

Consolidated Financial Summary for the Six Months
Ended September 30, 2018 (Unaudited)

(Japan Basis)



November 09 2018

Company name: Dowa Holdings Co., Ltd. URL: <http://www.dowa.co.jp/>
Exchange: First Section of Tokyo Stock Exchange, First Section of Nagoya Stock Exchange,
 Fukuoka Stock Exchange, and Sapporo Securities Exchange
Stock code: 5714
Representative: Akira Sekiguchi, President and Representative Director

Scheduled date of filing quarterly securities report: November 13, 2018
 Scheduled date of commencement of dividend payments: —

1. Consolidated business results for the six months ended September 30, 2018 (April 1, 2018 – September 30, 2018)

(Amounts less than one million yen, except for per share amounts, are omitted.)

(1) Consolidated financial results

(%: Change from the same period of the previous year)

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of parent | |
|-------------------------------------|-------------------------------------|------|---------------------------|-------|-------------------------------------|-------|---|-------|
| | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % |
| Six months ended September 30, 2018 | 221,828 | 1.2 | 9,367 | △36.2 | 12,848 | △25.6 | 8,889 | △24.2 |
| Six months ended September 30, 2017 | 219,302 | 18.7 | 14,672 | 10.0 | 17,258 | 27.0 | 11,733 | 18.8 |
| (Note) Comprehensive income: | Six months ended September 30, 2018 | | 4,477 million yen △62.4 % | | Six months ended September 30, 2017 | | 11,907 million yen 171.3 % | |

| | Net income per share | Net income per share (fully diluted) |
|-------------------------------------|----------------------|---|
| | Yen | Yen |
| Six months ended September 30, 2018 | 150.20 | — |
| Six months ended September 30, 2017 | 198.24 | — |

(Note) We consolidated common shares at the ratio of five shares to one share on October 1, 2017. The figures for the net income per share are amounts on the assumption that we consolidate common shares on the beginning of previous fiscal year.

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|--------------------------|-----------------|-----------------|--------------|
| | Millions of Yen | Millions of Yen | % |
| As of September 30, 2018 | 472,606 | 245,660 | 50.1 |
| As of March 31, 2018 | 456,530 | 247,762 | 52.3 |

(Reference) Shareholders' equity: As of September 30, 2018 236,941 million yen As of March 31, 2018 238,815 million yen

(Note) We apply ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting" from FY2018. This accounting standard is retroactively applied to the amount of the consolidated financial position as of March 31, 2018.

2. Dividends

| (Record date) | Annual Dividends | | | | |
|---|----------------------|-----------------------|----------------------|----------|--------|
| | End of first quarter | End of second quarter | End of third quarter | Year-end | Annual |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2018 | — | — | — | 90.00 | 90.00 |
| Fiscal year ending March 31, 2019 | — | — | — | — | — |
| Fiscal year ending March 31, 2019 (forecast) | — | — | — | 90.00 | 90.00 |

(Note) Revisions of expected dividends in the current period: None

3. Forecast consolidated results for the fiscal year ending March 31, 2019 (April 1, 2018 – March 31, 2019)

(%: Change from the same period of the previous year)

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of parent | | Net income per share |
|-----------|-----------------|-----|------------------|-------|-----------------|-------|---|-------|----------------------|
| | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % | Millions of Yen | % | Yen |
| Full year | 455,000 | 0.1 | 24,500 | △20.8 | 30,000 | △17.5 | 21,000 | △15.0 | 354.82 |

(Note) Revisions of estimated consolidated results in the current period: None

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets (Unaudited)

(Millions of Yen)

| | As of end of previous fiscal year (March 31, 2018) | As of end of second quarter (September 30, 2018) |
|--|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 16,935 | 19,380 |
| Notes and accounts receivable - trade | 87,615 | 81,233 |
| Merchandise and finished goods | 27,550 | 24,161 |
| Work in process | 5,663 | 7,085 |
| Raw materials and supplies | 73,127 | 82,547 |
| Other | 17,634 | 15,928 |
| Allowance for doubtful accounts | (191) | (172) |
| Total current assets | 228,334 | 230,164 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 119,288 | 123,865 |
| Accumulated depreciation | (70,028) | (70,961) |
| Buildings and structures, net | 49,260 | 52,904 |
| Machinery, equipment and vehicles | 242,390 | 248,847 |
| Accumulated depreciation | (204,016) | (208,712) |
| Machinery, equipment and vehicles, net | 38,373 | 40,135 |
| Land | 24,638 | 24,897 |
| Construction in progress | 8,491 | 9,430 |
| Other | 16,602 | 17,067 |
| Accumulated depreciation | (13,041) | (13,461) |
| Other, net | 3,560 | 3,606 |
| Total property, plant and equipment | 124,324 | 130,974 |
| Intangible assets | | |
| Goodwill | 5,250 | 4,936 |
| Other | 3,759 | 3,363 |
| Total intangible assets | 9,010 | 8,299 |
| Investments and other assets | | |
| Investment securities | 75,067 | 71,801 |
| Long-term loans receivable | 9,908 | 18,305 |
| Deferred tax assets | 6,430 | 7,181 |
| Other | 3,554 | 5,981 |
| Allowance for doubtful accounts | (100) | (100) |
| Total investments and other assets | 94,860 | 103,168 |
| Total non-current assets | 228,196 | 242,441 |
| Total assets | 456,530 | 472,606 |

Note: Amounts less than one million yen are omitted.

(Millions of Yen)

| | As of end of previous fiscal year (March 31, 2018) | As of end of second quarter (September 30, 2018) |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 37,338 | 33,773 |
| Short-term loans payable | 44,402 | 38,004 |
| Commercial papers | 25,000 | 32,000 |
| Income taxes payable | 2,680 | 1,959 |
| Accrued consumption taxes | 1,446 | 793 |
| Provision | | |
| Provision for bonuses | 4,050 | 3,935 |
| Provision for directors' bonuses | 232 | 85 |
| Total provisions | 4,282 | 4,020 |
| Other | 27,649 | 33,861 |
| Total current liabilities | 142,800 | 144,413 |
| Non-current liabilities | | |
| Bonds payable | 10,000 | 20,000 |
| Long-term loans payable | 30,424 | 37,310 |
| Deferred tax liabilities | 2,666 | 2,236 |
| Provision | | |
| Provision for directors' retirement benefits | 719 | 576 |
| Other provision | 446 | 426 |
| Total provisions | 1,166 | 1,003 |
| Net defined benefit liability | 17,411 | 17,827 |
| Other | 4,298 | 4,153 |
| Total non-current liabilities | 65,967 | 82,532 |
| Total liabilities | 208,767 | 226,945 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 36,437 | 36,437 |
| Capital surplus | 26,222 | 26,044 |
| Retained earnings | 165,029 | 167,449 |
| Treasury shares | (5,708) | (5,709) |
| Total shareholders' equity | 221,980 | 224,221 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 14,164 | 13,442 |
| Deferred gains or losses on hedges | 1,199 | (572) |
| Foreign currency translation adjustment | 2,124 | 417 |
| Remeasurements of defined benefit plans | (653) | (567) |
| Total accumulated other comprehensive income | 16,835 | 12,719 |
| Non-controlling interests | 8,946 | 8,718 |
| Total net assets | 247,762 | 245,660 |
| Total liabilities and net assets | 456,530 | 472,606 |

Note: Amounts less than one million yen are omitted.

(2) Consolidated Statements of Income (Unaudited)

(Millions of Yen)

| | Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017) | Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018) |
|---|---|---|
| Net sales | 219,302 | 221,828 |
| Cost of sales | 187,084 | 193,447 |
| Gross profit | 32,217 | 28,380 |
| Selling, general and administrative expenses | | |
| Freightage related expenses | 1,996 | 2,280 |
| Sales commission | 275 | 265 |
| Directors' compensations | 717 | 732 |
| Salaries and allowances | 2,863 | 2,988 |
| Welfare expenses | 1,054 | 1,084 |
| Provision for bonuses | 1,012 | 975 |
| Retirement benefit expenses | 304 | 302 |
| Provision for directors' retirement benefits | 93 | 95 |
| Rent expenses | 435 | 450 |
| Taxes and dues | 706 | 735 |
| Traveling and transportation expenses | 800 | 834 |
| Depreciation | 681 | 732 |
| Development and research expenses | 2,589 | 3,087 |
| Amortization of goodwill | 264 | 258 |
| Other | 3,748 | 4,188 |
| Total selling, general and administrative expenses | 17,545 | 19,012 |
| Operating profit | 14,672 | 9,367 |
| Non-operating income | | |
| Interest income | 171 | 469 |
| Dividend income | 355 | 438 |
| Share of profit of entities accounted for using equity method | 1,414 | 1,512 |
| Foreign exchange gains | 343 | 563 |
| Commission fee | — | 475 |
| Royalty income | 515 | 441 |
| Other | 704 | 926 |
| Total non-operating income | 3,504 | 4,826 |
| Non-operating expenses | | |
| Interest expenses | 289 | 371 |
| Commission fee | — | 238 |
| Environmental expenses | 261 | 266 |
| Other | 368 | 469 |
| Total non-operating expenses | 918 | 1,345 |
| Ordinary profit | 17,258 | 12,848 |

Note: Amounts less than one million yen are omitted.

(Millions of Yen)

| | Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017) | Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018) |
|---|---|---|
| Extraordinary income | | |
| Subsidy income | 40 | 145 |
| Gain on sales of investment securities | 95 | 127 |
| Insurance income | — | 90 |
| Other | 6 | 53 |
| Total extraordinary income | 142 | 416 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 296 | 329 |
| Settlement package | — | 142 |
| Impairment loss | 21 | 31 |
| Other | 65 | 101 |
| Total extraordinary losses | 382 | 604 |
| Profit before income taxes | 17,018 | 12,660 |
| Income taxes - current | 4,275 | 3,914 |
| Income taxes - deferred | 753 | 80 |
| Total income taxes | 5,029 | 3,995 |
| Profit | 11,989 | 8,665 |
| Profit (loss) attributable to non-controlling interests | 255 | (224) |
| Profit attributable to owners of parent | 11,733 | 8,889 |

Note: Amounts less than one million yen are omitted.

(3) Consolidated Statement of Comprehensive Income (Unaudited)

(Millions of Yen)

| | Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017) | Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018) |
|--|---|---|
| Profit | 11,989 | 8,665 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 790 | (589) |
| Deferred gains or losses on hedges | (1,316) | (1,805) |
| Foreign currency translation adjustment | (274) | (1,418) |
| Remeasurements of defined benefit plans, net of tax | 82 | 57 |
| Share of other comprehensive income of entities accounted for using equity method | 636 | (431) |
| Total other comprehensive income | (81) | (4,187) |
| Comprehensive income | 11,907 | 4,477 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 11,686 | 4,774 |
| Comprehensive income attributable to non-controlling interests | 220 | (296) |

Note: Amounts less than one million yen are omitted.

(5) Consolidated Statements of Cash Flows (Unaudited)

(Millions of Yen)

| | Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017) | Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018) |
|--|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 17,018 | 12,660 |
| Depreciation | 8,127 | 8,755 |
| Impairment loss | 21 | 31 |
| Amortization of goodwill | 264 | 258 |
| Increase (decrease) in allowance for doubtful accounts | (7) | (8) |
| Increase (decrease) in other provision | (261) | (423) |
| Increase (decrease) in net defined benefit liability | 496 | 449 |
| Interest and dividend income | (526) | (907) |
| Interest expenses | 289 | 371 |
| Foreign exchange losses (gains) | (162) | (671) |
| Share of loss (profit) of entities accounted for using equity method | (1,414) | (1,512) |
| Loss on retirement of non-current assets | 296 | 329 |
| Loss (gain) on sales of investment securities | (95) | (127) |
| Decrease (increase) in notes and accounts receivable - trade | (3,004) | 5,993 |
| Decrease (increase) in inventories | (21,530) | (7,457) |
| Increase (decrease) in notes and accounts payable - trade | 3,491 | (3,517) |
| Increase (decrease) in accrued consumption taxes | (865) | (716) |
| Other, net | 4,560 | 5,197 |
| Subtotal | 6,698 | 18,706 |
| Interest and dividend income received | 1,675 | 2,464 |
| Interest expenses paid | (278) | (378) |
| Income taxes (paid) refund | (7,678) | (5,326) |
| Net cash provided by (used in) operating activities | 416 | 15,465 |

Note: Amounts less than one million yen are omitted.

(Millions of Yen)

| | Six months ended September 30, 2017 (From April 1, 2017 to September 30, 2017) | Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018) |
|---|---|---|
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (10,606) | (11,083) |
| Proceeds from sales of property, plant and equipment | 54 | 115 |
| Purchase of intangible assets | (287) | (69) |
| Purchase of investment securities | (4) | (1,834) |
| Proceeds from sales of investment securities | 29 | 0 |
| Purchase of shares of subsidiaries and associates | (1,615) | (1,170) |
| Proceeds from sales of shares of subsidiaries and associates | — | 196 |
| Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation | 14 | — |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (171) | — |
| Proceeds from subsidy | 145 | 382 |
| Payments of loans receivable | 50 | (8,128) |
| Collection of loans receivable | 251 | 275 |
| Other, net | (110) | (228) |
| Net cash provided by (used in) investing activities | (12,249) | (21,543) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | 5,544 | (7,310) |
| Net increase (decrease) in commercial papers | 13,000 | 7,000 |
| Proceeds from long-term loans payable | 1,390 | 7,546 |
| Repayments of long-term loans payable | (4,732) | (3,414) |
| Proceeds from issuance of bonds | — | 9,947 |
| Repayments of lease obligations | (464) | (246) |
| Purchase of treasury shares | 0 | 0 |
| Cash dividends paid | (5,405) | (5,406) |
| Dividends paid to non-controlling interests | (141) | (218) |
| Net cash provided by (used in) financing activities | 9,191 | 7,897 |
| Effect of exchange rate change on cash and cash equivalents | (40) | (15) |
| Net increase (decrease) in cash and cash equivalents | (2,681) | 1,803 |
| Cash and cash equivalents at beginning of period | 15,126 | 16,472 |
| Increase in cash and cash equivalents from newly consolidated subsidiary | 257 | 112 |
| Cash and cash equivalents at end of period | 12,702 | 18,389 |

Note: Amounts less than one million yen are omitted.

5. Segment Information

Segment information by business type as of September 30, 2017 and 2018 is summarized as follows :
(Amounts less than one million yen are omitted.)

For the year ended September 30, 2017(From April 1, 2017 to September 30, 2017)

Millions of Yen

| | Reporting Segments | | | | | | Others | Total | Eliminations & Company- wide | Consolidated |
|-------------------------|--|----------------------|--------------------------|---------------------|-------------------|--------------|--------|---------|------------------------------------|--------------|
| | Environmental Management & recycling | Nonferrous Metals | Electronics Materials | Metal Processing | Heat Treatment | Sub Total | | | | |
| Net sales | | | | | | | | | | |
| (1) Outside customers | 29,436 | 93,046 | 40,013 | 42,163 | 12,960 | 217,621 | 1,681 | 219,302 | - | 219,302 |
| (2) Intersegment | 18,857 | 9,317 | 1,060 | 68 | 0 | 29,305 | 4,408 | 33,713 | (33,713) | - |
| Total | 48,294 | 102,363 | 41,074 | 42,232 | 12,961 | 246,926 | 6,089 | 253,016 | (33,713) | 219,302 |
| Segment income (note 2) | 2,949 | 6,519 | 3,339 | 3,399 | 998 | 17,205 | 292 | 17,498 | (239) | 17,258 |

For the year ended September 30, 2018(From April 1, 2018 to September 30, 2018)

Millions of Yen

| | Reporting Segments | | | | | | Others | Total | Eliminations & Company- wide | Consolidated |
|-------------------------|--|----------------------|--------------------------|---------------------|-------------------|--------------|--------|---------|------------------------------------|--------------|
| | Environmental Management & recycling | Nonferrous Metals | Electronics Materials | Metal Processing | Heat Treatment | Sub Total | | | | |
| Net sales | | | | | | | | | | |
| (1) Outside customers | 30,880 | 98,662 | 32,182 | 45,970 | 13,658 | 221,353 | 474 | 221,828 | - | 221,828 |
| (2) Intersegment | 20,394 | 10,669 | 1,120 | 41 | - | 32,225 | 4,218 | 36,444 | (36,444) | - |
| Total | 51,274 | 109,331 | 33,302 | 46,011 | 13,658 | 253,579 | 4,693 | 258,273 | (36,444) | 221,828 |
| Segment income (note 2) | 3,230 | 2,710 | 2,181 | 3,215 | 1,279 | 12,618 | 205 | 12,824 | 24 | 12,848 |

(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) Electronics Materials : Production and sale of high-purity gallium, indium, compound semiconductor wafers, LEDs, silver powders, copper powders, silver oxide powders, metal powders, carrier powders, and ferrite powders
- (4) Metal Processing : Production and sale of copper, brass, copper alloy strips, nickel alloy strips, reflow tin plated stripes, brass rods, forged brass products, electroplated products, and metal-ceramic substrates
- (5) Heat Treatment : Various types of heat treatment, various types of surface treatment, design, manufacture, marketing, and maintenance of various types of industrial furnaces and ancillary equipment
- (6) Others : Construction, rental business and others

(Note 2) Segment income is based on ordinary income.