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Consolidated Financial Results for the Six Months Ended September 30, 2023 [Japanese GAAP]

November 10, 2023

Company name: DOWA HOLDINGS CO., LTD.

Stock exchange listing: Tokyo

Code number: 5714

URL: <https://www.dowa.co.jp/>

Representative: SEKIGUCHI Akira

President and Representative Director

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Scheduled date of filing quarterly securities report: November 13, 2023

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: Yes

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2023 (April 1, 2023 to September 30, 2023)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2023	370,759	(7.7)	14,263	(52.5)	21,827	(40.9)	13,185	(42.0)
September 30, 2022	401,826	(5.1)	30,044	(20.9)	36,939	(22.2)	22,736	(30.3)

(Note) Comprehensive income: Six months ended September 30, 2023: ¥ 26,750 million [(32.4) %]
Six months ended September 30, 2022: ¥ 39,561 million [(5.4) %]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2023	221.52		-	
September 30, 2022	382.06		-	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity to asset ratio	
	Millions of yen		Millions of yen		%	
As of September 30, 2023	635,769		378,588		56.8	
March 31, 2023	655,282		360,603		52.6	

(Reference) Equity: As of September 30, 2023: ¥ 361,353 million
As of March 31, 2023: ¥ 344,893 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	-	-	-	130.00	130.00
Fiscal year ending March 31, 2024	-	-			
Fiscal year ending March 31, 2024 (Forecast)			-	110.00	110.00

(Note) Revision to the forecast for dividends announced most recently: No

(Note) Breakdown of year-end dividends for the fiscal year ended March 31, 2023:

Ordinary dividends: ¥ 105.00 Special dividends: ¥ 25.00

(Note) Breakdown of year-end dividends for the fiscal year ending March 31, 2024(Forecast):

Ordinary dividends: ¥ 110.00

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024(April 1, 2023 to March 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	705,000	(9.6)	23,000	(48.4)	35,000	(36.9)	23,000	(8.2)	386.40

(Note) Revision to the financial results forecast announced most recently: Yes

For more details of the consolidated forecasts for the current fiscal year, please refer to the "Notice of Differences Between First Half Consolidated Financial Forecasts and Actual Results, and Revisions of Full Year Consolidated Financial Forecasts" announced today.

* Notes:

(1) Changes in significant subsidiaries during the six months ended September 30, 2023

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)

Exclusion: - (Company name:)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

September 30, 2023: 61,989,206 shares

March 31, 2023: 61,989,206 shares

2) Number of treasury shares at the end of the period:

September 30, 2023: 2,453,197 shares

March 31, 2023: 2,469,762 shares

3) Average number of shares outstanding during the period:

Six months ended September 30, 2023: 59,524,198 shares

Six months ended September 30, 2022: 59,509,748 shares

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	38,818	76,777
Notes and accounts receivable - trade, and contract assets	89,527	84,526
Merchandise and finished goods	64,236	42,405
Work in process	9,494	10,928
Raw materials and supplies	146,916	108,352
Other	30,234	19,507
Allowance for doubtful accounts	(192)	(210)
Total current assets	379,033	342,287
Non-current assets		
Property, plant and equipment		
Buildings and structures	164,835	174,244
Accumulated depreciation	(92,519)	(96,512)
Buildings and structures, net	72,315	77,731
Machinery, equipment and vehicles	296,412	301,469
Accumulated depreciation	(245,147)	(249,065)
Machinery, equipment and vehicles, net	51,264	52,404
Land	25,979	28,107
Construction in progress	19,327	24,496
Other	21,111	22,512
Accumulated depreciation	(16,776)	(17,850)
Other, net	4,334	4,661
Total property, plant and equipment	173,222	187,401
Intangible assets		
Goodwill	2,667	2,472
Other	8,481	9,106
Total intangible assets	11,149	11,579
Investments and other assets		
Investment securities	78,794	81,756
Long-term loans receivable	3,531	3,959
Deferred tax assets	6,456	5,475
Other	3,183	3,398
Allowance for doubtful accounts	(88)	(88)
Total investments and other assets	91,876	94,500
Total non-current assets	276,248	293,481
Total assets	655,282	635,769

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	52,042	49,049
Short-term borrowings	26,951	24,450
Commercial papers	35,000	18,000
Current portion of bonds payable	10,000	10,000
Income taxes payable	5,457	3,173
Accrued consumption taxes	2,368	2,723
Provisions		
Provision for bonuses	5,544	5,371
Provision for bonuses for directors (and other officers)	405	203
Total provisions	5,949	5,575
Borrowing precious metals	31,551	35,282
Other	39,839	36,096
Total current liabilities	209,160	184,351
Non-current liabilities		
Bonds payable	20,000	10,000
Long-term borrowings	32,816	28,393
Deferred tax liabilities	3,524	3,787
Provisions		
Provision for retirement benefits for directors (and other officers)	511	409
Other provisions	260	175
Total provisions	771	584
Retirement benefit liability	20,974	21,719
Other	7,430	8,344
Total non-current liabilities	85,517	72,829
Total liabilities	294,678	257,180
Net assets		
Shareholders' equity		
Share capital	36,437	36,437
Capital surplus	25,180	25,034
Retained earnings	263,503	268,020
Treasury shares	(5,037)	(5,010)
Total shareholders' equity	320,084	324,482
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,017	19,204
Deferred gains or losses on hedges	(587)	(2,985)
Foreign currency translation adjustment	10,644	20,031
Remeasurements of defined benefit plans	734	620
Total accumulated other comprehensive income	24,808	36,871
Non-controlling interests	15,710	17,234
Total net assets	360,603	378,588
Total liabilities and net assets	655,282	635,769

Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the six months)

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Net sales	401,826	370,759
Cost of sales	349,190	331,888
Gross profit	52,635	38,870
Selling, general and administrative expenses	22,591	24,607
Operating profit	30,044	14,263
Non-operating income		
Interest income	252	261
Dividend income	569	541
Share of profit of entities accounted for using equity method	2,715	4,061
Foreign exchange gains	1,494	1,097
Commission income	948	-
Royalty income	858	1,208
Onerous sample cost income	526	959
Other	827	1,041
Total non-operating income	8,192	9,170
Non-operating expenses		
Interest expenses	269	284
Environmental expenses	498	748
Other	530	573
Total non-operating expenses	1,297	1,606
Ordinary profit	36,939	21,827
Extraordinary income		
Insurance claim income	66	93
Subsidy income	-	68
Gain on sale of non-current assets	18	18
Other	14	44
Total extraordinary income	99	225
Extraordinary losses		
Loss on retirement of non-current assets	541	500
Other	51	172
Total extraordinary losses	593	672
Profit before income taxes	36,445	21,379
Income taxes	11,119	6,846
Profit	25,326	14,532
Profit attributable to non-controlling interests	2,589	1,347
Profit attributable to owners of parent	22,736	13,185

Quarterly Consolidated Statements of Comprehensive Income (For the six months)

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Profit	25,326	14,532
Other comprehensive income		
Valuation difference on available-for-sale securities	(205)	5,167
Deferred gains or losses on hedges	3,758	(2,406)
Foreign currency translation adjustment	6,026	6,923
Remeasurements of defined benefit plans, net of tax	(16)	(111)
Share of other comprehensive income of entities accounted for using equity method	4,672	2,644
Total other comprehensive income	14,235	12,217
Comprehensive income	39,561	26,750
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	36,811	25,248
Comprehensive income attributable to non-controlling interests	2,749	1,502

Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	36,445	21,379
Depreciation	11,112	11,723
Amortization of goodwill	250	250
Increase (decrease) in allowance for doubtful accounts	(1)	(5)
Increase (decrease) in other provisions	(332)	(612)
Increase (decrease) in retirement benefit liability	791	486
Interest and dividend income	(821)	(802)
Interest expenses	269	284
Foreign exchange losses (gains)	(879)	(1,105)
Share of loss (profit) of entities accounted for using equity method	(2,715)	(4,061)
Loss (gain) on sale of non-current assets	(16)	(10)
Loss on retirement of non-current assets	541	500
Decrease (increase) in trade receivables	11,575	6,065
Decrease (increase) in inventories	9,665	59,860
Increase (decrease) in trade payables	(11,928)	(3,748)
Increase (decrease) in accrued consumption taxes	(2,575)	324
Decrease (increase) in borrowing precious metals	(1,397)	3,731
Other, net	(9,618)	(2,225)
Subtotal	40,363	92,033
Interest and dividends received	6,035	2,421
Interest paid	(271)	(243)
Income taxes refund (paid)	(19,994)	(1,123)
Net cash provided by (used in) operating activities	26,132	93,088
Cash flows from investing activities		
Purchase of property, plant and equipment	(14,404)	(16,857)
Proceeds from sale of property, plant and equipment	43	308
Purchase of intangible assets	(1,643)	(1,043)
Purchase of investment securities	(151)	(3)
Subsidies received	46	117
Loan advances	(260)	(3)
Proceeds from collection of loans receivable	278	0
Income by reduction of capital of subsidiaries and affiliates	-	2,101
Other, net	10	(1,443)
Net cash provided by (used in) investing activities	(16,080)	(16,823)

(Millions of yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,576	(3,051)
Net increase (decrease) in commercial papers	12,000	(17,000)
Proceeds from long-term borrowings	148	73
Repayments of long-term borrowings	(4,770)	(4,106)
Repayments of lease liabilities	(193)	(231)
Redemption of bonds	-	(10,000)
Proceeds from sale of treasury shares	-	0
Purchase of treasury shares	(0)	(0)
Dividends paid	(7,806)	(7,808)
Dividends paid to non-controlling interests	(4,826)	(146)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-	(30)
Net cash provided by (used in) financing activities	(2,871)	(42,300)
Effect of exchange rate change on cash and cash equivalents	1,838	1,478
Net increase (decrease) in cash and cash equivalents	9,018	35,443
Cash and cash equivalents at beginning of period	35,740	37,760
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	63	1,256
Cash and cash equivalents at end of period	44,822	74,460

Segment information

Segment information by business type as of September 30, 2022 and 2023 is summarized as follows :

(Amounts of less than one million yen are rounded down.)

For the six months ended September 30, 2022 (From April 01, 2022 to September 30, 2022)

(Millions of yen)

	Reporting Segments						Others	Total	Eliminations & Company- wide	Consolidated
	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Sub Total				
Net sales										
(1) Sales to external customers	41,856	213,590	73,467	58,508	13,297	400,720	1,105	401,826	-	401,826
(2) Intersegment sales or transfers	29,654	11,047	2,161	64	1	42,929	5,492	48,422	(48,422)	-
Total	71,510	224,637	75,629	58,572	13,299	443,650	6,598	450,248	(48,422)	401,826
Segment profit (loss) (Note 2)	5,835	23,577	3,874	3,495	790	37,573	(86)	37,487	(547)	36,939

For the six months ended September 30, 2023 (From April 01, 2023 to September 30, 2023)

(Millions of yen)

	Reporting Segments						Others	Total	Eliminations & Company- wide	Consolidated
	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Sub Total				
Net sales										
(1) Sales to external customers	42,568	175,499	81,528	54,939	14,876	369,412	1,346	370,759	-	370,759
(2) Intersegment sales or transfers	30,135	9,721	2,466	60	2	42,387	5,029	47,417	(47,417)	-
Total	72,704	185,221	83,994	55,000	14,879	411,800	6,376	418,176	(47,417)	370,759
Segment profit (loss) (Note 2)	5,900	9,510	1,780	2,128	1,386	20,706	94	20,800	1,027	21,827

(Note 1) The classification of businesses for the segment information by business type is based on the classification adopted by the internal management system.

- (1) Environmental Management & Recycling : Waste treatment, controlled landfilling, soil remediation, metal recycling, household appliances recycling, automobile recycling, consulting on environmental matters, and logistics
- (2) Nonferrous Metals : Production and sale of gold, silver, copper, zinc alloy, lead, platinum, palladium, indium, gallium, germanium, tin, antimony, nickel, bismuth, tellurium, sulfuric acid, and other metals
- (3) Electronic Materials : Production and sale of high-purity gallium, indium, compound semiconductor wafers, LEDs, Silver powder, Copper powder, Silver oxide powder, Metal powder, Carrier powder, and Ferrite powder
- (4) Metal Processing : Production and sale of copper, brass, copper alloy strips, nickel alloy strips, reflow tin plated stripes, brass rods, forged brass products, electroplating, and metal-ceramics substrates
- (5) Heat Treatment : Heat treatment, Surface treatment, design, manufacture, marketing, and maintenance of industrial furnaces and ancillary equipment
- (6) Others : Plant construction, real estate rental business and others

(Note 2) Segment profit (loss) is based on ordinary profit.