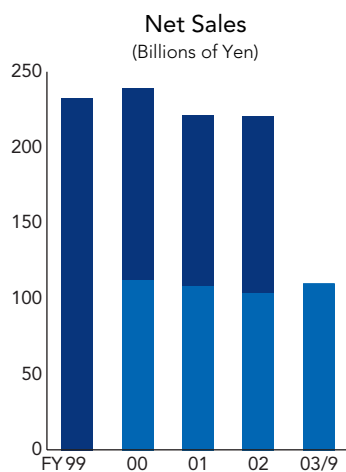


## ◆◆◆ Financial Highlights ◆◆◆

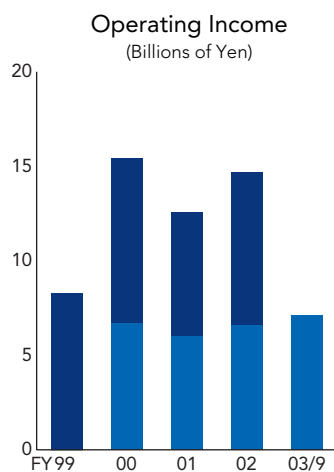
DOWA MINING CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES  
For the six months ended September 30, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note)
	Sep. 2003	Sep. 2002	Sep. 2003
Net sales .....	¥110,444	¥104,328	\$ 992,757
Operating income.....	7,165	6,629	64,401
Net income .....	3,263	2,311	29,327
Total assets .....	248,084	270,532	2,229,968
Total shareholders' equity .....	76,058	73,168	683,670
Interest-bearing debt .....	122,297	153,329	1,099,296
	Yen		U.S. Dollars (Note)
Net income per share .....	¥ 10.88	¥ 7.70	\$ 0.10
Total shareholders' equity per share .....	253.53	243.85	2.28

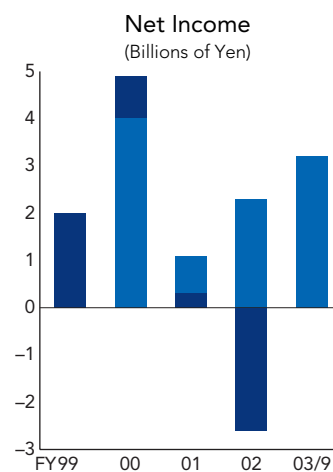
Note: The U.S. dollar amounts included herein represent translations using the approximate exchange rate at September 30, 2003, of ¥111.25=US\$1, solely for convenience.



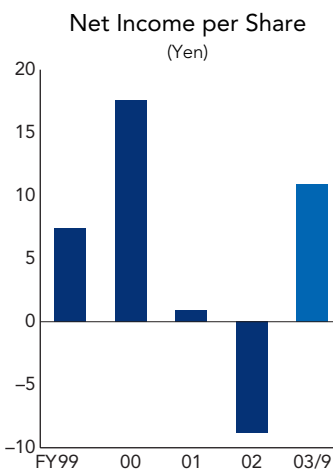
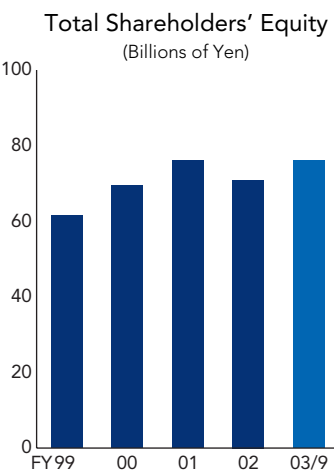
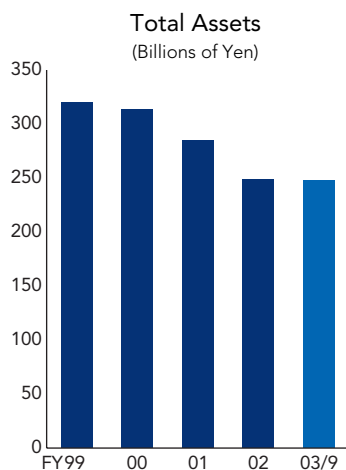
Note: Fiscal 1999 figures are for the full year only.



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Note: Years stated in this report are for fiscal years, which run from April 1 through March 31 of the following year. Thus, fiscal 2003 refers to the year ending March 31, 2004.

During the first half of the fiscal year, Japan's economy was generally sluggish. Economic activity was supported by exports of automobiles and other products to Asia and North America, but consumer spending and capital expenditures continued to be soft.

In this environment, Dowa Mining Co., Ltd. posted solid growth in its Environmental Management and Recycling business. Furthermore, backed by solid demand for automobiles, audiovisual (AV) products and mobile phones, sales volumes rose in both the Electronics Materials & Metal-Processing business and the Heat Treatment business. In addition, the Nonferrous Metals business recorded an increase in sales volumes of metals.

In the fiscal year's first half, net sales increased 5.9 percent year on year to ¥110.4 billion, operating income rose 8.1 percent to ¥7.2 billion and net income was up 41.2 percent to ¥3.3 billion.

The Company posted an extraordinary loss of ¥2.4 billion in the first half. This was mainly attributable to the reorganization of business activities, the amortization of initial transition obligation, and evaluation losses on shares of subsidiaries. An extraordinary gain of ¥1.1 billion was recorded from sales of underperforming fixed assets and other actions.

During the six months under review, the Company initiated its Business Structure Reform Plan II: Charge<sup>2</sup> & Expansion. The pace of selectivity and concentration was accelerated, especially with regard to fueling growth by channeling resources to strategic activities. Through these actions, we are aiming to raise consolidated ordinary income to ¥22.0 billion and ROA to 9 percent while reducing interest-bearing debt, which was ¥122.3 billion as of September 30, 2003, to ¥100.0 billion in the fiscal year ending March 2006. The ultimate goal is to earn a reputation for corporate excellence.

Under the auspices of the ongoing Business Structure Reform Plan II, the Company took the following actions during the first half of the fiscal year.

#### Nonferrous Metals

- ◆ In the zinc business, joint operations commenced based on an alliance with Mitsubishi Materials Corporation, Zinc Excel Co., Ltd.—our zinc sales subsidiary—and Akita Zinc Solutions Co., Ltd., our zinc processing subsidiary, to become more cost competitive.
- ◆ In the sulfuric acid business, Acids Co., Ltd., a sales subsidiary formed with Sumitomo Metal Mining Co., Ltd., began operations as one means to become more cost competitive. In addition, Dowa stopped sulfuric acid production at its Okayama Plant to centralize manufacturing activities at the Toyo Plant operated by Sumitomo Metal Mining.
- ◆ A metal and steam recycling incinerator began full-scale operations, facilitating the recovery of metals from automobile shredder residue and the reuse of steam generated during operations.



Hirokazu Yoshikawa *President & CEO, Representative Director*

### Environmental Management & Recycling

- ◆ In the waste treatment business, the Okayama Clean Works began treating incinerator ash from the waste of neighboring municipalities.
- ◆ Construction is proceeding on schedule at a landfill site that is expected to become operational in the fall of 2004.
- ◆ In the soil remediation business, a soil remediation facility run by Hanaoka Mining Co., Ltd. and a heat treatment facility operated by Dowa Clean Technical Service Co., Ltd. became the first and second facilities, respectively, to be certified under Japan's Soil Contamination Countermeasures Law for the treatment of contaminated soil.

### Electronics Materials & Metal-Processing

- ◆ Full-scale operations began at Dowa Advanced Materials Shanghai Co., Ltd., a factory processing wrought copper and copper alloy products.
- ◆ Operations began at the Shiojiri Works, which produces metal and ceramic substrates, on the development and sale of substrates incorporating new structures.
- ◆ Dowa Semiconductor Co., Ltd. achieved a significant improvement in productivity of gallium arsenide wafers.
- ◆ Dowa Hightech Co., Ltd. increased production capacity of silver powder, a conductive material used in plasma display panels.
- ◆ In the field of magnetic materials, the Company and Tohoku University jointly developed a technique for the direct synthesis of platinum-iron nano-particles. This unprecedented breakthrough may lead to terabyte-class data storage devices.
- ◆ Barium Chemicals Co., Ltd., a manufacturer of barium compounds, has formally halted operations.

### Heat Treatment

- ◆ The Company has developed a practical eco-TKM furnace, a next-generation carburizing furnace that has a much lower environmental impact than conventional furnaces of this type.
- ◆ In the industrial furnace maintenance business, measures were taken to bolster overseas sales activities.

### Others

- ◆ The Dowa Techno Fund was established to support growth in new businesses and in activities related to existing operations. This provides a means to extend financial support to external research programs in areas of interest to the Company and to make strategic investments.

As outlined above, we will continue to move forward rapidly under the guidelines of Business Structure Reform Plan II to earn a place among Japan's most respected companies.

## Two soil remediation plants became first and second facilities certified under Japan's Soil Contamination Countermeasures Law

Dowa's soil remediation business covers a spectrum of related services, from soil surveys to remediation and monitoring.

The soil remediation market has undergone steady growth since the introduction of Japan's Soil Contamination Countermeasures Law in February 2003. Subsequently, the ongoing entry of companies from other industries into this growth business has sparked increasingly fierce market competition. Despite grueling price competition, Dowa still continues to post steady results in this field. The

secret to this success is Dowa's industry-leading technology and its effective use of former mining facilities, as well as the high level of trust that the marketplace and local communities have in the Dowa name.

In July 2003, Dowa stole a march on its competitors by acquiring certification under Japan's Soil Contamination Countermeasures Law for a soil remediation plant run by subsidiary Hanaoka Mining Co., Ltd. This was followed by certification in October for a heat treatment plant operated by Dowa Clean Technical Service Co., Ltd. This unprecedented certification is undoubtedly due to the reputation for excellence both companies have earned for their accomplishments in this field.



Japan's first certified soil remediation facility (Hanaoka Mining).

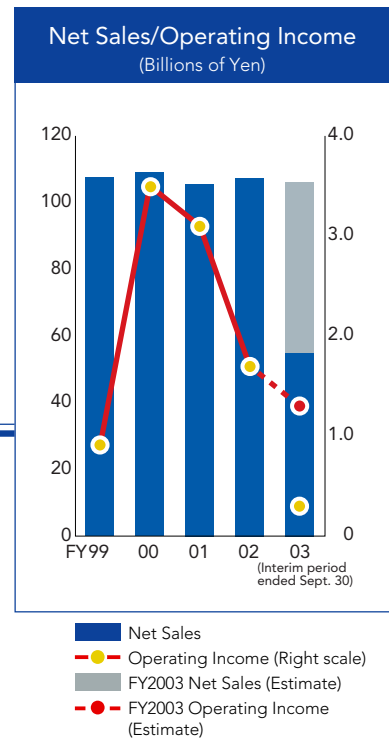


Heat treatment plant (Dowa Clean Technical Service),  
Japan's second certified soil remediation facility.

The Dowa Group has set up an industrial park in the northern region of Akita Prefecture, organically integrating its soil remediation, industrial waste treatment, recycling and smelting operations in the area. To further fortify and expand the park's capabilities, Dowa is currently constructing a new landfill site at Kosaka Smelting & Refining Co., Ltd., scheduled to begin operation in the fall of 2004. Ultimately, these actions will strengthen Dowa's Environmental Management and Recycling business as a whole.

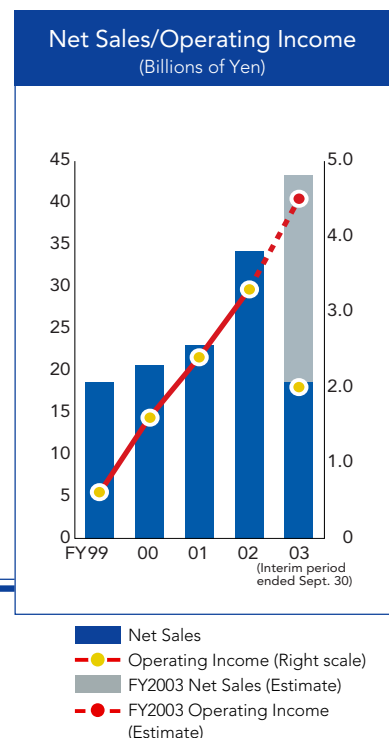
## Nonferrous Metals

Sales volumes increased for gold and silver, the result of growth in the volume of materials for recycling, and for zinc, due to higher exports of galvanized steel plates. Copper sales volumes were about the same as last year. Platinum group metal volumes were lower because of a decline in purchases of raw materials from overseas suppliers. Prices of copper, gold and silver rose due to strength in overseas metals markets. The market for zinc remained weak, which worsened processing fees for raw metals. However, the Company is working on becoming more competitive in the zinc and sulfuric acid businesses through alliances, while enacting cost-cutting programs targeting manufacturing expenses and other items. Due to these factors, this business reported net sales of ¥54.9 billion and operating income of ¥0.3 billion.



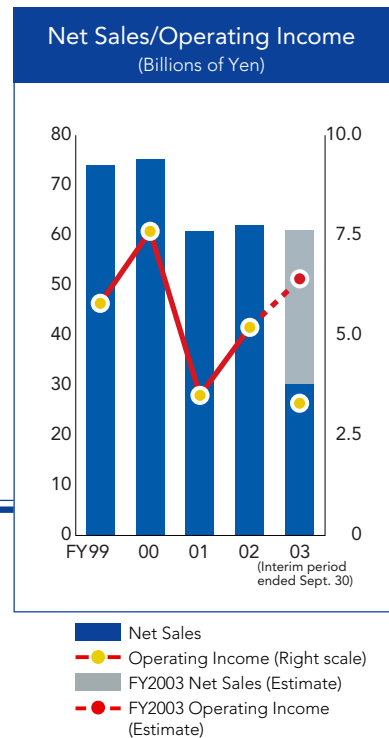
## Environmental Management & Recycling

This business is performing well as the market for environmental services expands along with rising public concern of the need to protect the environment and recycle resources. In waste treatment, the Company increased the volume of materials handled at Okayama Clean Works. Growth was achieved by starting the treatment of ash from municipal waste to offset the decline in the volume of industrial waste. The Company raised the volume of orders for soil remediation as the market in Japan continued its dramatic expansion. There was also a steady increase in the volume of materials handled in precious metals recycling operations. In addition, Dowa welcomed several new companies within the scope of consolidation from the current fiscal year. These included E&E Solutions Inc., involved in environment-related consulting; Eco-recycle Co., Ltd., which operates a home appliance recycling business; and Odate Bunseki Gijutsu Center, Ltd., a company conducting environment-related analyses. Dowa has also brought in Geotechnos Co., Ltd. as a consolidated subsidiary under this division. The result of the above was net sales of ¥18.7 billion and operating income of ¥2.0 billion.



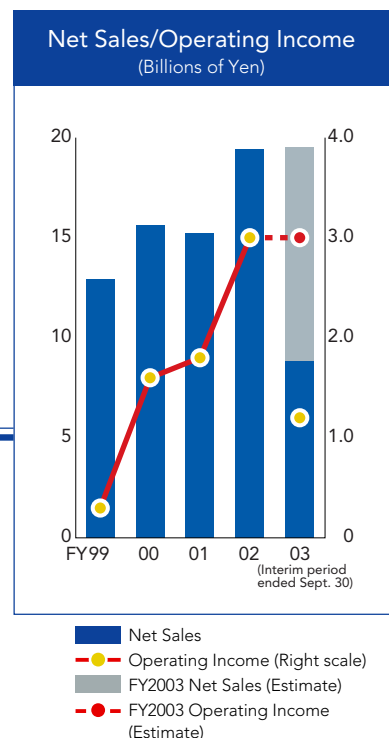
## Electronics Materials & Metal-Processing

The first half saw strong performances by products for mobile phones and digital AV products, a trend that began in the second half of the previous fiscal year. Sales volumes of automotive products also climbed. The major contributors to growth were LEDs for infrared communications and sensors; compound semiconductor wafers for lasers; and silver powder for plasma display panels. Total sales in this business were lower because of restructuring measures enacted in the past fiscal year, particularly the withdrawal from the rare earth magnet business and the transfer of all lead-frame manufacturing to a location outside Japan. However, these same measures improved profitability. Also contributing to an improvement in profit margins were a number of cost-reduction initiatives, including improvements in production processes and reviews of the manufacturing infrastructure for iron powder, ferrite powder and other materials. Due to these activities, net sales were ¥30.2 billion and operating income was ¥3.3 billion.



## Heat Treatment

Favorable trends in the automobile industry, the primary source of demand, led to an increase in the volume of materials treated. Japanese automakers increased output for export and demand rose for heat-treated parts used in large trucks and similar vehicles because of tighter exhaust gas restrictions in the Tokyo Metropolitan area. Treatment volumes were higher for machine parts and in other categories as well. In industrial furnaces, new orders increased as automakers expanded their operations outside Japan. Results also benefited from growth in maintenance orders from users of the Company's industrial furnaces. Meanwhile, Dowa implemented a variety of measures aimed at shrinking purchasing costs, enhancing productivity, and achieving other cost improvements. The result was net sales of ¥8.8 billion and operating income of ¥1.2 billion.



## ◆◆◆ Consolidated Balance Sheets ◆◆◆

DOWA MINING CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES  
September 30, 2003 and 2002

Assets	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Sep. 2003	Sep. 2002	Sep. 2003
<b>Current Assets:</b>			
Cash and time deposits (Note 4) . . . . .	¥ 5,542	¥ 7,059	\$ 49,815
Marketable securities (Note 5) . . . . .	-	10	-
Notes and accounts receivable:			
Trade . . . . .	35,916	40,360	322,836
Non-consolidated subsidiaries and affiliates . . . . .	4,530	3,365	40,722
Others . . . . .	2,205	4,935	19,824
Subtotal . . . . .	42,651	48,660	383,382
Inventories (Note 7) . . . . .	44,755	54,885	402,292
Deferred income taxes . . . . .	3,946	2,650	35,473
Other current assets . . . . .	1,640	3,133	14,738
Allowance for doubtful accounts . . . . .	(2,336)	(2,199)	(20,998)
Total current assets . . . . .	96,198	114,198	864,702
<b>Property, Plant and Equipment:</b>			
Land . . . . .	25,541	24,885	229,586
Buildings and structures . . . . .	82,513	83,416	741,687
Machinery and equipment . . . . .	143,642	142,697	1,291,163
Construction in progress . . . . .	4,262	5,685	38,312
Subtotal . . . . .	255,958	256,683	2,300,748
Accumulated depreciation . . . . .	(157,658)	(154,154)	(1,417,152)
Total property, plant and equipment . . . . .	98,300	102,529	883,596
<b>Investments and Other Assets:</b>			
Investments in securities (Note 5) . . . . .	22,355	20,333	200,942
Investments in and advances to non-consolidated subsidiaries and affiliates (Note 5) . . . . .	23,163	23,287	208,205
Deferred income taxes . . . . .	4,492	6,070	40,377
Other assets . . . . .	5,380	5,022	48,361
Allowance for doubtful accounts . . . . .	(1,804)	(907)	(16,215)
Total investments and other assets . . . . .	53,586	53,805	481,670
<b>Total Assets</b> . . . . .	<b>¥ 248,084</b>	<b>¥ 270,532</b>	<b>\$ 2,229,968</b>

The accompanying notes are an integral part of these financial statements.

Liabilities, Minority Interests and Shareholders' Equity	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Sep. 2003	Sep. 2002	Sep. 2003
<b>Current Liabilities:</b>			
Short-term borrowings . . . . .	¥ 30,602	¥ 64,149	\$ 275,073
Long-term debt due within one year . . . . .	19,652	27,249	176,650
Commercial paper . . . . .	7,500	–	67,416
Notes and accounts payable:			
Trade . . . . .	16,846	12,306	151,418
Non-consolidated subsidiaries and affiliates . . . . .	672	978	6,044
Others . . . . .	7,483	4,848	67,263
Subtotal . . . . .	25,001	18,132	224,725
Accrued expenses . . . . .	4,706	5,702	42,304
Accrued income taxes . . . . .	1,235	2,133	11,098
Metal loans . . . . .	1,300	4,812	11,686
Other current liabilities . . . . .	2,186	3,107	19,652
Total current liabilities . . . . .	92,182	125,284	828,604
Long-Term Debt . . . . .	63,242	57,120	568,471
Reserves for Employees' Retirement Benefits . . . . .	9,174	7,808	82,458
Reserves for Directors' and Corporate Auditors' Retirement Benefits . . . . .	689	556	6,193
Other Long-Term Liabilities . . . . .	2,207	2,355	19,836
Total liabilities . . . . .	167,494	193,123	1,505,562
Minority Interests . . . . .	4,532	4,241	40,736
Contingent Liabilities (Note 6):			
<b>Shareholders' Equity:</b>			
Common stock:			
Authorized: 795,073 thousand shares; Issued: 303,791 thousand shares at September 30, 2003 and 2002, respectively . . . . .	36,437	36,437	327,519
Additional paid-in capital . . . . .	26,377	26,377	237,097
Retained earnings . . . . .	9,508	13,095	85,462
Unrealized gain on available-for-sale securities . . . . .	6,528	(84)	58,679
Foreign currency translation adjustments . . . . .	(605)	(502)	(5,436)
Treasury stock, at cost (3,794,649 shares in 2003 and 3,737,519 shares in 2002) . . . . .	(2,187)	(2,155)	(19,651)
Total shareholders' equity . . . . .	76,058	73,168	683,670
<b>Total Liabilities, Minority Interests and Shareholders' Equity . . . . .</b>	<b>¥248,084</b>	<b>¥270,532</b>	<b>\$2,229,968</b>

## ◆◆◆ Consolidated Statements of Operations ◆◆◆

DOWA MINING CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES  
For the six months ended September 30, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Sep. 2003	Sep. 2002	Sep. 2003
<b>Net Sales</b> .....	<b>¥110,444</b>	¥104,328	<b>\$992,757</b>
<b>Cost of Sales</b> .....	<b>90,953</b>	85,026	<b>817,557</b>
Gross profit .....	<b>19,491</b>	19,302	<b>175,200</b>
<b>Selling, General and Administrative Expenses</b> .....	<b>12,326</b>	12,673	<b>110,799</b>
Operating income .....	<b>7,165</b>	6,629	<b>64,401</b>
<b>Other Income (Expenses):</b>			
Interest and dividend income .....	301	249	2,706
State subsidy .....	943	-	8,479
Interest expenses .....	(759)	(962)	(6,820)
Write-down and loss on liquidation of marketable and investment securities .....	-	(248)	-
Equity in earnings of affiliates .....	207	405	1,860
Amortization of initial transition obligation .....	(510)	(523)	(4,583)
Loss due to reorganization .....	(1,249)	(390)	(11,230)
Loss on sale or disposal of property, plant and equipment . . .	(389)	(95)	(3,499)
Other, net .....	(361)	(626)	(3,239)
	<b>(1,817)</b>	<b>(2,190)</b>	<b>(16,326)</b>
Income before income taxes and minority interests . . . .	<b>5,348</b>	4,439	<b>48,075</b>
<b>Income Taxes:</b>			
Current .....	1,292	1,962	11,614
Deferred .....	695	89	6,251
	<b>1,987</b>	<b>2,051</b>	<b>17,865</b>
<b>Minority Interests in Income</b> .....	<b>(98)</b>	<b>(77)</b>	<b>(883)</b>
Net income .....	<b>¥ 3,263</b>	¥ 2,311	<b>\$ 29,327</b>
		Yen	U.S. Dollars (Note 1)
<b>Per Share (Note 3):</b>			
Primary net income .....	<b>¥ 10.88</b>	¥ 7.70	<b>\$ 0.10</b>
Fully diluted net income .....	-	-	-
Cash dividends .....	-	-	-

The accompanying notes are an integral part of these financial statements.

## ◆◆◆ Consolidated Statements of Shareholders' Equity ◆◆◆

DOWA MINING CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES  
For the six months ended September 30, 2003 and 2002

	Number of Shares of Common Stock (Thousands)	Millions of Yen					
		Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain (Loss) on Available-for- Sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
<b>Balance at March 31, 2002</b> .....	303,791	¥ 36,437	¥ 26,377	¥11,921	¥1,979	¥ (586)	¥ (2)
Net income .....	—	—	—	2,311	—	—	—
Cash dividends paid .....	—	—	—	(1,519)	—	—	—
Bonuses to directors .....	—	—	—	(30)	—	—	—
Increase due to equity of subsidiaries newly consolidated at beginning of year ..	—	—	—	33	—	—	—
Increase due to new affiliates accounted for by the equity method .....	—	—	—	379	—	—	—
Unrealized gain on available-for-sale securities .....	—	—	—	—	(2,063)	—	—
Foreign currency translation adjustments ..	—	—	—	—	—	84	—
Treasury stock held by affiliates .....	—	—	—	—	—	—	(2,151)
Purchase of treasury stock .....	—	—	—	—	—	—	(2)
<b>Balance at September 30, 2002</b> .....	303,791	¥ 36,437	¥ 26,377	¥13,095	¥ (84)	¥ (502)	¥ (2,155)
<b>Balance at March 31, 2003</b> .....	303,791	¥ 36,437	¥ 26,377	¥ 8,165	¥ 2,670	¥ (552)	¥ (2,165)
Net income .....	—	—	—	3,263	—	—	—
Cash dividends paid .....	—	—	—	(2,126)	—	—	—
Bonuses to directors .....	—	—	—	(38)	—	—	—
Increase due to equity of subsidiaries newly consolidated at beginning of year ..	—	—	—	249	—	—	—
Decrease due to new affiliates accounted for by the equity method .....	—	—	—	(5)	—	—	—
Unrealized gain on available-for-sale securities .....	—	—	—	—	3,858	—	—
Foreign currency translation adjustments ..	—	—	—	—	—	(53)	—
Treasury stock held by affiliates .....	—	—	—	—	—	—	(20)
Purchase of treasury stock .....	—	—	—	—	—	—	(2)
<b>Balance at September 30, 2003</b> .....	303,791	¥36,437	¥26,377	¥ 9,508	¥6,528	¥(605)	¥(2,187)

	Thousands of U.S. Dollars (Note 1)					
<b>Balance at March 31, 2003</b> .....	\$ 327,519	\$ 237,097	\$ 73,393	\$ 23,998	\$ (4,962)	\$ (19,458)
Net income .....	—	—	29,327	—	—	—
Cash dividends paid .....	—	—	(19,113)	—	—	—
Bonuses to directors .....	—	—	(339)	—	—	—
Increase due to equity of subsidiaries newly consolidated at beginning of year .....	—	—	2,241	—	—	—
Decrease due to new affiliates accounted for by the equity method .....	—	—	(47)	—	—	—
Unrealized gain on available-for-sale securities .....	—	—	—	34,681	—	—
Foreign currency translation adjustments .....	—	—	—	—	(474)	—
Treasury stock held by affiliates .....	—	—	—	—	—	(177)
Purchase of treasury stock .....	—	—	—	—	—	(16)
<b>Balance at September 30, 2003</b> .....	\$327,519	\$237,097	\$85,462	\$58,679	\$ (5,436)	\$ (19,651)

The accompanying notes are an integral part of these financial statements.

## ◆◆◆ Consolidated Statements of Cash Flows ◆◆◆

DOWA MINING CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES  
For the six months ended September 30, 2003 and 2002

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Sep. 2003	Sep. 2002	Sep. 2003
<b>Cash Flows from Operating Activities:</b>			
Income before income taxes and minority interests . . . . .	¥ 5,348	¥ 4,439	\$ 48,075
Adjustments for:			
Depreciation . . . . .	5,124	5,139	46,059
Gain (loss) on sale or disposal of property, plant and equipment, net . . . . .	389	50	3,499
Provision (reversal) of allowance for bad debts . . . . .	108	(22)	972
Equity in loss of affiliates . . . . .	(207)	(405)	(1,860)
Change in liability for retirement benefits . . . . .	680	581	6,111
Interest and dividend income . . . . .	(301)	(249)	(2,706)
Interest expenses . . . . .	759	962	6,820
Decrease in trade receivables . . . . .	4,011	3,234	36,055
Increase in inventories . . . . .	(4,500)	(1,103)	(40,449)
Increase (decrease) in trade payables . . . . .	678	(3,930)	6,090
Other, net . . . . .	5,642	564	50,713
Subtotal . . . . .	17,731	9,260	159,379
Interest and dividend income received . . . . .	283	263	2,542
Interest expenses paid . . . . .	(751)	(976)	(6,748)
Income taxes paid . . . . .	(1,666)	(2,432)	(14,978)
Net cash provided by operating activities . . . . .	15,597	6,115	140,195
<b>Cash Flows from Investing Activities:</b>			
Proceeds from sale of marketable and investment securities . . . . .	150	144	1,348
Acquisition of property, plant and equipment . . . . .	(4,943)	(5,229)	(44,433)
Proceeds from state subsidy, etc. . . . .	943	1,003	8,479
Increase in investments in securities . . . . .	(136)	(110)	(1,225)
Increase (decrease) in investments in associates . . . . .	130	(353)	1,165
Proceeds from disposal of non-current assets . . . . .	147	105	1,322
Other, net . . . . .	(210)	9	(1,881)
Net cash used in investing activities . . . . .	(3,919)	(4,431)	(35,225)
<b>Cash Flows from Financing Activities:</b>			
Decrease in short-term bank loans, net . . . . .	(14,250)	(101)	(128,087)
Increase (decrease) in metal loans, net . . . . .	(3,318)	136	(29,825)
Proceeds from issuance of commercial paper . . . . .	2,000	-	17,978
Increase in long-term debt . . . . .	15,024	7,704	135,047
Repayment of long-term debt . . . . .	(9,395)	(11,820)	(84,447)
Cash dividends paid . . . . .	(2,265)	(1,651)	(20,356)
Purchases of treasury stock, net . . . . .	(1)	(2)	(17)
Net cash used in financing activities . . . . .	(12,205)	(5,734)	(109,707)
<b>Effect of Exchange Rate Changes on</b>			
Cash and Cash Equivalents . . . . .	3	4	27
Net Decrease in Cash and Cash Equivalents . . . . .	(524)	(4,046)	(4,710)
Cash and Cash Equivalents at Beginning of Year . . . . .	5,624	10,430	50,557
Cash and Cash Equivalents of Newly Consolidated Subsidiaries . . . . .	434	475	3,897
Cash and Cash Equivalents at End of Period (Note 4) . . . . .	¥ 5,534	¥ 6,859	\$ 49,744

The accompanying notes are an integral part of these financial statements.

# ◆◆◆ Notes to Consolidated Financial Statements ◆◆◆

DOWA MINING CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES

## 1. Basis of Presentation of the Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from the accounts maintained by DOWA MINING CO., LTD. (the "Company") and its consolidated subsidiaries in accordance with the provisions set forth in the Japanese Commercial Code and the Securities and Exchange Law, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Accounting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of the Kanto Finance Bureau in Japan have been reclassified for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥111.25=US\$1, the rate of exchange on September 30, 2003, has been used in translation. The inclusion of such amounts is not intended to imply that Japanese yen amounts have been or could be readily converted, realized or settled in U.S. dollars at this rate or any other rate.

This semiannual report should be read in conjunction with the Company's annual report for the year ended March 31, 2003.

## 2. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Investments in non-consolidated subsidiaries have not been accounted for by the equity method, but carried at cost, since the Company's equity in their combined earnings, in aggregate, does not have a material effect on the consolidated financial statements.

The excess of the purchase price over the underlying equity in net assets of businesses acquired is amortized on a straight-line basis within 20 years.

Investments in major affiliated companies in which the Company does not have control, but has the ability to exercise significant influence over the operating and financial policies, are accounted for by the equity method.

The Company liquidated Barium Chemicals Co., Ltd. on September 30, 2003. The results of this subsidiary are included in consolidated accounts for September 30, 2003 up to the time of the liquidation.

The consolidated financial statements for the six months ended September 30, 2003 include Zinc Excel Co., Ltd., Eco-recycle Co., Ltd., E&E Solutions, Inc., and Odate Bunseki Gijutsu Center Co., Ltd. which were unconsolidated subsidiaries in the consolidated financial statements for the six months ended September 30, 2002.

The consolidated financial statements for the six months ended September 30, 2003 include Acids Co., Ltd., which was not accounted for by the equity method for the six months ended September 30, 2002.

## 3. Net Income per Share

Primary net income per share is based on the weighted average number of shares of common stock of the Company issued during the respective six months. Fully diluted net income per share is not presented as the Company does not issue securities that have a dilutive effect.

## 4. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits able to be withdrawn on demand and short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuation in value.

Cash and Cash Equivalents at September 30, 2003 and 2002 consisted of:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Sep. 2003	Sep. 2002	Sep. 2003
Cash and time deposits . . . . .	¥5,542	¥7,059	\$49,815
Time deposits with deposit terms of over three months . . . . .	(8)	(210)	(71)
Short-term investments with an original maturity of three months or less and which represent a minor risk of fluctuation in value . . . . .	-	10	-
Cash and cash equivalents . . . . .	¥5,534	¥6,859	\$49,744

## 5. Marketable Securities and Investments

Marketable securities and investments at September 30, 2003 and 2002 consisted of:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Sep. 2003	Sep. 2002	Sep. 2003
Investments in non-consolidated subsidiaries and affiliates . . . . .	¥20,998	¥21,750	\$188,742
Advances to non-consolidated subsidiaries and affiliates . . . . .	2,165	1,537	19,436
Available-for-sale securities with market quotations . . . . .	18,235	18,101	163,910
Available-for-sale securities without market quotations:			
Unlisted securities . . . . .	4,033	2,142	36,252
Money management funds . . . . .	—	10	—
Others . . . . .	87	90	780
Subtotal . . . . .	4,120	2,242	37,032
Total . . . . .	¥45,518	¥43,630	\$409,147

## 6. Contingent Liabilities

At September 30, 2003 and 2002, the Company and its consolidated subsidiaries were contingently liable as guarantor of loans incurred by affiliates and others in the amount of ¥577 million (\$5,191 thousand), and ¥2,143 million, respectively.

At September 30, 2002, the Company and its consolidated subsidiaries were contingently liable for notes discounted at banks in the ordinary course of business in the amount of ¥26 million.

At September 30, 2003, in connection with structured finance, the Company sold notes, incurring a repurchase duty in the amount of ¥361 million (\$3,247 thousand).

## 7. Change of Accounting Policy

The Company and its subsidiaries changed their accounting policy for inventory valuation for finished goods (copper, lead, zinc, cadmium), raw materials and some work in process from the last-in, first-out method to the first-in, first-out method in the first half of the fiscal year ended March 31, 2004 so that the ending balance of inventories reflects fluctuations in the international market for nonferrous metals. Inventories, operating income, income before income taxes and minority interests, and net income, increased by ¥577 million as a result of this change.

Effective from the year ended March 31, 2003, the Company adopted the Statement of Financial Accounting Standard No. 1, "Accounting for Treasury Stock and Reversal of Capital and Legal Reserves" issued by the Accounting Standards Board of Japan. As a result of the adoption of the new standard, treasury stock on the consolidated balance sheets increased by ¥2,152 million (3,728,997 shares) and there was no significant effect on earnings as of September 30, 2002.

Effective from the year ended March 31, 2003, the Company adopted the Statement of Financial Accounting Standard No. 2, "Earnings per Share" issued by the Accounting Standards Board of Japan. The new statement requires that the bonuses paid to directors, which are recognized as an appropriation of retained earnings, should be deducted from the net income presented in the consolidated statements of operations, and the calculation of primary net income per share be made on this adjusted net income. There was no significant effect on net income per share as of September 30, 2002.

## 8. Subsequent Events

The Company's board of directors resolved to entrust the issuance of unsecured straight bonds and the conditions of issuance to the representative director at the meeting held on October 28, 2003.

In accordance with conditions decided on December 5, 2003, the unsecured straight bonds were issued on December 18, 2003 as follows:

- (1) Type  
Unsecured straight bonds
- (2) Total amount of issuance  
¥3,000 million (\$26,966 thousand)
- (3) Issue price  
100% of the face amount of bonds
- (4) Date of issuance  
December 18, 2003
- (5) Date of repayment  
December 18, 2006
- (6) Interest rate  
0.64% per annum
- (7) Intended use of proceeds  
To provide long-term funding of working capital for operations and general corporate purposes and for investments and loans to subsidiaries and affiliates.

## 9. Segment Information

The Company's business segments, which should be separately disclosed pursuant to regulations in Japan on consolidated financial statements, consist of the following:

- (1) Nonferrous metals: Sale of electrolytic copper, zinc, electrolytic lead, electrolytic gold and electrolytic silver
- (2) Environmental management and recycling: Scrap metal recycling, industrial waste disposal, pollution control facility engineering, soil remediation and transportation business
- (3) Electronics and metal-processing: Sale of magnetic materials, semiconductor materials, chemical products, precious metal compounds, chemical synthesis, rolled copper and copper alloy products
- (4) Heat treatment: Heat treatment and sale of carburizing furnaces and vacuum furnaces
- (5) Construction and real estate: Construction, rental and sale of real estate
- (6) Commodity sales: Sale of general materials
- (7) Others: Geothermal business and others

The metal-processing segment and the electronics materials segment have been combined as the electronics and metal-processing segment, following the merger of the departments representing these segments on April 1, 2003. Segment information as of September 30, 2002 is reclassified in connection with this change.

Segment information by business segment as of September 30, 2003 and 2002 is summarized as follows:

		Millions of Yen								
Sep. 2003	Nonferrous metals	Environmental management and recycling	Electronics and metal-processing	Heat treatment	Construction and real estate	Commodity sales	Others	Total	Eliminations	Consolidated
Net sales:										
Outside customers	¥46,790	¥13,161	¥27,823	¥8,830	¥5,460	¥ 7,244	¥1,136	¥110,444	¥ -	¥110,444
Intersegment	8,097	5,574	2,352	0	2,516	3,971	332	22,842	(22,842)	-
Total	54,887	18,735	30,175	8,830	7,976	11,215	1,468	133,286	(22,842)	110,444
Operating expenses	54,599	16,738	26,920	7,619	7,739	11,121	1,232	125,968	(22,689)	103,279
Operating income	¥ 288	¥ 1,997	¥ 3,255	¥1,211	¥ 237	¥ 94	¥ 236	¥ 7,318	¥ (153)	¥ 7,165

		Millions of Yen								
Sep. 2002	Nonferrous metals	Environmental management and recycling	Electronics and metal-processing	Heat treatment	Construction and real estate	Commodity sales	Others	Total	Eliminations	Consolidated
Net sales:										
Outside customers	¥42,543	¥ 9,581	¥30,083	¥7,716	¥5,472	¥ 7,893	¥1,040	¥104,328	¥ -	¥104,328
Intersegment	8,652	6,565	1,487	0	1,670	5,394	255	24,023	(24,023)	-
Total	51,195	16,146	31,570	7,716	7,142	13,287	1,295	128,351	(24,023)	104,328
Operating expenses	50,558	14,484	29,042	6,626	6,510	13,172	1,222	121,614	(23,915)	97,699
Operating income	¥ 637	¥ 1,662	¥ 2,528	¥1,090	¥ 632	¥ 115	¥ 73	¥ 6,737	¥ (108)	¥ 6,629

		Thousands of U.S. Dollars (Note 1)								
Sep. 2003	Nonferrous metals	Environmental management and recycling	Electronics and metal-processing	Heat treatment	Construction and real estate	Commodity sales	Others	Total	Eliminations	Consolidated
Net sales:										
Outside customers	\$420,585	\$118,304	\$250,092	\$79,373	\$49,075	\$ 65,117	\$10,211	\$ 992,757	\$ -	\$992,757
Intersegment	72,784	50,103	21,140	0	22,618	35,689	2,984	205,318	(205,318)	-
Total	493,369	168,407	271,232	79,373	71,693	100,806	13,195	1,198,075	(205,318)	992,757
Operating expenses	490,782	150,453	241,976	68,485	69,562	99,962	11,072	1,132,292	(203,936)	928,356
Operating income	\$ 2,587	\$ 17,954	\$ 29,256	\$10,888	\$ 2,131	\$ 844	\$ 2,123	\$ 65,783	\$ (1,382)	\$ 64,401

Segment information by geographic area is not disclosed pursuant to regulations in Japan on consolidated financial statements, since net sales of the Company and its domestic consolidated subsidiaries, taken as a whole, were more than 90% of consolidated net sales.

Information for overseas sales is not disclosed pursuant to regulations in Japan on consolidated financial statements, since the aggregate overseas sales of the Company and its domestic subsidiaries and overseas consolidated subsidiaries were less than 10% of consolidated net sales.