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Consolidated Financial Results for the Nine Months Ended December 31, 2023 [Japanese GAAP]

February 9, 2024

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: February 13, 2024

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 Nine Months Ended December 31, 2023 (April 1, 2023 to December 31, 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	%
Nine months ended December 31, 2023	551,675	(7.0)	22,653	(38.3)	33,138	(26.9)	24,020	(11.9)
December 31, 2022	592,933	(3.1)	36,716	(29.8)	45,353	(29.7)	27,271	(38.2)

(Note) Comprehensive income: Nine months ended December 31, 2023: ¥ 35,886 million [(28.4)%]

Nine months ended December 31, 2022: ¥ 50,109 million [(2.7)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2023	403.52	-
December 31, 2022	458.25	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity to asset ratio
As of	Millions of yen	Millions of yen	%
December 31, 2023	619,730	387,654	59.8
March 31, 2023	655,282	360,603	52.6

(Reference) Equity: As of December 31, 2023: ¥ 370,735 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)				130.00	130.00

(Note) Revision to the forecast for dividends announced most recently: Yes

(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: ¥ 130.00

For more details of the dividends forecasts for the current fiscal year, please refer to the "Notice of Revisions of Dividends Forecasts" announced today.

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)	386.37

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

* Notes:

(1) Changes in significant subsidiaries during the nine months ended December 31, 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):

December 31, 2023: 61,989,206 shares

March 31, 2023: 61,989,206 shares

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

December 31, 2023: 2,453,205 shares

March 31, 2023: 2,469,762 shares

3) Average number of shares outstanding during the period:

Nine months ended December 31, 2023: 59,527,741 shares

Nine months ended December 31, 2022: 59,512,680 shares

Quarterly Consolidated Financial Statements
Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	38,818	70,033
Notes and accounts receivable - trade, and contract assets	89,527	85,475
Merchandise and finished goods	64,236	40,802
Work in process	9,494	11,806
Raw materials and supplies	146,916	105,823
Other	30,234	17,975
Allowance for doubtful accounts	(192)	(96)
Total current assets	379,033	331,820
Non-current assets		
Property, plant and equipment		
Buildings and structures	164,835	175,130
Accumulated depreciation	(92,519)	(97,914)
Buildings and structures, net	72,315	77,215
Machinery, equipment and vehicles	296,412	304,735
Accumulated depreciation	(245,147)	(252,347)
Machinery, equipment and vehicles, net	51,264	52,387
Land	25,979	28,102
Construction in progress	19,327	26,987
Other	21,111	22,689
Accumulated depreciation	(16,776)	(17,946)
Other, net	4,334	4,742
Total property, plant and equipment	173,222	189,435
Intangible assets		
Goodwill	2,667	2,320
Other	8,481	8,675
Total intangible assets	11,149	10,995
Investments and other assets		
Investment securities	78,794	74,326
Long-term loans receivable	3,531	3,834
Deferred tax assets	6,456	6,239
Other	3,183	3,166
Allowance for doubtful accounts	(88)	(89)
Total investments and other assets	91,876	87,478
Total non-current assets	276,248	287,910
Total assets	655,282	619,730

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	52,042	50,686
Short-term borrowings	26,951	23,986
Commercial papers	35,000	9,000
Current portion of bonds payable	10,000	10,000
Income taxes payable	5,457	1,834
Accrued consumption taxes	2,368	3,176
Provisions		
Provision for bonuses	5,544	3,073
Provision for bonuses for directors (and other officers)	405	300
Total provisions	5,949	3,373
Borrowing precious metals	31,551	35,959
Other	39,839	26,188
Total current liabilities	209,160	164,206
Non-current liabilities		
Bonds payable	20,000	10,000
Long-term borrowings	32,816	23,282
Deferred tax liabilities	3,524	3,608
Provisions		
Provision for retirement benefits for directors (and other officers)	511	429
Other provisions	260	173
Total provisions	771	602
Retirement benefit liability	20,974	22,061
Other	7,430	8,315
Total non-current liabilities	85,517	67,870
Total liabilities	294,678	232,076
Net assets		
Shareholders' equity		
Share capital	36,437	36,437
Capital surplus	25,180	24,995
Retained earnings	263,503	278,855
Treasury shares	(5,037)	(5,010)
Total shareholders' equity	320,084	335,278
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,017	14,997
Deferred gains or losses on hedges	(587)	(796)
Foreign currency translation adjustment	10,644	20,676
Remeasurements of defined benefit plans	734	579
Total accumulated other comprehensive income	24,808	35,457
Non-controlling interests	15,710	16,918
Total net assets	360,603	387,654
Total liabilities and net assets	655,282	619,730

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

(Millions of yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Net sales	592,933	551,675
Cost of sales	521,577	490,587
Gross profit	71,355	61,088
Selling, general and administrative expenses	34,638	38,434
Operating profit	36,716	22,653
Non-operating income		
Interest income	485	394
Dividend income	1,042	1,125
Share of profit of entities accounted for using equity method	3,702	6,049
Foreign exchange gains	1,013	959
Commission income	948	-
Royalty income	1,474	1,521
Onerous sample cost income	744	1,207
Other	1,315	1,638
Total non-operating income	10,726	12,896
Non-operating expenses		
Interest expenses	391	473
Environmental expenses	912	1,140
Other	784	797
Total non-operating expenses	2,089	2,411
Ordinary profit	45,353	33,138
Extraordinary income		
Gain on sale of investment securities	425	5,340
Gain on sale of non-current assets	24	26
Other	126	271
Total extraordinary income	577	5,638
Extraordinary losses		
Loss on retirement of non-current assets	967	1,049
Loss on disaster	-	347
Loss on valuation of investment securities	260	-
Other	60	65
Total extraordinary losses	1,288	1,462
Profit before income taxes	44,642	37,313
Income taxes	13,829	12,191
Profit	30,813	25,122
Profit attributable to non-controlling interests	3,541	1,101
Profit attributable to owners of parent	27,271	24,020

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

(Millions of yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Profit	30,813	25,122
Other comprehensive income		
Valuation difference on available-for-sale securities	2,057	962
Deferred gains or losses on hedges	5,610	(223)
Foreign currency translation adjustment	5,383	6,642
Remeasurements of defined benefit plans, net of tax	(21)	(151)
Share of other comprehensive income of entities accounted for using equity method	6,266	3,533
Total other comprehensive income	19,296	10,763
Comprehensive income	50,109	35,886
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	46,417	34,669
Comprehensive income attributable to non-controlling interests	3,692	1,217

Segment information

Segment information by business type as of December 31, 2022 and 2023 is summarized as follows :

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

For the nine months ended December 31, 2022 (From April 01, 2022 to December 31, 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	64,754	312,600	105,050	87,690	20,996	591,091	1,841	592,933	-	592,933
(2) Intersegment sales or transfers	45,551	17,062	3,264	77	42	65,998	8,366	74,365	(74,365)	-
Total	110,305	329,662	108,314	87,768	21,039	657,090	10,208	667,298	(74,365)	592,933
Segment profit (loss) (Note 2)	9,433	26,114	4,625	4,592	1,220	45,986	(28)	45,957	(604)	45,353

For the nine months ended December 31, 2023 (From April 01, 2023 to December 31, 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	65,074	240,562	134,853	85,946	23,080	549,518	2,157	551,675	-	551,675
(2) Intersegment sales or transfers	46,517	14,701	3,854	73	4	65,151	8,343	73,494	(73,494)	-
Total	111,592	255,264	138,707	86,020	23,084	614,669	10,500	625,169	(73,494)	551,675
Segment profit (loss) (Note 2)	8,867	13,373	2,518	4,168	2,103	31,031	344	31,375	1,762	33,138

(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.