

Consolidated Balance Sheets

Dowa Holdings Co., Ltd. and Consolidated Subsidiaries

As of March 31, 2009 and 2008

Assets	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Current Assets:			
Cash and time deposits (Note 4)	¥ 50,824	¥ 4,316	\$ 517,402
Notes and accounts receivables:			
Trade	33,136	74,230	337,333
Non-consolidated subsidiaries and affiliates	2,820	3,229	28,718
Others	2,402	4,911	24,457
Subtotal	38,359	82,371	390,509
Inventories:			
Merchandise and finished products	16,715	26,676	170,163
Work in process	3,938	7,365	40,092
Raw materials and supplies	32,508	48,195	330,947
Subtotal	53,162	82,236	541,203
Deferred tax assets, current (Note 10)	2,678	4,156	27,271
Other current assets	7,223	4,388	73,537
Allowance for doubtful accounts, current	(138)	(46)	(1,414)
Total current assets	152,110	177,422	1,548,511
Property, Plant and Equipment (Notes 6 and 7):			
Land	22,760	23,044	231,707
Buildings and structures	82,635	75,121	841,246
Machinery and equipment	171,185	161,174	1,742,700
Construction in progress	14,573	7,934	148,360
Others	11,518	10,860	117,255
Subtotal	302,673	278,134	3,081,269
Accumulated depreciation	(186,641)	(166,794)	(1,900,046)
Total property, plant and equipment	116,031	111,340	1,181,223
Investments and Other Assets:			
Investments in securities (Notes 5 and 7)	24,248	38,102	246,850
Investments in and advances to non-consolidated subsidiaries and affiliates (Notes 5 and 7)	24,719	30,191	251,653
Long-term loans	21	28	214
Deferred tax assets, non-current (Note 10)	15,325	6,777	156,011
Goodwill	7,174	860	73,037
Other assets	3,782	3,389	38,511
Allowance for doubtful accounts, non-current	(204)	(182)	(2,082)
Total investments and other assets	75,067	79,167	764,197
Total assets	¥ 343,208	¥ 367,931	\$ 3,493,931

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

2. The years stated in the text are for fiscal years, which run from April 1 of the previous year through March 31. Thus, 2009 refers to the year ended March 31, 2009.

3. ¥98.23=US\$1, the rate of exchange on March 31, 2009, is used.

Liabilities and Equity	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Current Liabilities:			
Short-term borrowings (Note 7)	¥ 51,853	¥ 20,687	\$ 527,874
Current maturities of long-term debt (Note 7)	30,577	18,196	311,282
Notes and accounts payables:			
Trade	18,290	44,979	186,203
Non-consolidated subsidiaries and affiliates	239	356	2,437
Others	4,978	3,907	50,678
Subtotal	23,508	49,242	239,318
Accrued expenses	5,890	6,154	59,967
Accrued income taxes	588	13,189	5,995
Deferred tax liabilities, current (Note 10)	2	288	27
Accrued bonuses	2,579	3,563	26,258
Accrued directors' bonuses	162	477	1,658
Other current liabilities	6,793	1,894	69,159
Total current liabilities	121,956	113,695	1,241,542
Long-term Liabilities:			
Long-term debt (Note 7)	99,074	83,116	1,008,595
Reserve for employees' retirement benefits (Note 13)	12,588	12,626	128,154
Reserve for directors' and corporate auditors' retirement benefits	651	723	6,636
Deferred tax liabilities, non-current (Note 10)	1,243	2,933	12,657
Negative goodwill	485	970	4,941
Other long-term liabilities	3,378	3,582	34,394
Subtotal	117,422	103,954	1,195,379
Total liabilities	¥239,378	¥217,649	\$2,436,922
Contingent Liabilities (Note 8):			
Equity (Note 9):			
Common stock:			
Authorized: 1,000,000 thousand shares in 2009 and 2008, respectively			
Issued: 303,790 thousand shares in 2009 and 2008, respectively	¥ 36,436	¥ 36,436	\$ 370,930
Capital surplus	26,361	26,367	268,366
Retained earnings	41,262	75,469	420,063
Unrealized gain on available-for-sale securities	4,238	7,854	43,145
Deferred gain (loss) on derivatives under hedge accounting	(2,542)	1,047	(25,880)
Foreign currency translation adjustments	(1,571)	(348)	(16,001)
Treasury stock, at cost			
(13,828 thousand shares in 2009 and 4,522 thousand shares in 2008)	(5,618)	(2,624)	(57,196)
Subtotal	98,566	144,202	1,003,426
Minority Interests	5,263	6,078	53,583
Total equity	103,830	150,281	1,057,009
Total liabilities and equity	¥343,208	¥367,931	\$3,493,931

Consolidated Statements of Operations

Dowa Holdings Co., Ltd. and Consolidated Subsidiaries

For the years ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Net Sales	¥346,885	¥475,826	\$3,531,358
Cost of Sales (Note 14)	329,340	399,901	3,352,746
Gross profit	17,545	75,924	178,612
Selling, General and Administrative Expenses (Notes 11 and 12)	26,042	31,605	265,121
Operating income (loss)	(8,497)	44,319	(86,509)
Other Income (Expenses):			
Interest and dividend income	1,461	1,400	14,874
Interest expense	(2,520)	(2,167)	(25,658)
Gain (loss) on sale of property, plant and equipment, and loss on disposals of property, plant and equipment, net	(856)	25	(8,720)
Foreign exchange loss	(1,766)	(301)	(17,980)
Loss on sale of investments in subsidiaries and affiliates	(52)	(409)	(537)
Equity in earnings (losses) of affiliates	(1,836)	2,059	(18,695)
Gain on sale of investment in securities	20	1,716	211
Loss on valuation of investment securities	(9,295)	(618)	(94,633)
Loss on impairment (Notes 5 and 6)	(2,290)	(266)	(23,313)
Loss on liquidation of business	-	(1,746)	-
Loss on change of business	-	(1,088)	-
Business structure improvement expenses	(4,166)	-	(42,417)
Other, net	(807)	(1,793)	(8,225)
Subtotal	(22,111)	(3,189)	(225,095)
Income (loss) before income taxes and minority interests	(30,608)	41,129	(311,604)
Income Taxes (Note 10):			
Current	2,422	19,147	24,662
Deferred	(5,062)	(3,700)	(51,533)
Total income taxes	(2,639)	15,446	(26,871)
Minority Interests	(168)	(1,162)	(1,719)
Net income (loss)	¥ (28,138)	¥ 24,520	\$ (286,452)
Per Share (Note 18):			
Basic net income (loss)	¥ (94.36)	¥ 81.86	\$ (0.96)
Fully diluted net income	-	77.91	-
Cash dividends	10.00	20.00	0.10

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

*2. The years stated in the text are for fiscal years, which run from April 1 of the previous year through March 31.

Thus, 2009 refers to the year ended March 31, 2009.

*3. ¥98.23=US\$1, the rate of exchange on March 31, 2009, is used.

Consolidated Statements of Changes in Equity

Dowa Holdings Co., Ltd. and Consolidated Subsidiaries

For the years ended March 31, 2009 and 2008

	Thousands of shares		
	2009	2008	
Number of Shares of Common Stock			
Balance at beginning of year	303,790	303,790	
Net change during year	—	—	
Balance at end of year	303,790	303,790	
Number of Shares of Treasury Stock			
Balance at beginning of year	4,522	3,887	
Net change of treasury stock held by affiliates during year	(0)	626	
Purchase of treasury stock	9,315	10	
Sale of treasury stock	(8)	(2)	
Balance at end of year	13,828	4,522	
			Thousands of U.S. Dollars (Note 1)
	Millions of Yen		2009
	2009	2008	
Common Stock			
Balance at beginning of year	¥ 36,436	¥ 36,436	\$ 370,930
Net change during year	—	—	—
Balance at end of year	¥ 36,436	¥ 36,436	\$ 370,930
Capital Surplus			
Balance at beginning of year	¥ 26,367	¥ 26,368	\$ 268,430
Net change due to sale of treasury stock	(6)	(0)	(64)
Balance at end of year	¥ 26,361	¥ 26,367	\$ 268,366
Retained Earnings			
Balance at beginning of year	¥ 75,469	¥ 57,052	\$ 768,293
Net income (loss)	(28,138)	24,520	(286,452)
Cash dividends paid	(6,075)	(6,075)	(61,847)
Adjustment of retained earnings for newly consolidated subsidiaries	—	47	—
Increase due to sale of treasury stock of affiliates	6	3	69
Decrease in retained earnings due to decrease in number of consolidated subsidiaries	—	(79)	—
Balance at end of year	¥ 41,262	¥ 75,469	\$ 420,063
Unrealized Gain on Available-for-sale Securities			
Balance at beginning of year	¥ 7,854	¥ 19,219	\$ 79,955
Net change during year	(3,615)	(11,365)	(36,810)
Balance at end of year	¥ 4,238	¥ 7,854	\$ 43,145
Deferred Gain on Derivatives Under Hedge Accounting			
Balance at beginning of year	¥ 1,047	¥ 294	\$ 10,663
Net change during year	(3,589)	752	(36,544)
Balance at end of year	¥ (2,542)	¥ 1,047	\$ (25,880)
Foreign Currency Translation Adjustments			
Balance at beginning of year	¥ (348)	¥ (336)	\$ (3,546)
Net change during year	(1,223)	(11)	(12,454)
Balance at end of year	¥ (1,571)	¥ (348)	\$ (16,001)
Treasury Stock, at Cost			
Balance at beginning of year	¥ (2,624)	¥ (2,250)	\$ (26,715)
Net change of treasury stock held by affiliates during year	0	(363)	4
Purchase of treasury stock	(3,003)	(13)	(30,578)
Sale of treasury stock	9	2	93
Balance at end of year	¥ (5,618)	¥ (2,624)	\$ (57,196)
Minority Interests			
Balance at beginning of year	¥ 6,078	¥ 4,491	\$ 61,881
Net change during year	(815)	1,587	(8,298)
Balance at end of year	¥ 5,263	¥ 6,078	\$ 53,583

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

2. The years stated in the text are for fiscal years, which run from April 1 of the previous year through March 31.

Thus, 2009 refers to the year ended March 31, 2009.

3. ¥98.23=US\$1, the rate of exchange on March 31, 2009, is used.

Consolidated Statements of Cash Flows

Dowa Holdings Co., Ltd. and Consolidated Subsidiaries

For the years ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Cash Flows from Operating Activities:			
Income (loss) before income taxes and minority interests	¥(30,608)	¥ 41,129	\$ (311,604)
Adjustments for:			
Income taxes paid	(17,397)	(20,837)	(177,105)
Depreciation and amortization	18,612	13,830	189,482
(Gain) loss on sale of property, plant and equipment, and loss on disposals of property, plant and equipment, net	856	(17)	8,718
Increase in allowance for doubtful accounts	75	45	772
Equity in (earnings) losses of affiliates	1,836	(2,059)	18,695
(Gain) loss on sale of investment in securities, net	32	(1,304)	326
Loss on valuation of investment securities	9,295	618	94,633
Loss on impairment (Notes 5 and 6)	2,290	266	23,313
Loss on liquidation of business	-	1,143	-
Loss on change of business	-	473	-
Business structure improvement expenses	4,166	-	42,417
Changes in assets and liabilities:			
Decrease in trade receivables	43,172	212	439,502
Decrease in inventories	29,719	3,376	302,554
Increase (decrease) in trade payables	(26,177)	3,445	(266,496)
Decrease in interest and dividend receivables	56	901	570
Increase in interest payables	124	99	1,266
Other, net	(2,461)	(925)	(25,054)
Net cash provided by operating activities	33,593	40,398	341,990
Cash Flows from Investing Activities:			
Payments for time deposits	(266)	(8)	(2,711)
Proceeds from repayment of time deposits	145	8	1,484
Acquisition of property, plant and equipment	(24,989)	(27,833)	(254,397)
Proceeds from sale of property, plant and equipment	176	2,576	1,797
Acquisition of investments in securities	(404)	(6,095)	(4,114)
Proceeds from sale of investment in securities	16	2,239	170
Acquisition of investments in subsidiaries and affiliates	(540)	(6,539)	(5,498)
Proceeds from sale of investments in affiliates	57	99	585
Acquisition of subsidiaries, net of cash acquired	(9,617)	(3,640)	(97,908)
Payment for loans	(1,269)	(552)	(12,921)
Proceeds from collection of loans	300	663	3,055
Other, net	(87)	(57)	(886)
Net cash used in investing activities	(36,477)	(39,138)	(371,345)
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term bank loans	31,170	(20,781)	317,316
Proceeds from long-term debt	46,400	50,200	472,360
Repayment of long-term debt	(18,001)	(14,940)	(183,257)
Payments for redemption of bonds	(7)	(10,007)	(71)
Cash dividends paid	(7,029)	(6,216)	(71,566)
Increase in lease obligations	-	198	-
Repayment of lease obligations	(227)	(262)	(2,316)
Proceeds from sale of treasury stock	2	1	28
Purchase of treasury stock	(3,003)	(13)	(30,578)
Net cash provided by (used in) financing activities	49,303	(1,820)	501,916
Foreign currency translation adjustment on cash and cash equivalents	(132)	(14)	(1,345)
Net Increase (Decrease) in Cash and Cash Equivalents	46,287	(575)	471,216
Cash and Cash Equivalents of Newly Consolidated Subsidiaries	100	420	1,018
Decrease in Cash and Cash Equivalents due to Exclusion of Subsidiaries from Scope of Consolidation	-	(343)	-
Cash and Cash Equivalents at Beginning of Year	4,294	4,792	43,716
Cash and Cash Equivalents at End of Year (Note 4)	¥ 50,681	¥ 4,294	\$ 515,951

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

2. The years stated in the text are for fiscal years, which run from April 1 through March 31 of the following year.

Thus, 2009 refers to the year ended March 31, 2009.

3. ¥98.23=US\$1, the rate of exchange on March 31, 2009, is used.

Notes to Consolidated Financial Statements

Dowa Holdings Co., Ltd. and Consolidated Subsidiaries

1. Basis of Presentation of the Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting standards and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Japanese yen figures less than ¥1 million (US\$1 thousand) are rounded down to the nearest ¥1 million (US\$1 thousand), except for per share data.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Dowa Holdings Co., Ltd. (the “Company”) is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥98.23 to US\$1, the approximate rate of exchange at March 31, 2009. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

The consolidated financial statements as of March 31, 2009 include the accounts of the Company and its 59 significant (48 in 2008) subsidiaries (together, the “Group”).

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

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 net difference between the purchase price and the underlying equity in the equity of acquired business is amortized on a straight-line basis within 20 years.

All significant intercompany accounts and transactions have been eliminated in consolidation.

(a) Note Regarding Scope of Consolidation

The consolidated financial statements for the year ended March 31, 2008 include Dowa Environmental Management Co., Ltd. and Dowa Advanced Materials (Shanghai) Co., Ltd., which were non-consolidated subsidiaries in the consolidated financial statements for the year ended March 31, 2007 from the viewpoint of materiality. The Company signed an agreement to buy shares of Dowa Metanix Co., Ltd. during the year ended March 31, 2008. The results of this subsidiary were included in the consolidated financial statements from the year ended March 31, 2008.

The Company dissolved Akita Geothermal Energy Co., Ltd. and Dowa Engineering Co., Ltd., which were consolidated subsidiaries up until the year ended March 31, 2007, during the year ended March 31, 2008. The Company also signed an agreement to sell all of its shares in Showa Kaihatsu Kogyo Co., Ltd., to its management during the year ended March 31, 2008. The results of these subsidiaries are included in the consolidated financial statements up to the date of dissolution or signing of these agreements.

The consolidated financial statements for the year ended March 31, 2009 include Akita Zinc Recycling Co., Ltd., which was a non-consolidated subsidiary in the consolidated financial statements for the year ended March 31, 2008 from the viewpoint of materiality. The Company signed an agreement to buy shares of Modern Asia Environmental Holdings Inc. and nine subsidiaries during the year ended March 31, 2009. The results of these subsidiaries were included in the consolidated financial statements from the year ended March 31, 2009.

(b) Accounting Period of Foreign Subsidiaries

In preparing the consolidated financial statements for the year ended March 31, 2009, the Company used the financial statements with an account closing date of December 31, 2008 in the cases of 12 foreign subsidiaries including Dowa Environmental Management Co., Ltd., Dowa Advanced Materials (Shanghai) Co., Ltd., and Modern Asia Environmental Holdings Inc. and other companies. For material transactions that occurred between January 1, 2009, and March 31, 2009, adjustments were made in the consolidated financial statements, as necessary.

(2) 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.

(3) Securities

Securities held by the Group are classified into three categories.

Investments in equity securities issued by non-consolidated subsidiaries and affiliates are accounted for by the equity method. Exceptionally, investments in certain non-consolidated subsidiaries and affiliates are stated at cost by using the moving average method because the effect of application of the equity method would be immaterial.

Available-for-sale securities with market quotations are stated at fair value. Unrealized gains on these securities are stated at net of tax effect and minority interests as “unrealized gain on available-for-sale securities” on the Consolidated Statements of Changes in Equity.

Available-for-sale securities without market quotations are stated at cost, by using the moving average method except as stated in the paragraph below.

In cases where the fair value of equity securities issued by non-consolidated subsidiaries and affiliates or available-for-sale securities has declined significantly and such impairment of the value is not deemed temporary, those securities are written down to the fair value and the resulting losses are included in net profit or loss for the period.

(4) Inventories

Inventories are stated at the lower of cost or market value. The costs of the primary finished products and imported raw materials are determined by the first-in first-out (FIFO) method. The costs of other finished products and other raw materials are determined by the moving average method.

(5) Property, Plant and Equipment

Property, plant and equipment, including significant renewals and additions, are stated at cost. Repairs and maintenance expenses are charged to current income. Depreciation is computed by the declining-balance method based on the estimated useful lives of the respective assets. Depreciation of the landfill is computed using the production method.

The Company and domestic consolidated subsidiaries have computed the depreciation for the buildings (excluding leasehold improvements and auxiliary facilities attached to buildings) that have newly been acquired on or after April 1, 1998, by the straight-line method.

The Change of Accounting Policy (2008)

Property, plant and equipment acquired on and after April 1, 2007 is depreciated by the declining-balance method in accordance with the revised Corporate Tax Law, which is effective for fiscal years beginning on and after April 1, 2007.

As a result of this change, operating income decreased by ¥599 million, which consists of ¥76 million in the Environmental Management & Recycling segment, ¥309 million in the Nonferrous Metals segment, ¥54 million in the Electronic Materials segment, ¥110 million in the Metal Processing segment, ¥32 million in the Heat Treatment segment, and ¥15 million in the Others segment. Income before income taxes and minority interests decreased by ¥602 million.

Additional Information (2008)

Property, plant and equipment had been depreciated up to 95% of acquisition cost with 5% of residual value carried until previous fiscal years. However, such 5% portion of property, plant and equipment is systematically amortized over five years starting in the following year in which the carrying value of property, plant and equipment reaches 5% of the acquisition cost in accordance with the revised Corporate Tax Law.

As a result of this change, operating income decreased by ¥734 million which consists of ¥69 million in the Environmental Management & Recycling segment, ¥302 million in the Nonferrous Metals segment, ¥144 million in the Electronic Materials segment, ¥121 million in the Metal Processing segment, ¥73 million in the Heat Treatment segment, and ¥23 million in the Others segment. Income before income taxes and minority interests decreased by ¥725 million.

Additional Information (2009)

As a result of a review of the operation status of assets that the Company and domestic consolidated subsidiaries conducted following the revision of the Corporation Tax Law, changes have been made to the number of years counted as the useful life commencing the year ended March 31, 2009. As a result of this change, operating loss increased by ¥2,691 million (US\$27,395 thousand) and loss before income taxes and minority interests increased by ¥2,742 million (US\$27,922 thousand).

For those segments which recorded a profit, operating income decreased by ¥281 million (US\$2,865 thousand) in the Environmental Management & Recycling segment, ¥148 million (US\$1,511 thousand) in the Electronic Materials segment, and ¥10 million (US\$109 thousand) in the Heat Treatment segment, and operating income increased by ¥0 million (US\$1 thousand) in the Others segment. For those segments which recorded a loss, operating loss increased by ¥1,345 million (US\$13,694 thousand) in the Nonferrous Metals segment, and ¥905 million (US\$9,215 thousand) in the Metal Processing segment.

(6) Long-lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable.

An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group.

The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(7) Research and Development and Intangible Assets

Research and development expenses are charged to the consolidated statements of operations as incurred.

Expenses relating to the development of internal use computer software are charged to the consolidated statements of operations when incurred, except when it is determined the software contributes to the generation of income or to future cost savings. Such expenses are capitalized as an asset and are amortized using the straight-line method over their estimated useful life, which is five years.

Intangible assets other than software are amortized using the straight-line method, in accordance with the Japanese Corporate Tax Law.

(8) Leases

(a) Lease Assets Pertaining to Finance Leases that Deem to Transfer Ownership of the Leased Property to the Lessee

These are calculated using the same method as the depreciation method that applies to non-current assets owned by the Group.

(b) Lease Assets Pertaining to Finance Leases that do not Deem to Transfer Ownership of the Leased Property to the Lessee

These use a method of calculation that takes the lease period to be the useful life and the salvage value to be zero. Note, however, that when the lease start date of a finance lease that does not deem to transfer ownership of the leased property to the lessee is before April 1, 2008, which is the date of the adoption of this accounting method, that finance leases shall be accounted for by the method pertaining to ordinary operating lease transactions.

The Change of Accounting Policy (2009)

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Company and domestic subsidiaries applied the revised accounting standard effective April 1, 2008. In addition, the Company and domestic subsidiaries accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

The impact of these changes on total assets, net loss and segment information is immaterial.

(9) Allowance for Doubtful Accounts

The Group has provided the allowance for doubtful accounts by the method based on the percentage of its own historical bad debt loss against the balance of total receivables, plus the amount deemed necessary to cover individual accounts estimated to be uncollectible.

(10) Accrued Bonuses

Accrued bonuses to employees are provided for at the estimated amounts, which the Group is obliged to pay to employees after the year-end.

(11) Accrued Directors' Bonuses

Accrued bonuses to directors including bonuses for the portion corresponding to the corporate performances in the corporate performance-based remuneration system are provided for at the estimated amounts, which the Group is obliged to pay to directors after the year-end.

(12) Reserve for Employees' Retirement Benefits

Employees of the Group are entitled to lump-sum severance indemnities, which are generally determined based on the length of service, current rates of pay and certain other factors at the time of retirement.

In addition to the unfunded lump-sum severance indemnities described above, the Group has established a non-contributory funded pension plan, which covers substantially all employees.

If a mathematical calculation difference occurs from the difference between the expected operational earnings from retirement assets and the actual earnings results, the difference is amortized as an operating expense on a straight-line basis over five years, usually beginning the year following the year in which the difference arises.

For any past service liability that arises as a result of revision of the retirement benefit regulations or other cause, this is amortized as an operating expense on a straight-line basis over five years, usually beginning the year in which the liability arises.

(13) Reserve for Directors' and Corporate Auditors' Retirement Benefits

Some of its subsidiaries also provide for the liability for directors' and corporate auditors' severance indemnities in an amount determined by the Company's internal regulations for such severance indemnities.

(14) Allowance for Environmental Measures

The Group adopted the Act Concerning Special Measures against PCB Waste, and recorded the estimate cost for the disposal of polychlorinated biphenyl waste.

(15) Foreign Currency Translations

All monetary assets and liabilities denominated in foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net profit or loss for the period.

The assets and liabilities of the Company's consolidated subsidiaries are valued using the fair-value method.

Assets and liabilities, and revenues and expenses of foreign subsidiaries are converted into yen at the spot exchange rates prevailing on the balance sheet date of the foreign subsidiaries in question, and translation differences are included as minority interests and foreign currency translation adjustments in equity.

(16) Derivatives and Hedging Activities

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange, interest and nonferrous metal rates.

Foreign exchange forward contracts, interest rate swaps and nonferrous metal forward contracts are utilized by the Group to reduce foreign currency exchange, interest and nonferrous metal rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows:

a) All derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of operations statement, and

b) For derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign exchange forward contracts employed to hedge foreign exchange exposures for export sales and import purchases are measured at the fair value and the unrealized gains/losses are recognized in income.

Forward contracts applied for forecasted (or committed) transactions are also measured at the fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income.

(17) Accounting Treatment for Consumption Tax

All transactions are recorded at net of consumption tax.

(18) Application of the Consolidated Taxation System

Commencing the year ended March 31, 2009, the Group files a tax return under the consolidated corporate tax system, which allows companies to base tax payments on the combined profits or losses of the parent company and its wholly owned domestic subsidiaries.

(19) Net Income per Share

Basic net income per share is based on the weighted average number of shares of common stock of the Company issued and outstanding during the respective year.

3. Changes of Accounting Policies

(1) Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements (2009)

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements."

PITF No. 18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statements where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained. PITF No. 18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Company applied these accounting standards effective April 1, 2008.

The impact of these changes on net loss and segment information is immaterial.

(2) Agreements for Deposit of Bullion for Consumption (2009)

Concerning agreements for deposit of bullion for consumption, in light of the greater materiality of these transactions, commencing in the year ended March 31, 2009, the Company records agreements for deposit of bullion for consumption in order to appropriately present the Company's financial position by reporting this previously off-balance-sheet information on the consolidated balance sheets.

As a result of this change, compared with what the results would have been using the previously adopted method, "raw materials and supplies" and "other current liabilities" have both increased by ¥1,429 million (US\$14,557 thousand) and the assets in the Electronic Materials segment increased by ¥1,429 million (US\$14,557 thousand).

4. Cash and Cash Equivalents

(1) Cash and cash equivalents at March 31, 2009 and 2008 consisted of:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Cash and time deposits	¥50,824	¥4,316	\$517,402
Time deposits with deposit terms of over three months	(142)	(22)	(1,451)
Cash and cash equivalents	¥50,681	¥4,294	\$515,951

(2) The main items of assets and liabilities of Modern Asia Environmental Holdings Inc. and Dowa Metanix Co., Ltd. at the acquisition date which were newly included in the consolidated financial statements for the years ended March 31, 2009 and 2008, as applicable, were as follows:

Modern Asia Environmental Holdings Inc. as of December 31, 2008 (2009)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Current assets	¥4,122		\$41,970
Non-current assets	3,698		37,647
Current liabilities	3,308		33,684
Non-current liabilities	670		6,828

Dowa Metanix Co., Ltd. as of October 1, 2007 (2008)

	Millions of Yen
Current assets	¥7,911
Non-current assets	5,907
Current liabilities	6,176
Non-current liabilities	2,250

(3) The main items of assets and liabilities of Showa Kaihatsu Kogyo Co., Ltd. at the exclusion date which were included in the consolidated financial statements up to that date were as follows:

Showa Kaihatsu Kogyo Co., Ltd. as of February 29, 2008

	Millions of Yen
Current assets	¥1,379
Non-current assets	364
Current liabilities	1,251
Non-current liabilities	—

5. Investments

Investments at March 31, 2009 and 2008 consisted of:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Investments in and advances to non-consolidated subsidiaries and affiliates . .	¥24,719	¥30,191	\$251,653
Available-for-sale securities with market quotations	19,703	33,833	200,589
Unlisted securities	4,544	4,204	46,260
Others	—	65	—
Total	¥48,968	¥68,294	\$498,503

The net unrealized gain on the available-for-sale securities with market quotations as of March 31, 2009 and 2008 were ¥6,332 million (US\$64,462 thousand) and ¥11,795 million, respectively.

In the years ended March 31, 2009 and 2008, impairment of available-for-sale securities with market quotations was ¥8,668 million (US\$88,248 thousand) and ¥597 million, respectively and impairment of available-for-sale securities without market quotations was ¥17 million (US\$177 thousand) and ¥21 million, respectively.

Because recoverability could not be determined for some negative goodwill related to investment in equity method affiliates, an unamortized balance of ¥2,049 million (US\$20,863 thousand) was recorded as loss on impairment in other expenses.

Available-for-sale securities that the Group sold during the years ended March 31, 2009 and 2008:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Proceeds from sales	¥74	¥2,239	\$755
Gain on sales	20	1,716	211
Loss on sales	52	0	537

Available-for-sale securities due within five years at March 31, 2009 and 2008:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Bonds:			
Governmental bonds and local governmental bonds	¥-	¥ 2	\$-
Corporate bonds	-	10	-
Total	¥-	¥12	\$-

6. Long-lived Assets

The Group reviewed its long-lived assets for impairment as of the years ended March 31, 2009 and 2008 and, as a result, recognized loss on impairment of ¥240 million (US\$2,449 thousand) and ¥266 million as other expenses for idle assets due to decline of market value.

7. Short-term Borrowings and Long-term Debt

Short-term borrowings from banks and other financial institutions were represented by short-term borrowings bearing interest at 0.85% to 4.81% (an approximate average rate of 1.18 %) per annum at March 31, 2009 and 0.90% to 4.31% (an approximate average rate of 1.28%) per annum at March 31, 2008.

It is normal business custom in Japan for short-term borrowings to be rolled over each year.

At March 31, 2009 and 2008, long-term debt consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
0.77% to 4.65% loans, principally from banks and due between 2007 and 2016:			
Collateralized	¥ 51,910	¥ 41,234	\$ 528,460
Unsecured	66,718	49,009	679,211
1.21% straight bond due 2009	10,000	10,000	101,801
2.15% straight bond due 2010	14	21	142
Lease obligations	1,007	1,047	10,261
	129,651	101,313	1,319,877
Long-term debt, bond and lease obligations (due within one year)	30,577	18,196	311,282
Long-term debt, bond and lease obligations (due after one year)	¥ 99,074	¥ 83,116	\$1,008,595

At March 31, 2009 and 2008, the following assets were pledged as collateral for short-term borrowings and the long-term debt of the Group:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Property, plant and equipment, less accumulated depreciation	¥2,405	¥3,625	\$24,485
Investments in and advances to affiliates	6,513	8,220	66,311
Investments in securities	3,607	6,051	36,726

Annual maturities of long-term debt as of March 31, 2009 for the next five years and thereafter were as follows:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
2010	¥ 30,577	\$ 311,282
2011	25,500	259,603
2012	22,921	233,350
2013	19,517	198,694
2014 and thereafter	31,133	316,947
Total	¥129,651	\$1,319,877

8. Contingent Liabilities

At March 31, 2009 and 2008, the Group guarantees of loans incurred by non-consolidated subsidiaries and affiliates in the amount of ¥6,560 million (US\$66,786 thousand), and ¥2,417 million, respectively.

The Company sold notes and accounts receivable amounts to a finance company. As part of the finance agreement, under certain circumstances, the Company has the obligation to repurchase these amounts. At March 31, 2009 and 2008, in connection with this structured finance agreement the maximum repurchase commitment, the Company's exposure was ¥570 million (US\$5,809 thousand) and ¥825 million, respectively.

9. Equity

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the "Companies Act"), which reformed and replaced the Commercial Code of Japan. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, such as

(1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) having the term of service of the directors prescribed as one year rather than the two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

The Company meets all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of equity after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock.

Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation tax, inhabitants' tax and enterprise tax, which in the aggregate resulted in normal statutory tax rates of approximately 40% for 2009 and 2008, respectively.

At March 31, 2009 and 2008, the significant components of deferred tax assets and liabilities were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Deferred tax assets			
Consolidated subsidiaries' deficit	¥ 18,784	¥ 5,768	\$ 191,230
Reserve for employees' retirement benefits	5,015	5,042	51,062
Unrealized earnings.	2,464	4,325	25,087
Loss on impairment of property, plant and equipment	1,457	1,063	14,841
Deferred loss on derivatives under hedge accounting.	1,415	–	14,408
Accrued bonus	1,010	1,425	10,287
Loss on disposals of property, plant and equipment	791	–	8,054
Excess depreciation.	686	1,213	6,993
Loss on valuation of inventories	677	708	6,895
Loss on valuation of investment securities	363	440	3,696
Reserve for directors' and corporate auditors' retirement benefits. . .	325	376	3,316
Allowance for doubtful accounts	111	63	1,136
Accrued enterprise taxes	107	1,091	1,092
Others	2,829	2,341	28,806
Total	36,041	23,862	366,909
Valuation allowance.	(15,098)	(7,979)	(153,708)
Deferred tax assets	¥ 20,942	¥15,883	\$ 213,200
Deferred tax liabilities			
Unrealized gain on available-for-sale securities.	(2,535)	(4,718)	(25,809)
Unrealized gain on land.	(924)	(924)	(9,414)
Special depreciation reserve	(21)	(997)	(219)
Provision for loss of foreign investments.	(0)	(0)	(2)
Deferred gain on derivatives under hedge accounting	–	(786)	–
Others	(702)	(742)	(7,154)
Total deferred tax liabilities	(4,184)	(8,171)	(42,601)
Net deferred tax assets	¥ 16,757	¥ 7,712	\$ 170,599

() represents deferred tax liabilities.

(Note) The components of net deferred tax assets (liabilities) for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Deferred tax assets, current	¥ 2,678	¥ 4,156	\$ 27,271
Deferred tax assets, non-current	15,325	6,777	156,011
Deferred tax liabilities, current	(2)	(288)	(27)
Deferred tax liabilities, non-current	(1,243)	(2,933)	(12,657)

For the years ended March 31, 2009 and 2008, the reconciliation of the statutory tax rate to the effective income tax rate was as follows:

	2009	2008
Statutory tax rate	(40.0)%	40.0%
Non-taxable items including dividend income	(0.7)	(0.3)
Tax credits	(0.1)	(2.1)
Valuation allowance	27.1	–
Equity in earnings of affiliates	2.5	(1.0)
Non-deductible items including entertainment expenses	0.4	0.7
Inhabitants' tax	0.3	0.2
Tax benefit on prior losses of subsidiaries	–	4.0
Loss on impairment of property, plant and equipment	–	0.6
Loss on liquidation of business	–	(3.8)
Others	1.9	(0.8)
Effective income tax rate	(8.6)%	37.6%

11. Research and Development Expenses

Research and development expenses for the years ended March 31, 2009 and 2008 were ¥4,421 million (US\$45,016 thousand) and ¥7,309 million, respectively.

12. Leases

As discussed in Note 2. (8), the Company accounts for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. Pro forma information of such leases existing at the transition date, such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense, or interest expense on an “as if capitalized” basis for the years ended March 31, 2009 and 2008 is as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Lease rental expenses for the year	¥458	¥473	\$4,672

The amounts of outstanding future lease payments due at March 31, 2009 and 2008, including the portion of interest thereon, are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Future lease payments			
Within one year	¥ 389	¥ 465	\$ 3,970
Over one year	662	1,063	6,748
Total	¥1,052	¥1,528	\$10,718

The amounts of outstanding future lease payments due at March 31, 2009 and 2008 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Operating leases (lessee)			
Within one year	¥ 84	¥4	\$ 858
Over one year	261	4	2,659
Total	¥345	¥9	\$3,518
Operating leases (lessor)			
Within one year	¥ 35	¥-	\$ 363
Over one year	209	-	2,128
Total	¥244	¥-	\$2,492

Acquisition cost, accumulated depreciation, and net book value at March 31, 2009 and 2008, if capitalized, are summarized as follows:

	Millions of Yen						Thousands of U.S. Dollars (Note 1)		
	2009			2008			2009		
	Machinery and equipment	Others	Total	Machinery and equipment	Others	Total	Machinery and equipment	Others	Total
Acquisition cost	¥2,156	¥609	¥2,765	¥2,476	¥654	¥3,131	\$21,952	\$6,203	\$28,156
Accumulated depreciation	1,394	318	1,712	1,347	255	1,602	14,196	3,240	17,437
Net leased property	¥ 761	¥291	¥1,052	¥1,129	¥399	¥1,528	\$ 7,755	\$2,963	\$10,718

13. Employees' Retirement Benefit Plan

The Group has a defined retirement benefit plan covering substantially all employees.

The reserve for employees' retirement benefits for the years ended March 31, 2009 and 2008 is analyzed as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Projected benefit obligations	¥(14,704)	¥(15,024)	\$ (149,694)
Plan assets	2,136	2,595	21,754
Unfunded retirement obligations	(12,567)	(12,428)	(127,940)
Unrecognized actuarial differences	50	(143)	513
Unrecognized prior service cost	(71)	(42)	(728)
Net retirement obligations	(12,588)	(12,614)	(128,154)
Prepaid pension fee	-	12	-
Reserves for employees' retirement benefits	¥(12,588)	¥(12,626)	\$ (128,154)

Net pension expenses related to the retirement benefits for the years ended March 31, 2009 and 2008 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Service cost	¥1,395	¥1,563	\$14,205
Interest cost	239	224	2,439
Expected return on plan assets	(16)	(19)	(167)
Amortization of actuarial differences	(28)	32	(293)
Amortization of prior service cost	28	32	290
Other pension expenses	405	-	4,124
Net pension expenses	¥2,023	¥1,833	\$20,598

Assumptions used in calculation of the above information were as follows:

	2009	2008
Discount rate	Principally 2.5%	2.5%
Expected rate of return on plan assets	Principally 1.25%	Principally 1.25%
Method of attributing the projected benefits to periods of service	Straight-line basis	Straight-line basis
Amortization period of prior service cost	Five years	Five years
Recognition period of actuarial differences	Five years	Five years

14. Loss on Valuation of Inventories

The Group recorded the following loss on valuation of inventories held for ordinary sales purposes due to impairment reflecting a drop in profitability for the years ended March 31, 2009 and 2008:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
Cost of sales	¥3,496	¥1,486	\$35,596

15. Deposited Inventory (2008)

Silver bullion, which is deposited at the Company's warehouse but is not included in the consolidated balance sheet as of March 31, 2008 due to receipt of deposition, was ¥2,352 million. The presented amount is based on a calculation using the market price at March 31, 2008.

16. Equity Warrants

Equity warrants which the Company had for the years ended March 31, 2009 and 2008 were as follows:

Item	Class of stocks to be issued	Number of shares to be issued			Balance sheet (2009) (Millions of Yen)	
		March 31, 2008	Increase	Decrease		March 31, 2009
Equity warrants	Common stock	15,188,998	-	-	15,188,998	-
Total		15,188,998	-	-	15,188,998	-

The number of shares to be issued is based on the assumption of when the share warrant exercise was carried out. The exercise period for equity warrants has not come.

As of March 31, 2009, the number of shares to be issued upon the exercise of equity warrants is estimated to be less than 15,188,998 shares.

17. Derivatives

The Group had the following derivative contracts outstanding at March 31, 2009 and 2008:

Currency-related transactions (2009)

Transactions not conducted on the open market

Type	Millions of Yen				Thousands of U.S. Dollars (Note 1)			
	Contract Amount	Over One Year	Fair Value	Unrealized Gain/Loss	Contract Amount	Over One Year	Fair Value	Unrealized Gain/Loss
Forward Exchange								
Contract Transactions								
Selling								
U.S.\$.....	¥288	–	¥295	¥(6)	\$2,935	–	\$3,003	\$(67)
Total.....	¥288	–	¥295	¥(6)	\$2,935	–	\$3,003	\$(67)

Commodity related (2009)

Transactions not conducted on the open market

Type	Millions of Yen				Thousands of U.S. Dollars (Note 1)			
	Contract Amount	Over One Year	Fair Value	Unrealized Gain/Loss	Contract Amount	Over One Year	Fair Value	Unrealized Gain/Loss
Nonferrous Metal								
Forward Contracts								
Buying								
Zinc.....	¥ 246	–	¥ 265	¥ 18	\$ 2,514	–	\$ 2,698	\$ 184
Selling								
Gold.....	262	–	260	1	2,668	–	2,651	17
Silver.....	185	–	203	(17)	1,890	–	2,068	(178)
Zinc.....	2,050	–	2,533	(482)	20,877	–	25,788	(4,911)
Copper.....	1,523	–	1,600	(76)	15,513	–	16,293	(779)
Total.....	¥ –	–	¥ –	¥(556)	\$ –	–	\$ –	\$(5,667)

Commodity related (2008)

Transactions not conducted on the open market

Type	Millions of Yen			
	Contract Amount	Over One Year	Fair Value	Unrealized Gain/Loss
Nonferrous Metal				
Forward Contracts				
Buying				
Zinc.....	¥ 47	–	¥ 46	¥ (1)
Copper.....	842	–	839	(3)
Selling				
Gold.....	¥ 87	–	¥ 84	¥ 3
Silver.....	319	–	310	9
Zinc.....	425	–	394	30
Copper.....	5,438	–	5,455	(17)
Total.....	¥ –	–	¥ –	¥ 21

(Notes) 1. Fair value was calculated by quotations obtained from the commodity future market and the exchange future market as of March 31, 2009 and 2008.

2. Derivative transactions that qualify for hedge accounting are excluded from disclosure.

18. Subsequent Event

The following appropriation of retained earnings at March 31, 2009 was approved at the Board of Directors' meeting held May 11, 2009:

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
Year-end cash dividends, 2009 ¥10 (US\$0.1) per share	¥2,944	\$29,976

19. Segment Information

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, soil remediation, metal recycling, and freight transport
 (2) Nonferrous Metals Production and sale of copper, zinc, lead, gold, and silver
 (3) Electronic Materials Magnetic materials, semiconductor materials, inorganic materials, chemical products
 (4) Metal Processing Copper strips, brass strips, copper alloy strips, brass bars, and precision processed products
 (5) Heat Treatment Heat treatment, surface treatment, and surface modification treatment, and the design, manufacture, sale and maintenance of facilities for heat treatment
 (6) Others Construction, rental business and others

Segment information by business type as of March 31, 2009 and 2008 is summarized as follows:

	Millions of Yen								
	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Others	Total	Eliminations	Consolidated
2009									
I Net sales:									
Outside customers	¥45,208	¥154,918	¥49,010	¥71,208	¥22,942	¥ 3,598	¥346,885	¥ -	¥346,885
Intersegment	24,492	18,718	1,800	12	-	11,094	56,119	(56,119)	-
Total	69,701	173,636	50,811	71,220	22,942	14,692	403,004	(56,119)	346,885
Operating expenses	64,795	187,751	47,056	76,992	21,326	14,294	412,215	(56,832)	355,383
Operating income (loss)	¥ 4,905	¥ (14,114)	¥ 3,755	¥ (5,771)	¥ 1,616	¥ 397	¥ (9,211)	¥ 713	¥ (8,497)
II Assets, depreciation and capital expenditures:									
Assets	¥53,827	¥101,191	¥28,849	¥41,451	¥23,373	¥ 7,264	¥255,958	¥87,250	¥343,208
Depreciation	2,827	7,479	2,310	3,794	1,612	176	18,201	411	18,612
Capital expenditures	6,649	9,409	1,935	2,756	2,598	230	23,579	633	24,213

	Millions of Yen								
	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Others	Total	Eliminations	Consolidated
2008									
I Net sales:									
Outside customers	¥50,632	¥239,885	¥59,282	¥91,650	¥28,806	¥ 5,569	¥475,826	¥ -	¥475,826
Intersegment	33,877	32,340	2,149	58	0	14,618	83,044	(83,044)	-
Total	84,510	272,226	61,432	91,708	28,806	20,187	558,870	(83,044)	475,826
Operating expenses	76,481	249,738	55,123	88,666	25,210	20,178	515,399	(83,891)	431,507
Operating income	¥ 8,028	¥ 22,487	¥ 6,308	¥ 3,042	¥ 3,596	¥ 8	¥ 43,471	¥ 847	¥ 44,319
II Assets, depreciation and capital expenditures:									
Assets	¥46,786	¥144,561	¥33,910	¥64,245	¥28,416	¥ 7,778	¥325,697	¥ 42,233	¥367,931
Depreciation	2,392	4,836	2,206	2,309	1,336	551	13,631	343	13,974
Capital expenditures	4,657	13,191	1,519	3,390	2,554	647	25,961	363	26,324

Thousands of U.S. Dollars (Note 1)									
2009	Environmental Management & Recycling	Nonferrous Metals	Electronic Materials	Metal Processing	Heat Treatment	Others	Total	Eliminations	Consolidated
I Net sales:									
Outside customers	\$460,227	\$1,577,097	\$498,933	\$724,914	\$233,555	\$ 36,630	\$3,531,358	\$ -	\$3,531,358
Intersegment	249,342	190,557	18,334	127	-	112,941	571,303	(571,303)	-
Total	709,569	1,767,655	517,267	725,042	233,555	149,571	4,102,661	(571,303)	3,531,358
Operating expenses	659,627	1,911,347	479,040	783,795	217,103	145,521	4,196,436	(578,568)	3,617,868
Operating income (loss)	\$ 49,941	\$ (143,692)	\$ 38,227	\$ (58,753)	\$ 16,452	\$ 4,049	\$ (93,774)	\$ 7,265	\$ (86,509)
II Assets, depreciation and capital expenditures:									
Assets	\$547,974	\$1,030,152	\$293,690	\$421,984	\$237,943	\$ 73,955	\$2,605,701	\$ 888,230	\$3,493,931
Depreciation	28,780	76,146	23,526	38,626	16,418	1,793	185,290	4,191	189,482
Capital expenditures	67,692	95,791	19,699	28,057	26,456	2,350	240,047	6,448	246,495

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

Information on overseas sales is not disclosed pursuant to regulations in Japan on consolidated financial statements, since the aggregate overseas sales of the Group were less than 10% of consolidated net sales.

¥98.23=US\$1, the rate of exchange on March 31, 2009, is used.

Report of Independent Auditors

Deloitte.

Deloitte Touche Tohmatsu
 MS Shibaura Building
 4-13-23, Shibaura
 Minato-ku, Tokyo 108-8530
 Japan
 Tel: +81(3)3457 7321
 Fax: +81(3)3457 1694
 www.deloitte.com/jp

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
 Dowa Holdings Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Dowa Holdings Co., Ltd. and consolidated subsidiaries as of March 31, 2008 and 2009, and the related consolidated statements of operations, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Dowa Holdings Co., Ltd. and consolidated subsidiaries as of March 31, 2008 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 24, 2009