

**Fiscal 2017
Supplementary Information**

May 11, 2018

DOWA HOLDINGS CO.,LTD.

Overview of Operating Results

■ Consolidated Income Statements

Billion yen

	FY2016 Results			FY2017 Results			Changes					
	H1	H2	Full Year	H1	H2	Full Year	H1		H2		Full Year	
Net Sales	184.7	225.7	410.5	219.3	235.4	454.7	34.5	19%	9.7	4%	44.2	11%
Operating Income	13.3	20.6	33.9	14.6	16.2	30.9	1.3	10%	(4.3)	△ 21%	(3.0)	△ 9%
Ordinary Income	13.5	22.9	36.5	17.2	19.0	36.3	3.6	27%	(3.8)	△ 17%	(0.1)	△ 0%
Profit attributable to owners of parent	9.8	16.2	26.1	11.7	12.9	24.6	1.8	19%	(3.3)	△ 20%	(1.4)	△ 6%

- ✓ While net sales increased with higher metal prices, operating income decreased due to increased depreciation costs, worsening conditions for purchasing raw materials in Nonferrous Materials, and lower waste treatment volumes.
- ✓ Ordinary income remained almost on par with the preceding fiscal year given the improvement in equity method profit.

Exchange rate and metal prices

	FY2016 Average			FY2017 Average		
	H1	H2	Full Year	H1	H2	Full Year
Exchange Rate: (¥/\$)	105.3	111.5	108.4	111.1	110.6	110.9
Copper: (\$/t)	4,752	5,557	5,154	6,005	6,884	6,444
Zinc: (\$/t)	2,084	2,650	2,367	2,780	3,328	3,054
Indium: (\$/kg)	222	192	207	184	269	226

Business Environment

➤ **Waste treatment-related business**

Japan: The generated waste volume remained unchanged.

The waste emissions in Tohoku region decreased and the operation rate of waste treatment facilities decreased.

Southeast Asia: Orders for waste treatment increased steadily.

Orders for highly profitable projects were temporarily stagnant.

➤ **Automobile-related business**

The production volume of automobiles remained firm in both Japan and overseas.

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

New forms of energy: Market expansion continued, mainly in North America and Asia.

Electronic components: Demand for smartphones grew, mainly in East Asia.

➤ **Metal prices and Exchange rate**

Metal prices: Zinc, copper, and other metal prices increased.

Exchange rate: The exchange rate was around 110 yen per dollar until the third quarter, before the yen began to consistently appreciate.

Trends in Major Products

Indexes (100 for Q1 of FY2016)

		FY2016				FY2017			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Environmental Management & Recycling	Intermediate waste treatment volume in Japan	100	104	109	102	106	96	101	91
	Recycling materials collection volume (Kosaka)	100	108	111	91	96	92	99	99
	Waste treatment amount in South East Asia	100	103	111	129	128	112	111	119
Nonferrous Metals	Copper production (Kosaka, Onahama)	100	86	83	89	85	70	60	73
	Zinc production (Akita)	100	72	91	99	92	73	103	92
Electronic Materials	LED sales volume	100	88	82	86	79	85	96	87
	Silver powder sales volume	100	101	97	95	89	105	104	73
Metal Processing	Copper alloy strip sales volume	100	104	106	104	105	101	111	107
Heat Treatment	Heattreatment sales amount	100	103	118	116	112	118	127	127
	Industrial furnace sales amount	100	116	109	183	104	148	119	201

Year-on-Year Comparison

Billion yen

	FY2016 results			FY2017 results			Change			Details of Changes to Operating Income
	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	
Environmental Management & Recycling	96.9	6.6	6.8	99.3	4.9	5.7	2.4	(1.6)	(1.0)	- Waste treatment volume decreased. - Soil treatment projects decreased.
Nonferrous Metals	207.7	10.0	12.2	217.9	9.2	13.0	10.1	(0.8)	0.7	- The conditions for purchasing raw materials worsened. - Depreciation costs increased.
Electronic Materials	62.5	6.5	6.8	77.7	5.6	6.1	15.2	(0.9)	(0.7)	- Demand for LEDs for smartphones recovered. - Depreciation costs and R&D costs increased.
Metal Processing	75.4	6.9	7.1	90.6	7.2	7.5	15.1	0.3	0.4	- Demand for copper rolled products for both automobiles and smartphones are firm. - Sales of metal-ceramic substrates for Industrial machinery grew.
Heat Treatment	25.1	2.3	2.2	28.2	2.6	2.5	3.0	0.2	0.2	- Orders for both heat-treating and industrial furnaces increased in Japan and other countries.
Other/ Elimination	(57.4)	1.3	1.1	(59.1)	1.2	1.3	(1.7)	(0.1)	0.2	
Total	410.5	33.9	36.5	454.7	30.9	36.3	44.2	(3.0)	(0.1)	

Factor Analysis of Ordinary Income

Billion yen

FY2017 – FY2016	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Other	Total
Effect of various measures, increase/decrease in sales, etc.	(1.9)	(1.1)	(0.8)	0.7	0.4	(0.1)	(2.8)
Of the above, free metal income difference (volume difference)	–	(1.5)	–	–	–	–	(1.5)
Free metal income difference (metal price difference)	–	3.6	–	–	–	–	3.6
Exchange rate difference of foreign currency-based income	–	0.8	0.2	–	–	–	1.0
Conditions of raw material (changes in base conditions)	–	(1.6)	–	–	–	–	(1.6)
Difference between the market value and book value at sale, and between market value and valuation prices at end of period	–	(1.1)	–	–	–	–	(1.1)
Electricity charges, etc.	–	(0.7)	–	–	–	–	(0.7)
Depreciation in manufacturing cost	0.3	(0.7)	(0.3)	(0.4)	(0.1)	(0.0)	(1.3)
Increase/decrease in operating income	(1.6)	(0.8)	(0.9)	0.3	0.2	(0.1)	(3.0)
Effect of non-operating income/expenses							
- Equity method income or loss	(0.0)	1.3	0.1	0.0	–	0.3	1.6
- Other	0.6	0.3	0.1	0.1	0.1	0.1	1.1
Increase/decrease in ordinary income	(1.0)	0.7	(0.7)	0.4	0.2	0.2	(0.1)

Financial Highlights (1)

■ Consolidated Balance Sheets

Billion yen

	Mar. 31, 2017	Mar. 31, 2018	Change		Mar. 31, 2017	Mar. 31, 2018	Change
Current Assets	194.8	232.2	37.4	Current Liabilities	121.1	142.9	21.8
				Noncurrent Liabilities	55.6	67.1	11.4
Noncurrent Assets	209.7	225.5	15.7	Non-Controlling Interests	219.3	238.8	19.5
				Equity	8.5	8.9	0.4
Total Assets	404.6	457.8	53.2	Total Liabilities and Net Assets	404.6	457.8	53.2
				Interest-bearing debt	79.9	109.8	29.9
				Equity ratio (%)	54.2	52.2	(2.0)
				ROA (%)	9.5	8.4	(1.1)

- ✓ Total assets increased by 53.2 billion yen compared with the end of the preceding fiscal year as a result of an increase in Nonferrous Metals inventories caused by higher metal prices, an increase in accounts receivable-trade due to sales growth, and an increase in noncurrent assets for growth investment.

Financial Highlights (2)

■ Consolidated Statements of Cash Flows

Billion yen

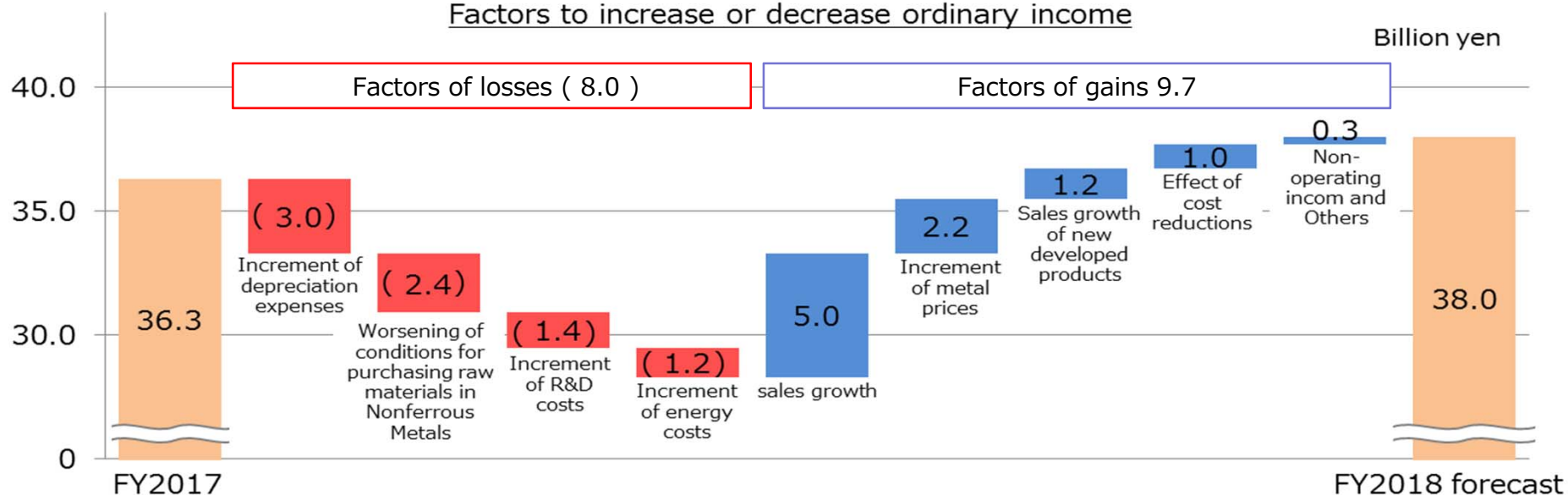
	FY2016	FY2017	Change
Cash Flows from Operating Activities	29.3	11.1	(18.2)
Profit before income taxes	36.7	34.9	(1.7)
Depreciation and amortization	16.2	17.7	1.4
Income taxes (paid) refund	(5.9)	(12.4)	(6.4)
Inventories	(12.7)	(23.9)	(11.2)
Other, net	(4.9)	(5.1)	(0.2)
Cash Flows from Investing Activities	(25.9)	(34.0)	(8.0)
Acquisition of property, plant and equipment	(25.9)	(24.0)	1.9
Other investments	0.0	(10.0)	(9.9)
Cash Flows from Financing Activities	(7.1)	24.0	31.2
Total	(3.7)	1.2	4.9

Forecast for Fiscal 2018

Billion yen

	FY2017 results	FY2018 forecast	Change
Net Sales	454.7	475.0	20.2
Operating Income	30.9	32.0	1.0
Ordinary Income	36.3	38.0	1.6
Profit attributable to owners of parent	24.6	26.5	1.8

Factors to increase or decrease ordinary income



- ✓ Despite the rise in depreciation costs incurred for growth investments and the worsening of conditions for purchasing raw materials in Nonferrous Metals, profits are expected to rise compared with the preceding fiscal year given sales growth in major products and a rise in metal prices.

Year-on-Year Comparison

Billion yen

	FY2017 Results			FY2018 Forecast			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	109.3	6.5	6.7	9.9	1.5	0.9
Nonferrous Metals	217.9	9.2	13.0	227.0	9.6	13.8	9.0	0.3	0.7
Electronic Materials	77.7	5.6	6.1	73.3	4.0	5.7	(4.4)	(1.6)	(0.4)
Metal Processing	90.6	7.2	7.5	95.5	7.6	7.7	4.8	0.3	0.1
Heat Treatment	28.2	2.6	2.5	30.7	3.3	3.2	2.4	0.6	0.6
Other/ Elimination	(59.1)	1.2	1.3	(60.8)	1.0	0.9	(1.6)	(0.2)	(0.4)
Total	454.7	30.9	36.3	475.0	32.0	38.0	20.2	1.0	16.0

Assumptions and Sensitivities (FY2018)

Sensitivity (Operating Income / year)			Million yen
	Assumptions	Fluctuation	Sensitivity
Exchange rate	110.0 ¥/\$	±1 ¥/\$	440
Copper	7,000 \$/t	±100 \$/t	50
Zinc	3,200 \$/t	±100 \$/t	400
Indium	350 \$/kg	±10 \$/kg	50

* Exchange rate sensitivity; Nonferrous Metals 350 million yen and Electronic Materials 90 million yen.

Exchange Rate and Metal Prices

	FY2017 Average		FY2018 Assumptions		(Ref.) April 2018
	H1	Full Year	H1	Full Year	
Exchange rate: (¥/\$)	111.1	110.9	110.0	110.0	107.4
Copper: (\$/t)	6,005	6,444	7,000	7,000	6,839
Zinc: (\$/t)	2,780	3,054	3,200	3,200	3,191
Indium: (\$/kg)	184	226	350	350	336

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.

Investment

Billion yen

	FY2015 Results			FY2016 Results			FY2017 Results			FY2018 Forecast		
	Capital investment and financing	R&D investment	Total	Capital investment and financing	R&D investment	Total	Capital investment and financing	R&D investment	Total	Capital investment and financing	R&D investment	Total
Environmental Management & Recycling	9.1	0.3	9.4	5.7	0.3	6.0	8.2	0.4	8.6	8.0	0.4	8.4
Nonferrous Metals	5.9	4.5	10.4	9.0	2.0	11.1	12.3	1.2	13.6	27.0	1.2	28.2
Electronic Materials	3.8	2.9	6.8	3.7	3.2	7.0	4.6	3.4	8.1	3.0	4.5	7.5
Metal Processing	2.8	0.5	3.4	4.0	0.5	4.5	3.6	0.5	4.2	6.0	0.7	6.7
Heat Treatment	3.0	0.4	3.5	5.3	0.4	5.7	4.9	0.3	5.3	5.0	0.3	5.3
Companywide, Other	0.7	(0.1)	0.5	2.4	0.0	2.3	0.8	0.0	0.9	1.0	0.0	1.0
Total	25.6	8.6	34.3	30.2	6.6	36.9	34.8	6.1	40.9	50.0	7.3	57.3

(Ref.) Depreciation Expenses

*1

	FY2015 Results	FY2016 Results	FY2017 Results	FY2018 Forecast
Environmental Management & Recycling	4.7	4.5	4.3	5.8
Nonferrous Metals	2.9	3.8	4.6	4.2
Electronic Materials	2.4	2.3	2.7	3.2
Metal Processing	2.0	2.0	2.4	3.0
Heat Treatment	2.0	1.9	2.0	2.5
Companywide, Other	0.9	0.9	1.0	1.2
Total	15.1	15.7	17.2	20.2

*2

Major projects in FY2018

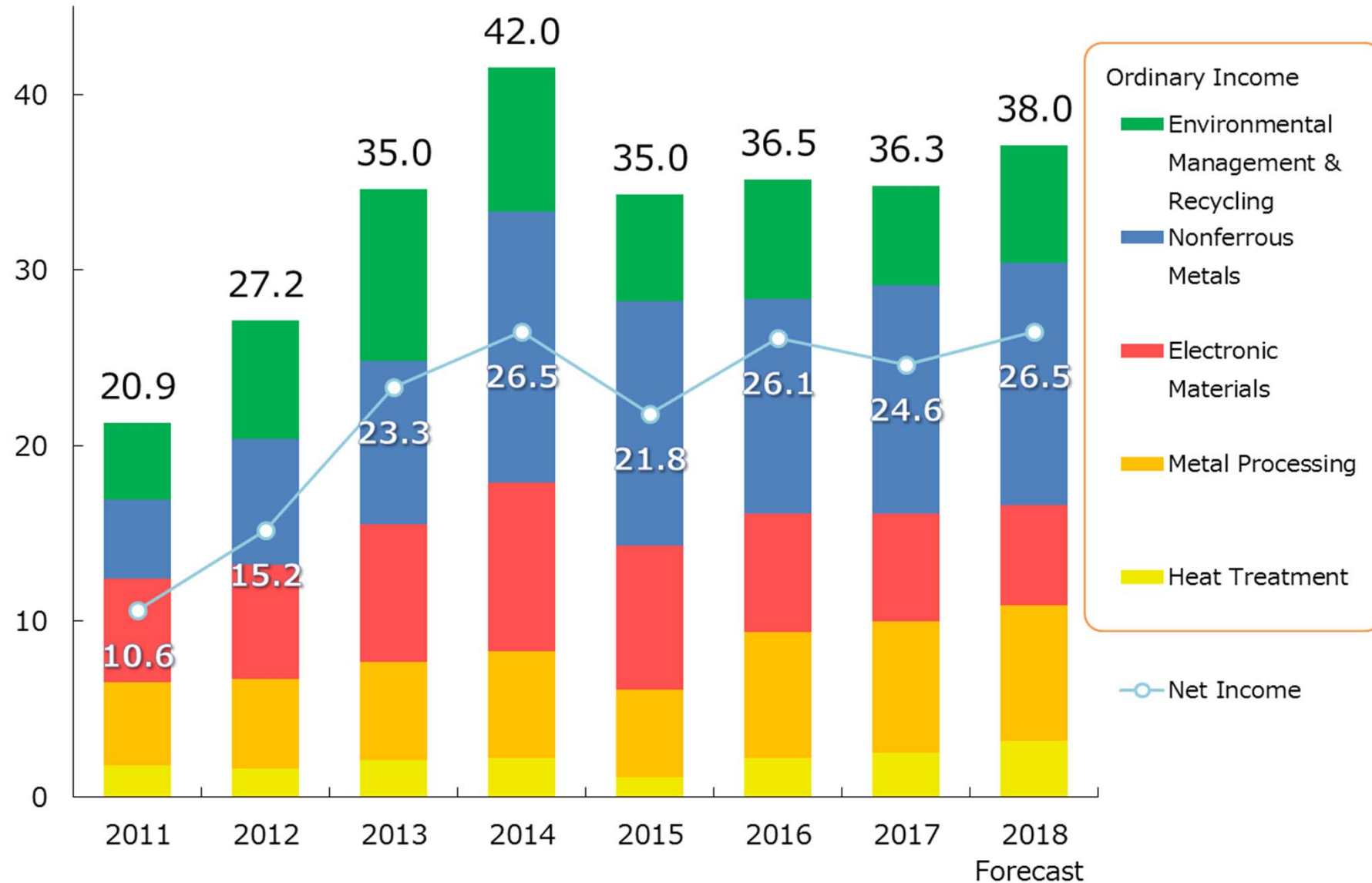
- Environmental Management & Recycling: Enhancement of low-contaminated PCB waste treatment, business expansion in Southeast Asia
- Nonferrous Metals: Construction of Los Gatos mine
- Electronic Materials: Enhancement of production equipment (silver powder, LED)
- Metal processing: Enhancement of production equipment for copper rolled products
- Heat treatment: Enhancement of heat-treating equipment (Japan, India, and North America)

*1: R&D investments in refining include investments in mine development.

*2: The FY2018 forecasts include the depreciation costs in new consolidated companies.

Ordinary Income and Net Income

(Billion yen)



DOWA

* 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.