

Supplementary Explanation of Revisions of Results and Dividend Forecasts

In light of the recent deterioration of business circumstances, the strong yen, and falling metal prices, Dowa Holdings Co., Ltd. has revised consolidated earnings forecasts for FY2008 (from April 1, 2008 to March 31, 2009), which were disclosed on October 14, 2008, as set out below.

1. Revision of consolidated earnings forecasts for full year (from April 1, 2008 to March 31, 2009)

	Millions of yen			
	Net Sales	Operating Income	Ordinary Income	Net Income
Previous Forecast (A)	400,000	22,000	22,000	12,000
Revised Forecast (B)	345,000	-8,000	-10,000	-18,000
Change (B-A)	-55,000	-30,000	-32,000	-30,000
Rate of Change (%)	-13.8%	—	—	—
(Ref.) Previous Year Results (Year ended March 2008)	475,826	44,319	44,888	24,520

Looking at the Group's operating results, demand from the automotive and IT industries have been declining sharply since the second quarter, and this is having a broad impact on individual business segments. A stronger yen and plummeting metal prices are worsening earnings in the nonferrous metals business.

In the circumstances, the deterioration in the operating environment is expected to decrease earnings by 32 billion yen from the results forecast for the full year announced on October 14, 2008, including 11.3 billion yen through declining orders and sales and 19.7 billion yen through the effects of unfavorable exchange rates and metal prices (refer to data <1> Comparison with Previous Forecast in Oct. 14, 2008). In addition, there is expected to be a loss on the valuation of shares owned of 8.6 billion yen because of a stock market slowdown.

As a result, we expect to post an operating loss of 8 billion yen, down 30 billion yen from the previous forecast, an ordinary loss of 10 billion yen, representing a fall of 32 billion yen, and a net loss of 18 billion yen, down 30 billion yen. Net sales are expected to fall 55 billion yen, to 345 billion yen.

As shown in data <2> Comparison with Previous Fiscal Year, ordinary income fell about 55 billion yen year on year because of negative factors valued at about 67 billion yen, including 38.5 billion yen in relation to exchange rates and metal prices and 21.1 billion yen in association with falling orders received due to the deterioration of the business environment. However, we have improved earnings 12.1 billion yen by enhancing productivity, increasing added value of products, and reducing costs primarily through reforms in production sites.

Of the effect of exchange rates and metal prices of 38.5 billion yen, about 20 billion yen was associated with the temporary difference between the market value and book value of delivered raw materials (cost of goods sold) due to unusual exchange rates and rapid and substantial falls in metal prices in the current fiscal year. We think that real ordinary income, which is the result of subtracting the 20 billion yen from the negative impact, is in the black and is 10 billion yen.

In the Nonferrous Metals Segment, earnings in the copper business and zinc business deteriorated because of a stronger yen, substantial falls in metal prices, and malfunctions in new process smelting facilities. Income is expected to fall also in the rare metal business due to a decline in the sale of indium and a fall in the volume of raw materials for the platinum group collected. When compared with the previous forecast, the effects of unfavorable exchange rates and fluctuations in metal prices are expected to reduce profits by 15.2 billion yen. A decline in orders received caused by deterioration in the operating environment is expected to reduce profits by 1.8 billion yen. As a result, we will post net sales of 170 billion yen, down 25 billion yen from the previous forecast, and an operating loss of 14.4 billion yen, a fall of 16.2 billion yen from an operating income of 1.8 billion yen in the previous forecast. Because of a decline in equity method income, among other factors, we will post an ordinary loss of 16.1 billion yen.

In the Environmental Management & Recycling Segment, demand is declining in the soil remediation business. Earnings in the recycling business are expected to fall because of a decrease in the volume of goods collected. Consequently, net sales will fall 9 billion yen from the previous forecast, to 73 billion yen. Operating income will decline 1.8 billion yen, to 5.2 billion yen. Ordinary income will slip 2.3 billion yen, to 5.1 billion yen.

In the Electronic Materials Segment, we expect orders in the semiconductor business to fall more than initially forecast. We also expect falls in sales of silver powder and iron powder in the functional materials business. Compared with the previous forecast, net sales are expected to decline 10 billion yen, to 52 billion yen. Operating income will drop 1.3 billion yen, to 4.0 billion yen. Ordinary income will slip 1.4 billion yen, to 3.9 billion yen.

In the Metal Processing Segment, profits from copper strip products and noble metal plating are expected to decline given a significant fall in demand in the auto, electronic component, and semiconductor industries. In addition to a decrease in orders received, profits are expected to fall 4.0 billion yen because of the difference between the market value and book value of delivered raw materials caused by a significant fall in the price of copper. Net sales are expected to decline 18.0 billion yen from the previous forecast, to 74.0 billion yen. We expect to post an operating loss of 4.7 billion yen, a fall of 7.2 billion yen from an operating income of 2.5 billion yen in the previous forecast. An ordinary loss of 4.7 billion yen is expected.

In the Heat Treatment Segment, profits relating to heat treatment are expected to fall further, the result of a significant decrease in demand in the auto industry. Net sales are set to fall 6.0 billion yen, to 23.0 billion yen compared with the previous forecast. Operating income will drop 2.8 billion yen, to 1.9 billion yen. Ordinary income will slip to 1.8 billion yen.

<1> Comparison with Previous Forecast in Oct. 14, 2008

► Forecast of Consolidated Results (by segment)

Billions of yen

	FY2008 Previous Forecast			FY2008 Estimate			Change		
	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income
Nonferrous Metals	195.0	1.8	2.0	170.0	-14.4	-16.1	-25.0	-16.2	-18.1
Environmental Management & Recycling	82.0	7.0	7.4	73.0	5.2	5.1	-9.0	-1.8	-2.3
Electronic Materials	62.0	5.3	5.3	52.0	4.0	3.9	-10.0	-1.3	-1.4
Metal Processing	92.0	2.5	2.8	74.0	-4.7	-4.7	-18.0	-7.2	-7.5
Heat Treatment	29.0	4.7	4.6	23.0	1.9	1.8	-6.0	-2.8	-2.8
Other/Elimination	-60.0	0.7	-0.1	-47.0	0.0	0.0	13.0	-0.7	0.1
Total	400.0	22.0	22.0	345.0	-8.0	-10.0	-55.0	-30.0	-32.0

► Exchange Rate and Metal Prices

	FY2007 Actual	FY2008 1st half Actual	FY2008 2nd half Previous Forecast	FY2008 3Q Actual	FY2008 4Q Estimate
Exchange rate (¥/US\$)	114.3	106.1	100.0	96.3	90.0
LME Copper (US\$/t)	7,582	8,062	6,000	3,904	3,200
LME Zinc (US\$/t)	2,986	1,942	1,600	1,185	1,200

► Analysis of Factors in Growth and Decline in Ordinary Income (by segment)

Billions of yen

	Nonferrous Metals	Environmental Management & Recycling	Electronic Materials	Metal Processing	Heat Treatment	Total
Effects of changes in exchange rate, and metal prices	-15.2	-0.5		-4.0		-19.7
Decrease in orders with worsening business environment, etc.	-1.8	-1.8	-1.4	-3.5	-2.8	-11.3
Others (Increase in depreciation, equity method income or loss, etc.)	-1.1					-1.1
Total	-18.1	-2.3	-1.4	-7.5	-2.8	-32.0

<2> Comparison with Previous Fiscal Year

► Forecast of Consolidated Results (by segment)

Billions of yen

	FY2007 Actual			FY2008 Estimate			Change		
	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income	Net Sales	Operating Income	Ordinary Income
Nonferrous Metals	272.2	22.5	23.6	170.0	-14.4	-16.1	-102.2	-36.9	-39.7
Environmental Management & Recycling	84.5	8.0	7.9	73.0	5.2	5.1	-11.5	-2.8	-2.8
Electronic Materials	61.4	6.3	6.1	52.0	4.0	3.9	-9.4	-2.3	-2.2
Metal Processing	91.7	3.0	2.6	74.0	-4.7	-4.7	-17.7	-7.7	-7.3
Heat Treatment	28.8	3.6	3.5	23.0	1.9	1.8	-5.8	-1.7	-1.7
Other/Elimination	-62.8	0.9	1.1	-47.0	0.0	0.0	15.8	-0.9	-1.1
Total	475.8	44.3	44.8	345.0	-8.0	-10.0	-130.8	-52.3	-54.8

► Analysis of Factors in Growth and Decline in Ordinary Income (by segment)

Billions of yen

	Nonferrous Metals	Environmental Management & Recycling	Electronic Materials	Metal Processing	Heat Treatment	Total
Effects of changes in exchange rate, metal prices, and ore purchase contracts	-33.3	-0.5		-4.7		-38.5
Decrease in orders with worsening business environment, etc.	-7.0	-3.0	-3.5	-4.1	-3.5	-21.1
Others (Increase in depreciation, equity method income or loss, etc.)	-4.6	-0.2	-0.2	-1.3	-0.2	-7.3
Subtotal	-44.9	-3.7	-3.7	-10.1	-3.7	-66.9
Strength of manufacturing sites (Productivity increases, cost reductions, etc.)	5.2	0.9	1.5	2.8	2.0	12.1
Total	-39.7	-2.8	-2.2	-7.3	-1.7	-54.8

2. Future action in response to a deterioration of operating environment

The Group is improving productivity, slashing costs, and reducing inventory through reform at production sites in each business in response to the deterioration in the operating environment. We are also reducing fixed expenses, including labor and repair costs. We are reviewing all investments and choosing only those that are absolutely necessary.

We will achieve our cost cutting target of 15 billion yen for the three years covered by our next medium-term business plan ahead of schedule, targeting a 5% reduction in the variable cost ratio and a 10% cut in fixed expenses, including selling, general and administrative expenses. Through these initiatives, we will bolster the business structure so that each segment will be able to secure a certain level of profit in the current business environment.

We seek to achieve the following key goals by segment:

Nonferrous Metals Segment

- Comprehensive streamlining of the zinc business
- Development of metal recycling technologies that competitors cannot match

Environmental Management & Recycling Segment

- Global expansion and development of the environmental business
- Enhancement and differentiation of existing treatment technologies

Electronic Materials Segment

- Establishment of an operating base for nitride semiconductors and development and sale of conductive powder, especially for solar batteries
- Releasing products that meet market needs in a timely fashion

Metal Processing Segment

- Consolidation of equipment and reduction of operating capital through a comprehensive review of processes in response to a substantial decline in demand
- Early development of the substrate business into an effective business by boosting yield

Heat Treatment Segment

- Comprehensive improvement in productivity and yield
- Bolstering of the environmentally friendly performance of heat treatment equipment and expansion of the equipment maintenance business

To meet the above challenges, the holding company and business support companies will improve equipment engineering, allocate people appropriately, provide training, and improve productivity in administrative work to boost the Group's ability to institute initiatives and execute internal reform.

3. Dividends

Dowa regards the payment of dividends to stockholders as one of its most important management issues. The Company's basic policy is pay dividends as performance allows, while ensuring sufficient internal reserves for strengthening the corporate structure and expanding business.

As mentioned above, we expect to post a net loss of 18 billion yen for the current fiscal year and deeply regret that we need to reduce the dividend significantly. However, the net loss includes temporary losses such as the difference between market values and book values associated with falling metal prices and a loss from the revaluation of shares owned. We estimate a real profit after subtracting the temporary losses from the net loss at about 10 billion yen.

As stated above, Dowa is developing Company-wide initiatives to respond to the deteriorating business environment. We are determined to change our corporate structure so that we can continue to pay dividends even if the economy does not recover in the next fiscal year. We are also committed to carrying out our next medium-term business plan.

Based on this situation, we are going to return 30% of real profits of 10 billion yen as dividends. We are thus revising our year-end dividend downward from 20 yen, our initial forecast, to 10 yen per share.

Although we expect the business environment to remain difficult, we are united in our commitment to secure profits. We appreciate the continued support of our stakeholders.