October 15, 2009
Dowa Holdings Co., Ltd.

Supplementary Explanation of Revisions of Financial Forecasts

Dowa Holdings Co., Ltd. (President: Masao Yamada; Common Stock: ¥36.4 billion; Address: 14-1, Sotokanda 4-chome, Chiyoda-ku, Tokyo) has revised its consolidated financial forecasts for the first half of fiscal 2009 (April 1, 2009 to September 30, 2009) and its full-year consolidated financial forecasts for fiscal 2009 (April 1, 2009 to March 31, 2010), both of which were announced on May 11, 2009, in light of the recent business environment and trends in demand. Details are as follows.

1. Revision of Consolidated Financial Forecasts for Fiscal 2009 First Half (April 1, 2009 to September 30, 2009)

(Millions of Yen)

	Net Sales	Operating Income (Loss)	Ordinary Income (Loss)	Net Income (Loss)
Previous Forecast (A)	105,000	(1,000)	(2,000)	(2,000)
Revised Forecast (B)	129,000	5,000	4,500	2,000
Difference (B-A)	24,000	6,000	6,500	4,000
Percentage Change (%)	22.9%	—	—	—
(Ref.) Fiscal 2008 First-Half Results (Six Months Ended September 30, 2008)	215,193	11,566	11,297	5,287

For the first half of fiscal 2009, the Dowa Holdings Group (the Group) now expects both consolidated net sales and earnings to significantly exceed initial forecasts. This outlook is based on higher sales volume chiefly in the Electronic Materials and Metal Processing segments, mainly reflecting the absence of the inventory cuts in the auto industry and other sectors seen in the previous fiscal year, as well as an upturn in demand primarily for products for IT equipment and electronics. Another factor was higher-than-expected metal prices in the Nonferrous Metals segment.

For the first half of fiscal 2009, the Group is now forecasting net sales of ¥129.0 billion, ¥24.0 billion higher than initially forecast. Operating income is now forecast at ¥5.0 billion, a change of ¥6.0 billion from the initially forecast operating loss. Ordinary income is now projected at ¥4.5 billion, a change of ¥6.5 billion from the previously forecast ordinary loss. Net income for the first half of fiscal 2009 is now projected at ¥2.0 billion, a change of ¥4.0 billion from the previously forecast net loss.

Turning to segments, in the Environmental Management & Recycling segment, the recycling business is expected to post higher sales and earnings than previously forecast based on high precious metal prices. Meanwhile, in the waste treatment business, waste volume has been lower than initially anticipated by the Group. Consequently, although overall net sales in the segment is projected at ¥28.0 billion, in line with the initial forecast, operating income is projected at ¥0.9 billion, ¥0.4 billion less than initially forecast.

In the Nonferrous Metals segment, metal prices have trended higher than originally expected by the Group. Accordingly, the segment is projecting net sales of ¥66.0 billion, ¥14.0 billion higher than initially forecast, and operating income of ¥1.4 billion, a change of ¥2.6 billion from the previously forecast operating loss.

In the Electronic Materials segment, although demand in the semiconductors business was down 40% year on year, demand still improved more strongly than initially anticipated by the Group. In the functional materials business, demand for silver powder for solar batteries has grown rapidly. Based on these factors, the segment is now projecting net sales of ¥21.0 billion, ¥7.0 billion higher than initially forecast, and operating income of ¥1.7 billion, ¥1.2 billion higher than initially forecast.

In the Metal Processing segment, sales volume was 60% to 70% higher than initially anticipated by the Group due to the absence of the sharp inventory cuts by customers seen in fiscal 2008 and an upturn in demand in the auto, electronic components, and semiconductor industries. In addition, copper prices remained on an upward track during the first half of fiscal 2009. Accordingly, the segment is now projecting net sales of ¥23.0 billion, ¥7.0 billion higher than initially forecast, and operating income of ¥1.4 billion, a change of ¥2.7 billion from the initially forecast operating loss.

In the Heat Treatment segment, although the auto industry is showing signs of improvement, this has not led to an increase in orders received by the Group. Consequently, although the segment is projecting net sales of ¥6.0 billion, ¥0.2 billion higher than initially forecast, the operating loss is projected at ¥0.2 billion, largely in line with the initial forecast.

Segment Profit (Loss) Forecasts

(Billions of Yen)

	Previous Forecast			Revised Forecast			Difference		
	Net Sales	Operating Income (Loss)	Ordinary Income (Loss)	Net Sales	Operating Income (Loss)	Ordinary Income (Loss)	Net Sales	Operating Income	Ordinary Income
Environmental Management & Recycling	28.0	1.3	1.1	28.0	0.9	0.8	0	-0.4	-0.3
Nonferrous Metals	52.0	(1.2)	(1.9)	66.0	1.4	1.5	14.0	2.6	3.4
Electronic Materials	14.0	0.5	0.5	21.0	1.7	1.7	7.0	1.2	1.2
Metal Processing	16.0	(1.3)	(1.1)	23.0	1.4	1.6	7.0	2.7	2.7
Heat Treatment	5.8	(0.2)	(0.3)	6.0	(0.2)	(0.2)	0.2	0	0.1
Other/Eliminations	(10.8)	(0.1)	(0.3)	(15.0)	(0.2)	(0.9)	-4.2	-0.1	-0.6
Total	105.0	(1.0)	(2.0)	129.0	5.0	4.5	24.0	6.0	6.5

2. Revision of Full-Year Consolidated Financial Forecasts for Fiscal 2009 (April 1, 2009 to March 31, 2010)

(Millions of Yen)

	Net Sales	Operating Income (Loss)	Ordinary Income (Loss)	Net Income (Loss)
Previous Forecast (A)	240,000	5,000	3,000	1,000
Revised Forecast (B)	278,000	11,000	10,000	5,000
Difference (B-A)	38,000	6,000	7,000	4,000
Percentage Change (%)	15.8%	120.0%	233.3%	400.0%
(Ref.) Previous Fiscal Year Results (Year Ended March 31, 2009)	346,885	(8,497)	(13,350)	(28,138)

Exchange Rate and Metal Price Assumptions for the Fiscal 2009 Second Half

	August Average	September Average	Previous Second-Half Forecast	Revised Second-Half Forecast
Exchange Rate (Yen/US$)	94.9	91.5	95.0	95.0
LME Copper (US$/t)	6,165	6,196	4,200	5,500
LME Zinc (US$/t)	1,822	1,884	1,350	1,500

Exchange Rate and Metal Price Sensitivities (Operating Income/Second Half)

(Millions of Yen)

	Change	Sensitivity
Exchange rate	±¥1/US$	120
Copper	±US$100/t	25
Zinc	±US$100/t	218

*Sensitivities are based on certain assumptions deemed reasonable at present and may differ materially from the actual impact due to a variety of factors.

The Group expects the improvement in its performance through the second quarter of fiscal 2009, alluded to earlier, to continue in October and subsequent months. However, initial forecasts already reflect a large projected improvement in demand in the second half. Therefore, second-half earnings should be largely in line with initial forecasts.

Based on this, for the full fiscal year, the Group is now projecting net sales of ¥278.0 billion, ¥38.0 billion higher than initially forecast. Operating income is now projected at ¥11.0 billion, ¥6.0 billion higher than initially forecast. Ordinary income is projected at ¥10.0 billion, ¥7.0 billion higher than initially forecast. The Group now anticipates net income of ¥5.0 billion for fiscal 2009, ¥4.0 billion higher than initially forecast.

In terms of segments, the Environmental Management & Recycling segment expects to face continuing difficulties as waste collection volume is anticipated to fall short of forecast because of delays in the improvement of market conditions. In addition, the amortization of a new incinerator at Eco-System Chiba Co., Ltd. will begin, even as demand continues to weaken in the soil remediation business following amendments to Japan's Building Standards Act. Consequently, the segment is now forecasting net sales of ¥62.0 billion, ¥1.0 billion below the initial forecast, and operating income of ¥2.0 billion, ¥1.3 billion less than initially forecast.

Turning to other segments, the Heat Treatment segment expects performance to largely track initial forecasts. On the other hand, the Nonferrous Metals, Electronic Materials and Metal Processing segments anticipate higher net sales and earnings relative to initial forecasts, in line with rising metal prices and improving demand.

Segment Profit (Loss) Forecasts

(Billions of Yen)

	Previous Forecast			Revised Forecast			Difference		
	Net Sales	Operating Income (Loss)	Ordinary Income (Loss)	Net Sales	Operating Income (Loss)	Ordinary Income (Loss)	Net Sales	Operating Income	Ordinary Income
Environmental Management & Recycling	63.0	3.3	2.9	62.0	2.0	1.8	-1.0	-1.3	-1.1
Nonferrous Metals	114.0	(1.2)	(2.6)	135.0	2.1	2.0	21.0	3.3	4.6
Electronic Materials	31.0	2.0	2.0	44.0	3.6	3.6	13.0	1.6	1.6
Metal Processing	37.0	(0.4)	0	54.0	2.7	3.2	17.0	3.1	3.2
Heat Treatment	14.0	0.8	0.7	14.0	0.7	0.7	0	-0.1	0
Other/Eliminations	(19.0)	0.5	0	(31.0)	(0.1)	(1.3)	-12.0	-0.6	-1.3
Total	240.0	5.0	3.0	278.0	11.0	10.0	38.0	6.0	7.0

3. Progress With Business Structure Improvement

At the beginning of fiscal 2009, the Group announced targeted cost reductions of ¥10.0 billion for the fiscal year involving personnel cost and operating expense reductions, as well as company-wide kaizen (improvement) initiatives. In the first half of fiscal 2009, the Group reduced costs by ¥6.0 billion, marking a steady rate of achievement against this target. The Metal Processing and Heat Treatment segments have largely completed the integrated management of inter-plant operations and the consolidation of certain plating lines and other operations. With this step, the Group is steadily reaping the benefits of a lower breakeven point.

One urgent priority has been to improve earnings from large investment projects, and various countermeasures are starting to produce results on this front. For example, capacity utilization was improved at the new smelting facility of Kosaka Smelting & Refining Co., Ltd., although the facility fell short of its earnings target. Productivity was also improved at DOWA Metanix Co., Ltd.

4. Initiatives in Growth Fields

The Environmental Management & Recycling segment is currently facing an uphill struggle due to a drop in the volume of industrial waste and fewer construction projects in Japan. Market conditions offer very little prospects of improvement at present. In this context, the Group is implementing measures to remain competitive, including bolstering its sales framework.

The Group will continue to strategically prioritize investments in the Environmental Management & Recycling segment in order to develop this segment into a future core business for the Group in both form and substance.

The outlook for the business environment remains opaque. Nonetheless, the Group will do its utmost to ensure profitability by pressing ahead with the aforementioned productivity enhancements, rigorous cost reductions and other measures.