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Consolidated Financial Results for the Three Months Ended June 30, 2023 [Japanese GAAP]

August 9, 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: August 9, 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 Three Months Ended June 30, 2023 (April 1, 2023 to June 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	%
Three months ended June 30, 2023	190,961	(9.0)	7,346	(62.0)	12,617	(45.8)	7,853	(39.9)
June 30, 2022	209,933	1.0	19,320	(1.8)	23,285	(17.5)	13,063	(34.5)

(Note) Comprehensive income: Three months ended June 30, 2023: ¥ 17,045 million [(30.9)%]
Three months ended June 30, 2022: ¥ 24,665 million [(1.3)%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2023	131.95	-
June 30, 2022	219.55	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity to asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2023	640,562	368,807	54.9
March 31, 2023	655,282	360,603	52.6

(Reference) Equity: As of June 30, 2023: ¥ 351,785 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
Six months ending September 30, 2023	335,000	(16.6)	10,600	(64.7)	13,700	(62.9)	8,800	(61.3)	147.85
Full year	680,000	(12.8)	23,000	(48.4)	30,000	(45.9)	20,000	(20.1)	336.02

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the three months ended June 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):

June 30, 2023: 61,989,206 shares

March 31, 2023: 61,989,206 shares

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

June 30, 2023: 2,469,719 shares

March 31, 2023: 2,469,762 shares

3) Average number of shares outstanding during the period:

Three months ended June 30, 2023: 59,519,464 shares

Three months ended June 30, 2022: 59,502,416 shares

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	38,818	54,680
Notes and accounts receivable - trade, and contract assets	89,527	81,448
Merchandise and finished goods	64,236	64,082
Work in process	9,494	10,688
Raw materials and supplies	146,916	109,823
Other	30,234	35,542
Allowance for doubtful accounts	(192)	(199)
Total current assets	379,033	356,066
Non-current assets		
Property, plant and equipment		
Buildings and structures	164,835	169,189
Accumulated depreciation	(92,519)	(94,383)
Buildings and structures, net	72,315	74,806
Machinery, equipment and vehicles	296,412	297,752
Accumulated depreciation	(245,147)	(245,331)
Machinery, equipment and vehicles, net	51,264	52,421
Land	25,979	27,650
Construction in progress	19,327	22,490
Other	21,111	21,825
Accumulated depreciation	(16,776)	(17,315)
Other, net	4,334	4,509
Total property, plant and equipment	173,222	181,878
Intangible assets		
Goodwill	2,667	2,590
Other	8,481	8,755
Total intangible assets	11,149	11,345
Investments and other assets		
Investment securities	78,794	78,648
Long-term loans receivable	3,531	3,909
Deferred tax assets	6,456	5,374
Other	3,183	3,427
Allowance for doubtful accounts	(88)	(88)
Total investments and other assets	91,876	91,272
Total non-current assets	276,248	284,496
Total assets	655,282	640,562

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	52,042	44,287
Short-term borrowings	26,951	24,228
Commercial papers	35,000	25,000
Current portion of bonds payable	10,000	10,000
Income taxes payable	5,457	2,091
Accrued consumption taxes	2,368	1,782
Provisions		
Provision for bonuses	5,544	2,735
Provision for bonuses for directors (and other officers)	405	107
Total provisions	5,949	2,842
Borrowing precious metals	31,551	35,494
Other	39,839	41,110
Total current liabilities	209,160	186,837
Non-current liabilities		
Bonds payable	20,000	20,000
Long-term borrowings	32,816	31,594
Deferred tax liabilities	3,524	3,869
Provisions		
Provision for retirement benefits for directors (and other officers)	511	407
Other provisions	260	221
Total provisions	771	629
Retirement benefit liability	20,974	21,321
Other	7,430	7,502
Total non-current liabilities	85,517	84,917
Total liabilities	294,678	271,754
Net assets		
Shareholders' equity		
Share capital	36,437	36,437
Capital surplus	25,180	24,986
Retained earnings	263,503	262,689
Treasury shares	(5,037)	(5,037)
Total shareholders' equity	320,084	319,076
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,017	18,009
Deferred gains or losses on hedges	(587)	(566)
Foreign currency translation adjustment	10,644	14,583
Remeasurements of defined benefit plans	734	682
Total accumulated other comprehensive income	24,808	32,708
Non-controlling interests	15,710	17,022
Total net assets	360,603	368,807
Total liabilities and net assets	655,282	640,562

Quarterly Consolidated Statements of Income and Comprehensive Income
Quarterly Consolidated Statements of Income (For the three months)

(Millions of yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Net sales	209,933	190,961
Cost of sales	179,282	171,310
Gross profit	30,651	19,650
Selling, general and administrative expenses	11,331	12,304
Operating profit	19,320	7,346
Non-operating income		
Interest income	108	137
Dividend income	524	516
Share of profit of entities accounted for using equity method	1,093	2,944
Foreign exchange gains	736	847
Commission income	948	-
Royalty income	451	446
Onerous sample cost income	282	615
Other	428	543
Total non-operating income	4,574	6,052
Non-operating expenses		
Interest expenses	125	133
Environmental expenses	234	366
Other	248	280
Total non-operating expenses	608	781
Ordinary profit	23,285	12,617
Extraordinary income		
Subsidy income	-	68
Gain on liquidation of subsidiaries	-	26
Gain on sale of non-current assets	4	8
Other	28	5
Total extraordinary income	32	109
Extraordinary losses		
Loss on retirement of non-current assets	206	177
Other	38	60
Total extraordinary losses	244	237
Profit before income taxes	23,073	12,488
Income taxes	8,220	3,416
Profit	14,853	9,071
Profit attributable to non-controlling interests	1,789	1,218
Profit attributable to owners of parent	13,063	7,853

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

(Millions of yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Profit	14,853	9,071
Other comprehensive income		
Valuation difference on available-for-sale securities	(570)	3,973
Deferred gains or losses on hedges	4,985	56
Foreign currency translation adjustment	3,564	3,811
Remeasurements of defined benefit plans, net of tax	(6)	(50)
Share of other comprehensive income of entities accounted for using equity method	1,839	183
Total other comprehensive income	9,812	7,973
Comprehensive income	24,665	17,045
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	22,787	15,753
Comprehensive income attributable to non-controlling interests	1,877	1,291

Segment Information

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

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

For the three months ended June 30, 2022 (From April 01, 2022 to June 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	21,034	108,763	43,867	29,475	6,262	209,404	529	209,933	-	209,933
(2) Intersegment sales or transfers	15,467	6,310	1,176	53	0	23,008	2,443	25,451	(25,451)	-
Total	36,501	115,074	45,043	29,529	6,263	232,412	2,972	235,385	(25,451)	209,933
Segment profit (loss) (Note 2)	3,466	14,345	2,508	2,725	328	23,374	(69)	23,304	(19)	23,285

For the three months ended June 30, 2023 (From April 01, 2023 to June 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	21,323	98,428	37,158	26,686	6,757	190,354	606	190,961	-	190,961
(2) Intersegment sales or transfers	15,842	4,917	1,249	36	1	22,047	2,354	24,401	(24,401)	-
Total	37,166	103,346	38,408	26,722	6,758	212,401	2,960	215,362	(24,401)	190,961
Segment profit (loss) (Note 2)	3,566	6,459	763	926	496	12,212	74	12,286	330	12,617

(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.