

DOWA

Jump up to the New Stage

Semiannual Report 2005

For the period ended September 30, 2005

DOWA MINING CO., LTD.

MESSAGE FROM THE MANAGEMENT



Hirokazu Yoshikawa

President & CEO, Representative Director

Dowa Makes Steady Progress With the Current Medium-term Management Plan and Posts Record-high Interim Ordinary Income

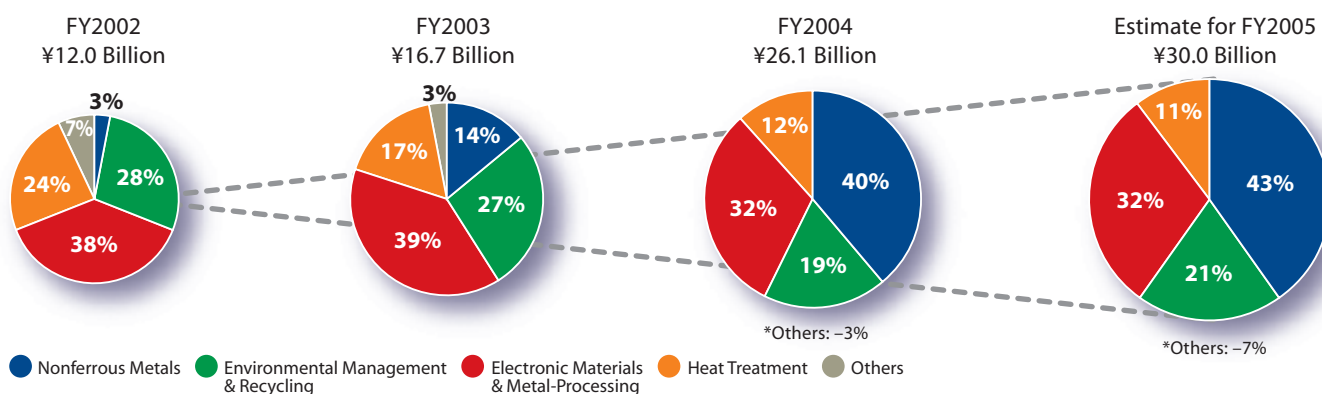
Although there were inventory adjustments among manufacturers of some IT-related products, the overall business environment during the interim period was favorable. Prices of major metals remained high and companies in the automobile parts and digital home appliance industries performed well.

Against this backdrop, Dowa continued to vigorously execute a number of measures, including various marketing initiatives and operational improvements, contained in the Business Structure Reform Plan II, a three-year medium-term management plan that will end this fiscal year. As a result, the Company recorded net sales of ¥139.9 billion, operating income of ¥17.8 billion, and ordinary income of ¥14.6 billion, a record high. Net income dropped to ¥4.8 billion, reflecting impairment losses on land resulting from changes in accounting standards.

Work Relentlessly to Fulfill the Goals of the Current Plan and Move on to the New Medium-term Management Plan, "Business Structure Reform Plan III—Jump up to the New Stage"

We are making steady progress in fulfilling the current plan's major goals of reforming the earnings and asset structures. In terms of earnings, we have been targeting growth in areas outside Nonferrous Metals. As a result of efforts made, we are expecting that combined ordinary income in the Environmental Management & Recycling, Electronic Materials & Metal-Processing, and Heat

Changes in Profit Structure (Ordinary Income)



Consolidated Financial Highlights

Dowa Mining Co., Ltd. and Its Consolidated Subsidiaries
For the six months ended September 30, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note)
	FY2005 (September 30, 2005)	FY2004 (September 30, 2004)	FY2005 (September 30, 2005)
Net sales	¥139,878	¥115,064	\$1,235,782
Operating income	17,800	11,980	157,255
Net income	4,845	6,297	42,805
Total assets	270,048	249,984	2,385,792
Total shareholders' equity	99,479	87,389	878,861
Interest-bearing debt	100,484	103,727	887,746
	Yen		U.S. Dollars (Note)
Net income per share	¥ 16.16	¥ 20.99	\$ 0.14
Total shareholders' equity per share	331.67	291.40	2.93

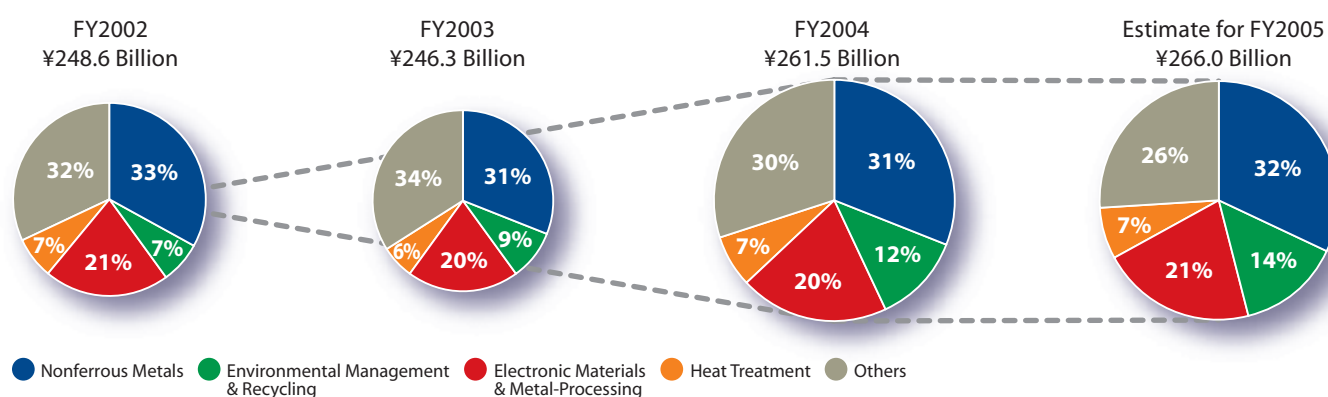
Note: ¥113.19=US\$1, the rate of exchange on September 30, 2005, is used.

Treatment segments will be much larger than in fiscal 2002, the year before the current business plan started. Moreover, thanks to higher metal prices, Group-wide ordinary income is now projected at ¥30.0 billion, which is 150% higher than in fiscal 2002, and ¥8.0 billion more than our initial target. Regarding assets, Environmental Management & Recycling, a rapidly expanding segment, is accounting for a growing share of assets while Electronic Materials & Metal-Processing is raising profitability by withdrawing from non-core businesses and focusing more on major business areas.

April 2006 will see the launch of the new medium-term management plan, "Business Structure Reform Plan III—Jump up to the New Stage." To sustain the Company's growth, we will make substantial capital investments and conduct R&D in fields where we are most competitive. In addition, we will take full advantage of human resources and organizational strengths—the drivers of corporate growth. A challenge for the Company to enter uncharted territory, the plan aims for ¥40.0 billion in ordinary income, ¥100.0 billion in operating cash flow, and return on assets (ROA*) of 13% on a consolidated basis in fiscal 2008.

* ROA = Ordinary Income/Total Assets

Changes in Asset Structure (Total Assets)



**Summary of the Business Structure Reform Plan III
(Fiscal 2006 to Fiscal 2008)—Jump up to the New Stage**

Management Policies

- ◆ Realize a technology-oriented company that boasts speed; dismantle and rebuild
- ◆ Adhere to social norms and conduct business activities in a fair manner
- ◆ Take on the challenge of entering unexplored fields by leveraging the Company's human resources

Basic Policies

- ◆ Build a highly efficient and profitable company by "selection and concentration"
- ◆ Make substantial investments in areas of concentration and take on the challenge of business expansion
- ◆ Create industry-leading businesses by leveraging technical expertise and excellence in product quality and management
- ◆ Maximize collective strengths by drawing on "centrifugal" (autonomy and progress by forming internal companies) forces and "centripetal" (sharing of corporate resources) forces

Slogan

"Jump up to the New Stage": Aim for higher goals in implementing reforms and taking on the challenge of entering unexplored business fields.

Management Goals (Fiscal 2008)

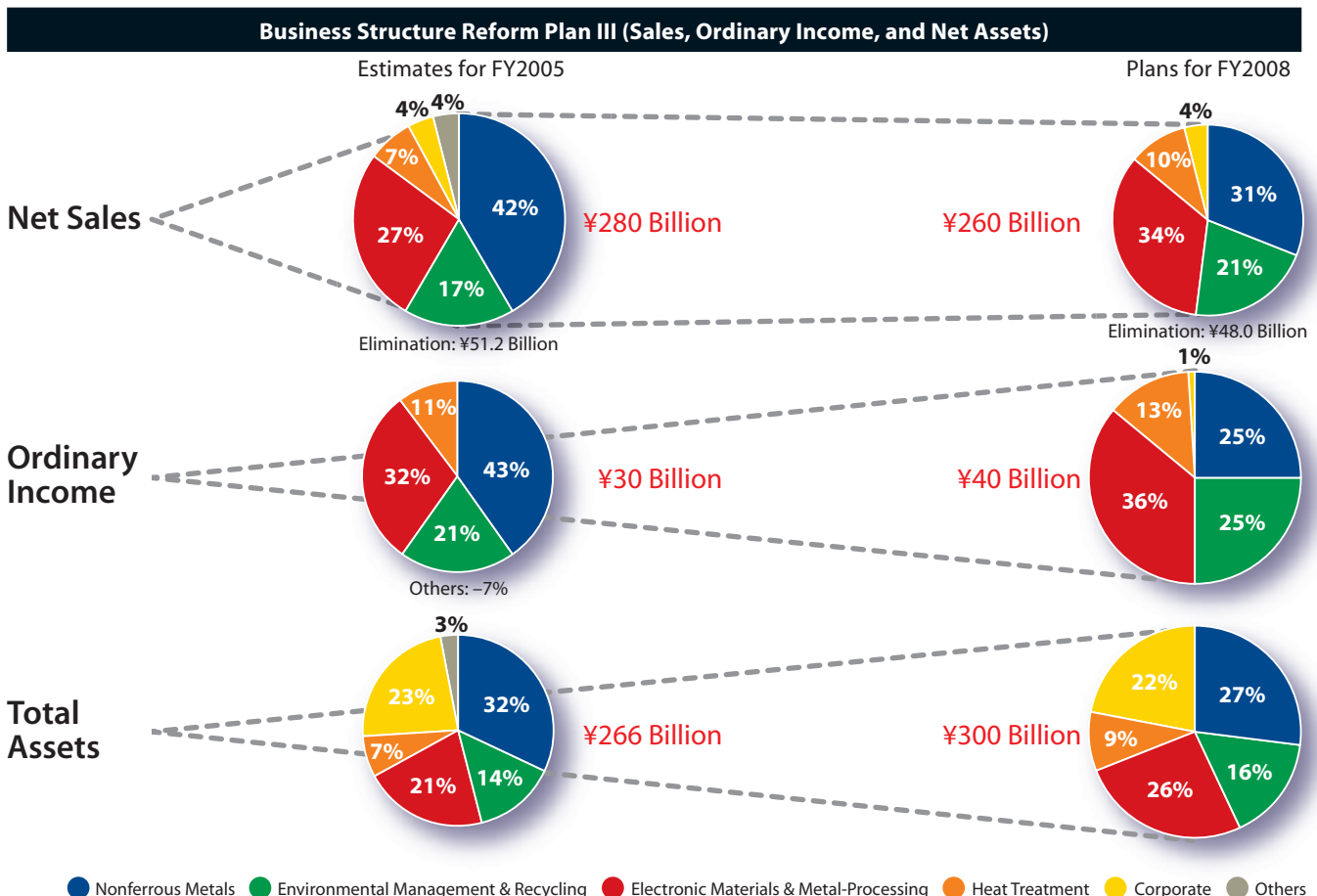
Ordinary income: ¥40 billion
 Cash flow from operating activities: ¥100 billion (three years)
 Return on assets (ROA): 13%

Investments: ¥80 billion (three years)
 R&D: ¥15 billion (three years)

Major Indices

	FY2005 Estimates	FY2008 Plans
Exchange rate: ¥/\$	109	100
Copper: c/lb	146	120
Zinc: \$/t	1,292	1,000
Indium: \$/kg	931	700

*Sales and income appear to drop or stagnate due to the above exchange rates and metal prices.



● Nonferrous Metals ● Environmental Management & Recycling ● Electronic Materials & Metal-Processing ● Heat Treatment ● Corporate ● Others

*The apparent decline in sales and stagnation in earnings are due to the above assumptions concerning exchange rates and metal prices.

Strategies for Core Businesses

Nonferrous Metals:	Become No. 1 in East Asia in zinc and expand recycling business
Environmental Management & Recycling:	Expand to become a leading company in East Asia
Electronic Materials & Metal-Processing:	Expand by developing and making substantial investments in core areas
Heat Treatment:	Expand by innovating manufacturing technology and increasing capabilities

Nonferrous Metals

Zinc and rare metals: Reinforce operating bases by making substantial investments and improving operation in all phases of the operation, from procurement of raw materials to processing and sales. Become No. 1 in East Asia by drawing on the Company's comprehensive strengths.

Copper and precious metals: Develop a unique business model that overlaps with Environmental Management & Recycling.

Further improve the ratio of recycled metals by building a new processing framework at Kosaka Smelting & Refining Co., Ltd. and increasing shipments to overseas customers.

Environmental Management & Recycling

Become a leading company in the fields of waste treatment, soil remediation, and recycling.

Expand and reinforce existing bases while sustaining the ongoing growth of businesses by establishing and acquiring new bases in Japan and overseas.

Electronic Materials & Metal-Processing

Copper alloy coils and sheets: Become No. 1 in connector materials for automobiles by accelerating capital investments to provide more high-added value.

Semiconductors: Expand scale of operations by aggressively investing in the development of new businesses.

Electronic materials: Concentrate management resources on key products.

Magnetic materials: Make products more distinctive and quickly launch new businesses.

Heat Treatment

Become a leading company in the field of heat treatment.

Industrial furnaces: Make products more competitive and expand overseas activities.

Heat treatment: Increase earnings by taking steps to strengthen operations such as by improving productivity; increase domestic market share and speed up overseas expansion.

Introduction of a Holding Company Structure

In 2006, Dowa plans to restructure the Group organization by introducing a holding company system and establishing internal companies.

Operating activities will be separated from the holding company, enabling each business unit to aim for industry leadership by drawing on its unique strengths and specialized skills. Meanwhile, the Group's important management resources will be shared through the holding company to maximize Dowa's comprehensive strengths.

Development of Human Resources

Foster the growth of self-reliant professionals who possess outstanding technical expertise and management skills. Link personnel development with organizational restructuring and initiatives to reform the corporate culture so that Dowa becomes a highly efficient and vibrant corporate group.

Hirokazu Yoshikawa

President & CEO, Representative Director

REVIEW OF OPERATIONS

Nonferrous Metals

Copper, gold, silver, zinc, lead, platinum, palladium, rhodium, and indium

Sales volumes of copper, gold, and silver increased compared to the previous fiscal year. However, although sales of zinc used to galvanize automotive steel sheets were steady, demand for zinc for construction materials dropped due to inventory adjustments, leading to a decline in overall zinc sales.

Monetary sales for the interim period were much higher than one year earlier, mainly due to higher overseas prices of major metals.

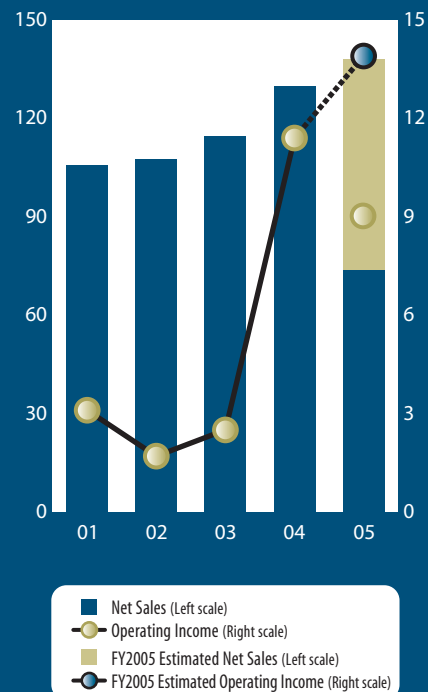
As a consequence of these and other developments, sales of nonferrous metals recorded a year-on-year increase of 27% to ¥73,474 million, and operating income grew dramatically from ¥4,488 million to ¥9,002 million.

Effective this fiscal year, Akita Rare Metals Co., Ltd., which recycles and refines mainly indium and gallium, became a new consolidated subsidiary.

Measures Implemented in Fiscal 2005

- ◆ Increased equity investment in Akita Zinc Co., Ltd. (a zinc refiner) from 57% to 81%. Meanwhile, outsourcing to Hachinohe Smelting Co., Ltd. was decided to be suspended to focus exclusively on high-quality electrolytic zinc.
- ◆ A decision was reached to introduce a new process that optimizes the treatment of recyclable materials at Kosaka Smelting & Refining Co., Ltd., which specializes in smelting and refining copper and precious metals.

Net Sales/Operating Income
(Billions of Yen)



Environmental Management & Recycling

Treatment of industrial waste and municipal waste, soil remediation, and metal recycling

Segment sales rose thanks to steady waste treatment orders received mainly from chemical manufacturers, as well as to Green Fill Kosaka, a landfill constructed in Kosaka, Akita Prefecture that came onstream during the first half of the fiscal year.

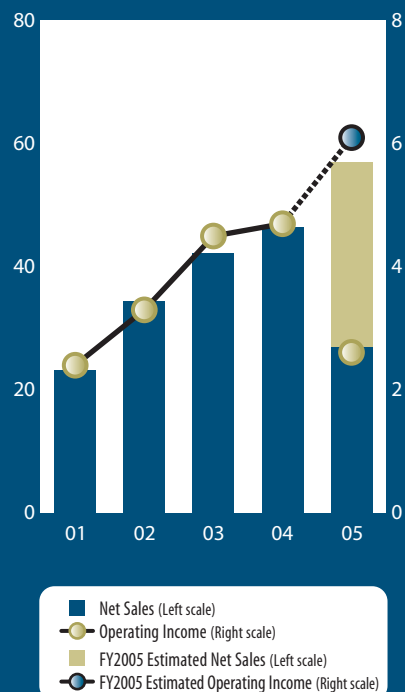
In soil remediation, the segment increased orders through aggressive marketing activities that exploited the Group's unique technologies and facilities, and boosted the volume of recyclable precious metals processed.

Sales in the Environmental Management & Recycling segment rose 31% to ¥26,938 million, and operating income soared 22% to ¥2,610 million.

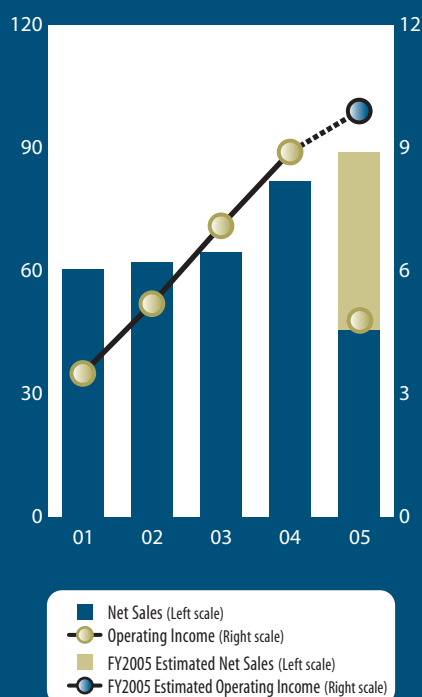
Measures Implemented in Fiscal 2005

- ◆ Increased equity investment in Kowa Seiko Co., Ltd., a specialist in waste treatment, from 40% to 50%.
- ◆ Preparations were made to construct facilities to expand the waste treatment business in the Kanto region.
- ◆ The second plant for recycling metals came onstream in Suzhou Province, China.

Net Sales/Operating Income
(Billions of Yen)



Net Sales/Operating Income (Billions of Yen)



Electronic Materials & Metal-Processing

Copper alloy coils and sheets, compound semiconductor materials, metal powders for various applications, electroplating, and magnetic materials

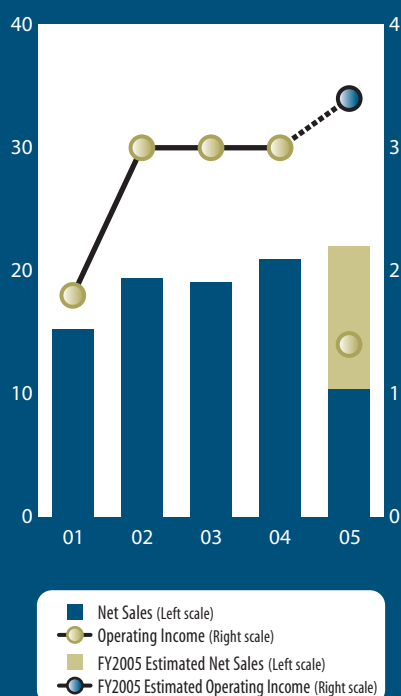
Although sales of gallium and light-emitting diodes (LED) dropped due to inventory adjustments in some IT-related products, mainly those involving mobile phones, sales rose for silver paste and indium used in plasma display panels (PDPs) and liquid crystal displays (LCDs) used in thin TV screens and other digital devices. Higher sales were also posted for rolled copper for connectors for mountings on automobiles and iron powder for soil remediation.

Consequently, sales in the Electronic Materials & Metal-Processing segment increased 17% to ¥45,521 million, and operating income posted a gain of 10% to ¥4,783 million.

Measures Implemented in Fiscal 2005

- ◆ Began a new, full-scale development of gallium nitride, in addition to the ongoing development of gallium arsenide semiconductor wafers.
- ◆ Added a metal plating line at Dowa Hightech Co., Ltd. as part of efforts to expand the precious metal electroplating business.

Net Sales/Operating Income (Billions of Yen)



Heat Treatment

Heat treatment services, and sales and maintenance services for industrial furnaces

Heat treatment orders from automobile manufacturers, the major customers in this segment, increased. Orders for new industrial furnaces also increased, due to significant overseas expansion of automobile manufacturers. In parallel, sales generated from furnace maintenance services also rose.

Nonetheless, operating income was lower due to a temporary cost increase caused by malfunctions of heat treatment equipment.

As a result, sales in the Heat Treatment segment rose 9% to ¥10,376 million, while operating income edged down 1% to ¥1,354 million.

Measures Implemented in Fiscal 2005

- ◆ Began a second expansion project at Chukyo Handa Works. Plans are under way for a third project to be launched in fiscal 2006.
- ◆ Decision reached to construct a new plating line at Dowa THT America, Inc. in Ohio, U.S.A.

CONSOLIDATED BALANCE SHEETS

DOWA MINING CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES
September 30, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	FY2005 (September 30, 2005)	FY2004 (September 30, 2004)	FY2005 (September 30, 2005)
Assets			
Current Assets:			
Cash and time deposits (Note 4)	¥ 2,284	¥ 2,437	\$ 20,177
Notes and accounts receivable:			
Trade	39,508	37,030	349,044
Non-consolidated subsidiaries and affiliates	3,402	4,649	30,052
Others	2,748	2,702	24,281
Subtotal	45,658	44,381	403,377
Inventories	59,640	52,791	526,901
Deferred tax assets, current	2,293	2,741	20,259
Other current assets	5,807	2,869	51,302
Allowance for doubtful accounts	(173)	(2,171)	(1,525)
Total current assets	115,509	103,048	1,020,491
Property, Plant and Equipment:			
Land	23,542	23,803	207,986
Buildings and structures	80,007	78,641	706,835
Machinery and equipment	145,722	144,257	1,287,407
Construction in progress	4,553	7,050	40,229
Subtotal	253,824	253,751	2,242,457
Accumulated depreciation	(161,803)	(160,973)	(1,429,484)
Total property, plant and equipment	92,021	92,778	812,973
Investments and Other Assets:			
Investments in securities (Note 5)	33,835	24,026	298,926
Investments in and advances to non-consolidated subsidiaries and affiliates (Note 5)	21,114	22,339	186,524
Long-term loans	502	490	4,431
Deferred tax assets, non-current	3,113	3,960	27,508
Other assets	4,334	4,126	38,293
Allowance for doubtful accounts	(380)	(783)	(3,354)
Total investments and other assets	62,518	54,158	552,328
Total Assets	¥270,048	¥249,984	\$2,385,792

* 1. The accompanying notes are an integral part of these financial statements.
2. ¥113.19=US\$1, the rate of exchange on September 30, 2005, is used.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	FY2005 (September 30, 2005)	FY2004 (September 30, 2004)	FY2005 (September 30, 2005)
Liabilities, Minority Interests and Shareholders' Equity			
Current Liabilities:			
Short-term borrowings	¥ 34,051	¥ 28,896	\$ 300,833
Long-term debt due within one year	10,468	17,553	92,478
Notes and accounts payable:			
Trade	22,215	18,740	196,267
Non-consolidated subsidiaries and affiliates	1,215	1,409	10,732
Others	5,578	5,333	49,282
Subtotal	29,008	25,482	256,281
Accrued expenses	7,734	5,994	68,329
Accrued income taxes	7,103	5,213	62,751
Other current liabilities	3,439	2,988	30,379
Total current liabilities	91,803	86,126	811,051
Long-Term Debt	55,967	57,278	494,450
Reserves for Employees' Retirement Benefits	12,014	10,696	106,144
Reserves for Directors' and Corporate Auditors'			
Retirement Benefits	878	719	7,757
Deferred Tax Liabilities, Non-current	5,498	1,009	48,571
Other Long-Term Liabilities	1,340	2,138	11,842
Total liabilities	167,500	157,966	1,479,815
Minority Interests	3,069	4,629	27,116
Contingent Liabilities (Note 6)			
Shareholders' Equity:			
Common stock:			
Authorized: 795,073 thousand shares;			
Issued: 303,791 thousand shares at September 30, 2005			
and 2004, respectively	36,437	36,437	321,906
Additional paid-in capital	26,369	26,377	232,962
Retained earnings	25,398	19,044	224,380
Unrealized gain on available-for-sale securities	14,111	8,506	124,663
Foreign currency translation adjustments	(607)	(727)	(5,360)
Treasury stock, at cost (3,863,402 shares in 2005 and			
3,901,204 shares in 2004)	(2,229)	(2,248)	(19,690)
Total shareholders' equity	99,479	87,389	878,861
Total Liabilities, Minority Interests and Shareholders' Equity ...	¥270,048	¥249,984	\$2,385,792

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

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CONSOLIDATED STATEMENTS OF INCOME

DOWA MINING CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES
For the six months ended September 30, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	FY2005 (September 30, 2005)	FY2004 (September 30, 2004)	FY2005 (September 30, 2005)
Net Sales	¥139,878	¥115,064	\$1,235,782
Cost of Sales	109,337	91,064	965,963
Gross profit	30,541	24,000	269,819
Selling, General and Administrative Expenses	12,741	12,020	112,564
Operating income	17,800	11,980	157,255
Other Income (Expenses):			
Interest and dividend income	475	409	4,196
State subsidy	–	235	–
Interest expenses	(663)	(720)	(5,856)
Gain on sale of available-for-sale securities	–	2,389	–
Write-down of marketable and investment securities	–	(253)	–
Equity in (losses) earnings of affiliates	(2,091)	266	(18,471)
Amortization of initial transition obligation	–	(509)	–
Loss due to suspension of operations	–	(1,365)	–
Loss due to impairment of property, plant and equipment	(1,784)	–	(15,764)
Loss due to sale or disposal of property, plant and equipment	(505)	(178)	(4,443)
Other, net	(1,168)	(1,354)	(10,338)
	(5,736)	(1,080)	(50,676)
Income before income taxes and minority interests	12,064	10,900	106,579
Income Taxes:			
Current	7,070	5,082	62,460
Deferred	13	(552)	118
	7,083	4,530	62,578
Minority Interests in Income	(136)	(73)	(1,196)
Net income	¥ 4,845	¥ 6,297	\$ 42,805
		Yen	U.S. Dollars (Note 1)
Per Share (Note 3):			
Primary net income	¥ 16.16	¥ 20.99	\$ 0.14
Fully diluted net income	–	–	–
Cash dividends	–	–	–

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

DOWA MINING CO., LTD. & ITS CONSOLIDATED SUBSIDIARIES
For the six months ended September 30, 2005 and 2004

	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
Balance at March 31, 2004	303,791	¥ 36,437	¥ 26,377	¥ 14,929	¥ 9,888	¥ (737)	¥ (2,221)
Net income	-	-	-	6,297	-	-	-
Cash dividends paid	-	-	-	(2,127)	-	-	-
Bonuses to directors	-	-	-	(55)	-	-	-
Unrealized gain on available-for-sale securities	-	-	-	-	(1,382)	-	-
Foreign currency translation adjustments	-	-	-	-	-	10	-
Treasury stock held by affiliates	-	-	-	-	-	-	(24)
Purchase of treasury stock	-	-	-	-	-	-	(3)
Balance at September 30, 2004	303,791	¥ 36,437	¥ 26,377	¥ 19,044	¥ 8,506	¥ (727)	¥ (2,248)
Balance at March 31, 2005	303,791	¥36,437	¥26,377	¥23,357	¥11,420	¥(666)	¥(2,254)
Net income	-	-	-	4,845	-	-	-
Cash dividends paid	-	-	-	(3,037)	-	-	-
Bonuses to directors	-	-	-	(75)	-	-	-
Increase due to newly consolidated subsidiaries at beginning of period	-	-	-	305	-	-	-
Increase due to new connection range of affiliates accounted for by the equity method	-	-	-	3	-	-	-
Unrealized gain on available-for-sale securities	-	-	-	-	2,691	-	-
Foreign currency translation adjustments	-	-	-	-	-	59	-
Treasury stock held by affiliates	-	-	-	-	-	-	(1)
Purchase of treasury stock	-	-	-	-	-	-	(269)
Stock exchanged under exchange offering	-	-	-	-	-	-	295
Loss on disposal of treasury stock	-	-	(8)	-	-	-	-
Balance at September 30, 2005	303,791	¥36,437	¥26,369	¥25,398	¥14,111	¥(607)	¥(2,229)

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Additional Paid-in Capital	Retained Earnings	Unrealized Gain (Loss) on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock
Balance at March 31, 2005	\$321,906	\$233,034	\$206,356	\$100,897	\$(5,887)	\$(19,916)
Net income	-	-	42,805	-	-	-
Cash dividends paid	-	-	(26,835)	-	-	-
Bonuses to directors	-	-	(660)	-	-	-
Increase due to newly consolidated subsidiaries at beginning of period	-	-	2,692	-	-	-
Increase due to new connection range of affiliates accounted for by the equity method	-	-	22	-	-	-
Unrealized gain on available-for-sale securities	-	-	-	23,766	-	-
Foreign currency translation adjustments	-	-	-	-	527	-
Treasury stock held by affiliates	-	-	-	-	-	(3)
Purchase of treasury stock	-	-	-	-	-	(2,377)
Stock exchanged under exchange offering	-	-	-	-	-	2,606
Loss on disposal of treasury stock	-	(72)	-	-	-	-
Balance at September 30, 2005	\$321,906	\$232,962	\$224,380	\$124,663	\$(5,360)	\$(19,690)

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CONSOLIDATED STATEMENTS OF CASH FLOWS

DOWA MINING CO., LTD. AND ITS CONSOLIDATED SUBSIDIARIES
For the six months ended September 30, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	FY2005 (September 30, 2005)	FY2004 (September 30, 2004)	FY2005 (September 30, 2005)
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥12,064	¥10,900	\$106,579
Adjustments for:			
Depreciation	4,505	4,418	39,798
Loss on impairment of property, plant and equipment	1,784	–	15,764
Loss on sale and loss on disposal of property, plant and equipment, net	505	178	4,463
Reversal of allowance for bad debts	(19)	(24)	(168)
Equity in losses (earnings) of affiliates	2,091	(266)	18,471
Change in liability for retirement benefits	457	729	3,724
Interest and dividend income	(475)	(409)	(4,038)
Interest expenses	663	720	5,856
Decrease in trade receivables	5,621	3,890	49,661
Increase in inventories	(8,900)	(13,305)	(78,629)
Increase (decrease) in trade payables	794	(1,185)	7,012
Other, net	(2,065)	(1,855)	(18,085)
Subtotal	17,025	3,791	150,408
Interest and dividend income received	552	413	4,885
Interest expenses paid	(669)	(721)	(5,915)
Income taxes paid	(9,314)	(1,524)	(82,288)
Net cash provided by operating activities	7,594	1,959	67,090
Cash Flows from Investing Activities:			
Proceeds from sale of marketable and investment securities	–	3,133	–
Acquisition of property, plant and equipment	(6,239)	(4,410)	(55,123)
Proceeds from state subsidy, etc.	–	235	–
Increase in investments in securities	(504)	(503)	(4,454)
Increase in investments in associates	(3,381)	–	(29,876)
Proceeds from disposal of non-current assets	21	252	184
Other, net	(146)	243	(1,279)
Net cash used in investing activities	(10,249)	(1,050)	(90,548)
Cash Flows from Financing Activities:			
Increase in short-term bank loans, net	6,104	9,318	53,929
Decrease in commercial paper	–	(2,500)	–
Increase in long-term debt	2,800	500	24,737
Repayment of long-term debt	(5,911)	(7,948)	(52,221)
Cash dividends paid	(3,194)	(2,268)	(28,221)
Purchases of treasury stock	(269)	(3)	(2,377)
Net cash used in financing activities	(470)	(2,901)	(4,153)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	10	8	89
Net Decrease in Cash and Cash Equivalents	(3,115)	(1,984)	(27,522)
Cash and Cash Equivalents at Beginning of Period	5,286	4,415	46,702
Cash and Cash Equivalents of Newly Consolidated Subsidiaries	111	–	979
Cash and Cash Equivalents at End of Period (Note 4)	¥ 2,282	¥ 2,431	\$ 20,159

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

2. ¥113.19=US\$1, the rate of exchange on September 30, 2005, is used

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 ¥113.19=US\$1, the rate of exchange on September 30, 2005 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 semi-annual report should be read in conjunction with the Company's annual report for the year ended March 31, 2005.

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 on 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.

Note Regarding Scope of Consolidation

The Company dissolved Tokyo Shoji Co., Ltd. during the year ended March 31, 2005 (fiscal 2004). The results of this subsidiary are included in the consolidated accounts up to the time of the dissolution.

On October 1, 2004, Odate Bunseki Gijutsu Center Co., Ltd. integrated the analysis departments of five companies of the group in the Akita area and changed their names to Dowa Techno-Research Co., Ltd.

The consolidated financial statements for the six months ended September 30, 2005 include Akita Rare Metals Co., Ltd. and Akita Kouei Co., Ltd., which were unconsolidated subsidiaries, in the consolidated financial statements for the year ended March 31, 2005, from the viewpoint of materiality.

Accounting Period of a Foreign Subsidiary

In preparing the consolidated financial statements for the six months ended September 30, 2005 and 2004, the financial statements of Dow Chemical Company, Inc. as of June 30, 2005 and 2004, respectively, were used, and significant transactions that occurred between July 1, 2005 and September 30, 2005 and July 1, 2004 and September 30, 2004 were included.

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 fluctuations in value.

Cash and cash equivalents at September 30, 2005 and 2004 consisted of :

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2005 (September 30, 2005)	FY2004 (September 30, 2004)	FY2005 (September 30, 2005)
Cash and time deposits	¥2,284	¥2,437	\$20,177
Time deposits with deposit terms of over three months	(2)	(6)	(18)
Cash and cash equivalents	¥2,282	¥2,431	\$20,159

5. Marketable Securities and Investments

Marketable securities and investments at September 30, 2005 and 2004 consisted of:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2005 (September 30, 2005)	FY2004 (September 30, 2004)	FY2005 (September 30, 2005)
Investments in non-consolidated subsidiaries and affiliates	¥21,112	¥21,972	\$186,515
Advances to non-consolidated subsidiaries and affiliates	2	367	9
Available-for-sale securities with market quotations	30,613	20,316	270,456
Available-for-sale securities without market quotations			
Unlisted securities	3,162	3,631	27,936
Others	60	79	534
Subtotal	3,222	3,710	28,470
Total	¥54,949	¥46,365	\$485,450

6. Contingent Liabilities

At September 30, 2005 and 2004, the Company and its consolidated subsidiaries were contingently liable as the guarantor of loans incurred by affiliates and others in the amount of ¥273 million (\$2,416 thousand) and ¥325 million, respectively.

At September 30, 2005 and 2004, in connection with structured finance, the Company sold notes and incurred repurchase obligations accompanying structured finance of ¥889 million (\$7,858 thousand) and ¥785 million, respectively.

7. Change of Accounting Policy

Accounting Standard for Impairment of Fixed Assets

The Company and its domestic consolidated subsidiaries have adopted "Accounting Standard for Impairment of Fixed Assets" ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" (Business Accounting Deliberation Council Report, August 9, 2002)) and "Guidelines on Implementation of Business Accounting Standard No. 6, October 31, 2003" which required that impairment losses should be measured as the excess of the book value over the higher of fair market value and net of disposition costs of the fixed assets, since this consolidated fiscal year beginning April 1, 2005. As a result, income before income tax and minority interests decreased by ¥1,784 million.

Under the new Accounting Standard, the Company and its domestic consolidated subsidiaries have directly subtracted the accumulated impairment from the cost of property, plant and equipment.

8. The Local Enterprise Tax

On March 31, 2003, the Japanese National Diet approved various changes to the calculation of the statutory local enterprise tax for companies with capital in excess of ¥100 million, effective from April 1, 2004. Under the amended legislation, the enterprise tax was the sum of three tax components: a) an income-based component, b) a value-added component and c) a capital-based component. There was only an "income tax-based component" before the amendment.

The consolidated financial statements for the six months ended September 30, 2004 applied the new legislation and included the sum of the value-added component and the capital-based component in selling, general and administrative expenses.

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:

Gold, silver, copper, zinc, platinum group metals, indium, and sulfuric acid

(2) Environmental Management and Recycling:

Waste treatment & landfill, soil remediation, metal recycling, and transportation

(3) Electronic Materials & Metal-Processing:

Copper alloy coils and sheets, metalceramic substrates, compound semiconductor materials, metal powders for various applications, and electroplating

(4) Heat Treatment:

Automotive components heat treatment services, industrial furnaces, manufacturing and maintenance services

(5) Others:

Geothermal business, construction and others

Beginning from April 1, 2004, the commodity sales segment has been eliminated, for internal control purposes, because of the discontinuation of the sale of general materials at Tokyo Shoji Co., Ltd., which was a consolidated subsidiary.

Beginning from April 1, 2005, the construction and real estate segment has been included in the Others segment. Because the Company will shift to a holding company in the future, the Company has restructured this segment. The construction and real estate segments became smaller in scale and importance.

As a result, information for the construction and real estate segments is no longer shown, and the segment data of September 30, 2005 and 2004 has been reclassified to reflect this change.

Segment information by business segment as of September 30, 2005 and 2004 is summarized as follows:

	Millions of Yen							
	Nonferrous metals	Environmental management & recycling	Electronic materials & metal-processing	Heat treatment	Others	Total	Eliminations	Consolidated
2005								
Net sales:								
Outside customers.....	¥60,513	¥19,342	¥43,963	¥10,376	¥5,684	¥139,878	¥ -	¥139,878
Intersegment.....	12,961	7,596	1,558	-	4,046	26,161	(26,161)	-
Total.....	73,474	26,938	45,521	10,376	9,730	166,039	(26,161)	139,878
Operating expenses.....	64,472	24,328	40,738	9,022	9,585	148,145	(26,067)	122,078
Operating income.....	¥ 9,002	¥ 2,610	¥ 4,783	¥ 1,354	¥ 145	¥ 17,894	¥ (94)	¥ 17,800

	Millions of Yen							
	Nonferrous metals	Environmental management & recycling	Electronic materials & metal-processing	Heat treatment	Others	Total	Eliminations	Consolidated
2004								
Net sales:								
Outside customers.....	¥49,283	¥12,795	¥37,740	¥9,537	¥5,709	¥115,064	¥ -	¥115,064
Intersegment.....	8,789	7,767	1,132	-	2,552	20,240	(20,240)	-
Total.....	58,072	20,562	38,872	9,537	8,261	135,304	(20,240)	115,064
Operating expenses.....	53,584	18,423	34,520	8,169	7,992	122,688	(19,604)	103,084
Operating income.....	¥ 4,488	¥ 2,139	¥ 4,352	¥1,368	¥ 269	¥ 12,616	¥ (636)	¥ 11,980

Thousands of U.S. Dollars (Note 1)								
2005	Nonferrous metals	Environmental management & recycling	Electronic materials & metal- processing	Heat treatment	Others	Total	Eliminations	Consolidated
Net sales:								
Outside customers.....	\$534,613	\$170,884	\$388,399	\$91,673	\$50,212	\$1,235,781	\$ -	\$1,235,782
Intersegment.....	114,505	67,109	13,766	-	35,748	231,128	(231,128)	-
Total.....	649,118	237,993	402,165	91,673	85,960	1,466,909	(231,128)	1,235,781
Operating expenses.....	569,587	214,930	359,908	79,712	84,678	1,308,815	(230,289)	1,078,526
Operating income.....	\$ 79,531	\$ 23,063	\$ 42,257	\$11,961	\$ 1,282	\$ 158,094	\$ (839)	\$ 157,255

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.