

Dowa Holdings Announces Cessation of Operations of a Construction Subsidiary, Dowa Construction Co., Ltd.

TOKYO, July 13, 2007 — Dowa Holdings Co., Ltd., announced the decision today to cease all businesses operated by its subsidiary Dowa Construction Co., Ltd., including its civil engineering and construction businesses by the end of January 2008. Dowa Holdings today begins the process of winding down all activities handled by Dowa Construction Co., Ltd.

Dowa Construction was established in 1972 as a wholly owned subsidiary of Dowa Holdings. It was restructured as a company specializing in the civil engineering and construction business in April 2003 upon a separation into three companies, and it continued to develop its business across Japan from its base in Okayama Prefecture.

The overall size of the civil engineering and construction market continues to decline as a result of a marked nationwide fall in the number of new public construction projects and other factors, and the company's civil engineering division in particular, which chiefly relies on public works, has been experiencing a serious fall-off in orders. Current conditions make it inevitable that the industry shakeout will become more and more severe as time progresses.

Dowa Construction has continued to implement policies aimed at boosting revenues, such as by reducing costs through staffing adjustments, etc., and by introducing measures aimed at boosting orders by making full use of its expertise in specialized civil engineering fields. However, it has not been able to overcome the influence of the worsening business climate, and it is now facing the fact of two successive years of losses. Due to uncertain future prospects for a recovery, Dowa Holdings has determined that it will be difficult to continue to operate the business, and has decided to cease all business operations of Dowa Construction.

Please note that the prospects for Dowa Construction's wholly owned subsidiary, Showa Kaihatsu Kogyo Co., Ltd., continue to be strong, so it will continue to operate as a member of the Dowa Group despite the cessation of operations at its parent firm.

A loss of approximately 1.2 billion yen for both non-consolidated and consolidated financial results is expected to be generated by this cessation of business operations, and this has already been factored into this year's forecasts.