108.3	110.9	111.1	112.9	110.0	110.9
Copper: (\$/t)	6,273	6,808	6,959	6,444	6,381	6,168	6,200	6,336
Zinc: (\$/t)	2,932	3,234	3,422	3,054	2,759	2,630	2,600	2,719
Indium: (\$/kg)	202	239	298	226	269	233	250	264

Business Environment (3Q)

➤ **Waste-related business**

Japan: The generated waste volume was firm.

Southeast Asia: The Collection of hazardous waste increased in Indonesia.

➤ **Automobile-related market**

Overall firm, the slowdown in the Chinese market affected partially.

➤ **New forms of energy- and electronic components-related business**

New forms of energy: The impact of declined demand for Chinese market continued.

Electronic components: Demand for the Chinese market declined for smartphones.

➤ **Metal prices and Exchange rates**

The price movements were made while looking at the world affairs, the yen

appreciated and the prices of nonferrous metals fell due to the global stock plunge

at the end of last year.

Trends in Major Products

Indexes (100 for Q1 of FY2017)

		FY2017				FY2018		
		1Q	2Q	3Q	4Q	1Q	2Q	3Q
Environmental Management & Recycling	Intermediate waste processing volume in Japan	100	90	95	86	103	85	94
	Recycling materials collection volume (To Kosaka)	100	96	104	103	124	122	108
	Waste processing amount in South East Asia	100	87	87	92	94	95	90
Nonferrous Metals	Copper production (Kosaka, Onahama)	100	82	70	85	85	68	67
	Zinc production (Akita)	100	79	111	100	108	79	109
Electronics Materials	LED sales volume	100	107	121	109	117	93	77
	Silver powder sales volume	100	118	117	82	92	83	91
Metal Processing	Copper alloy strip sales volume	100	97	106	102	100	101	108
Heat Treatment	Heat treatment sales amount	100	106	114	114	114	113	118
	Industrial furnace sales amount	100	143	115	194	97	151	170

Year-on-Year Comparison by Segment (3Q)

Billion yen

	FY2017 3Q Results			FY2018 3Q Results			Change		
	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income
Environmental Management & Recycling	73.4	3.9	4.5	76.5	4.4	4.9	3.0	0.5	0.3
Nonferrous Metals	160.6	7.1	10.0	164.1	(1.4)	1.5	3.5	(8.6)	(8.5)
Electronics Materials	61.7	4.5	5.0	50.3	1.9	2.6	(11.4)	(2.6)	(2.3)
Metal Processing	66.7	5.2	5.4	69.3	5.0	5.1	2.6	(0.2)	(0.3)
Heat Treatment	19.8	1.6	1.6	21.6	1.9	2.1	1.7	0.2	0.4
Other/ Elimination	(43.8)	0.7	0.8	(45.7)	0.8	0.5	(1.8)	0.1	(0.3)
Total	338.6	23.2	27.7	336.3	12.7	16.9	(2.2)	(10.5)	(10.7)

Factor Analysis of Ordinary Income

Billion yen

FY2018 3Q – FY2017 3Q	Environmental Management & Recycling	Nonferrous Metals	Electronics Materials	Metal Processing	Heat Treatment	Other	Total
Effect of various measures, increase/decrease in sales, etc.	1.3	(5.2)	(2.6)	(0.0)	0.5	0.3	(5.8)
Of the above, free metal income difference (volume difference)	–	(1.0)	–	–	–	–	(1.0)
Free metal income difference (metal price difference)	–	0.6	–	–	–	–	0.6
Exchange rate difference of foreign currency-based income	–	0.0	0.0	–	–	–	0.0
Purchase conditions for raw material (base conditions difference)	–	(2.3)	–	–	–	–	(2.3)
Difference between the market value and book value at sale, and between market value and valuation prices at end of period	–	(1.2)	–	–	–	–	(1.2)
Electricity charges, etc.	–	(0.7)	–	–	–	–	(0.7)
Depreciation in manufacturing cost	(0.7)	0.3	(0.0)	(0.2)	(0.2)	(0.2)	(0.9)
Increase/decrease in operating income	0.5	(8.6)	(2.6)	(0.2)	0.2	0.1	(10.5)
Effect of non-operating income/expenses							
- Equity method income or loss	0.0	(0.6)	(0.0)	(0.0)	0.0	(0.4)	(1.0)
- Other	(0.2)	0.7	0.3	(0.1)	0.2	(0.1)	0.7
Increase/decrease in ordinary income	0.3	(8.5)	(2.3)	(0.3)	0.4	(0.3)	(10.7)

Forecast for Fiscal 2018

■ Consolidated Income Statements

Billion yen

	FY2017 Results ①	FY2018 Forecast			Change ③ - ①
		Previous forecast (Oct. 29) ②	Revised forecast (Feb. 8) ③	Change ③ - ②	
Net Sales	454.7	455.0	450.0	(5.0) (1%)	(4.7) (1%)
Operating Income	30.9	24.5	20.0	(4.5) (18%)	(10.9) (35%)
Ordinary Income	36.3	30.0	25.0	(5.0) (17%)	(11.3) (31%)
Profit attributable to owners of parent	24.6	21.0	16.5	(4.5) (21%)	(8.1) (33%)

- ✓ With respect to the forecast for fiscal 2018, we revised the previous forecast announced on October 29 last year, taking the Third quarter results and recent market environment into consideration.

Year-on-Year Comparison by Segment (full-year)

Billion yen

	FY2017 Results			FY2018 Revised forecast (announced on February 8)			Change		
	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income
Environmental Management & Recycling	99.3	4.9	5.7	105.0	5.5	6.1	5.6	0.5	0.3
Nonferrous Metals	217.9	9.2	13.0	220.0	1.2	5.2	2.0	(8.0)	(7.8)
Electronics Materials	77.7	5.6	6.1	65.0	2.0	3.0	(12.7)	(3.6)	(3.1)
Metal Processing	90.6	7.2	7.5	93.0	6.7	6.9	2.3	(0.5)	(0.6)
Heat Treatment	28.2	2.6	2.5	30.0	3.2	3.2	1.7	0.5	0.6
Other/ Elimination	(59.1)	1.2	1.3	(63.0)	1.4	0.6	(3.8)	0.1	(0.7)
Total	454.7	30.9	36.3	450.0	20.0	25.0	(4.7)	(10.9)	(11.3)

FY2018 Forecast Comparison by Segment

Billion yen

	Previous forecast (announced on October 29)			Revised forecast (announced on February 8)			Change		
	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income
Environmental Management & Recycling	104.5	5.5	6.3	105.0	5.5	6.1	0.5	0.0	(0.2)
Nonferrous Metals	224.3	4.0	8.0	220.0	1.2	5.2	(4.3)	(2.8)	(2.8)
Electronics Materials	66.7	3.2	4.5	65.0	2.0	3.0	(1.7)	(1.2)	(1.5)
Metal Processing	93.5	7.2	7.4	93.0	6.7	6.9	(0.5)	(0.5)	(0.5)
Heat Treatment	29.9	3.2	3.2	30.0	3.2	3.2	0.1	0.0	0.0
Other/ Elimination	(63.9)	1.4	0.6	(63.0)	1.4	0.6	0.9	0.0	0.0
Total	455.0	24.5	30.0	450.0	20.0	25.0	(5.0)	(4.5)	(5.0)

Assumptions and Sensitivities (FY2018 4Q)

Sensitivity (Operating Income / 4Q)			Million yen
	Assumptions	Fluctuation	Sensitivity
Exchange rate	110.0 ¥/\$	± 1 ¥/\$	110
Copper	6,200 \$/t	±100 \$/t	20
Zinc	2,600 \$/t	±100 \$/t	100
Indium	250 \$/kg	±10 \$/kg	20

* Exchange rate sensitivity; Nonferrous Metals 90 million yen and Electronics Materials 20 million yen.

Foreign Exchange Rates and Metal Prices

	FY2017			FY2018			(ref.)
	1Q-3Q average	4Q average	Full Year average	1Q-3Q average	4Q assumption	Full Year estimation	Jan. 2019 Ave.
Exchange rate: (¥/\$)	111.7	108.3	110.9	111.1	110.0	110.9	109.0
Copper: (\$/t)	6,273	6,959	6,444	6,381	6,200	6,336	5,932
Zinc: (\$/t)	2,932	3,422	3,054	2,759	2,600	2,719	2,559
Indium: (\$/kg)	202	298	226	269	250	264	222

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.

Ref. Historical Data

■ Consolidated financial data

Billion yen

		FY2016					FY2017					FY2018				
		1Q	2Q	3Q	4Q	Full year	1Q	2Q	3Q	4Q	Full year	1Q	2Q	3Q	4Q	Full year
Total	Net Sales	93.7	91.0	102.9	122.8	410.5	110.1	109.1	119.3	116.1	454.7	115.1	106.6	114.4	-	-
	Operating Income	7.6	5.7	7.3	13.3	33.9	8.2	6.4	8.6	7.6	30.9	6.9	2.4	3.4	-	-
	Ordinary Income	6.8	6.7	9.1	13.7	36.5	9.0	8.1	10.4	8.6	36.3	8.5	4.2	4.0	-	-
	Profit attributable to owners of parent	4.9	4.9	6.4	9.8	26.1	6.1	5.5	7.4	5.4	24.6	6.0	2.8	1.7	-	-
Environmental Management & Recycling	Net Sales	21.8	23.5	23.3	28.1	96.9	24.3	23.9	25.1	25.8	99.3	26.3	24.8	25.2	-	-
	Operating Income	1.0	1.6	1.9	2.0	6.6	1.6	0.9	1.3	1.0	4.9	1.7	1.0	1.6	-	-
	Ordinary Income	0.8	1.6	2.1	2.1	6.8	1.7	1.2	1.6	1.1	5.7	1.9	1.3	1.6	-	-
Nonferrous Metals	Net Sales	49.7	44.7	52.2	60.9	207.7	50.1	52.2	58.2	57.2	217.9	58.7	50.6	54.8	-	-
	Operating Income	2.9	0.3	1.3	5.4	10.0	2.9	1.4	2.8	2.0	9.2	1.6	(1.4)	(1.6)	-	-
	Ordinary Income	2.9	0.9	2.4	5.8	12.2	3.8	2.6	3.5	2.9	13.0	2.8	(0.1)	(1.1)	-	-
Electronics Materials	Net Sales	13.1	13.9	17.1	18.3	62.5	23.2	17.7	20.6	16.0	77.7	17.7	15.5	17.0	-	-
	Operating Income	1.4	1.4	1.4	2.2	6.5	1.4	1.5	1.4	1.0	5.6	1.1	0.4	0.3	-	-
	Ordinary Income	1.2	1.5	1.8	2.1	6.8	1.5	1.7	1.6	1.1	6.1	1.3	0.7	0.4	-	-
Metal Processing	Net Sales	17.5	17.5	18.9	21.4	75.4	21.0	21.1	24.5	23.8	90.6	23.0	22.9	23.3	-	-
	Operating Income	1.5	1.6	1.7	2.0	6.9	1.5	1.6	2.0	2.0	7.2	1.6	1.4	1.9	-	-
	Ordinary Income	1.5	1.6	1.8	2.0	7.1	1.6	1.7	2.0	2.0	7.5	1.7	1.4	1.9	-	-
Heat Treatment	Net Sales	5.5	5.9	6.3	7.2	25.1	5.9	7.0	6.9	8.3	28.2	6.3	7.2	7.9	-	-
	Operating Income	0.4	0.4	0.4	1.0	2.3	0.3	0.7	0.6	0.9	2.6	0.4	0.7	0.7	-	-
	Ordinary Income	0.3	0.3	0.5	0.9	2.2	0.2	0.7	0.6	0.8	2.5	0.5	0.7	0.8	-	-
Other/ Elimination	Net Sales	(14.0)	(14.8)	(15.1)	(13.4)	(57.4)	(14.5)	(13.0)	(16.2)	(15.3)	(59.1)	(17.1)	(14.5)	(13.9)	-	-
	Operating Income	0.2	0.2	0.3	0.5	1.3	0.3	0.1	0.3	0.5	1.2	0.2	0.1	0.3	-	-
	Ordinary Income	(0.1)	0.5	0.2	0.5	1.1	0.0	0.0	0.8	0.5	1.3	0.1	0.0	0.3	-	-
■ Exchange rate and Metal prices		FY2016 (average)					FY2017 (average)					FY2018 (average)				
		1Q	2Q	3Q	4Q	Full year	1Q	2Q	3Q	4Q	Full year	1Q	2Q	3Q	4Q	Full year
Exchange Rate: (¥/\$)		108.1	102.4	109.3	113.6	108.4	111.1	111.0	113.0	108.3	110.9	109.1	111.5	112.9	-	-
Copper: (\$/t)		4,730	4,774	5,281	5,834	5,154	5,663	6,347	6,808	6,959	6,444	6,872	6,103	6,168	-	-
Zinc: (\$/t)		1,915	2,253	2,518	2,781	2,367	2,598	2,962	3,234	3,422	3,054	3,114	2,534	2,630	-	-
Indium: (\$/kg)		237	206	195	190	207	186	182	239	298	226	307	266	233	-	-

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* 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.